

**PERFORMANCE CONTRACTING AND THE  
IMPLEMENTATION CHALLENGES IN DISTRICT HOSPITALS  
IN CENTRAL KENYA COUNTIES**

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## **Declaration**

This project is my original work and has not been submitted for examination in any other university.

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This project has been submitted for examination with my approval as the university supervisor.

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This paper is dedicated to my husband Simon, Daughter Kellen and son Erastus who have been fully supportive of my endeavours and for their patience and inspiration.

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## **List of Abbreviations**

- AHIC- Africa Health Information Channel
- BIDE- Boston Institute and Developing Economies
- DCPP- Disease Control Priorities Project
- DHMBS-District Health Management Boards
- ERS - Economic Recovery Strategy
- GDP - Gross Domestic Product
- GOK - Government of Kenya
- MDG - Millennium Development Goals
- MMSSP- Ministry of Medical Services Strategic Plan
- MTEF - Medium Term Expenditure Framework
- MTP - Medium Term Plan
- NPM - New Public Management
- NHSSP - National Health Sector Strategic Plan
- OECD - Organization for Economic Co-operation and Development
- PBMSIG -Performance Based Management Special Interest Group
- RBM - Result Based Management
- ROM - Result Oriented Management
- SARS - Structural Adjustment Programmes

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## **ABSTRACT**

Performance contracting has been adopted as an instrument to reform public service, granting managers more operational freedom while holding them accountable for the performance of the enterprises through a system of rewards and sanctions.

The study was dedicated to identify how performance contract are implemented in district hospitals in Central Kenya and to establish the challenges faced in the implementation of performance contracts in district hospitals. The study was based on descriptive cross-sectional survey. The purpose was to describe the state of performance contract implementation in district hospitals in central Kenya.

The data collection was through questionnaire method. The target respondents were the departmental heads. Once the pertinent data was collected the data analysis was done using descriptive statistics like percentages, mean and frequencies. Data is presented in tables, pie charts, bar graphs and narrative.

Out of 40 questionnaires that were issued 30 were responded to. A response rate of 75 % was achieved. An overall analysis showed that performance contract has not achieved satisfactorily results in the hospital. Performance contract is affected by many challenges including poor training on performance contract, government imposed policies which hospitals are yet to digest and have fulfilment of intended objectives of performance contract in hospitals. Further research should be carried out on how to reap full benefits of performance contract.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Performance contracting is freely negotiated performance agreement between government, organization and individuals on one hand and the agency itself (Kenya sensitization Training Manual, 2004). It is an instrument to reform state-owned enterprises. It specifies standards of performance or quantifiable targets which a government requires public officials or the management of public agencies or ministries to meet over a stated period of time. The purposes of performance contracting are to clarify the objectives of service organizations and their relationship with government, and to facilitate performance evaluation based on results instead of conformity with bureaucratic rules and regulations.

#### **1.1.1 The Concept of Performance Contracting**

The Government of Kenya guide on Performance Contracting defines it as management tool for measuring performance against negotiated performance targets. It specifies mutual performance obligations, intentions and responsibilities between parties. The relation in the negotiation of contract is an exchange of reciprocity. It's signed at corporate level but its outcome reflects performance of individual managers.

Shirley (1998) define performance contract as logical solution, since similar contract have been successful in the private sector, in shifting them from ex-ante control to ex-post evaluation. Thus, giving managers autonomy and incentive to improve efficiency hence holding them accountable for results.

Kumar (1994) defines performance contract as a memorandum of understanding, which is rooted in an evaluation system. It looks at performance comprehensively and ensures improvement of performance management and industries by making the autonomy and accountability aspect clearer and more transparent. Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangement.

According to Economic Recovery for Wealth and Employment Creation 2003-2007, performance contract is a management tool that ensures correlation between planning and implementation, coordination between various government agencies, an enabling public policy environment for other downstream reforms and an accurate impression about public enterprise performance. OECD (1999) suggests that performance contract specifies the intentions, obligations, responsibilities and powers of the parties in the contract, it addresses economic and social tasks to be discharged for economic and other desired gains.

Kirathe (2008) pointed out that, the setting of specific performance targets in a format that can be monitored is intended to provide a basis for evaluating performance and improving accountability in public sector. Thus, the concept is inseparable with accountability and financial performance. Performance contracting in public sector is being used as a restructuring tool.

### **1.1.2 Implementation of Performance Contract**

Strategy implementation is the sum total of activities and choices required for the execution of a strategic plan. It's the process by which objectives, strategies and policies are put in action through development of programs, budgets and procedures.

In implementing performance contracts, the common issues addressed are: improved performance to deliver quality and timely services, improved productivity in order to maximize shareholders wealth, reduce or eliminate reliance on the exchequer, instill a sense of accountability and transparency in service delivery and the utilization of resources. Give autonomy to government agencies without being subjected to bureaucracies and unnecessary procedures. (Kobia and Mohammed, 2006)

Performance contracts are drawn from strategic plans which are based on strategies and targets. Jones & Hills (1997), argue that implementation of strategy is a way in which company creates the organizational arrangement that allows it to pursue its strategy most effectively. Performance contract is used as a management tool for achieving strategic targets. OECD (1999) observes that each country has its own unique, legal, institutional and cultural environment. Therefore there is need to customize its approach to its own needs and circumstances. The implementation of Performance Contract is influenced by incentives and sanction systems, organization structure, organization culture, leadership, organizational management and resources.

Pearce & Robinson (2007) argue that successful strategy implementation depends on larger part on how a firm is organized. The structure helps an organization identify activities and the way it will coordinate them to achieve the firm's strategic

objectives. It provides managers with vehicles to exploit fully the skills and capabilities of the employees with minimal cost and at the same time enhance the firm's capability to achieve superior efficiency, quality innovation and customer's responsiveness.

Jones & Hills (1997) note that good leadership is a key element to effective strategy implementation. The right managers must be in the right positions for effective implementation of performance contract as a strategy. Top management goodwill and ownership to drive the process is critical to effective implementation of performance contract. The level of success of performance contracting depends on the degree of participation in planning and on personal acceptance to the goals, indicators and targets set. Thus, as Songs (1983) argues successful strategy (performance contract) implementation must rest on meeting consensus between enterprises management and government agencies rather than top down imposition of plan and targets.

Implementation of performance contract calls for paradigm shift in public sector. This translates to changing organization culture in terms of structures, employees, systems and styles of doing things in order to accommodate the perceived need of new strategy. For the implementation process to be successful there should be fit between the new changes and the firm's culture (Pearce & Robinson, 2007).

OECD (1999) points out conditions necessary for successful implementation of performance contract. He argues that performance criteria must be clearly defined and easily understood should be fair to the manager as it should encompass only areas within the control of public enterprise performance management. He further suggests

that criteria for evaluating public enterprise must be fair to the country and that performance target should be negotiated and not imposed arbitrarily from top government. Public managers must be left free to manage enterprises with agreed parameters once the performance has been set. Performance should be judged at the end of the year against the set targets. In performance evaluation there is need to have a balance in availability of information between evaluator and those being evaluated.

### **1.1.3 Challenges of Implementing Performance Contract**

Jones & Hills (1997), argue that implementation of strategy is a way in which company creates the organizational arrangement that allows it to pursue its strategy most effectively. Strategic planning is the process an enterprise develops a vision, goals, strategies, action plans for realizing the vision. Performance contracts are drawn from strategic plans which are based on strategies and targets. Thus Performance contract is used as a management tool for achieving strategic targets. Therefore the challenges that affect implementation of a strategic plan affect the implementation of Performance contract as well.

Kobia & Mohammed (2006) Performance contracts originated from notion that public sector has not been delivering service to the public and was falling below its customers expectation. Thus, Performance Contract was seen as public service reform system. The problems that have inhibited proper public service delivery include excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (RBM Guide, 2005). It's greatly hoped that Performance contracting will be an effective tool for managing productivity.

However, its implementation is faced with several challenges as it clearly specifies the intentions, obligations, responsibilities and power of the parties. It addresses economic and social tasks therefore its fundamental principle is the devolved management style. Emphasis is management by outcome rather than processes, this call for behaviour change in the context of devolved management structures. This might not be readily accepted by everybody. Especially those who might feel negatively exposed in terms of poor performance by outcomes (BIDE, 2007) Thus, faced with a lot of resistance from stakeholders.

Pearce & Robinson (2007) note that implementation of Performance contract is a tougher, more time consuming management challenge than crafting it, due to the wide array of managerial activities that have to be attended to and the number of bedeviling issues to be worked out. Governments all over the world view performance contracting as useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control method, while at the same time leaving day to day management to managers themselves (Kobia & Mohammed 2006)

It takes perseverance to get a variety of initiatives launch and moving, to integrate the effort of many different work groups into smoothly functioning whole. There is great need for consensus building depending on organizational target set involved. Adept managerial leadership is required to convincingly communicate the new strategy and reason for it, in order to overcome pockets of doubt and disagreement, secure the commitment and enthusiasm of the concerned parties. Identify and build consensus on all the how of implementation and execution then move forward to get all pieces into place. (GOK, 2004).



Implementation of concept of performance contract sounds beneficial, but its full implementation is faced with many challenges. Jones & Hills (1997) points out the probable implementation challenges to include changing underlying organization culture, technical expertise of the management, structure of the organization, poor internal management system of the organization, management of information system, timely allocation and utilization of resources, strategic orientation of the organization.

#### **1.1.4 Health Sector in Kenya**

The organization of the Kenya's health care delivery systems revolves around three levels, namely the Ministry of Medical Services headquarters, the provinces and districts. The headquarter sets policies, coordinates the activities of the NGOs and manages, monitors and formulates policy formulation and implementation. The provincial tier acts as an intermediary between the central ministry and the districts. It oversees the implementation of health policy at the district level, maintains quality standards and coordinates and controls all district health activities. In addition it monitors and supervises district health management boards (DHMBS) which supervises the operations of health activities at the district level. (Ngigi & Macharia, 2006)

The district level concentrates on the delivery of health care services and generates their own expenditure plans and budget requirements, based on the guidelines from the headquarters through the provinces. The health system in Kenya is organized and implemented through a network of facilities organized in a pyramidal pattern. The network starts from dispensaries and health clinics/posts at the bottom, up to the health centres, sub-district hospitals, district hospitals, provincial general hospitals and at the apex there is the Kenyatta National Hospital. Facilities become more and more

sophisticated in diagnostic, therapeutic and rehabilitative services at the upper levels. (Ngigi & Macharia, 2006)

The Ministry of Medical Services is the major financier and provider of health care services in Kenya. Out of over 4500 health facilities in the country, it controls and runs about 52% while the private sector, the mission organizations and the ministry of local government run the remaining 48%. The public sector controls about 79% of the health centres, 92% of the sub-health centres and 60% of the dispensaries. The NGO sector is dominant in health clinics, maternity and nursing homes (94%) and medical centres (86%). Both the public and the NGO sector have an almost equal representation of hospitals. ([http://www.enable.nu/publication/kenya\\_health\\_policy\\_overview.pdf](http://www.enable.nu/publication/kenya_health_policy_overview.pdf))

### **1.1.5 Ministry of Medical Services in Kenya**

Ministry of Medical Services Strategic Plan 2008-2010 points out that the overall health sector aims to prevent ill health, and where not able to, address the medical and social implications of the resulting ill health. Medical Services are all about managing these implications of ill health, paying special attention to the social context of disease and health. It complements the Public Health interventions, by ensuring essential medical care is made available as needed, when needed, and in appropriate amounts. It aims to improve lives through responding to the legitimate health care needs of the population in Kenya. The Ministry of Medical Services is central in providing leadership role in ensuring that Medical Services are provided to contribute towards attainment of the Medium Term development goals as outlined in the NHSSP II and the 1st Medium Term Plan (MTP) 2008 – 2012.

The Kenya government developed and launched the strategy for performance improvement in public service in 2001. The strategy outlined actions necessary to embed long lasting and sustainable change in the way public services are offered. Result oriented management (ROM) approach made it necessary to adjust operations to respond to predetermined objectives outputs and results. This called for transformation from passive inward looking bureaucracy to a proactive outward looking; result oriented which seeks customer satisfaction and value for money. Ministry of health was required to develop a strategic plan which reflected their objectives derived from the 9<sup>th</sup> national development plan, the poverty reduction strategy paper based on Medium Term Expenditure Framework (MTEF), Sectorial priorities and Millennium Development Goal. (Kobia & Mohammed 2006)

Ministry of Medical Services activities respond directly to two constituencies. The Government of Kenya: It is mandated to provide Medical Services in a manner that supports attainment of the Government's 1st Medium Term Plan, and Vision 2030. Other Government functions in the Health Sector are mandated to other Ministries. The Health Sector: It provides stewardship, and coordinates delivery of medical services in the health sector in a manner that supports attainment of the overall NHSSP II objectives. The other aspects of health services needed to attain the overall health sector objectives are carried out by other stakeholders. (MMSSP, 2008-2010)

With the decline of performance in medical services, the government took some initiatives like staff rationalization of programmes, functions and structures in the ministry, development of strategic plan and improvement programmes. In an effort to a lasting and sustainable change in the way the services were offered and managed in

the government hospitals; Performance Contracts were introduced in order to have an efficient and cost effective medical services system for a healthy Nation.

### **1.1.6 District Hospital in Central Kenya**

According to DCP (2007) district hospitals are district health system, which includes community health centers offering primary care services and outreach. They receive referrals from health centers. They form the apex of the pyramid of primary health care. They play a critical role in providing individuals and families with timely medical care that typically account for a large share of a population's disease burden. They serve as coordinating centers for local health information and planning. They also play a direct role in training health care workers and provide necessary data to national health planners. They generally serve a population of 100,000 to 1 million people. Some hospitals are small with less than 100 beds while others are relatively big with more than 400 beds.

### **1.2 Statement of the Problem**

The fundamental principle of Performance Contracting is the devolved management style where emphasis is management by outcome rather than management by processes. It therefore provides a framework for changing behaviour in the context of devolved management structures. This called for paradigm shift in the government. Shirley and Xu (1997) argue that Performance contracting assumes that government's objectives can be maximized and performance improved. Performance Contracts are based on the premise that what gets measured gets done; if you cannot see and measure success, you cannot reward it; if you cannot recognize failure, you cannot correct it and if you can demonstrate results, you can win public support.

The ministry of Medical Services strategic plan builds on the achievements realized under the National Health Sector Strategic Plan II (2005-2010) and Economic Recovery Strategy (2003-2007). It anchors its strategic thrust on Vision 2030 and its first Medium Term Plan. The plan takes cognizance of the fact that the objectives of the NHSSP II have not been fully realized, due to a number of challenges. The split of the former Ministry of Health provided an opportunity to the Ministry of Medical Services to give more focus on the delivery of health care services and achieve the goal of Vision 2030. A review of the results of the ministry's performance evaluation suggests positive changes have taken place. However, implementation of Performance Contract remains hindered by a myriad of factors that obstruct realization of sustainable economic growth.

Recent studies on Performance Contract include; Odadi (2002) who focused on process and experience of implementing a new performance management tool but restricted the study to balanced scorecard without linking to the implementation process and challenges of Performance Contracting. Othieno (2006) focused on initial experience of implementing Performance Contract but didn't focus on challenges of implementation. Kerrets (2008) focused on factors important in the implementation of Performance Contract but failed to look at the manner in which it's implemented. Leading to the research question which this study seeks to address, how are Performance Contracts implemented in Government owned district hospitals? What are the challenges of implementing performance contract in district hospitals?

### **1.3 Research Objectives**

The objectives of the study are;

- i. To establish how Performance Contracts are implemented in District Hospitals in Central Kenya Counties.
- ii. To establish the challenges faced in the implementation of Performance Contracts in District Hospitals in Central Kenya Counties.

### **1.4 Value of the Study**

The findings of the study will narrow the existing knowledge gap on the implementation process and challenges experienced in the implementation of Performance Contract in hospitals and public sector at large.

The study will be a source of reference to academia and students who wish to pursue further research on implementation of performance contract and challenges faced in the implementation process.

It will be useful to Government Policy Maker, Ministries and the implementers of Performance Contract. It will provide some insight on probable challenges in implementation process. It will offer some guideline on how to deal with the hindrances in order to achieve the best out of it.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

A Performance Contract is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets. It involves an incentive-based mechanism for controlling public agencies by controlling the outcome rather than the process. Performance Contracts originated in France in 1960's. It was developed with great deal of elaboration in Pakistan and Korea and later to India (OECD, 1997) Later it was introduced and adopted in African developing countries like Gambia, Nigeria Ghana and Kenya.

### **2.2 Performance Contracting**

According to Ahorani (1986) Performance Contracts originated from the perception that the performance of Public sector had been consistently falling below the public expectation. Performance is a part of the broader public sector reforms aims at improving efficiency and effectiveness in the management of public service.

Hood (1991) notes that the problem that have inhibited the performance of government agencies are largely common and have been identified as excessive controls, multiplicity of principles, frequent political interferences, poor management and outright mismanagement. Ahorani (1986) argues that these challenges could be addressed by different approaches that include; new institutional structures and arrangement for managing diverse programs and services, Systemic reforms and new method of service delivery.

Hood (1991) argues that Performance Contracting have been an approach to address challenges in public sector management. It's intended to establish clear mechanism for asserting and monitoring performance under contract, including consideration of the use of sanctions and incentives to achieve the set contracted results. (Ahorani, 1986). GOK (2005) notes that Performance Contract address the imbalance in assessing performance by agreeing on the objectives against which performance will be measured.

According to Jensen & Meckling (1976) Performance Contract prevent confusion due to multiplicity of objectives. Several government agencies may have to pursue certain social goal and such pursuit may affect the financial result of the operations of an agency. Therefore a prior understanding of the extent to which financial result can be traced off against social objectives to be achieved by the agency through a performance contract help to clarify the objectives of the agency. Maggio & Powell (1983) note that many of these practices first emerged in the private sector with the result that the public sector has moved increasingly to resemble private sector. They referred to this trend as process of engaging in isomorphic behaviour.

As suggested by Trivedi (2004) the Performance Contract consists of three sub-systems. Performance information system which focus on the need of reasonable information balance between government and agency in the negotiation process, performance evaluation system which comprise of performance measurement criteria and evaluation system and finally performance sanctions /incentive system which link reward/sanctions to measurable performance.



### **2.3 Performance Contracting in Kenya**

Performance Contracting is a modern management instrument adopted in Kenya as part of the government's public policy initiative to instill a culture of management by objectives.

The concept of performance Contracting was first introduced in the management of state corporations in 1989. A Parastatal Reform Strategy Paper, which was approved by cabinet in 1991, was the first official recognition of the concept of Performance Contracting as it was part of the policies that were recommended to streamline and improve the performance of State Corporations: Divestiture or Liquidation of non-strategic parastatals, Contracting out Commercial activities to the private sector, Permitting private sector competition for existing state monopolies, Improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives. Performance Contracts, was meant to make transparent the cost of social services and to compensate the parastatals for their net costs. (Kobia & Mohammed, 2006)

(Kobia & Mohammed (2006) point out that Performance Contracting Secretariat (PCS) was established within Cabinet Office in 2003, to spearhead the implementation of Performance Contracting in the Public Sector, a key element in Kenya's performance Management Framework. A pilot programme involving 16 state corporations commenced in 2004, with all 16 having signed Performance Contracts by December, 2004. Performance Contracting has since been rolled out to all Ministries, State Corporations and Local Authorities. Kenya won the 2007 UN Public

Service Award for improving transparency, accountability and responsiveness in the Public Service through the practice of performance contracting.

The objective of the consultancy is to conduct an independent evaluation of performance contracting, including a determination of relevance, effectiveness, efficiency and impact of the same, and to provide recommendations for enhancement of performance management, including the performance contract tool itself and the systems and processes for its implementation.

## **2.4 Types of Performance Contract**

Signalling Performance Contract which is based on the principle of how best management can make use of a given level of capital. It aims at motivating management to maximize returns on investment. A criterion of evaluation is developed to determine improvement in the productivity and the level of increase in public profitability. It's signed at the beginning of the year and evaluated at the end of the year. Management is awarded an incentive based on real improved performance. It has been used in Pakistan, Korea, Philippines, India, Bolivia, and Gambia.

French Based System Performance Contract, it was introduced in France in early 1960's with an aim of improving public enterprises. It was introduced during the crisis in the performance of public enterprises, when government realized it had lost considerable sum of money in loss making public institutions. It entails identification and agreement on performance criteria at the beginning. It has been effected in France, Senegal, China, Cote D'ivore, Benin and United Kingdom (<http://www1.worldbank.org/publicsector/civilservice>)

## **2.5 Rationale of Performance Contract**

Kirathe (2008) argues that the widely accepted rationale of Performance Contract is that public agencies have multiple objectives and multiple principals. These objectives lead to poor financial performance in most cases. One view is that because public agencies are required to carry out several functions they are unable to do any of them well. The other view is that while a government agency may have done well in achieving many of its objectives, its performance may be judged with reference to one objective which it has not done well.

A Performance Contract is a tool for remedying the situation of multiple objectives by agreeing on the preferred objectives, which the owner would like to achieve. Kobia & Mohammed (2006) argue that the fundamental principle of performance contract is the devolved management style, by focusing to management by outcome as opposed to management by process.

BIDE (2007) Signing a Performance Contract commits a public official to perform to, or beyond, the specified levels. This holds public officials accountable for results and therefore helps in converting tax Shillings into goods and services effectively and efficiently. It also creates transparency in the management of public resources. Performance Contract documents list the obligations of all public agencies. They include specific criteria and targets to evaluate success. Also, they prioritize the success indicators to clearly convey government's priorities to its managers. These documents are put on the internet for all to see and hold the agencies accountable.

Promote Accountability; at the end of the year, the performance of all government agencies is assessed against the commitment made by them in their respective Performance Contracts. The state-of-the-art methodology allows the chief executive of the government to rank all public agencies. Thus, the evaluation is not descriptive but precise and quantitative. This allows the leader of the government to rank all public agencies in a descending order. Performance Contract system focuses on holding the top managers accountable. It is based on the assumption that accountability for results trickles down.

Promote responsiveness; Kenyan Performance Contract policy requires each public agency to design its Service Delivery Charter (Citizens Charter, Client Charter). Then holds the agency accountable for implementing its charter. This is a major innovation and is likely to be a trend setter.

Transforming Administration; each public agency is required to have a strategic plan to specify the correct direction it intends to follow. Also is required to get an ISO certification. This is a revolutionary concept in government. (<http://www1.worldbank.org/publicsector/civilservice>)

## **2.6 Operationalization of Performance Contracts**

In 1990, the Government approved the introduction of Performance Contracts in the management of public agencies. In 2003, the Government made a commitment to introduce performance contracts strategy as a management tool to ensure accountability for results and transparency in the management of public resources. Performance Contract (2004) points out that the process of performance contracting

commenced with the establishment of a Performance Contracts Steering Committee in August 2003 and the issue of Legal Notice No. 93, and gazetted on 8th April, 2005 with a mandate to spearhead the introduction and implementation in the entire public sector. The initial performance contracts were introduced in 16 pilot state corporations, which signed contracts on 1st October 2004 and 16th December 2004 respectively.

In the implementation of performance contracts, the steering committee is assisted by an Ad-hoc Negotiations and Evaluation Task Forces whose members are drawn from outside the public service. The ad-hoc task forces are responsible for negotiating and evaluating performance contracts of ministries/departments, state corporations and local authorities on behalf of the Permanent Secretary, Secretary to the Cabinet and Head of the Public Service. The task-forces are independent and comprises of eminent private sector practitioners, retired public servants with a track record, business executives and academia. This ensures independence in the entire process of setting performance targets and in their evaluation. (BIDE, 2007)

The steering committee developed tools and instruments for introducing and implementing performance contracts and evaluating the same. These include subsidiary legislation for state corporations and local authorities; model performance contracts and matrices; training manual and information booklet; and guidelines for contracting and evaluation. Citizens' service delivery charters and customer satisfaction surveys in the performance contract strategy.

PMSIG (1999) suggests six steps process prudent for performance contracting, that involves establishing a successful program which include: defining the original vision, mission and strategic objectives, establishment of integrated performance measurement system, establishment of accountability for performance, establishment of a process/system for collecting performance data, receive, analyse, and report performance and use of performance report to drive performance improvement. The underlying assumption driving the performance contracting concept is that, once performance can be measured and performance shortfalls identified (including non-performers), actions can be taken to address the shortfall. Performance evaluation, and by extension contracting is therefore based on the premise that ‘what gets measured gets done.

## **2.7 Performance Evaluation Criteria**

Performance targets identification process is carried out after the budget process and allocation of resources to government institutions. This ensures that targets are realistic and achievable within the available resources. The targets emanate from the institutions and are freely negotiated and not imposed arbitrarily by the government. (BIDE, 2007)

BIDE (2007) further points out that negotiation process between the government and agency is carried out in two phases. Pre-negotiation consultations, the negotiating parties carry out a SWOT analysis in order to determine the institution’s performance capacity. Phase two involves factoring in all issues agreed upon into the performance contract. The draft contract is then submitted to the performance contracting secretariat for vetting. This ensures the contracts comply with guidelines and linked to the strategic objectives of the institutions, anchored on the strategic plans, growth oriented and relevant to the mandate of the institution.

The performance contracts are signed at two levels. In government ministries, the contract is signed between the Head of the Public Service and Secretary to the Cabinet, representing the Government on the one side and the permanent secretary of a ministry on the other side. To ensure that ministers, who represent the political body, are bound by the commitments of their permanent secretaries, they are required to counter sign the performance contracts. (BIDE, 2007)

Performance evaluation of public institutions is subjected to independent evaluation which is carried out in three stages. The first stage entails self-evaluation by respective public institutions, using the evaluation methodology in the Performance Contracting Guidelines. The second stage is referred to as Primary evaluation, where a group of experts, drawn largely from the private sector, carries out exhaustive assessment of the performance of all public institutions in the contract year, and assigns a composite score to each institution. This constitutes the overall performance of the institution. The evaluator proceeds to adjust the score for factors outside the control of the manager during the contract year, to determine the performance of the manager. (Evaluation of Performance of Public Agency Report, 2008-2009)

Performance Contract (2004) point out that evaluation exercise is done ex ante. Thus performance evaluation by the ad hoc evaluation committee is based on a comparison of achievements against the targets agreed at the signing of the contract. The negotiation of targets to be included in the contract is conducted by the ad hoc negotiation committee. The final contract is however between the government and the agency. The performance indicators are agency specific and are developed by the respective agencies upon agreeing on the targets.

The actual achievements of the agencies are rated against the set performance targets negotiated and agreed upon at the beginning of the period. The resultant difference is resolved into weighted scores and ultimate performance denominated to a composite Score- the value of a weighted average of the raw scores in a performance agreement (Triveldi, 2000). The critical requirement for each target is that they must be growth oriented and therefore must be improving with time.



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The issues in this chapter include the research design, the target population, data collection procedures and the techniques used in the data analysis.

### **3.2 Research Design**

The study adopted a cross sectional survey. This is because the study was carried out at the same time across all hospitals and measuring the same variables. The design was appropriate for the study as it sought to describe phenomena. Which in this case, was the manner in which Performance contracts are implemented and the challenges of implementing the Performance Contract, as a Government directive.

### **3.3 Target Population**

The target population of the study consisted of all the district hospitals in Central Kenya. According to Kenya Medical Directory (2010) there are nine district Hospitals in Central Kenya. From each hospital Heads of Departments were targeted.

### **3.4 Data collection**

Both primary and secondary source of data was used to obtain information of the study. Primary data was obtained through structured questionnaire comprising of open ended questions and closed questions. Respondents were the hospital's departmental heads. Secondary data was obtained from all district hospital's Strategic Plans, Service Charters, Work Plans and Performance Contracts Reports on Evaluation of Performance of Public Agencies.

### **3.5 Data Analysis**

Descriptive statistics was used as it enabled summarize and organize data in an effective and meaningful manner. The data was analyzed using quantitative techniques such as measures of central tendency, percentages and tabulations. This involved inputting accumulated data, developing summaries, looking for patterns and applying statistical techniques. The data was presented using tables, bar charts, pie charts among others.

## **CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS**

### **4.1 Introduction**

This chapter focuses on presentation, discussion and interpretation of research findings on performance contracting and implementation challenges in district hospitals in central Kenya. The data was collected through questionnaires. Respondents were heads of departments from the eight district hospitals in Central Kenya under the study.

### **4.2 Embracing the Concept of Performance Contract**

The underlying objective of Performance Contracting is to align Strategic Plans, Annual Work plans and budgets of Public Agencies in order to improve accountability while focusing resources on the attainment of key national policy priorities. To establish if performance contract have been fully embraced in the district hospitals, respondent were asked if their hospital had embraced it. If the answer was an affirmative they were requested to briefly explain. Data was analyzed using frequencies and percentage.

From the response obtained 90% (27 out of 30) were in agreement that their hospital had embraced the concept of performance contract while 10% said that their hospital had not embraced it as indicated by table 4.2.1. The respondents further indicates that performance contract is a good tool, which if properly formulated and implemented would lead to improved efficiency and effectiveness in the management of the hospitals affairs. This would lead to improved quality of life and thus to a developed nation.

**Table 4.1 Embracing the Concept of Performance Contract**

	Frequency	Percentage (%)	Cumulative %
Yes	27	90	90
No	3	10	100
<b>Total</b>	<b>30</b>	<b>100</b>	

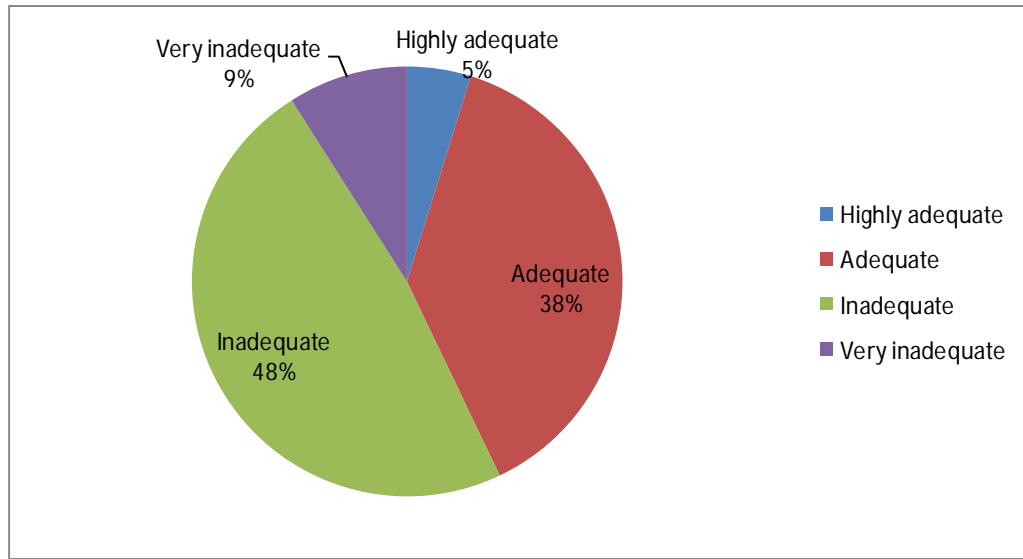
### **4.3 Knowledge on Performance Contract**

The Economic Recovery Strategy for Wealth and Employment Creation conveyed the policy decision to introduce Performance Contracts in the management of the Public Service. To investigate the knowledge level on performance contract, respondents were required to give their opinion on how much knowledge they had on performance contract.

Data was collected using 4 point rating scale. The first point was highly adequate while the last one was very inadequate. Data was analyzed using percentages. From the response only 5% felt they have highly adequate knowledge, 38% felt they have adequate knowledge, 48% felt their knowledge is inadequate while 9% felt their knowledge is very inadequate. The results are given in figure 4.3.1.

The findings indicated that most of respondent have inadequate knowledge on performance contract. Therefore more emphasis should be put for proper training and sensitization on the performance contract.

**Figure 4.1 Knowledge on Concept of Performance Contract**



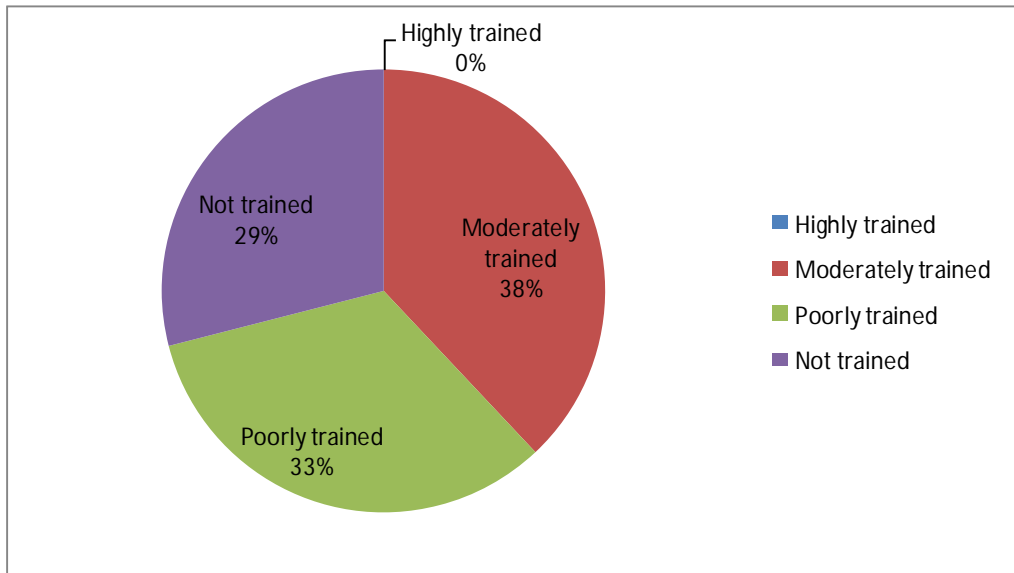
#### **4.4 Training on Performance Contract**

Preparations made for the introduction of performance contracts included a series of sensitization/training workshops. To find out if the implementers had been trained on performance contract, respondents were asked if they had been trained. If the answer was affirmative, they were further asked to rate the extent to which they had been trained. Data was collected using 4 point scale rating where the first point was highly trained while the last was not trained. Data was analyzed using percentages.

A majority of 71% indicated that they had received training while 29% indicated that they had not received training. Out of the 71% that had received training none of the respondent felt had been highly trained, 38% had been moderately trained while 33% had been poorly trained. As indicated at table 4.4.1. On requirement of further training, 71% of the respondent indicated that further training would be of very much important to them, 24% said that further training would be of much importance while

5% said that it would be important. None of respondent said further training would be of least important or not important.

**Figure 4.2 Extent of Performance Contract Training**



#### **4.5 Performance Target Setting**

The performance contracts were introduced for measuring performance against negotiated performance targets. To find out who steers the performance target, respondent were asked who steers the performance target setting. Data was analyzed using percentages and frequencies. The outcome indicated that 87% performance target setting is steered by the top management while 13% indicated that it is steered by technical officers. As depicted in the table 4.5.1.

**Table 4.2 Performance Targets Setting**

	Frequency	Percentage (%)	Cumulative %
Top Management	26	87%	87
Technical Officer	4	13%	100
<b>Total</b>	<b>30</b>	<b>100%</b>	

Further, 56.7% of the respondents indicated that the set target were realistic indicating that they are achievable since they are set within the schedule of duties. However, 43.3% felt that the set targets are not realistic. As indicated in table 4.5.2

**Table 4.3 Set Targets**

	Frequency	Percentage (%)	Cumulative %
Yes (Realistic)	17	56.7%	56.7
No (Not realistic)	13	43.3%	100
<b>Total</b>	<b>30</b>	<b>100%</b>	

#### **4.6 Effectiveness of the Negotiation Process**

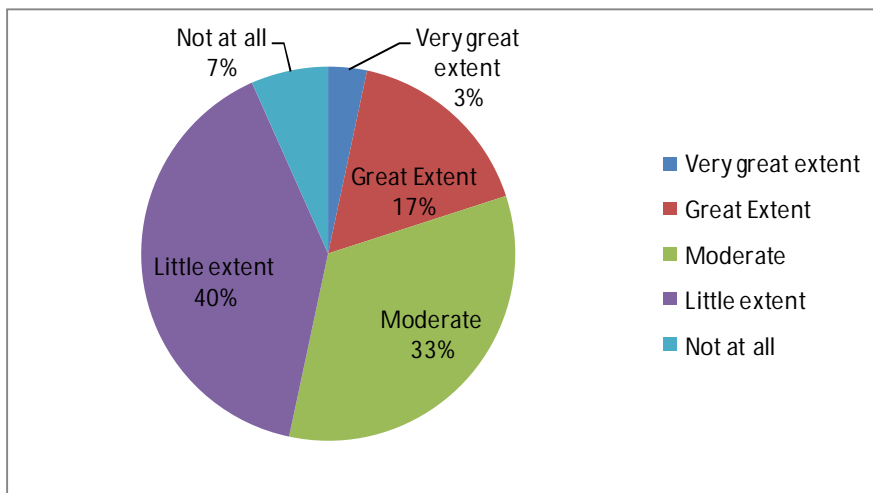
The performance Contracts negotiating process involves An Ad-Hoc Task Force appointed by the Permanent Secretary, Secretary to the Cabinet and Head of Public Service to negotiate Performance Contracts with Permanent Secretaries/Accounting Officers.

To investigate effectiveness of the negotiation process, respondents were asked how they would term the negotiation process, data was collected using 5 point scale rating with the first point being highly effective and the last one being highly ineffective.

From the response, none of the respondent found it to be highly effective or highly ineffective. 40% found it to be effective while 53% found it to be ineffective. Further the respondents were supposed to scale the extent to which set targets were freely negotiated. Only 3% felt that the set target were freely negotiated to a very great extent, 17% felt the process was freely negotiated to a great extent, those that felt it was moderate were 33% while 40% felt it was freely negotiated to a little extent and 7% felt it was not freely negotiated. As indicated by table 4.6.1

The respondent further indicated that targets are set within the organization's objectives and are achievable, however they went ahead to suggest that all the stakeholders should be involved in the negotiation process so that they can own up the responsibilities. As depicted in figure 4.6.1

**Figure 4.3 Extent to which Targets are Freely Negotiated**





## 4.7 Steering the Process of Performance Contract Implementation

The Performance Contract Steering Committee is responsible for the overall administration and co-ordination of Performance Contracts in the public service. To find out if PCSC does its obliged duty, the respondent was asked to identify who steers the implementation process between the top management and technical officers.

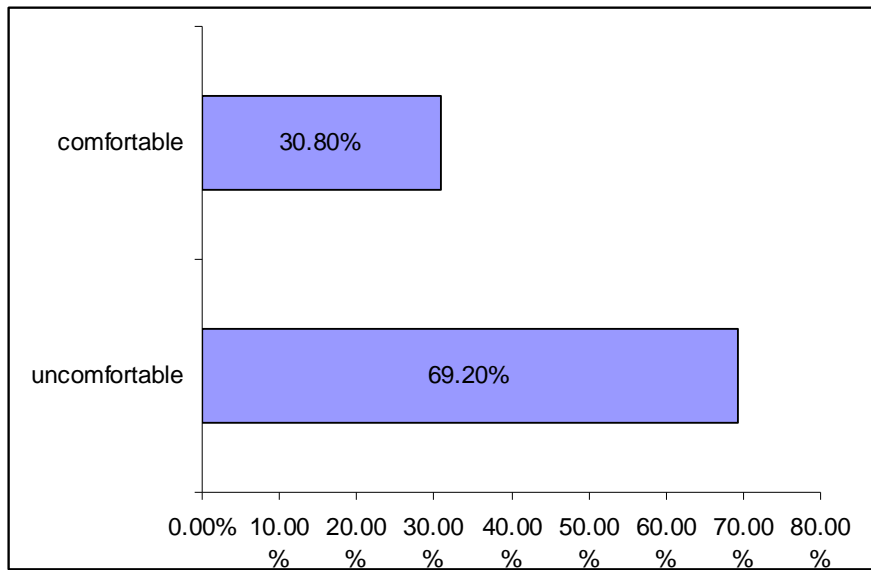
The outcomes indicated that 73.3% of implementation process is steered by top management while 26.7% is steered by technical officers. As indicated in figure 4.7.1. It is evident that both top management and technical officers steers the implementation process.

**Table 4.4 Performance Contract Steering Process**

	Frequency	Percentage (%)	Cumulative %
Top Management	22	73.3%	73.3
Technical Officer	8	26.7%	100
<b>Total</b>	<b>30</b>	<b>100%</b>	

To further determine if respondents were comfortable with the implementation process, the respondents were asked how comfortable they were with the implementation process. Data was collected using a 5 point scale rating; the first one was very much comfortable while the last one was not comfortable. The finding indicates that majority of respondent 69.2% were not comfortable with the way the implementation is carried out while only 30.8% respondent were comfortable with the way its carried out. As depicted by figure 4.7.2

**Figure 4.4 Content with the Implementation Process**



#### **4.8 Attitude Towards Performance Contract**

To investigate on the overall attitude towards performance contracting, respondents were asked what their attitude towards performance contract was. Data was collected by either indicating positive or negative. They were further requested to comment. The results indicated that a majority of the respondents 72% were positive about the whole idea of performance contract. 92% of the positive respondents felt it would lead to improved performance if administered in the right way.

Regarding reward system, respondents were asked how articulation of performance reward/ penalty system would influence their attitude towards performance contracting. An overwhelming majority of 86% respondents felt that performance reward system if articulated would influence them positively. They went ahead to note that if the system is objectively carried out it would improve commitment and

enhance output leading to better performance and efficiency in service delivery. A 14% were negative about the reward/penalty system, they felt that the system would be biased and not transparent and they feared it could be used to safeguard interpersonal interests.

#### **4.9 Reflection of Evaluation Results**

Evaluation of the performance of public agencies entails the rating of actual achievements against performance targets negotiated and agreed upon at the beginning of the year. The resultant differences are resolved into raw scores, weighted scores and ultimately denominated into composite scores.

To investigate if the evaluation of results is a true reflection of what is on the ground; the respondents were asked if the evaluation of results reflect what is on the ground. Findings as indicated in table 4.9.1 showed that 36.6% of respondents felt it is a true reflection of what is on the ground. However, 63.3% felt it did not reflect the true picture of what is on the ground. The respondent indicated that staff fills in performance contract forms just for formality as most of them do not understand the whole concept, while others fear being victimized thus fill in what they think is right.

**Table 4.5 Reflection of Evaluation Results**

	Frequency	Percentage (%)	Cumulative %
Yes	11	36.6%	36.3
No	19	63.3%	100
<b>Total</b>	<b>30</b>	<b>100%</b>	

Regarding resources and capacity, respondents were asked if there are adequate resources to implement performance contract. A majority of 66.7% of the respondent felt that the resources and capacity for implementing performance contract were inadequate while 33.3% felt the resources were adequate. They went ahead to point out that material resources are marginal and untimely released thus difficult to accomplish the set targets. They also pointed out that staff is poorly trained on performance contract to maximum utilize the scarce resources.

#### **4.10 Submission of Reports**

Public Agencies are required to file quarterly and annual performance reports in prescribed formats for the continuous monitoring and reporting on performance. To find out if respondents were able to submit their quarterly reports on time, respondents were asked if they were able to submit their report on time. They were requested to give reasons for either timely submission or late submission.

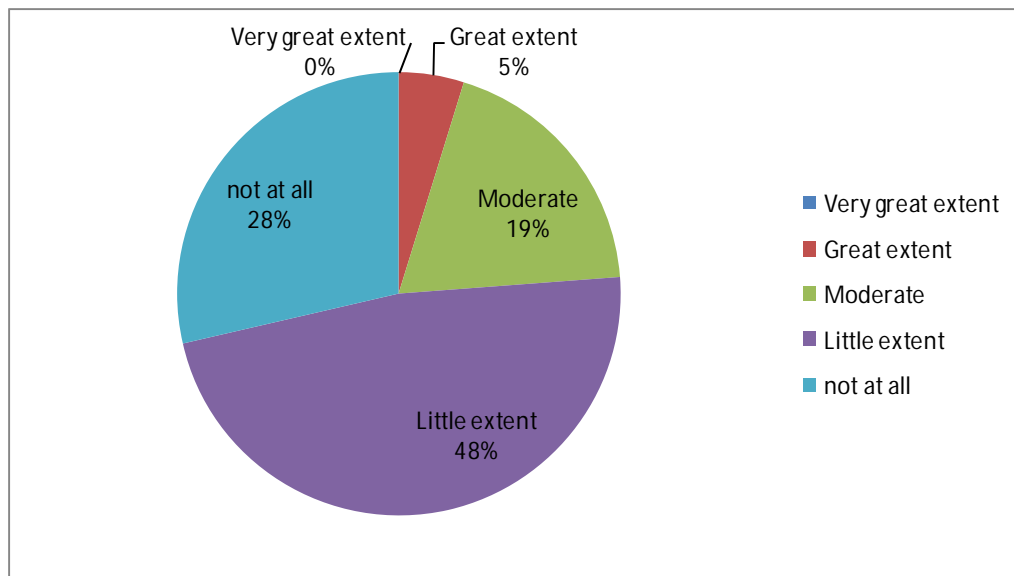
Finding showed that 56.6% of the respondents were able to submit their report on time. They indicated that cooperation and team work from other heads of departments enabled them submit on time. Other pointed out that the report is part of legal requirement and those in-charge being strict as a reason for timely submission. 43.3% were not able to submit it on time. The causes of late submission were heavy workload, multitasking as well as lack of understanding of what is expected of them.

Regarding where to seek assistance concerning achieving targets, respondents were asked whether they know where to seek assistance concerning meeting target. Further they were asked if they always get the expected assistance. Majority of respondents

73% knows where to seek assistance while only 27% of respondent don't know where to seek assistance. However the respondents further indicates that those that are supposed to be consulted are not as well conversant with performance contract.

To investigate if workers are enjoying their job as a result of performance contract, respondents were asked to rate the extent to which they are enjoying their job. From the responses only 5% enjoy to great extent, 19% enjoy to a moderate extent, 48% enjoy but to little extent while 28% don't enjoy at all. As depicted by table 4.10.1

**Figure 4.5 Extent of Workers Enjoying Work**



#### **4.11 Improvements and Challenges of Performance Contract**

This section cover findings from the specific questions posed to the respondents to determine the extent to which some predetermined improvements are brought about by performance contracting as well as challenges that are faced in the performance contract implementation process. Data was collected using a five point rating.

1 = very great extent, 2= Great extent, 3= Moderate, 4= little extent and 5= not at all.

Data was analysed using mean score and standard deviation.

#### **4.11.1 Improvements Brought About by Performance Contract**

Regarding improvements brought about by performance contract, the respondent were requested to rate the extent on which performance contract has enhanced them.

**Table 4.6 Improvements Brought by Performance Contract**

	Mean	Std Dev
Improved Communication within the organization	2.80	1.0770
P.C has increased accountability in the hospital	2.95	0.920
Has brought about individual job expectation	3.10	1.090

The findings indicate that performance contract has to a great extent improved communication and increased accountability within the organisation with a mean of 2.80 and 2.95 respectively. It has brought about individual job expectation to a moderate extent with a mean of 3.1.0. There was high degree of variation among respondent as indicated by relatively high standard deviations of 1.077 and 1.090.

#### **4.11.2 Challenges of Performance Contract Implementation**

The respondent was supposed to rate the extent these challenges hinder implementation of performance contract.

**Table 4.7 Challenges of Performance Contract Implementation**

	Mean	Std Dev
Unfair distribution of targets in the departments	3.333	1.2534
Workers not involved in decision making	3.238	1.376
Unfairness in evaluation process	3.428	1.179
Inadequate resources	2.285	0.55
Not releasing of required resources on time	2.714	1.200
Unplanned transfer of staff	4.047	0.617
Unsupportive leaders in implementation process	3.000	1.345
Targets not properly integrated with strategic plan	2.810	1.096
Improper appraisal system	2.524	1.111
Poor training of the implementers	1.571	0.728

The finding indicates that poor training hinder performance implementation to a very great extent with a mean of 1.571, there was little variation of respondents as indicated by a low standard deviation of 0.728. Therefore the government should put more effort on properly training all the stakeholders.

The challenges that hinder performance contract to a great extent are inadequate resources, improper appraisal system, required resources not being released on time and targets not properly integrated with strategic plan with means of 2.285, 2.524, 2.714 and 2.810 respectively. Thus these factors need to be looked into and should be improved in order to achieve the desired results from performance contract. The unplanned transfer of staff seems to hinder the implementation process by only a little

extent as indicated by a mean of 4.047 with small variations of respondents as indicated by small standard deviation of 0.617.

#### **4.12 Discussion of the Findings**

From the findings it is evident that, Performance Contracting has enhanced overall performance and service delivery in the district hospitals in central Kenya. From the results, it is clear that sustained application of the Performance Contracting is a necessary pre-requisite for streamlining the management and operations of the Public Service so as to work better and more efficiently.

The respondent unanimously agreed that performance contract has played a big role in restoring and building trust in government hospitals and addressing challenges of service delivery in the hospital. It has achieved a remarkable change in attitude to work and work ethics by public employees, accountability and commitment in employees. It has enabled the hospitals to be focused on its goals as spelt out in strategic plans, more oriented towards desirable service delivery. This concurs with Hood (1991) & Ahorani, (1986) who pointed out that Performance Contracting have been an approach to address challenges in public sector management. They further argue it is intended to establish clear mechanism for asserting and monitoring performance under contract.

Based on the data collected and analyzed it was apparent that successful implementation of performance contract requires much effort through proper planning and implementation of workable programmes in order to achieve the desirable targets. Implementation of performance contract should be tailored to fit individual



organization specific situation. This is in line with OECD (1999) observation that each country has its own unique, legal, institutional and cultural environment. Therefore there is need to customize its approach to its own needs and circumstances

Finding indicated that majority of employees were not adequately trained (Figure 4.4.1). This has lead to hospitals not achieving full benefits of performance contract. Therefore extensive and continuous training is vital. This is in agreement with Kobia & Mohammed (2006) pointed out that knowledge on performance contract, development of work plans and monitoring capacities among staff is central to the success of performance contract.

Finding indicated the challenges that hinder successful implementation of performance contract. They include inadequate training of implementers, inadequate resources, resources not being released on time, lack of good will from the senior management leading to poor guidance, overstretched human resources, and highly ambitious performance target. Unwillingness by implementers and performers to accept changes, evaluation system which lump big and small ministries together and setting highly ambitious performance targets. This is in line with Kobia & Mohammed (2006) who pointed out the challenges of successful implementation of performance contract as lack of adequate resources, resources not being released on time, highly ambitious targets.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION**

### **5.1 Introduction**

This chapter provides the summary of study findings, conclusions and recommendations. It also focuses on the limitation of the study and suggestions for further research.

### **5.2 Summary of the findings**

The study was based on descriptive study design and sought to answer to the questions, how are performance contract implemented in government district hospitals in Central Kenya and what are the challenges of implementing performance contract in government district hospitals in Central Kenya. To achieve the study objectives, both primary and secondary data were used in the research. The data was collected through questionnaires. Out of the forty questionnaires distributed, thirty were responded to, giving a response rate of 75% which was used for data analysis.

Performance contract implementation calls for translation of strategic thought into action throughout the organization. This is working the plan as the focus is shifted from formulation to implementation. It entails figuring out all the specific techniques, actions and behaviour that are required for a smooth contract-supportive operations, which then follows through to get things done and desired results delivered.

The respondent unanimously agreed that performance contract has played a big role in restoring and building trust in government hospitals, remarkable change in attitude to work and work ethics by public employees. It has assisted in attainment of

accountability and commitment in employees. It has enabled the hospitals to be focused on their goals as spelt out in strategic plans. It has also induced the hospitals to become more oriented towards desirable service delivery and stimulate them towards achieving the set objectives.

The hospitals are already reaping the benefits of performance contracts. With performance contract in place the hospitals are able to measure the improvement standards, allow hospitals identify weaknesses and put in the corrective measures. It has made communication effective as information is trickled down from top management, to heads of departments and to the employees. It has enhanced teamwork and participation by all departments thus achieves improved performance.

### **5.3 Conclusion and Recommendation**

Overall analysis has indicated that performance contract has made the hospitals more focused on result rather than the process. It has induced the hospitals to become more oriented towards customer, better accountability and internal management improvement. Thus it has greatly led to improved performance.

However, central in successful implementation of performance contract are strategic planning, proper training of all stakeholders, capacity building, programmes monitoring and evaluation. Of particular importance is inclusion of stakeholders in decision making. The government through the ministry of Medical Services should communicate the case for desired organizational change clearly to the organizations heads, heads of department and all who will partake in the implementation process.

This will ensure all stakeholders own up the responsibility and thus be committed to the implementation process and attainment of set targets at individual level.

In the view of the findings, all stakeholders should be involved in the target setting and decision making. The performance targets should be discussed and agreed upon by all involved parties. This would enhance individual performance. In regard to reward/penalty system, it should be defined by policy guide. This would bring a clear and transparent system that stipulates rewards for achievement and penalty for failure.

Availing of the required resources on time, stability of resources enhances the motivating effect of the contract. When resources are availed in time, services are efficient and implementers are satisfied, this avoids frustrations among implementers. Government should put necessary measures to ensure that the concept of performance contract is embraced by all employees and not to be seen as a top management initiative. Proper training, sensitization and motivation would lead to internalization and appreciation of the concept

To institutionalize and create ownership of the performance contract, Public enterprise managers and citizen should be involved and let them manage the process rather than external parties. Allocate adequate resources to achieve the set target. Select few realistic target rather than too many objectives attempted at once. Government should honour their financial commitment to the enterprise.

Contract management should be accompanied by performance oriented change in the public service structure and management culture. Culture that empowers staff and

management change is very vital. This will enable employee embrace the whole idea of performance contract as a transitional change for better.

#### **5.4 Limitation of the Study**

There was no response to some questionnaire while some questionnaires had a number of questions that were no responded to, this deprived the study required data. Other respondents kept the questionnaire for so long delaying the data analysis. Time and resources constraint, the study was conducted within a constraint of time and resources.

#### **5.5 Suggestions for Further Studies**

For future understanding of performance contract in Kenya, researchers should focus on effectiveness of Kenya Citizen Service delivery charter as a customer satisfaction indicator.

Further research should be carried out to establish if performance contract has elicited some creativity in the conduct of public affairs.

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## APPENDICES

### Appendix A: Questionnaire

#### Part 1

1. Respondent Name (Optional).....
2. Designation (Optional).....
3. How many years have you served in your current position? .....
4. Have your hospital embraced the concept of performance contract?  
Yes/ No. Kindly explain  
.....  
.....  
.....  
.....
5. In your opinion how much knowledge do you have on the concept of Performance Contract?
  - a) Highly adequate [ ]
  - b) Adequate [ ]
  - c) Inadequate [ ]
  - d) Very Inadequate [ ]
6. Have you been trained on Performance Contracting? Yes/ No.  
If yes, to what extent have you been trained?
  - a) Highly trained [ ]
  - b) Moderately trained [ ]
  - c) Poorly Trained [ ]
  - d) Not trained [ ]
7. Would you require further training on aspect of performance contracting? Yes/ No.  
If yes, how important would be further training.
  - a) Very much important
  - b) Much important
  - c) Important
  - d) Least important
  - e) Not important

**PART 2: NEGOTIATION AND IMPLEMENTATION**

- 8. Who steers performance target setting in the ministry.
  - a) Top management [ ]
  - b) Technical Officer [ ]
  
- 9. How would you term the effectiveness of the negotiation process with the Performance Contract Steering Committee?
  - a) Highly Effective [ ]
  - b) Effective [ ]
  - c) Neither [ ]
  - d) Ineffective [ ]
  - e) Highly Ineffective [ ]
  
- 10. In your opinion, are the set targets realistic? Yes/ No.
  
- 11. To what extent do you think the set targets are freely negotiated?
  - a) Very Great extent [ ]
  - b) Great extent [ ]
  - c) Moderate [ ]
  - d) Little extent [ ]
  - e) Not at all. [ ]
  
- 12. Who steers the implementation of performance contract in the hospital?
  - a) Top Management [ ]
  - b) Technical Officers [ ]
  
- 13. Are there are adequate are resources and capacity in the hospital to implement the performance contract? Yes/No
  
  
- 14. Were you able to submit your quarterly report on time? Yes/ No.  
If yes, what would you consider as the reason for timely submission?  
.....  
.....  
  
If no what are the causes of late submission?  
.....  
.....

.....  
.....

15. In your views, what are the challenges faced in implementation of performance contract in your hospital?

- I. ....
- II. ....
- III. ....
- IV. ....
- V. ....
- VI. ....
- VII. ....
- VIII. ....
- IX. ....
- X. ....

16. Have the Ministry put any measures to resolve these challenges? Yes/ No.  
If yes, kindly outline them.

- I. ....
- II. ....
- III. ....
- IV. ....
- V. ....

17. How would you rate your hospital in term of performance contract implementation?

- a. Very Good [ ]
- b. Good [ ]
- c. Fair [ ]
- d. Poor [ ]
- e. Very Poor [ ]

18. To what extent do you think Performance Contract has been administered in the right way?

- a) Very Great extent [ ]

- b) Great extent [ ]
- c) Moderate [ ]
- d) Little extent [ ]
- e) Not at all. [ ]

19. What is your attitude toward Performance Contract?

- a. Positive [ ]
- b. Negative [ ]

If positive, do u think it leads to improved performance? Yes /No.

If negative, what makes you feel so? Please explain

.....

.....

.....

.....

20. Would articulation of performance reward /penalty system influence your attitude towards performance contracting? Yes/ No.

What is your attitude toward the system?

.....

.....

21. Do you think the evaluation results reflect what is actually on the ground?

Yes/No

22. Do you know where to seek assistance concerning achieving the set targets? Yes/ No.

If yes, do you get the expected assistance?

.....

.....

23. To what extent are workers enjoying their job as a result of performance contract?

- a) Very Great extent
- b) Great extent
- c) Moderate
- d) Little extent
- e) Not at all

24. How comfortable are you with the way the implementation process is carried out?

- a) Very much comfortable
- b) Much comfortable
- c) Comfortable
- d) Little comfortable
- e) Not comfortable

25. Listed below are some of improvements brought about by Performance Contract.

In your views, please rate the extent to which implementation of Performance Contracts have influenced them. (Key: 1-very great extent;

2- Great extent; 3- Moderate; 4- little extent; 5- not at all).

- |   | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|----------|----------|----------|----------|----------|
| a) Improved Communication within the organization   | ( )      | ( )      | ( )      | ( )      | ( )      |
| b) P.C has increased accountability in the hospital | ( )      | ( )      | ( )      | ( )      | ( )      |
| c) Has brought about individual job expectation     | ( )      | ( )      | ( )      | ( )      | ( )      |

26. Please rate below challenges to the extent they affect the Performance Contract implementation process. (Key: 1-very great extent; 2-Great extent; 3-Moderate; 4 -little extent; 5 -not at all).

- |  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|--|----------|----------|----------|----------|----------|
| a) Unfair distribution of targets in the departments   | ( )      | ( )      | ( )      | ( )      | ( )      |
| b) Workers not involved in decision making             | ( )      | ( )      | ( )      | ( )      | ( )      |
| c) Unfairness in evaluation process                    | ( )      | ( )      | ( )      | ( )      | ( )      |
| d) Inadequate resources                                | ( )      | ( )      | ( )      | ( )      | ( )      |
| e) Not releasing resources on time                     | ( )      | ( )      | ( )      | ( )      | ( )      |
| f) Unplanned transfer of staff                         | ( )      | ( )      | ( )      | ( )      | ( )      |
| g) Unsupportive leaders in implementation process      | ( )      | ( )      | ( )      | ( )      | ( )      |
| h) Targets not properly integrated with strategic plan | ( )      | ( )      | ( )      | ( )      | ( )      |
| i) Improper appraisal system                           | ( )      | ( )      | ( )      | ( )      | ( )      |
| J) Poor training of the implementers                   | ( )      | ( )      | ( )      | ( )      | ( )      |

## Appendix B

### Timeline for Implementation of Performance Contracts in Kenya

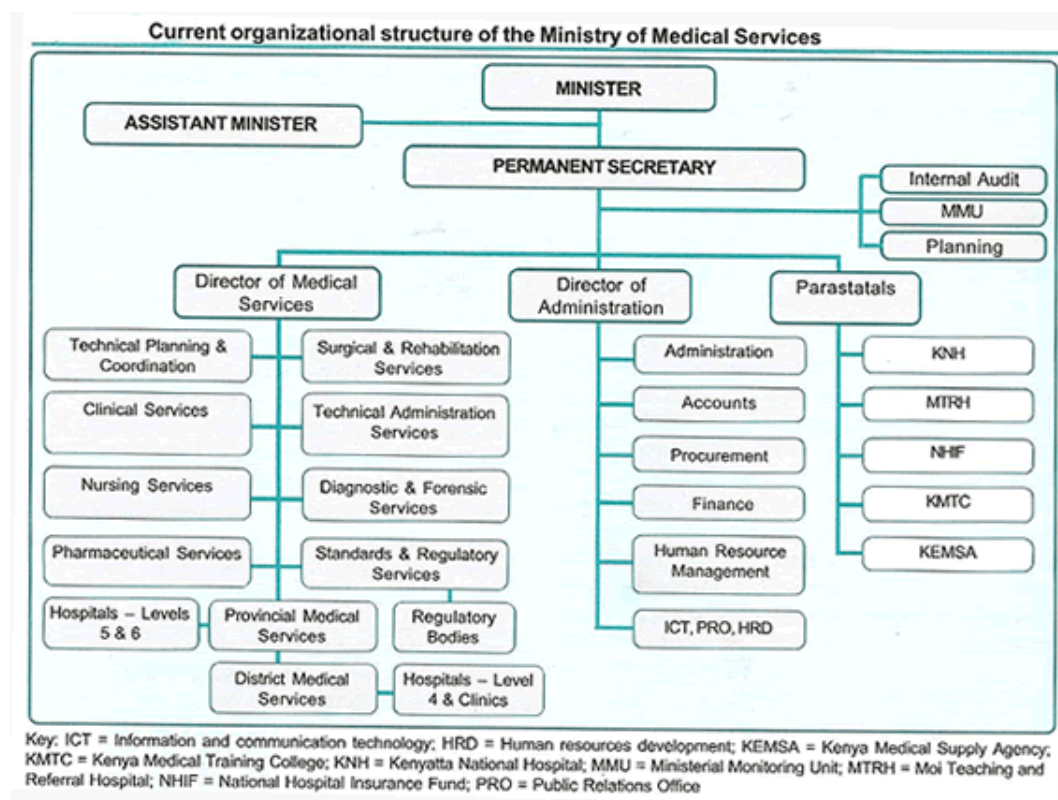
2003 (Jan)	Blueprint containing policy direction on introduction of Performance Contracts issued as part of Economic Recovery Strategy for Wealth and Employment Creation (2003-2005)
2003 (Apr)	The Ministry of State for Public Service is directed to place all public institutions on performance contracts by June 30, 2004
2003 (Aug)	Performance Contracts Steering Committee (PCSC) established
2004 (May)	16 pilot State Owned Enterprises selected
2004 (Jun)	Workshop held to train ministers, permanent secretaries directors and CEOs of the pilot State Owned Enterprises
2004 (Oct)	Signing PCs by the pilot State Owned Enterprises
2004 (Nov)	Training of core PCSC staff by Boston Institute for Developing Economies (BIDE)
2005 (Feb)	February –April 2005: Training of all top officials in public service on performance contracts
2005 (Jun)	Signing of PCs by all ministries and State Owned Enterprises
2005 (Sep)	September 2005 signing of PCs by five pilot local authorities
2006 (Jan)	Training of top public officials by BIDE
March-June 2006	Training all top public servants including local authorities
2006 (Jun)	Signing of PCs by all public institutions
2006 (Sep)	Evaluation of performance of all ministries and State Owned Enterprises
2006 (Oct)	More public officials trained by BIDE
2006 (Dec)	Declaration of Results by President Kibaki on December 8, 2006

*Source: Performance Contract in Kenya, 2008.*



## Appendix C

### Organization Structure of the Ministry of Medical Services.



Source: Ministry of Medical Services, 2008. <http://www.health.go.ke>

## Appendix D: Government District Hospitals in Central Kenya

### **Gatundu District Hospital**

P.O Box 84, Gatundu 01030

Tel: 061-74024

Beds 107

### **Karatina District Hospital**

P.O. Box 133, Karatina 10101

Tel: 061-72115, 72406

Beds: 88

### **Kiambu District Hospital**

Biashara Street Opp Kiambu

Law Court

P.O. Box 39, Kiambu 00900

Tel: 066-22191, 20190, 20119

Beds: 417

### **Mukurweini District Hospital**

P.o Box 139, Mukurweini

Tel: 062-56437

Beds: 138

### **Muranga District Hospital**

P.O. Box 69, Muranga 10200

Tel: 060-22780, 22555

Beds: 317

### **Muriranja District Hospital**

P.O. Box 577, Muranga 10200

Tel: 63 Kahuro.

Beds: 66

### **Nyahururu District Hospital**

P.O. Box 86, Nyahururu 20300

Tel: 065-22114

Beds: 105

### **Thika District Hospital**

P.O. Box 227, Thika 01000

Tel: 067-21621

Beds: 317

*Source: The official Kenya Medical Directory online edition (2010)*

*<http://www.healthcarekenya.com>*