

**INFLUENCE OF PERFORMANCE CONTRACTING TOOLS ON  
SERVICE DELIVERY IN KISUMU COUNTY: A CASE OF LAKE  
BASIN DEVELOPMENT AUTHORITY, KISUMU COUNTY**

**By**

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**DECLARATION**

The research report is my original work and has not been presented for the award of degree in any other university.

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## **DEDICATION**

I dedicate this research project to my mother, Mary J. Okoda and my daughters Belinda Anyango and Shonnel Were. Further the research study is dedicated to my whole family for their relentless support, encouragement and prayers during the period of my studies.

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## TABLE OF CONTENT

DECLARATION .....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT .....	iv
TABLE OF CONTENTS.....	v
LIST OF TABLES.....	ix
LIST OF FIGURES .....	x
ABBREVIATIONS AND ACRONYMS .....	xi
ABSTRACT .....	xii
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.1 Background to the Study .....	1
1.2 Statement of the Problem .....	5
1.3 Purpose of the Study.....	6
1.4 Objective of the Study.....	6
1.5 Research Questions .....	6
1.6 Significance of the Study.....	7
1.7 Basic Assumptions of the Study .....	7
1.8 Limitations of the Study .....	7
1.9 De-limitations of the Study.....	8
1.10 Definitions of Significant Terms .....	8
1.11 Organization of the Study.....	9
<b>CHAPTER TWO.....</b>	<b>10</b>
<b>LITERATURE REVIEW.....</b>	<b>10</b>
2.1 Introduction.....	10
2.1.1 Performance Contracting in Kenya.....	10
2.1.2 Performance Contracting and Service Delivery by State Corporations in Kenya ...	13
2.2 Service Delivery Tools.....	15
2.2.1 Influence of Service Delivery Tool on Service Delivery .....	16
2.2.2 Influence of Non-Financial Indicators Tool on Service Delivery.....	18
2.2.3 Influence of Dynamic/Qualitative Indicator (Tool) on Service Delivery.....	21
2.2.4 Influence of Corruption Eradication Tool on Service Delivery.....	23

2.3	Theoretical Framework .....	25
2.4	Conceptual Framework .....	27
2.5	Summary of Literature Review .....	28
<b>CHAPTER THREE.....</b>		<b>29</b>
<b>RESEARCH METHODOLOGY.....</b>		<b>29</b>
3.1	Introduction.....	29
3.2	Research Design.....	29
3.3	Target Population.....	29
3.4	Sample Size and Sampling Technique .....	30
3.4.1	Sample Size.....	30
3.4.2	Sampling Technique.....	30
3.5	Research Instrument .....	30
3.5.1	Pilot Testing of the Instrument.....	30
3.5.2	Validity of the Instrument.....	31
3.5.3	Reliability of the Instrument.....	31
3.6	Data Collection Method.....	31
3.7	Data Analysis Technique.....	32
3.8	Ethical Considerations .....	32
<b>CHAPTER FOUR .....</b>		<b>33</b>
<b>DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION...33</b>		
4.1	Introduction .....	33
4.1.1	Questionnaire Return Rate .....	33
4.2	Demographic Information of the Respondents.....	33
4.3	Performance Contracting .....	35
4.3.1	Respondents signing of Performance Contracting .....	35
4.3.2	Commitment to Performance Contracting towards improved Service Delivery .....	36
4.3.3	Awareness of purpose & requirement of performance contracting .....	36
4.4	Service Delivery Indicator Tool .....	37
4.4.1	Adherence to Citizens Service Delivery Charter.....	37
4.4.2	Customers' Satisfaction Levels .....	38
4.4.3	Service Delivery Innovation .....	39

4.4.4	Motivating Factor for Service Delivery Innovation.....	40
4.4.5	Public Complaints Resolution and Service Delivery.....	41
4.5	Non-Financial Indicators Tool .....	42
4.5.1	Project Implementation.....	42
4.5.2	Automation of Operations .....	42
4.5.3	Competency Development .....	43
4.6	Dynamic and Qualitative Indicators Tool .....	44
4.6.1	Work Environment.....	44
4.6.2	Employee Satisfaction.....	45
4.7	Corruption Eradication Indicators Tool.....	45
4.7.1	Minimizing of Corruptions Incidences.....	46
4.7.2	Corruption Risk Mitigation Plan.....	46
<b>CHAPTER FIVE .....</b>		<b>48</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS .....</b>		<b>48</b>
5.1	Introduction .....	48
5.2	Summary of Findings.....	48
5.2.1	Performance Contracting.....	48
5.2.2	Service Delivery Tool .....	48
5.2.3	Non-Financial Indicators Tool.....	48
5.2.4	Dynamic and Qualitative Indicators Tool.....	49
5.2.5	Corruption Eradication Indicators Tool.....	49
5.3	Conclusion.....	49
5.4	Recommendations .....	50
5.5	Contribution to Knowledge.....	52
5.6	Suggestions for further Research.....	52
<b>REFERENCE.....</b>		<b>53</b>
<b>APPENDICES.....</b>		<b>58</b>
APPENDIX I: TRANSMITTAL LETTER.....		58
APPENDIX II: QUESTIONNAIRE .....		59
APPENDIX III: TABLE FOR DETERMINING SAMPLE OF A GIVEN POPULATION.....		64

APPENDIX IV: LETTER FROM THE UNIVERSITY .....	65
APPENDIX V: LETTER FROM NACOSTI.....	66
APPENDIX VI: RESEARCH PERMIT.....	67
APPENDIX VII: MAP OF LBDA ADMINISTRATION AREA.....	68
APPENDIX VIII: PERFORMANCE CONTRACT MATRIX .....	69



## LIST OF TABLES

Table 1: Increase of Agencies on Performance Contracts .....	14
Table 2: Demographic Data of the Respondents.....	34
Table 3: Frequency table on respondents signing of performance contract.....	35
Table 4: Commitment to performance contracting and improved service delivery.....	36
Table 5: Level of Awareness of the Performance Contracting .....	37
Table 6: Adherence to service delivery charter.....	38
Table 7: Service Delivery tools and enhance customer satisfaction.....	38
Table 8: Service delivery innovation and enhanced service delivery .....	39
Table 9: Motivating factors for service delivery innovation .....	40
Table 10: Public Complaints and enhanced service delivery .....	41
Table 11: Projects Completion rate and enhanced service delivery.....	42
Table 12: Automation of operations and improved service delivery.....	43
Table 13: Staff competencies and improved service delivery .....	43
Table 14: Work environment and enhanced service delivery .....	44
Table 15: Employee satisfaction and improved service delivery .....	45
Table 16: Minimizing of corruption incidences and enhanced service delivery .....	46
Table 17: Awareness of existence of corruption mitigation plan .....	46
Table 18: Contribution to knowledge.....	52

## LIST OF FIGURES

Figure 1: Performance Evaluation Methodology .....	12
Figure 2: Conceptual Framework .....	27

## ABBREVIATIONS AND ACRONYMS

CAJ	Commission on Administrative Justice
EACC	Ethics and Anti-Corruption Commission
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
ERS	Economic Recovery Strategy
GAPPS	Global Alliance for Project Performance Standards
GOK	Government of Kenya
ICT	Information, Communication and Technology
IMF	International Monetary Fund
IPPD	Integrated Payroll and Personnel Database
IRDMP	Integrated Regional Development Master Plan
KEBS	Kenya Bureau of Standards
KIA	Kenya Institute of Administration
KPIs	Key Performance Indicators
LBDA	Lake Basin Development Authority
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MOU	Memorandum of Understanding
OECD	Organization for Economic Cooperation and Development
PCSC	Performance Contract Steering Committee
PC	Performance Contract
PE	Public Enterprises
PMS	Performance Management System
PSA	Public Service Agreement
QMS	Quality Management Systems
SAPs	Structural Adjustment Programmes
TOP	Theory of Performance
UK	United Kingdom
USA	United States of America
WB	World Bank

## ABSTRACT

Performance contracting has attracted a lot of debate in the recent past. The common issues that have necessitated performance contracting include; delivery of quality and timely services through improved performance; maximization of shareholders wealth through improved productivity; reduction on reliance on the exchequer; utilization of resources by instilling a sense of accountability and transparency and, reduction/elimination of bureaucracies to give government agencies autonomy so as to provide quality public service. In Kenya, the service delivery standards are still considered below the tax payers' expectations and affect the quality of life of the people and nation's development process. From the foregoing, there has been frequent demand in Kenya to re-shape the mandate, structure and operations of the public sector to enhance productivity, to be more focused, effective, efficient and responsive to the needs of the tax payers. Thus the PC through its tools was expected to streamline services and reap benefits to the tax payers. The purpose of this study therefore was to determine the influence of performance contracting tools on service delivery in Kisumu County, using the case of Lake Basin Development Authority. The survey targeted the implementers of the performance contracting as the population elements from which the sample was drawn. This included the performance contracting staff and heads of departments within five departments. The researcher used both primary and secondary data to collect views, opinions, perceptions, feelings and attitudes from the respondents on issues regarding influence of performance contracting tools on service delivery by Lake Basin Development Authority. The study used stratified and simple random sampling. The data was collected by use of structured questionnaire after which the data collected was coded then responses grouped into various categories. The findings have been presented using frequency tables. The findings generally show that the introduction of performance contracting and the use of various tools have contributed to enhanced service delivery. However, it is noted that although individual and organizational commitment to performance contracting is directed towards achieving improved service delivery, not all staff sign the performance contract. This may lead to non-commitment by a section of staff who may feel they are not directly accountable to non-achievement of the performance contract goals. The study recommends that the performance contract needs to be restructured in a way that service delivery innovation which is key to improved service delivery is reviewed to put in place deliberate measures that would lead to staff motivation. This would ensure that more innovative ways of service delivery are generated by more staff in any single organization. Further the study recommends to the government to re-structure the PC to ensure all staff members sign performance contract so that there is ownership from the lowest to highest cadres in the organization. Although this is the requirement, in practice as observed in Lake Basin Development Authority, only the top and middle level management are the ones who sign the PC.

## **CHAPTER ONE INTRODUCTION**

### **1.1 Background to the Study**

The public service plays an indispensable role in any country's socio-economic development, OECD (2007). The Public services are those that are funded from public taxes and are delivered by the state or on behalf of the state, for example, the quasi-government institutions or private sector companies. Although often referred to as single entity, the public sector is not a homogeneous body, but is in sub-sectors and includes: Central Government, Other Government agencies, Local Authorities (County Governments), public universities and colleges amongst others, Njie (1994). Some of the public sector services delivered includes; health & social services, provision of water and sanitation, environmental conservation, national security, education, registration of persons, immigration services, social housing, etc. Public services are usually at subsidized rates and sometimes free of charge for the benefit of all citizens.

Public services have, however, been affected by globalization, public sector reforms, regional and international partnerships, climate change, Information, Communication and Technology (ICT), and increased customer awareness among others Obong'o (2008). Reforms in the public sector have therefore become a common phenomenon around the globe, especially in developing countries as a way of responding to the needs of the tax payers, hence there has been frequent demand to re-shape the mandates, structure and operations of the public sector to make them more focused to enhance productivity and to be efficient and responsive to the needs of the tax payers.

Performance contracting (PC) is therefore one of the public sector reforms that is used by the developing and developed countries to reform the public sector service delivery Muthaura (2007). However, the definition of Performance Contracts is a subject of considerable debate among scholars and human resource practitioners. Kumar (1994) describes

performance contract as a Memorandum of Understanding (MOU) and that it is rooted in an evaluation system and looks at performance comprehensively for improvement of managements by making issues of autonomy, accountability and transparency much clearer. OECD, (1999) defines PC as a range of management instruments used in determining responsibility and expectations between parties for mutually agreed results.

Keller (2001) argues that a common definition of performance contracting can be found with considerable variety of uses and forms for quasi-contractual arrangements, while Backer *et al* (2010) stresses that performance contracts were introduced in various countries to guide public delivery officers in shift of their minds towards market economies. Giddens and Duneier (2000) indicates they were introduced to change effort of works from process to results; the same view is shared by Batliwala (2013). Performance contracts however vary and use different tools or concepts which are predetermined, for achievement of specific goals and for evaluation of the agency's performance. It specifies the intentions, obligations, responsibilities and powers of the parties. The fundamental principle of the PC is the devolved management style and emphasis is on management by outcome rather than processes, Giddens and Duneier (2000).

The origin of the PC dates back to the French experience in 1967, and was referred to as 'Program de Contrats' (Oliver, 1997). According to Sharma (1982) the French experiment had the primary objective of reducing the government budgetary support to the public enterprises. Suffice to say, only two contracts were signed in the first year, this was with French State Railways (SNFC) and the French Sate Electricity Agency (EDF). Due to the information asymmetry between the government enterprises, long delays were experienced in negotiations and conclusions that took up to two years thereby compromising service delivery. Also, the French system never introduced any special rewards for the target achievements or penalties for non-fulfilment of the contract, Chambers (2010). In United Kingdom (UK), the PC in public sector was introduced in 1998 as Public Service

Agreement system (PSA) and outlined the set of performance targets that all government agencies were to report on (Metawie and Gilman, 2005). In Finland, Chambers (2010) noted that public service reforms were started in 1987-1997 as outlined in Public Sector PC study conducted with the aim of making the public agencies more responsible and accountable.

Agarwal (1997) notes that in Denmark, the PC played a major role in improving efficiency and policy control, while in the United State of America (USA), according to Government Performance and Results Act of 1993, the PC aimed at making federal departments productive and to enhance citizens' confidence in their government. Nellis (1988) says that the next major experiment in PC system was in Korea.

In the early eighties, Korea had few public enterprises and was important for the development of the national economy. Their PC was based on the belief that performance evaluation should lead to rewards and penalties otherwise it would have no teeth. Nellis (1988) noted that the Korean PC system saw the performance of the public enterprises improve significantly. In Pakistan, the PC system was known as the "signalling system" and was established to improve the operational efficiency of public industrial enterprises. Until the late 1970s, the Pakistani enterprises were characterized by a combination of adverse financial and operational failures namely; declining profitability leading to weak financial structures, imbalanced debt equity ratios and inefficient asset usage, among others, that led to poor service delivery, Chambers (2010). Similarly, experience of poor performance of public agencies called for new comprehensive public sector reforms strategies in the African countries. Ghana, Nigeria and Gambia started managing public service through the PC, (Kobia & Mohammed 2006). Njie (1994) notes that the PC system for public enterprises was introduced in Gambia in 1987, as a prelude to identifying public enterprises that were to be under the performance contracting system, which saw notable improvement in service delivery in the public enterprises.

The PC was introduced in Kenya in 1989 with the aim of improving service delivery, particularly, in the management of state corporations.

The Kenya Government Sensitization Training Manual, (2004) states that performance contract is a freely negotiated agreement between government, as the agency owner and the agency. The PC started with Kenya Railways in 1989 and the National Cereals & Produce Board being the second State Corporation to be under Performance Contract in 1990, Obong'o (2008). Both corporations did not succeed due to lack of political goodwill to drive the process as it was perceived as donor-driven. Other factors that led to the PC's failure in Kenya included lack of provision for impact of external factors such as changes in Government of Kenya (GoK) policy, inflation, exchange rate fluctuations that would have made evaluation fair Migai, (2010).

The second phase of the public sector reforms started as part of the objectives of the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC, 2003-2007) to help improve the economic situation in the country and signalled a shift from the process-based to an outcome-based system, GOK (2010). The key objectives for re-introducing the PC in Kenya were to; improve service delivery from the highest level in government by ensuring they are accountable for results to help reverse the decline in efficiency the public sector. However, as noted by Kobia and Muhammed (2006), the African experiences including Kenya had mixed results. In some countries in public service enterprises there was general and sustained improvement while in others there was no response or were subdued by government policies from responding.

The Kenya Government is currently finalizing the 11th cycle and starting on the 12<sup>th</sup> cycle of the PC guided by principles for evaluating achievement; this also comprise a range of management perspectives on which performance of the manager is evaluated. These are then reduced to Performance Indicators (tools) representing standard measures by which an institution's performance is assessed as listed in sample PC matrix for Ministries and State Corporations in Appendix viii showing service delivery tools. LBDA however started the PC cycles in 2008/2009 financial year and is now at its 6th cycle. LBDA is a state agency, established in 1979 under Cap 442 of the Acts of Parliament, with the mandate to



spearhead socio-economic development within the portion of the Lake Victoria basin in Kenya, as a key aspect in service delivery to the communities living in the area. It covers an area of 39,000 km<sup>2</sup>, exclusive of Lake Victoria's water surface of 4,000 km<sup>2</sup>, which is 6.8% of Kenya. The region has a population of 16.2 million (2009 census) living in 18 counties and is 42% of Kenya's population.

A review of the LBDA's Integrated Regional Development Master Plan (IRDMP) for period 1985-2005 in 2013 revealed that LBDA only managed to implement 48% of the activities, Wafula (2013). The IRDMP is a long range plan systematizing development needs of the communities within the region, delivered in segmented plans of five years over the twenty-year period to ensure regional balance in the country's socio-economic development. The review led to the development of a more focussed Strategic Plan (2012-2017) and a need for undertaking the second regional master plan, LBDA (2012). The Strategic Plan is the basis for the continuing cycles of the Performance Contracting being undertaken annually with the GoK. Based on the above, it is imperative to establish whether the tools of performance contracting have had any positive influence on the performance and service delivery in LBDA as a case.

## **1.2 Statement of the Problem**

The Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) (2003 - 2007) Policy Paper stated that the public sector service had become a bottleneck to overall development in Kenya therefore the public sector in Kenya has not been graded as matched to tax payers' with regard to expectations. Performance contracting (PC) therefore originated from the perception that public sector performance had been falling below expectations of the tax payers, and that the PC and its tools, cascaded from national government to her agencies, were expected to streamline services and translate into benefits to the tax payers. However, although widely accepted, Performance Contracting has its various shortcomings that need review and improvement.

A critical analysis of the positive and negative influence of the PC tools on expectation of the government and the tax payers is therefore lacking for evaluation of the effects of performance of these tools. This is despite the fact that targets of the performance contracting may have been met or not, over the years of performance contracting. Opportunity therefore exists to assess, detail, contextualize and link the influence of the PC tools on service delivery, for PC achievements and long term expectations of the tax payers. This study aimed at addressing this issue by establishing whether or not the performance contracting tools influence service delivery using Lake Basin Development Authority as a case, the indicators of which would be percentage increase in customer satisfaction level, percentage increase in work environment level and a decrease in corruption level.

### **1.3 Purpose of the Study**

The purpose of this study therefore was to assess the influence of performance contracting tools on service delivery in Kisumu County, the case of Lake Basin Development Authority.

### **1.4 Objectives of the Study**

This study sought to achieve the following objectives:

1. Determine how service delivery criterion tools influence service delivery in LBDA.
2. Investigate the extent to which non-financial criterion tools influence service delivery in LBDA.
3. Establish the level at which dynamic/qualitative criterion tools influence service delivery in LBDA.
4. Determine how corruption eradication criterion tool influence service delivery in LBDA.

### **1.5 Research Questions**

This study sought to answer the following research questions:

1. How does service delivery criterion tool influence service delivery by LBDA?
2. To what extent do non-financial criterion tools influence service delivery by LBDA?

3. To what level does dynamic/qualitative criterion tool influence service delivery by LBDA?
4. How does corruption eradication criterion tool influence service delivery by LBDA?

### **1.6 Significance of the Study**

This research study is significant in that although the government has used performance contracting as one of the reform initiatives to streamline and achieve quality service delivery to the citizens, it is noted that the quality of service delivery by the state agencies is still not to the level of the citizens' expectations. The study therefore seeks to reveal gaps in the tools used in performance contracting and to find out their influence if any on service delivery. This study therefore used LBDA, a state corporation in Kisumu County as a case study.

### **1.7 Basic Assumptions of the Study**

Leedy and Ormrod (2010) hypothesized that, "assumptions are so basic that, without them, the research problem itself could not exist". The researcher assumed that the respondents would understand the questions asked and provide accurate information to facilitate data analysis and interpretation. The researcher acknowledged the influence of factors such as educational level, personal sentiments and fear of victimization by superiors. The researcher however assumed that these factors would not be a hindrance to the study's success.

### **1.8 Limitations of the Study**

Reluctance of some staff to avail documents for analysis was also a major limiting factor as some of the documents had been placed under the organization's central archive. This affected referencing for secondary data collection process. The researcher addressed this challenge by referring to information available from departmental records which made the process rather tedious. The other limiting factor to this study was the interference occasioned by the staff's need to undertake their daily routine duties.

The researcher addressed this challenge by arranging for the most appropriate time convenient to both the respondents and researcher which enabled the questionnaires to be filled accurately.

### **1.9 Delimitations of the Study**

Due to the expansive area of jurisdiction of LBDA (Appendix vii) and the spread of its projects across Nyanza, Western and part of Rift Valley provinces, the researcher was delimited to LBDA headquarters in Kisumu County and its other operational stations within Kisumu City. Further being that the performance contract has a number of tools (indicators), the researcher was delimited to the four key tools that directly link to service delivery, these included; service delivery criterion tool, non-financial criterion tool, dynamic/qualitative criterion tool and corruption eradication criterion tool.

### **1.9 Definitions of Significant Terms**

<b>Performance Contracting</b>	An agreement that binds two or more parties for performing some specified tasks over a specified period of time.
<b>Public Sector</b>	Part of national economy consisting of national and local government and their agencies, which provide basic goods and services that are either not or cannot be provided by private sector.
<b>Public Service Delivery</b>	The continuous, cyclic process by which the public sector develops and delivers user focused services to the citizens of a nation.
<b>Performance Contracting tools</b>	Pre-determined criterion, norms or standards that have been established by the Performance Contracting Secretariat to assist in achieving specific goals and to measure achievement of those goals.

## **1.11 Organization of the Study**

This report is divided into five chapters. Chapter one explains the background of the study, the problem being addressed, the purpose of the study, as well as research objectives and research questions. It further outlines the assumptions, limitations and delimitations of the study as well as the definition of significant terms used in this study.

Chapter two focuses on the study of different literature materials on service delivery and performance contracting within the public sector as well as the performance contracting tools which include; service delivery, non-financial, dynamic/qualitative, and corruption eradicator tools in the performance contract as used by the public sector to enhance service delivery.

Chapter three describes the research methodology and explains the research design used in the study, the target population and the sample size selected as well as the sampling technique used. Further, the chapter explains the instrument used for data collection, pilot testing of the instrument, its validity and reliability. In addition, the chapter outlines detailed information on the data collection procedure, data analysis technique and the ethical considerations.

Chapter four presents the research findings and discussion which are with respect to the research objectives. Finally, Chapter five details the conclusion, recommendations, and suggestions for future research that is relevant to this study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This Chapter reviews theoretical and empirical literature relevant to this study based on the following sub-topics; performance contracting in Kenya and performance contracting tools (criteria) that influence service delivery namely, service delivery, non-financial, dynamic/qualitative and corruption eradication tools. Further the Chapter outlines the theoretical aspect of the as well as the conceptual relationship of the study's independent and dependent variables.

##### **2.1.1 Performance Contracting in Kenya**

Effectiveness of performance in the Kenya civil service has been noted to be a big challenge and below the expectations and led to strained national budget without equivalent results, Prajapati (2009); Muthaura (2007); GoK (2005). In response, the government has been undertaking a number of reforms to address the situation in the last two decades. Such reforms include; Freezing of Employment and Structural Adjustment Program (SAP) in the early 1990s, Voluntary Early Retirement (VER), Retrenchment Program in the mid 1990s to early 2000s and introduction of Integrated Payroll and Personnel Database (IPPD), Salary Review and Strategies for uprooting corruption from the public service, DPM (2010) among others. In 2005, the government made a major stride by introducing performance contracting paradigm in the management of public service and a positive paradigm shift in performance has been recorded (Government of Kenya, 2010; Oduor, 2010; Muthaura, 2009; Prajapati, 2009; Obong'o, 2008; Kobia & Mohammed, 2006). Performance contract therefore helps to eliminate under-performance and contribute to improved organisation/employee performance in the public sector in Kenya, Njie (1994).

According to Kobia and Mohammed (2006) Performance contracting concept can be traced back in 1990 through Cabinet Memorandum No. CAB (90) 35 when performance contracting paradigm was conceived and designed with an aim of having a real impact in changing the way "things" were being done, creating a new behavior pattern and adoption of positive attitude and work ethics in the entire public service delivery. The system was

expected to return faith on government services to the citizens and other international stakeholders, Muthaura (2007). The paradigm was later outlined in the Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007.

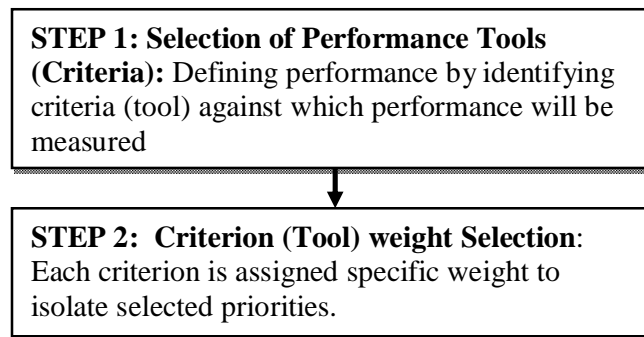
Performance Contract in Kenya is hinged on the existing Government planning and performance management tools which include the National development blue print - Kenya vision 2030, where all public agencies align their strategic plans. The PCs are then cascaded downwards through departmental or divisional PCs against which public servants derive their individual targets and articulate these in their performance appraisal system through annual work plans and individual work plans. Wafula (2013) states that Performance Contracting in Kenya is becoming successful because of the dynamics of performance measurement in the public sector which consists of interplay between three key actors: the Citizen as the owner, sponsor and primary shareholder of the public sector, given priority and prominence/supremacy, the government as the Principal administrator of the owner's resources and aspirations and the Ministries, Departments and Agencies (MDAs) as agents contracted to implement priorities defined by both parties.

A Performance Contracting Steering Committee (PCSC) has been created at the apex of governance structure, PCSC-Kenya (2005). The PCSC comprises of 11 members and chaired by the Permanent Secretary/Director of personnel management and has a mandate to do the following in the Public Service; coordinate implementation of Performance contracts, facilitate the introduction of Performance Contracts by developing and advising on policy framework, counsel the Government on enabling legal institutional framework that supports introduction of Performance Contracts, gives technical and logistical support to Performance Contracting Parties, monitor performance to ensure that contracting parties are within the parameters of the agreed performance targets, carry out research and development in performance Contracts, sensitize/induct concerned parties into the process of Performance Contracting, coordinate and work with other relevant departments both locally and internationally to ensure smooth development and implementation of the Performance Contracting process and submitting quarterly reports.

The PC cycle entails a whole financial year and begins with release of the Performance contracting guidelines followed by the identification and negotiation of targets. Negotiation is undertaken in two phases. SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is undertaken in the first phase as pre-negotiation consultations to determine the institution's performance capacity. Negotiations takes place in the second phase where all issues agreed upon are factored into the Performance Contract.

Performance contracting secretariat is then submitted with the draft contract for vetting which ensures that the contract complies with guidelines updated annually. Signing of the PC between the Government and the Agency then takes place. Agencies submit quarterly progress reports to the Performance Contracting Department who monitor the implementation of the same. Performance Evaluation in Kenya is undertaken at the end of the financial year and is conducted by an ad-hoc evaluation committee. At the beginning of the period, targets are negotiated and achievements of the agencies are rated against the set targets. The following steps illustrate the methodology used to carry out performance evaluation, PCSC-Kenya (2005):

**Fig. 1: Performance Evaluation Methodology**



Agarwal (1997) postulates that it is hard to excel in work without the work getting measured while Batliwala, (2013) assert that measurement helps in weighing the performance of the employee/organisation and contributes to determining areas that require improvement for signs of failure and poor performance. Performance contract is also useful in training needs assessment for purposes of improving productivity (Chambers, 2010). It is therefore imperative for both the organization and individual employee to operate with the performance contracting tools to gauge the right direction as per the vision and objectives of the organization for the benefit of the stakeholders.



### **2.1.2 Performance Contracting and Service Delivery by Quasi-Government Institutions (State Corporations) in Kenya**

Parastatal Reform Strategy Paper saw the introduction of Performance contracting in Kenya when it was approved in 1991 to streamline and improve the performance of state corporations, Kobia and Mohammed (2006). The following policies were recommended; non-strategic parastatals were liquidated or set for adoption or divestiture, commercial activities in agencies were contracted to the private sector, private sector were allowed to compete with existing state monopolies and, removal of potentially conflicting objectives as an improvement in operating environment for all strategic parastatals. Two agencies saw the piloting of Performance Contracting namely Kenya Railways Corporation in April 1989 and the National Cereals and Produce Board in November 1990.

However, these two finally failed due to; the process being perceived as donor driven hence lack of political will to drive it, ignorance and perception that the process was a political witch-hunt hence Kenyans were not receptive, lack of understanding the whole process as it lacked clarity, and lack of performance incentive system as they did not conform to the requirement of the three sub-systems of performance contracts. There was also no provision for the impact of external factors such as exchange rates.

The second phase saw the introduction of performance contracting system as a public sector reforms agenda that signalled a shift from the process-based system to an outcome-based system (Migai, 2010). The Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) saw the re-introduction of Performance Contracting in 2004, which was however, more successful. The PCs were initially re-introduced to 16 state corporations on a pilot basis but in the financial year 2005/2006, a total of 156 agencies representing 35 ministries/departments, 116 state corporations including LBDA and 5 pilot local authorities signed and implemented Performance Contracts and were evaluated, Wafula (2013). This scenario is represented in the Table 1 below (up to the financial year 2007/2008).

**Table 1: Increase of Agencies on Performance Contracts**

<b>Financial Year</b>	<b>No of Agencies that signed Performance Contracts</b>				
	<b>2004/05</b>	<b>2005/06</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
Ministries/Departments	0	35	37	37	45
State Corporations	16	116	127	130	151
Local Authorities	0	5	175	175	175
Tertiary Institutions	0	0	0	0	68
<b>Total</b>	<b>16</b>	<b>156</b>	<b>339</b>	<b>342</b>	<b>439</b>

Source: Reports on Evaluation of Performance of Public Agencies

The GoK appointed a Performance Contracts Steering Committee (PCSC) as gazetted on 8th April, 2005 with a mandate to spearhead the introduction and implementation in the entire public sector. The Committee has been assisted by an Ad-hoc Negotiations and Evaluation Task Force whose members have been drawn from outside the public sector and responsible for negotiating and evaluating performance contracts with the state agencies. The Steering Committee develops tools and instruments (criteria) for implementing and evaluating the performance contracts that 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 of ministries/departments, state corporations and local authorities, PC Guidelines (2013).

The inclusion of citizens' service delivery charters and customer satisfaction surveys in the performance contract strategy was thought to be of significance as vital instruments for enhancing and measuring the quality of service delivery and by extension that it may ultimately lead to reduced incidences of corruption, Chambers (2010). Studies have since been conducted to understand the impact, successes and challenges of implementing performance contracting in Kenya. Migai, (2010) undertook a survey among the civil servants and identified the problems as lack of adequate resources needed to meet targets, resources not being released on time, unplanned transfer of staff, experience in implementation and staff not trained in performance contracting.

At postal corporation of Kenya, Metawie & Gilman (2006) identified reward system as the main obstacle while Agarwal (2007), noted that at the District Hospital in Central Kenya Counties the main issue was lack of systematic monitoring and evaluation mechanisms. Migai's (2010) findings at Ministry of Finance of the government of Kenya concluded that lack of adequate resources was the main issue, while Chambers (2010) noted that there was a general lack of experience with the implementation of performance contract at the Municipal Council of Nakuru. Opiyo's (2006) also undertook a study on challenges facing performance contracting designs and implementation in the Kenya civil services and found that leadership style and performance appraisal system were the main issues, while Wambua (2011) in his study on the challenges of performance contracting as a tool of strategy implementation in Betting Control and Licensing Board found that performance measurement, monitoring and evaluation were the main issues.

Despite the varied findings from the above research studies, the entire phenomenon ultimately affects service delivery in one way or the other and hence the need to interrogate the tools of performance contracting themselves and their influence on service delivery.

## **2.2 Service Delivery**

The public sector service delivery entails a continuous, cyclic process by which the public sector develops and delivers user focused services/goods to the citizens of a nation. Batliwala (2013) suggest that service is not just a service and its delivery is hinged on code of belief, values, principles, standards, charter, objectives, vision and mission of every organization. Keller (2001) adds that service delivery is determined on quality standards, customer's expectations, effectiveness, efficiency and the probability of customers check into the system. From the foregoing, these assertions are reduced to the organizations' leadership/management/structures/culture/employees skills and thus the need for ingrained criterions (tools) as part of the structures for targets of service delivery to be achieved. Some of these tools are\ discussed below.

### **2.2.1 Influence of Service Delivery Tool on Service Delivery**

The tool includes the Service Delivery Charter, Customer Satisfaction Survey, Service Delivery Innovations and, Resolutions of Public Complaints as is in the LBDA performance contract matrix, (Appendix viii). The service delivery charter sets the standards for a company on how a customer is to be served or obtains services. The responsibility of writing the customer charter is for the organisation's top management with the knowledge on how to build and keep clients base. The charter clearly explains the different services/goods that the customers expects service from and goes beyond listening and helping customers, but also to other aspects such as information and privacy. The charter is shared with all employees and customers given access to assure the best customer service possible.

This is displayed online and physically on notice boards at the main entrances and customers expect company's responsibility and compliance, LBDA PC (2013/2014). All these are to ensure quality service with a view to achieving customer satisfaction, World Bank, (2002)

Quality and customer satisfaction are indicators for corporate competitiveness on service delivery. Oliver (1993) stated that during the past decades, the concept of service quality and service satisfaction gained importance and has increased. However the relationship and nature of these customer parameter evaluations still remains unclear, though satisfaction and service quality originates from two big research paradigms; expectations and perceptions. Zeithmal *et al*, (1993) mentions that in empirical studies, quality and customer satisfaction is introduced as synonyms within the service business. World Bank (2002) found a positive correlation between attitude and perceptions on quality of service by employees and customers and that customer satisfaction is directly related to the attitude and perceptions of employees. In turn, the attitude and perceptions of employees relate to the organization and its management practices.

Hence customer satisfaction is not just the values and attitudes of employees but has direct impact on the overall effectiveness of the organization. Oliver (1980) stated that customer satisfaction research literature concerns how well the service delivery occurs in comparison with expectations. Zeithal *et al.*, (1993) reports that over the past decades many attempts, and initiatives have been made in both private and public sectors in the hope of making improvements on satisfaction in processes and services from the perspective of the external customer. Often research has shown that these programs have failed to satisfy expectations. Consequently, consultants and experts have aimed for a broader focus within organizations in order to include the perspective of employees and their inter-relationships with both managers and customers, Migai (2010).

Many organizations in this regard have endeavoured to develop service charters that outline how their goods and services should be delivered at best to their customers for them to remain competitive and relevant. Service charters in Kenya, LBDA included is known to be a key component of the performance contracting and its doctrine should be evaluated versus organisational performance, while keeping in mind experiences elsewhere in the world. The concept of service innovation was first discussed in Miles (1993) and has been developed in the past two decades. It is used to refer to among other things innovation in services, innovation in service processes, technological innovation and innovation in service firms.

On service delivery innovation, Nyabuti (2014) states that the concept of employee motivation which translated to customer satisfaction has been a perennial subject of debate as motivation continues to affect employees' performance in organizations that lead to low performance. She postulates that the issue of employee motivation and performance especially in the civil service cuts across various countries in African, Kenya included and states that most employees in the civil service lack motivation and this to a certain extent contribute to the minimal performance of the sector.

Factors that contribute to the lack of employee motivation include remuneration, work environment, employee training and development and the organizational culture.

Public Complaints are part of what is in LBDA's focus and also has ultimate reference to quality of service and customer satisfaction. In Kenya the Commission on Administrative Justice Act, 2011 pursuant to Article 59 (4) of the Constitution of Kenya mandates the Commission on Administrative Justice (CAJ) to address all forms of maladministration, promote good governance and efficient service delivery in the public sector by enforcing the right to fair administrative action. According to the 12<sup>th</sup> cycle of the PC guidelines a public complaint is an expression of dissatisfaction by one or more members of the public about an action, inaction decision or service provided by a public officer or public institution. It states that all public institutions are required to promptly address and resolve public complaints referred to them directly or channelled through the CAJ.

### **2.2.2 Influence of Non-Financial Indicators Tool on Service Delivery**

A company's financial performance is typically measured by established financial indicators, Muthaura (2007) however, as stated by Agarwal (1997) non-financial key performance indicators, or KPIs, do enable companies (or organizations) to assess or measure holistically the results of their initiatives of corporate responsibility and sustainability. The appropriate KPIs thus allow gain into comprehensive understanding and insight into processes and the objectives thereof. These in the case of LBDA are; undertaking the organization's activities in line with its Strategic Plan, Automation of the organization's Operations and Competency Development amongst others.

A recent survey by Batliwala, (2013) on Kenya corporate companies found that most were not satisfied with their measurement systems and that choice of performance measures is always a challenge.

Yet performance measurement systems play a key role in developing strategy, evaluating the achievement of organizational objectives and compensating managers. Obong'o (2009) states that many managers also feel that traditional financially oriented systems no longer work adequately. They believe there are emphasis on financial measures such as earnings and accounting returns and little emphasis on drivers of value such as customer and employee satisfaction, innovation and quality.

Batliwala (2013), however advises that choice of measures in the organization should concern information on managerial actions and level of "noise" in the measures. Noises are changes in the performance measure that are beyond the control of the manager or organization, for example changes in economy to luck (good or bad). Since many non-financial measures are less susceptible to external noise compared to accounting measures, their use may improve a managers' performance by providing more precise evaluation of their actions. Managers must be aware of successes due to their actions or otherwise they will miss the signals they need to maximize their effect on performance. This also lowers the risk imposed on managers when determining pay.

Ittner and Larcker (2000) also note in their article in the Financial Times, Mastering Management series, that choosing performance measures (tools) is a challenge. The two professors postulate that performance measurement systems play a key role in developing strategy, evaluating the achievement of organizational objectives and compensating managers. Yet, as they state, many managers feel that traditional financially oriented systems no longer work adequately. They believed there was too much emphasis on financial measures such as earnings and accounting returns and little emphasis on drivers of value such as customer and employee satisfaction, innovation and quality. Although non-financial measures are increasingly becoming important in decision-making and performance evaluation, companies should not simply copy measures by others.

The measures must be linked to factors that drive corporate strategy, competitive environment, organizational values and objectives, Mayoux (2011).

In addition, the performance measurements choice should be dynamic to be in tandem with the evolving strategies for improved service delivery (Keller, 2001). Backer *et al* (2010), postulates that as organizations embark on environmental, social and governance initiatives, they are discovering that financial measures alone do not provide as accurate assessment of their corporate responsibility progress. For example, traditional financial indicators do not fully capture all aspects of a company's relationships with its customers, employees and suppliers, or represent its efforts with respect to sustainability.

Backer *et al* (2010), says that non-financial measures offer clear advantages over financial data measurement systems when used by public corporations. Foremost, it offers a closer link to long-term organizational strategies as financial evaluation systems focus on annual or short-term performance against accounting yardsticks. They do not handle progress relative to customer requirements or competitors, or other non-financial objectives that are towards profitability, competitive strength and longer-term strategic goals. For example, new product development or expanding organizational capabilities may be important strategic goals, but may hinder short-term accounting performance. Many companies in Kenya now in response, are implementing new performance measurement systems. Chambers, (2010) reports that, a third of financial service companies, made major changes in their performance measurement. Thus inadequacies in financial performance measures have led to innovations ranging from non-financial indicators of “intangible assets” and “intellectual capital” to “balanced scorecards” of integrated and non-financial measures.

Companies can therefore communicate objectives and provide incentives for managers to address long-term strategies by supplementing accounting measures with non-financial data Agarwal (1997). Furthermore, Keller (2001) explains that non-financial measures are better indicators of future financial performance. Current financial measures may not capture long-term benefits from decisions made now even when the ultimate goal is maximizing financial performance. Critics of traditional measures also argue that drivers of



success in many industries are “intangible assets” such as intellectual capital and customer loyalty, rather than the “hard assets” allowed on to balance sheets. Though it is difficult to quantify intangible assets in financial terms, non-financial data can provide indirect, quantitative indicators of a firm’s intangible assets (Coleman, 1988b). Similarly, investments in customer satisfaction improve subsequent economic performance by increasing revenues and loyalty of existing customers, attracting new customers and reducing transaction costs.

### **2.2.3 Influence of Dynamic/Qualitative Indicators Tool on Service Delivery**

Reitao and Restivo (2004) notes that enterprises always look for profit, through more productivity, more quality, more flexibility, more agility and better adaptation to unexpected disturbances. They state that in the emerging global economy, where the demand for mass customized products puts new requirements in terms of the ability of enterprises to respond to change, the steady state analysis is becoming less important, while dynamic response is becoming a key issue in the design of new manufacturing systems, with large impact at all levels, both technical and socio-economical.

Mayoux (2011) suggests that qualitative indicators are almost similarly to non-financial indicators, while Agarwal (1997) states that qualitative indicators are more of parameters used for what cannot be measured by using financial indicators. In the case of LBDA these are Work Environment, Employee Satisfaction, Repair & Maintenance, Safety Measures, Research and Development, prevention of Drugs and Substance Abuse, Gender mainstreaming and Disability Mainstreaming. These are vital in their ability to be broken into key performance indicators when measuring service delivery.

KPIs add value by providing a more informed view of the company's economic performance or service delivery. As explained by Migai (2013), dynamic and qualitative indicators (tools) help companies to plan and manage their environmental, social and governance priorities, particularly when KPIs are linked to core business strategies through action plans that have performance targets.

Moreover, in the actual process of defining, selecting and measuring qualitative issues, KPIs form a critical foundation of a company's corporate reporting responsibility (externally) on its service delivery and are the leading indicators of business performance. They provide deep insight into a company's corporate responsibility performance, while also reflecting effective governance and corporate risk management. Coleman (1988b) notes that, appropriate KPIs can help companies track and document performance and progress, identify and prioritize corporate responsibility, opportunities, improve credibility and accountability, and ultimately enhance service delivery.

Giddens and Duneier (2010) notes that Qualitative KPIs can play a key role in a number of areas that are particularly important for ensuring the success of a business. These include the management of human resources, product and service quality, brand awareness and company profile. Traditionally for example, the main performance measure for staff was cost but today qualitative KPIs are used to monitor and control staff. This is because businesses started to view staff as a major asset and recognise that it is important to attract, motivate and retain highly qualified and experienced staff. The indicators being observed include the staff turnover, absentee rates/sick days, percentage of job offers accepted, results of job satisfaction surveys, competence surveys, among others (Chambers, 2010). Long-term impact on the business and problems with product or service quality can lead to customer dissatisfaction and loss of sales. Qualitative KPIs thus helps in comparing products (or services) and their components objectively and critically both with customer expectation/ needs and competition. This, by answering questions such as, how does it compare with competitor offerings now and in future given competitive innovations? Is it of good value? Can it really deliver superior performance? Migai (2013). Mayoux (2011) links product and service quality to critical dimensions that should be identified and measured over time. That performance on all dimensions needs to be shared to give a complete picture.

A public organization might for example thus collectively be concerned with waiting time, accuracy of transactions, and making the customer experience friendly and positive. Qualitative KPIs cannot only be used to measure brand/company profile but can also focus on areas such as customer awareness and consumer opinions. The value of a brand/company profile is also based on the extent of its high loyalty, name awareness, perceived quality and other attributes such as patents or trademarks. Developing and maintaining a brand and/or a company profile may enhance its performance, though it is noted as an expensive undertaking in many cases.

Migai (2013) implies that though there are many advantages to qualitative performance measures there are always setbacks. Time and cost has been an issue to many companies. There are indications that costs of a system that track a large number of financial and non-financial measures can be greater than its benefits and development can consume considerable time and expense. For example, the least of which is selling the system to sceptical employees who have learned to operate under existing rules. Companies' essentially therefore should undertake cost benefit analysis before deciding on the performance tool or model to be used. Also, that greater number of diverse performance measures frequently requires significant investment in information systems to live to necessary data requirements from multiple and often incompatible databases.

#### **2.2.4 Influence of Corruption Eradication Tool on Service Delivery**

Corruption, narrowly defined, entails the perversion of organizations by internal or external agents. It entails use of public office for private gain. Agarwal, (1997) asserts that this dishonest means has many manifestations. Simply put, corruption can erode a system or organisation and the quality of services. Batliwala, (2013) also notes that foreign subsidiaries of domestic corporations may also bribe local governments as the case of

Walmart de México where local intermediaries were used to convey payments to public officials in return for expedited building permits. Defined broadly, corporate corruption entail organizations' use of unlawful means to boost their survival and profitability (Chambers, 2010). According to Backer *et al* (2010) corporate corruption can; pollute the natural environment, as when Hooker Chemical dumped toxic chemicals into the abandoned Love Canal, infringe on the rights of their employees, as when Sears systematically discriminated against women employees and, misstated earnings to bolster stock price among others. Multiple members of corporations may also advance their interests with many manifestations. Individuals can; misappropriate stockholder wealth as was of Tyco top management who provided itself with outlandish perks, siphon off resources, as of Andy Fastow and associates who constructed a network of special-purpose entities at Enron to generate personal wealth (Agarwal, 1997). Organizations should therefore have alert corruption indicators. Waves of tools have therefore emerged, designed to provide precise information on specific corruption hot spots at both the local level and for specific sectors.

Transparency International CRINIS Index, for example, evaluates the transparency of political financing, while the World Health Organization developed a method for measuring corruption risks in the public pharmaceutical sector, Chambers (2010). Following the inclusion of the “Corruption Eradication” indicators tool in the Performance Contract, all public institutions in Kenya are expected to mainstream anti-corruption strategies in their management systems. The Anti-Corruption and Economic Crimes Act of 2003, the Public Officer Act of 2003 and the Public Service Integrity programme provides the foundation and environment for developing, implementing and sustaining a sound and effective integrity system across the public sector and eradication of corruption. The “Corruption Eradication” indicator tool in the PC provides the basis for mainstreaming mechanisms for prevention and detection of corruption in public institutions.

The tool entails fulfilling the following key measures: formation of an institutional Anti Corruption Policy; operationalizing corruption prevention/integrity committee; developing

corruption prevention plan; developing code of conduct for staff; integrity training and undertaking baseline survey on corrupt in Kisumu County ion prevention, KACC (2008).

### **2.3 Theoretical Framework**

This research project was guided by Don Elger's Theory of Performance (ToP) that relates performance to some foundational concepts to form a framework that can be used to explain performance as well as performance improvements. To perform is to produce valued results. A performer can be an individual or a group of people engaging in a collaborative effort. Developing performance is a journey, and level of performance describes location in the journey. The ToP informs learning by organizations through the idea of examining the "level of performance" of the organization. To perform is to take a complex series of actions that integrate skills and knowledge to produce a valuable result. In some instances, the performer is an individual. In other performances, the performer is a collection of people who are collaborating such as an organization, academic department, research team, committee, student team, or a university. As a manager advances his level of performances, he is able to organize people and resources more effectively and to get higher quality results in a shorter time.

Don Elger further states that performing at a higher level produces results that can be classified into categories: increase of quality - results or products are more effective in meeting or exceeding the expectations of stakeholders; cost reduction - amount of effort or financial resources to produce a result goes down; amount of waste goes down; capability increases - ability to tackle more challenging performances or projects increases; capacity increases - ability to generate more throughput increases; knowledge increases - depth and breadth of knowledge increases; skills increase - abilities to set goals, persist, maintain a positive outlook, etc. increase in breadth of application and in effectiveness and finally identity and motivation increases - individuals develop more sense of who they are as professionals; organizations develop their essence and stakeholders/customers are happier for quality service delivery.

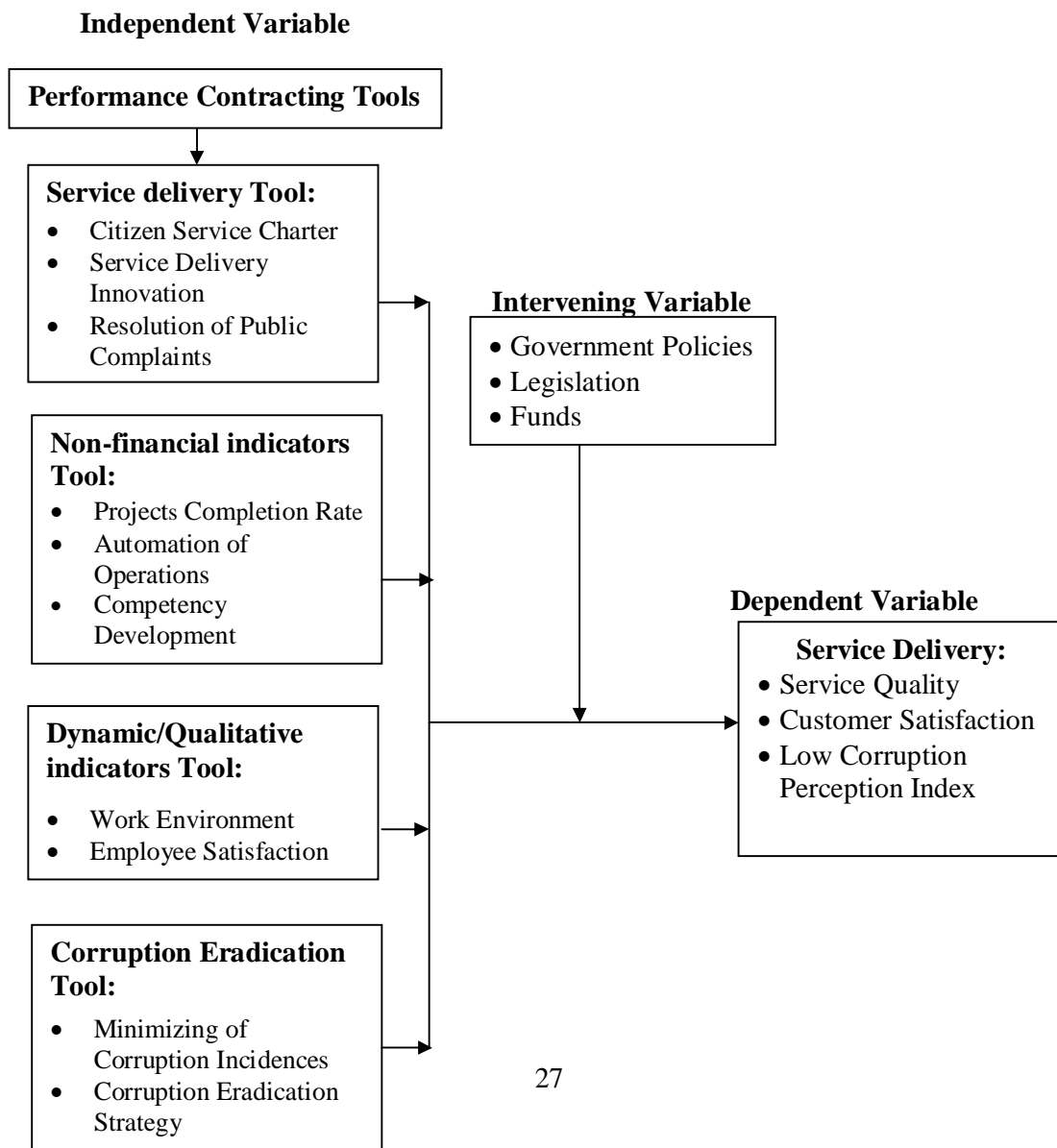
Based on the above theory we can deduce that the spirit of Performance Contracting is based on similar foundations as the ToP where the public sector is subjected to performance contracting in order to improve its performance and subsequently provide quality service delivery which is the anticipated valued results. The process of performance improvement is therefore a dynamic and continuous process that entails regular monitoring & evaluation of performance and setting of new targets each time, thereby presenting a learning opportunity for the organization. Quality service delivery is thus realized when staff skills and capabilities are enhanced, wastages reduced, ability to generate more throughput increased by setting SMART goals and staff motivation and the organization's outlook enhanced. To gauge the stakeholders'/customers' perception of the service delivery, satisfaction surveys are undertaken regularly, which presents an opportunity for further improvements.

To achieve these, performance contracting tools have been established to assist the organization to focus its efforts and resources, and to monitor whether the organization is achieving its set targets for quality service delivery.

## 2.4 Conceptual Framework

The study looked at the relationship between performance contracting tools (independent variable) and service delivery (dependent variable) as well as the determinant parameters or intervening variables which also affect service delivery. Kothari (2004), stated that a conceptual framework is a chart that explains the inter linkage of what is to be studied at concept stage. It establishes the relationship between the dependent and independent variables and provides the primary model and the basis of deciding on the research question, objectives, and a methodology for solving the phenomenon under investigation

**Fig. 2: Conceptual Framework**



## **2.5 Summary of Gaps in the Literature**

While the importance of performance contracting tools to the public sector's performance improvement has been elaborately discussed, there is knowledge gap on whether performance contracting tools are addressing factors that precipitated the need for its introduction in the public sector. There is also a knowledge gap as to whether performance contracting tools fulfils the service delivery and points to indicators of corruption in the public entities considering that non financial indicators and qualitative indicators have been described to have limitations to the extent that if they are not applied procedurally, their use may not yield productivity to the organization. These are the gaps that this study seeks to address. Wafula (2013) also states that there are emerging critical gaps in the PC system and implementation that hamper the full realisation of the benefits of Performance Contracting notably substantive disconnect between the stated PC outcomes and the design and framework of the PC instrument (tools), making it difficult to effectively measure the extent to which these outcomes are realised even though this has grown with consistency in the content. This research study therefore seeks to investigate and quantify effects of performance contracting tools on performance effectiveness in the public service in Kisumu County, the case of Lake Basin Development Authority.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

To achieve its objectives, the study used the descriptive survey method as the research design to study the influence of performance contracting tools on service delivery in Lake Basin Development Authority. The study targeted the staff and managers in the five key departments under performance contracting who directly interfaced with customers and stakeholders on a day to day basis. Stratified and simple random sampling was used to identify 31 staff members to answer questionnaires. This was done after a pre-test study was done to confirm viability and reliability of the research instruments.

#### **3.2 Research Design**

The study design used was the descriptive survey method, which is the most appropriate in achieving the stated objectives. The descriptive survey method was used because it allows generalization of the results to the population (Mugenda and Mugenda, 1999). The approach was non-experimental in that it only dealt with the relationship between non-manipulated variables in a natural setting.

#### **3.3 Target Population**

According to Peil (2003), population refers to the entire group of people, events, or things of interest to a researcher. The population of this study was composed of 30 as the targeted population which included both staff members and managers. The study was done within Lake Basin Development Authority headquarters in Kisumu County with specific focus on the five departments (Finance, Human Resource, Administration, Corporate Affairs and Technical Services) that directly interface with the customers and stakeholders.

### **3.4 Sample Size and Sampling Technique**

#### **3.4.1 Sample Size**

To ensure the respondents selected were as representative of the population as possible, the sampling technique used in the study included stratified and simple random sampling. Staff members from the five departments were grouped according to their functional roles. To identify those to get questionnaires, the required number of staff was picked randomly from the particular section giving the required sample size of 28 respondents: Simple random sampling was to ensure that all staff from the population had the same chance of being selected and they were all selected by chance. Stratification/grouping of the population was to ensure that cases from smaller strata of the population are included in sufficient numbers to allow for comparison.

#### **3.4.2 Sampling Techniques**

As per calculated in the required sample size table by Krejcie and Morgan (1970), the study used a margin of error of 5% and confidence of level of 95% (See Appendix IV) to arrive at the required sample size of 28.

### **3.5 Research Instrument**

Data was collected using a structured questionnaire (Appendix x), copies of which were distributed randomly to selected departmental staff. Questionnaires were justified on the basis of the fact that they would enable the coverage of a wide area and extensive contents within a short period of time. The questionnaire mainly dealt with service delivery tools, non-financial indicators tool dynamic/qualitative indicators tool and corruption eradication tool within the LBDA.

#### **3.5.1 Pilot Testing of the Instrument**

A pilot testing of the instrument was carried out where the research tool was tested in order to eliminate mistakes and to ensure that the collected data were in conformity with the already set objectives. It was also to familiarize the research assistants with the instrument in regard to handling the research and recording of data.

### 3.5.2 Validity of the Instrument

Validity was determined by the comparison of the questionnaire and observation checklist which had measures that conform to theoretical expectations of performance contracting. An instrument is said to be valid if it accurately measures the variables being studied (Daly et al, 1997).

### 3.5.3 Reliability of the Instrument

Reliability was assessed using the test-retest technique whereby during the pilot study, the same instrument was administered twice to the same group of subjects with a time lapse of two weeks between the first and second test. The scores were then correlated to obtain the coefficient of reliability to determine the co-relation co-efficient.

Thus the formula used was:

$$r_{xy} = S_{xy} / S_x S_y$$

Where:

x - results of the first score

y - results of the second score

$r_{xy}$  - co-relation co-efficient between x and y

$S_x S_y$  - covariance between x and y

$Cov(x,y) - 1/n \sum x,y - XY$

An instrument is said to be reliable if it gets the same responses each time it is administered (Daly et al, 1997). The instruments checked in the pilot study were found to be valid and reliable.

## 3.6 Data Collection Method

The researcher received an introduction letter from University of Nairobi, College of Education and External Studies, School of Continuing and Distance Education, Kisumu Campus (Appendix xi). Permission was also obtained from the Managing Director, Lake Basin Development Authority to conduct the study. Consent was then sought from Managers and members of staff before interviewing and filling in of questionnaires, respectively.

A research assistant was employed to help in administering the questionnaires after undergoing appropriate training to enable him handle the task. At the end of each day, all questionnaires were edited by the principle researcher and checked for consistencies and completeness. Data were collected between September and October 2015. The questionnaires were distributed to LBDA staff in the mornings and collected later in the day to avoid interfering with staff duties. If there was one that was not filled, a collection date was set when the staff would be on duty. This was diligently done until most of the questionnaires per department were returned at a response rate of 81%.

### **3.7 Data Analysis Technique**

The analysed data was based on findings from a total of 25 LBDA staff including Managers from the 5 departments studied. Qualitative data was organized in tables and analysed using the Statistical Packages for Social Sciences (SPSS V. 19.0) data analysis programme in which frequency distribution were run. The data was then transcribed and content analysis (identifying, coding, and categorizing the primary patterns in data) done. The SPSS output was then transferred to Excel to facilitate summation of frequencies. Frequencies were run and data cleaning done.

### **3.8 Ethical Considerations**

Consent to carry out the research was sought from the Managing Director, Lake Basin Development Authority and the Managers and staff of LBDA. The nature and purpose of the research was clearly explained to the respondents and their informed consent sought. The consent form was attached to the questionnaire. At any time during the study the respondent was free to withdraw consent. No names were required to be indicated in the data set and all the information obtained from the respondents was treated with utmost confidentiality. The researcher was to respect the rights of each individual respondent in order to safeguard his/her personal dignity. The respondents were coded and the code only known to the principal investigator and her assistants.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the data analysis, presentation, interpretation and discussion of the findings of the study as set out in the research methodology. The study findings are presented to establish the influence of performance contracting tools on service delivery by Lake Basin Development Authority in Kisumu Country. The data was gathered exclusively from the questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study.

##### **4.1.1 Questionnaire Return Rate**

The response rate also known as completion rate or return rate refers to the number of people who answered the survey divided by the number of people in the sample, usually expressed in percentage form. The study targeted 28 respondents in collecting data with regard to the influence of performance contracting tools on service delivery by Lake Basin Development Authority in Kisumu County. From the study 25 out of the 28 sampled respondents filled in and returned the questionnaire showing a response rate of 89%, which was achieved by constantly following up on the respondents to fill in and return the questionnaires.

#### **4.2 Demographic Information of the Respondents**

According to the Business Dictionary, demography is the statistical study of populations which seeks to establish the socio-economic characteristic of a population expressed statistically such as age, sex, education level, income level, etc. The table below indicated the respondents' demography.

**Table 2: Demographic data of respondents**

		<b>F</b>	<b>%</b>
Sex of Respondents	Male	13	52
	Female	12	48
	Total	25	100
Age of the Respondents	25 - 34 Years	6	24
	35 - 44 Years	10	40
	45 - 54 Years	7	28
	Over 55 Years	2	8
	Total	25	100
Level of Education	Certificate	3	12
	Diploma	5	20
	Degree	9	36
	Post Graduate	5	24
	PhD	2	8
	Total	25	100

Source: Field Survey (2015)

According to the findings as in table 2, the ratio of male to females is 54% to 46% respectively. The slight gap shows that the organization has adhered to the a-third-rule on gender in recruitment of staff. This could be attributed to the PC criterion on Gender Mainstreaming and also the Constitution of Kenya, Chapter Four - The Bill of Rights Part 2 Article 27(3) whereby it states that both gender should have the right to equal opportunities in political, economic, cultural and social spheres. On the ages, it is noted that 40% were between the ages of 35 - 44 years and 24% between 25 - 34 years. This is positive as the majority of the staff are in their prime ages of maximum productivity and innovation. Only 8% were between the age of 55 years and above. On education, the level was also relatively high with over 68% having bachelor's degree and above, while 32% had certificate diploma level of education. This shows a shift of the organization's move to improve its performance through skills competitiveness. This is supported in literature of; Government of Kenya, (2010); Oduor, (2010); Muthaura, (2009); Prajapati, (2009); Obong'o, (2008); Kobia & Mohammed, (2006) that the introduction of performance contracting has realized a positive paradigm shift in the management and performance of public service. The education level also made the work of the researcher easy in the pre-test period of the questionnaire.

### 4.3 Performance Contracting

OECD, (1999) defines PC as a range of management instruments (tools) used in determining responsibility and expectations between parties for mutually agreed results. As stated by Njje (1994), performance contract helps to eliminate under-performance and contribute to improved organisation/employee performance in the public sector in Kenya.

#### 4.3.1 Respondents' Signing of Performance Contract

Based on the above statement, the study sought to find out whether all the sampled respondents had signed the performance contract with the organization.

**Table 3: Frequency Table on Respondents' Signing of the Performance Contract**

	F	%
Respondents who signed the PC	10	40
Respondents who did not sign the PC	15	60
Total	25	100

Source: Field Survey (2015)

The findings were that 40% had signed performance contracts, while 60% had not. Further observation noted that the PC is only signed by the top and middle level management. Agarwal, (1997) postulates that it is hard to excel in work without the work getting measured while Batliwala, (2013) assert that measurement helps in weighing the performance of the employee/organisation and contributes to determining areas that require improvement for signs of failure and poor performance. Performance contract is also useful in training needs assessment for purposes of improving productivity (Chambers, 2010). It is therefore imperative for both the organization and individual employee to operate with the performance contracting tools to gauge the right direction as per the vision and objectives of the organization for the benefit of the stakeholders. From the foregoing statements, it is important that the organization engages all its staff members in signing of the PC for performance appraisal and training needs assessment.

### 4.3.2 Commitment to Performance Contracting towards Improved Service Deliver

On commitment to performance contracting towards improved service delivery, the researcher used Pearson product-moment correlation coefficient measure to find out the linear correlation coefficient between performance contracting and improved service delivery, where respondents were asked on their views regarding this relationship.

**Table 4: Relationship between commitment to PC and improved service delivery**

	<b>x</b>	<b>y</b>	<b>xy</b>	<b>x<sup>2</sup></b>	<b>y<sup>2</sup></b>
Strongly Agree	6	6	36	36	36
Agree	10	16	160	100	256
Neutral	3	19	57	9	361
Disagree	4	23	92	16	529
Strongly Disagree	2	25	50	4	625
Total	25	89	395	165	1801

Formula:  $r = \frac{\sum xy}{\sqrt{\sum x^2 \sum y^2}}$  thus,  $r = \frac{395}{\sqrt{297,165}} = 0.7$

The findings revealed that the linear relationship between performance contracting and improved service delivery is 0.7 which confirms that performance contracting has actually improved service delivery as it was envisaged when the Parastatal Reform Strategy Paper that saw the introduction of Performance contracting in Kenya when it was approved in 1991 to streamline and improve the performance of state corporations, Kobia and Mohammed (2006). The government should therefore improve on the gains made so far with performance contracting for even better service delivery to the citizen.

### 4.3.3 Awareness of the Purpose and Requirements of the Performance Contract

Awareness of performance contracting and its purpose and requirements by all staff in the organization is of paramount importance for its successful implementation. The researcher sought to find out the respondents level of awareness of the PC, its purpose and requirements as per table 5 below.



**Table 5: Level of awareness of performance contracting**

	F	%
Respondents who were aware of the PC its purpose and requirement	23	92
Respondents who were not aware of the PC its purpose and Requirements	7	28
Total	25	100

Source: Field Survey (2015)

Majority of the respondents (92%) noted that they were aware of the PC, its purpose and requirements while 7% were not aware. Of the 7% who were not aware, it was observed that these were the junior staff and probably were not directly linked to the performance of the PC. This means that this group of staff being unaware contributed minimally or sub-consciously if they did, to the PC's efforts towards improvement of service delivery, thus proper sensitization is important.

#### **4.4 Service Delivery Indicators Tool**

The tool includes a number of criterions; the Service Delivery Charter, Customer Satisfaction Survey, Service Delivery Innovations and Resolutions of Public Complaints as is in the LBDA performance contract matrix, (Appendix viii).

##### **4.4.1 Adherence to the Citizen Service Delivery Charter**

The service delivery charter sets the standards for a company on how a customer is to be served or obtains services. The responsibility of writing the customer charter is for the organisation's top management with the knowledge on how to build and keep clients base. The study sought to find out if the organization was committed to its citizen service delivery charter and the results are as per frequency table below.

**Table 6: Frequency Table on Adherence to Citizens Service Delivery Charter**

	<b>F</b>	<b>%</b>
Those who believed the organization was committed to citizen service delivery charter	13	52
Those who believed that the organization is not committed to citizen service delivery charter	12	48
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Field Survey (2015)

The respondents were almost divided equally on this aspect. While 52% of the respondents agreed that the organization was committed to its citizen service delivery charter, 49% felt that the organization was not committed.

#### **4.4.2 Customers' Satisfaction Level**

Customer satisfaction is the key to customer retention. By implementing measures which keeps the customer satisfied, the organization ensures that the customer sticks and does not shift easily to the competitor. According to the 12<sup>th</sup> Cycle PC Guidelines, it refers to the utility derived by the customer of the product or service.

The study sought to find out from the respondents their view whether the service delivery tool had enhanced customer satisfaction level.

**Table 7: Service delivery tool and enhanced customer satisfaction levels**

	<b>F</b>	<b>%</b>
Strongly Agree	5	20
Agree	9	36
Neutral	5	20
Disagree	4	16
Strongly Disagree	2	8
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Field Survey (2015)

From the findings, over 50% of the respondents were of the view that the service delivery tool had enhanced customer satisfaction level in the organization. As stated by Chambers (2010), investments in customer satisfaction improves subsequent economic performance by increasing revenues and loyalty of existing customers, attracting new customers and reducing transaction costs.

#### 4.4.3 Service Delivery Innovation

Service innovation is a new or significantly improved service concept that is taken into practice. It can for example a new customer interaction channel, a distribution system or a technological concept or a combination of them. The PC thus requires Government agencies to be clear on the innovations that will be developed, how they will impact on service delivery.

From the above, the study sought to find out whether service innovation had enhanced service delivery and the findings were as tabulated in table 6 below.

**Table 8: Service innovation and enhanced service delivery**

	F	%
Respondents who answered in the negative that service innovation had enhanced service delivery	14	56
Respondents who answered in the affirmative that service innovation had enhanced service delivery	11	44
Total	25	100

Source: Field Survey (2015)

This results show that 56% of the respondents agreed that service delivery innovation had not enhanced service delivery. This could be attributed to the slow uptake of service innovation by the organization. As much as other indicators have shown improvement on service delivery, it is imperative that the organization improves on this aspect in order to

create synergy with other indicators on the gains already made so as to significantly enhance service delivery. Miles (1993) noted that innovation refers to among other things innovation in services, innovation in service processes, technological innovation and innovation in service firms for organizations' competitive edge.

#### 4.4.4 Motivating Factor for Service Delivery Innovation

According to Nyabuti (2014) the issue of employee motivation and performance especially in the civil service cuts across various countries in African, Kenya included. The study sought to find out the motivating factor for service delivery innovation from the respondents and the results were as tabulated in table 7.

**Table 9: Respondents motivating factor for service delivery innovation**

	<b>F</b>	<b>%</b>
Moral Obligation	2	20
Added Duty	2	20
Terms of Performance Contract	3	32
Pressure from Seniors	3	16
Own Personal Ambition	1	12
Total	11	100

Source: Field Survey (2015)

From the results it can be noted that 32% of the respondents undertook the performance contracting under moral obligation and own personal ambition. However majority (68%) were driven by the organization. According to Nyabuti (2014), most employees in the civil service lack motivation and this to a certain extent contribute to the minimal performance of the sector.

#### 4.4.5 Public Complaints Resolution and Service Delivery

This criterion was entrenched in the PC by the government to enforce administrative justice in the public sector by addressing maladministration through effective complaints handling and alternative dispute resolution; promoting good governance and efficient public service delivery by investigating abuse of power, manifest injustice and unlawful, oppressive, unfair or unresponsive official conduct. All public institutions as per the PC are required to address and resolve public complaints referred to them directly or channelled through the CAJ.

The study sought to find out if this criterion had enhanced service delivery in the institution, the results of which are tabulated below.

**Table 10: Public complaints resolution and service delivery**

	<b>F</b>	<b>%</b>
Respondents who agreed that public resolution had enhanced service delivery	16	64
Respondents who did not agree that public resolution had enhanced service delivery	9	36
<b>Total</b>	<b>25</b>	<b>100</b>

Source: Field Survey (2015)

These findings indicate that public complaints resolution had enhanced service delivery as 64% of the respondents were in agreement. This positive result could have been contributed by the requirement that all government agencies are required to establish complaints handling management mechanism and submit information on the same to CAJ on a quarterly basis. The PC also requires that the institutions conduct capacity building for complaint handling officers and staff and also to create awareness on the existence of the complaints handling mechanism in the organization.

## 4.5 Non-Financial Indicators Tool

As stated by Agarwal (1997) non-financial key performance indicators, do enable organizations to assess or measure holistically the results of their initiatives of corporate responsibility and sustainability. The appropriate KPIs thus allow gain into comprehensive understanding and insight into processes and the objectives thereof. These according to this study included project implementation, automation of operations and human resource management and development.

### 4.5.1 Project Implementation

Project implementation refers to both the physical and non-physical development undertakings. The study sought to find out the respondents' view on the organization's projects completion rate.

**Table11: Projects' Completion rate and improved service delivery**

	<b>F</b>	<b>%</b>
Answered positively that projects completion rate had enhanced service delivery	15	60
Answered positively that projects completion rate had enhanced service delivery	10	40
Total	25	100

Source: Field Survey (2015)

From the findings, it was noted that 60% responded in the affirmative that the organization's projects completion rate had resulted in enhanced service delivery while the rest (42%) of the respondents were not in agreement.

### 4.5.2 Automation of Operations

This criterion refers to the extent to which an agency keeps in pace with developments in the Information, Communication Technology (ICT). The thrust of the indicator is on ICT development as a package, not collection of activities. The study sought to find out the respondents level of agreement using the Likert's scale whether automation of operations had enhanced service delivery.

**Table 12: Automation of operations and enhanced service delivery**

	<b>F</b>	<b>%</b>
Strongly Agree	5	20
Agree	11	44
Neutral	5	20
Disagree	3	12
Strongly Disagree	1	4
Total	25	100

Source: Field Survey (2015)

From the findings, 64% generally agreed that automation of operations had enhanced service delivery. This result shows a positive sign that the organization is embracing ICT. However, effort still needs to be put in place to ensure that this aspect is maximized for the benefit of improved service delivery.

#### **4.5.3 Human Resource Management & Development**

This refers to the systematic enhancement of the skills and proficiencies in order to address career progression of individual employee and improve both the individual and institutional performance. The study sought to find out on a likert's scale the extent to which respondents believed that the organization had sufficiently developed staff competency for enhanced service delivery since the introduction of performance contracting.

**Table 13: Staff competencies and improved service delivery**

	<b>F</b>	<b>%</b>
Not At All	1	04
Little Extent	4	16
Moderate Extent	9	36
Great Extent	6	24
Very Great Extent	7	28
Total	25	100

Source: Field Survey (2015)

As per the findings, more than 50% of the staff agreed that staff competencies had been developed and hence improved service delivery. These findings are contrary to those of Chambers (2010) his study on challenges in implementing the PC whereby he pointed out that there was a general lack of experience with the implementation of performance contract at the Municipal Council of Nakuru. This scenario seems to have changed since 2010, with the enhanced staff skills and competence development hence more staff are now experienced in the implementation of the PC.

#### **4.6 Dynamic and Qualitative Indicators Tool**

Mayoux (2011) suggests that dynamic and qualitative indicators are almost similar to non-financial indicators, while Agarwal (1997) states that qualitative indicators are more of parameters used for what cannot be measured by using financial indicators. For this study, the parameters reviewed included the work environment and employee satisfaction.

##### **4.6.1 Work Environment**

This refers to the improvements in the physical work area/facility as well as the immediate surroundings of the workplace. The Study sought to find out if work environment had improved and hence contributed to enhanced service delivery, the results of which are tabulated below on table

**Table 14: Work environment and enhanced service delivery**

<b>Parameter</b>	<b>F</b>	<b>%</b>
Strongly Agree	7	28
Agree	10	40
Neutral	3	12
Disagree	4	16
Strongly Disagree	1	4
Total	25	100

Source: Field Survey (2015)



From the findings, 68% of the respondents agreed that work environment had enhanced service delivery, and as rightly stated, Giddens and Duneier (2010) notes that Qualitative KPIs can play a key role in a number of areas that are particularly important for ensuring the success of a business. These include the management of human resources - including work environment, product and service quality, brand awareness and company profile.

#### **4.6.2 Employee Satisfaction**

The study sought to find out to what extent the respondents believed that employee satisfaction had improved thereby enhancing service delivery.

**Table 15: Employee Satisfaction and improved service delivery**

	<b>F</b>	<b>%</b>
Very Great Extent	3	12
Great Extent	6	24
Moderate Extent	11	44
Little Extent	3	12
Not At All	2	8
Total	25	100

Source: Field Survey (2015)

From the findings of the study, it was established that averagely 60% of the respondents had agreed that employee satisfaction had resulted to an improved service delivery. Employee satisfaction as KPIs adds value by providing a more informed view of the company's economic performance or service delivery. As explained by Migai (2013), dynamic and qualitative indicators help companies to plan and manage their environmental, social and governance priorities, particularly when KPIs are linked to core business strategies through action plans that have performance targets.

#### **4.7 Corruption Eradication Indicators Tool**

According to the 12<sup>th</sup> Cycle PC guidelines, this is an indicator that aims to combat and prevent corruption, unethical practices and promote standards and best practices in governance.

#### 4.7.1 Minimizing of Corruption Incidences

The study sought to find out the extent to which the respondents believed that the organization had improved service delivery by minimizing incidences of corruption.

**Table 16: Minimizing of incidences of corruption and improved service delivery**

	<b>F</b>	<b>%</b>
Very Great Extent	2	8
Great Extent	6	24
Moderate Extent	9	36
Little Extent	5	20
Not At All	3	12
Total	25	100

Source: Field Survey (2015)

From the findings it was noted that 36% of the respondents moderately believed that the organizations had improved service delivery by minimizing corruption incidences to a moderate extent, with slightly over 30 % agreeing that this had improved corruption incidences. This result could be attributed to the PC requirement calling upon government agencies to develop internal mechanism that encourage and protect whistle-blowing; and also submit quarterly reports to EACC.

#### 4.7.2 Corruption Risk Mitigation Plan

This is a plan that assists the organization in identifying risks so as to come up with mitigation measure against those risks. The study sought to find out if staff were aware of the existence of a corruption mitigation plan in the organization.

**Table 17: Respondents awareness of existence of corruption mitigation plan**

<b>Parameter</b>	<b>F</b>	<b>%</b>
Aware	2	64
Not Aware	6	32
Total	25	100

Source: Field Survey (2015)

As stated in table 17, 64% of the respondents noted that they were aware while 32% said that they were not aware of the existence of a corruption mitigation plan. Given the importance and effort that the government is taking on the fight against the vice, the organization needs to carry out deliberate effort to ensure that the 32% of the respondents who are not aware of the corruption mitigation plan are all brought on board.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter provides the summary of the findings on the influence of performance contracting tools on service delivery and also gives the conclusions and recommendations of the study. The chapter also outlines the contribution to knowledge and suggestion for further studies.

#### **5.2 Summary of the Findings**

##### **5.2.1 Performance Contracting**

From the study, it can be noted generally that the aspects of performance contract, individual and organization commitment to performance contract, aware of the performance contracting and organization's commitment to performance contracting indicated that all were above 60%.

##### **5.2.2 Service Delivery Tool**

As far as the service delivery tool is concerned, adherence to the citizens' service delivery charter and customer satisfaction level, the average score was above 50% with service delivery innovation having a score of below 50%. The findings on motivating factor for service delivery innovation further shows that own efforts are 32% and 68% is for the organization's effort. On the other hand, public complaints resolution has a positive score of 67% showing that services have improved.

##### **5.2.3 Non-Financial Indicators Tool**

The non-financial indicators tools in the study that comprised the project completion rate, automation of operations and competency development all indicated a positive score of above 70%. This is an indication that proper planning, operations and skills development had improved.

#### **5.2.4 Dynamic and Qualitative Indicators Tool**

As far as the dynamic and qualitative indicators tool is concerned i.e. work environment, employee satisfaction, gender concerns, needs and priorities, the results show that there was a positive score of above 60%. Affirmative action for people with special needs the score was below 50%, precisely 48%.

#### **5.2.5 Corruption Eradication Indicators Tool**

In as far as corruption eradication indicator tools are concerned the aspect of awareness of corruption eradication strategy 64% of the staff were generally aware, however on minimizing incidences of corruption, 70% believed that the organization had improve service delivery by minimizing corruption incidence. This though was on a margin because those who were moderately believed scored 36%.

### **5.3 Conclusion**

In the study, ‘influence of performance contracting tools on service delivery by LBDA’, findings show that the organization’s levels of understanding in terms of education was high and that the greater part of the staff were in their productive (prime) age. As such the performance contracting was being undertaken by people who were generally aware of the PC environment. There was also the aspect that contrary to the belief that majority of the workforce were male, over 40% of the population and specifically the respondents were female.

It is imperative to note that the organization under study was committed to performance contracting and awareness was rated high among the staff, though signing of the contract was not applied to all staff as at the time of the study. Just as in the beginning the performance contract signing was only with the Board and Government.

Though there was an indication in the study that there was adherence to the charter, it is imperative to note that customer satisfaction level was average compared to adherence to the charter. In the same note service delivery innovation was below average meaning that it

was not playing a major role in performance contracting as at the time of the study contrary to the government's expectations. On the same breath, factors motivating service delivery innovation were noted to be organization driven but it was worthy to note with a lot of interest that public complaints resolution was enhancing service delivery. This is contradictory to service delivery innovation.

The non-financial indicators tool which comprised the strategic plan, automation of operations and competency development generally showed that the organization's performance on this aspect was above 60%, with strategic plan aspect having a spectacular 90% score. This leads to a question mark on whether the plan was being followed as is portrayed. An attribute to this is a review of all scores on the tools on the non-financial indicators and others which were average in general.

The dynamic and qualitative indicators tool based on the study showed that the work environment and employee satisfaction improved under the performance contracting. Also that gender concerns, needs and priorities were being looked at satisfactorily. On the negative, though marginal is the affirmative action for people with special needs.

The tool of corruption eradication indicator showed that the staff were generally aware of the organization's corruption strategy and that the corruption incidences because of introduction of corruption eradication strategy were minimizing corruption incidences and at the same time improving service delivery.

#### **5.4 Recommendations**

The following recommendations will be in order based on the study undertaken and the results achieved with regards to the tools that were investigated. It suffices to say also that the tools may have not covered the total extent of the total performance contract as practiced by the government and its agencies.

1. The fact that part of the staff were not under commitment to signing of performance contract is an indicator that out of the many cycles that have been implemented by the organization, it is a weakness in the direction and directing of the performance contracting. It would be appropriate that this aspect be looked into vis a` vis performance of the tools.
2. On service delivery tool, it would be worth looking at the components of government driven versus own driven efforts in service delivery innovation, since this is a critical aspect of an organisation's growth.
3. On non-financial indicators tools, automation of operations and competency development comprise a key aspect that influences service delivery. The fact that the average score is relatively high (70%), it means that the organisation's achievements should equally be rated high. This needs further investigation to correspond it to the outputs, noting that sensitivity analysis was not undertaken.
4. The dynamic indicators as work environment and employee satisfaction both point to the employee. All these aspects were not referenced to a standard within the organisation as it was not available within the organization or from outside of the organisation. The organisation needs to create a standard after proper benchmarking.
5. As far as corruption indicator is concerned, it would be rated as the most difficult aspect that can correctly be ascertained. Corruption is as old as human kind and always held to the heart. It will hence need bench marking for comparison and proven standard measures within and with other organisation.

On all the above tools, there is clear evidence that there were no standards of reference and no attempts were seen to have been created by the organization and even government at large. It would therefore be important to create locally developed standard tools for the measure and use of the above tools which are also properly bench-marked.

## 5.5 Contribution to Knowledge

**Table 18: Contribution to knowledge**

Objective	Contribution to Knowledge
Influence of service delivery tools on service delivery	Service delivery innovation needs to be a culture to both individual and organization but further research is necessary
Influence of non-financial indicators tool on service delivery,	Automation of operations and staff competency are related and are an aspect of synchronization for the improvement of the organization
Influence of dynamic and qualitative indicator tools on service delivery	There is need to develop standard measures or benchmarks for comparison of performance.
Influence of Corruption eradication indicator tools on service delivery	There is need to develop standard measures or benchmarks for comparison of performance

From the above contribution, the researcher has there developed an insight for further research into the tools of performance tools for their future comparable performance.

## 5.6 Suggestions for Further Research

There is need to carry out an in-depth study on the;

1. Practice of performance contracting, format, criterions that should be compared with other organizations/private sector performance.
2. Aspects of innovativeness of the workforce in the organizations, as a tool for improvement of service delivery.
3. Standard measures or benchmarks and their efficacy and relevance regarding non-financial, dynamic and qualitative and corruption eradication tools.



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**APPENDIX I: TRANSMITTAL LETTER**

Beatrice Aluoch Okoda

P.O. Box 1516 – 40100

KISUMU

Tel No.: +254 722 493 598

Dear Respondent

I am a final year student pursuing Master of Arts student in Project Planning and Management at the University of Nairobi and I am undertaking a research titled '*Influence of performance contracting tools on service delivery in Kisumu County: The Case of Lake Basin Development Authority*'. This is to inform you that your participation or input will be required to undertake this study and information collected from you will be treated with utmost confidentiality and only used for academic purposes. Your participation is therefore paramount for its success. Thank you for your co-operation in advance.

Yours faithfully

Signed .....

Date .....

**Beatrice Aluoch Okoda**

## APPENDIX II: QUESTIONNAIRE

The information obtained from this Questionnaire will be treated with confidentiality and only used for the analytical purposes in this study.

Please read the instructions for each question carefully before giving a feed-back.

### SECTION A: DEMOGRAPHIC INFORMATION (Please tick appropriate box)

1. Gender: Male [  ] Female [  ]

2. Your age bracket

25 - 34 Years [  ]

35 - 44 Years [  ]

45 - 54 Years [  ]

Over 55 Years [  ]

3. For how long have you served in the organization?

Less than 2 years	<input type="checkbox"/>
2 - 5 years	<input type="checkbox"/>
6 - 10 years	<input type="checkbox"/>
11 years and more	<input type="checkbox"/>

4. What is your highest level of education?

Diploma Certificate	<input type="checkbox"/>
Higher National Diploma	<input type="checkbox"/>
Bachelors	<input type="checkbox"/>
Masters	<input type="checkbox"/>
PhD	<input type="checkbox"/>

**SECTION B: PERFORMANCE CONTRACTING**

5. Have you ever signed a performance contract in this organization?

Yes [ ] No [ ]

6. Do you agree that the organization's commitment to performance contracting has improved service delivery in the organization?

Strongly Agree [ ]

Agree [ ]

Neutral [ ]

Disagree [ ]

Strongly Disagree [ ]

7. Do you believe that everyone in the organization is aware of the purpose and requirements of the performance contract?

Yes [ ] No [ ]

**SECTION C: SERVICE DELIVERY TOOL**

8. Does the organization adhere to its Citizen Service Charter in delivering services/goods to its customers?

Yes [ ] No [ ]

9. What is your view that the performance contracting service delivery tool has enhanced customer satisfaction levels in LBDA?

Strongly Agree [ ]

Agree [ ]

Don't Know [ ]

Disagree [ ]

Strongly Disagree [ ]



10. Do you believe that performance contracting has enhanced service delivery innovation in the organization?

Yes [ ] No [ ]

11. If yes in question above, what is the motivating factor behind coming up with a new idea, product or service?

Moral obligation [ ]

Added duty [ ]

Terms of Performance contract [ ]

Pressure from your seniors [ ]

Personal ambition [ ]

12. Public Complaints Resolution has enhanced service delivery in the organization.

Yes [ ] No [ ]

#### **SECTION D: NON-FINANCIAL INDICATOR TOOL**

13. Do you agree that the organization's projects completion rate has enhanced service delivery in the organization?

Yes [ ] No [ ]

14. The organization has automated most of its operations since the introduction of performance contracting. To what extent do you agree with this statement?

Strongly Agree [ ]

Agree [ ]

Don't Know [ ]

Disagree [ ]

Strongly Disagree [ ]

15. To what extent do you think the organization has developed staff competency since the introduction of performance contracting?

Very Great Extent [ ]

Great Extent [ ]

Moderate Extent [ ]

Little Extent [ ]

Not at all [ ]

**SECTION E: DYNAMIC AND QUALITATIVE INDICATOR TOOL**

16. Work environment has improved since the introduction of performance contracting.  
To what extent do you agree with this statement?

Strongly Agree [ ]

Agree [ ]

Don't Know [ ]

Disagree [ ]

Strongly Disagree [ ]

17. To what extent do you believe employee satisfaction has improved since the introduction of performance contracting?

Very Great Extent [ ]

Great Extent [ ]

Moderate Extent [ ]

Little Extent [ ]

Not at all [ ]

**SECTION F: CORRUPTION ERADICATION TOOL**

18. To what extent do you believe the organization improved service delivery by minimizing corruption incidences since the introduction of performance contracting?

Very Great Extent [ ]

Great Extent [ ]

Moderate Extent [ ]

Little Extent [ ]

Not at all [ ]

19. Are you aware of the existence of a corruption mitigation plan in the organization?

Yes [ ] No [ ]

20. If you answer to the above question is 'Yes', has the organization asked any officer to step down to allow for room for investigations.

Yes [ ] No [ ]

**END**

*(Thank you very much for your time and attention)*

**APPENDIX III: TABLE FOR DETERMINING SAMPLE SIZE OF A GIVEN POPULATION**

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28*	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	339
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

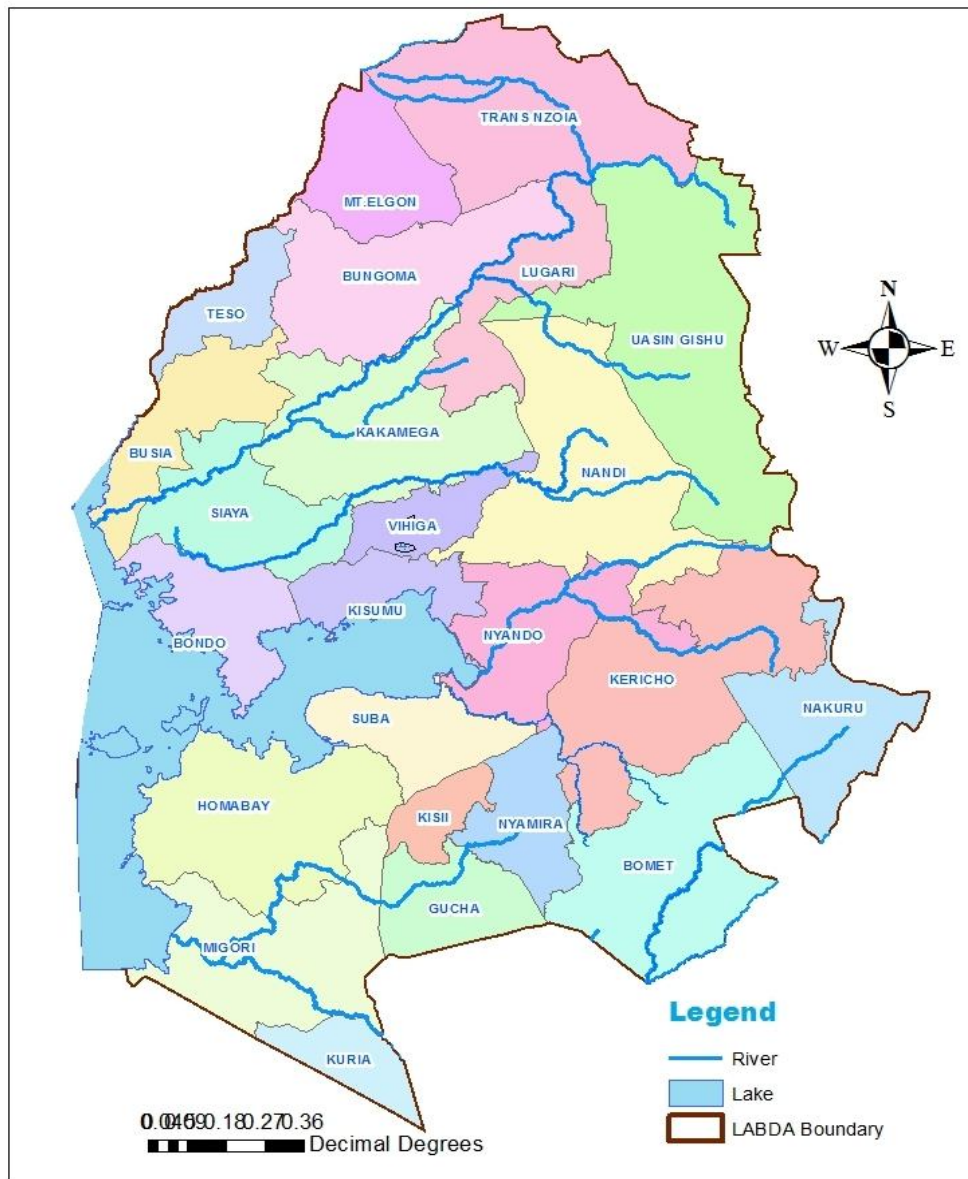
N is the population size

S is the sample size

\*Sample size used is at 95% confidence level and 5% margin of error.

(Krejcie and Morgan 1970)

**APPENDIX IV: LAKE BASIN DEVELOPMENT AUTHORITY AREA OF JURISDICTION**



**Source: Lake Basin Development Authority (2014)**

## APPENDIX V: PERFORMANCE CONTRACT MATRIX SHOWING INDICATORS

	Criteria	Unit	Wt	Previous 2010/11	Current Status 2011/2012	Target 2012/13	
A	<b>Finance and Stewardship</b>						
	• Compliance with set Budgetary Levels	%	3	100	100	100	
	• Cost Reduction/Savings	Kshs	2	800,000	1,000,000	1,100,000	
	• AIA Gross Collection	Kshs (M)	5	67	70	72	
	• Utilization of allocated funds	%	2	100	100	100	
	• Development Index (Dev Exp/Recurrent Expenditure)	%	2	95.075	278.895	206.9	
	• Debt: Equity ratio	%	1	19	18	17	
	<b>Weight Sub - Total</b>		<b>15</b>				
B	Service Delivery						
	• Implementation of Service Delivery Charter	%	5	100	100	100	
	• Customer Satisfaction	%	5	70.1	74.2	75	
	• Service Delivery Innovations	No.	9	2	2	3	
	• Resolutions of Public Complaints	%	6	100	100	100	
	<b>Weight Sub - Total</b>		<b>25</b>				
C	<b>Non - Financial Indicators</b>						
	• Cascading of Performance Contract	%	2	N/A	N/A	100	
	• Disposal of idle assets	%	2	100	100	100	
	• ISO Certification	%	3	90	90	100	
	• Prevention of HIV/AIDS infections	%	1	60	100	100	
	• Compliance with Statutory Obligations	%	2	100	100	100	
	• Automation (ICT)	%	2	32	35	43	
	• Environmental Sustainability	%	2	N/A	N/A	100	
	• Competency development	%	1	65	68	100	
		<b>Weight Sub - Total</b>		<b>15</b>			
		<b>Vision 2030 Flagship projects</b>					
	• Magwagwa Multipurpose Dam	%	1	100	100	100	
	• Nandi Multipurpose Dam		1	100	100	100	
	• Webuye Multipurpose Dam	%	1	100	100	100	
	Project Implementation Road Map by end of Q1 FY 2012/2013	%	1	N/A	N/A	100	
Detailed project collaboration framework by end of Q1 FY 2012/2013	%	1	N/A	N/A	100		
• Funding model by end of Q2 FY 2012/2013	%	1	N/A	N/A	100		
• .Branding/communication plan by end of Q2 FY2012/2013	%	1	N/A	N/A	100		
• M&E of Flagships	%	1	N/A	N/A	100		
Collaborations with implementing agencies	%	0.5	N/A	N/A	100		

	Integrated Regional Development Master Plan	%	0.5	N/A	N/A	100
	<b>Wealth creation through multi sectoral projects</b>					
	• Briquette	%	2	N/A	30	100
	• Safe Drinking Water	%	2	N/A	N/A	100
	• Up-scaling of Lichota Farm	%	2	N/A	N/A	100
	• Fruit & Vegetable Plant	%	2	N/A	N/A	100
	• Water & Sanitation	No.	2	2	2	4
	<b>Project Implementation</b>					
	• Timeliness	%	0.25	100	100	100
	• Quality	%	0.25	90	100	100
	• Relevance	%	0.25	100	100	100
	• Cost Efficiency	%	0.25	80	80	100
	• Completion Rate	%	0.25	90	90	100
	<b>KRA as per the Sector Performance Standards Framework</b>					
	<b>Wealth creation through multi sectoral projects</b>					
	Maintain collaborating agencies for IGA	%	1	N/A	N/A	%
	Produce Soya bean seeds	Ton	1	204	220	230
	<b>Promotion of commercial aquaculture</b>					
	○ Produce fingerlings	No.	1	1,391,325	1,500,000	1,750,000
	○ Produce table-size fish	Tons	1	N/A	N/A	4
	○ Build capacities of fish farmers	No.	0.75	834	900	950
	Increase of new jobs created by LBDA	No.	1	9,458	1,200	1,200
	<b>Sustainability of multi sectoral projects</b>					
	Rice Milling – Paddy	Ton	1	2,805	3,000	3,500
	Build capacity of rice farmers	No	1	N/A	1,000	1,200
	<b>Promotion of integrated agriculture and livestock production</b>					
	• Produce and distribute improved bull calves and in calf heifers	No	1	103	115	150
	<b>Improve environmental conservation</b>					
	• Production of tree seedlings to Increase forest cover	No.	1	1,496,404	1,600,000	1,100,000
	<b>Weight Total</b>		<b>30</b>			
	<b>Dynamic /Qualitative Indicators</b>					
	• Work Environment	%	1.5	75	80.2	82
	• Employee Satisfaction	%	1.5	68.6	72.3	74
	• Repair	%	1	100	100	100
	• Maintenance	%	1	100	100	100
	• Safety Measures	%	1	65	100	100
	• Research and Development	%	1	100	100	100
	• Prevention of Drugs and Substance Abuse	%	1	100	100	100
	• Gender mainstreaming	%	1	85	100	100
	• Disability mainstreaming	%	1	100	100	100
	<b>Weight Sub - Total</b>		<b>10</b>			
<b>F</b>	• Corruption eradication	%	5	100	100	70
			<b>5</b>			
	<b>TOTAL WEIGHT</b>		<b>100</b>			