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THEME: TOWARDS AN EFFECTIVE DELIVERY OF PUBLIC SERVICES IN AFRICA

TOPIC: THE KENYAN EXPERIENCE WITH PERFORMANCE CONTRACTING

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Abstract

Public sector reforms have become a common phenomenon around the globe, especially in developing countries. These have become the way of responding to the needs of the taxpayers. One of the key priorities of the Kenya Government is to implement and institutionalize public sector reforms that would lead to an efficient, effective and ethical delivery of services to the citizens. The government started implementing public sector reforms way back in 1993 with the aim of improving service delivery. There has been three phases in the implementation of different types of reform interventions. While there have been successes and challenges in the implementation of reforms in public service, different concepts and newer interventions have been introduced in the last three years. One such intervention relates to performance contracting in the state corporation and government ministries. Performance contracting is part of the broader public sector reforms aimed at improving efficiency and effectiveness in the management of public affairs.

This paper traces the history of public sector reforms in Kenya; discusses the rationale for performance contracting, identifies successes and challenges of implementing the performance contract in Kenya. In addition, the paper reviews literature on the history and the implementation of public sector reforms in Kenya since 1993 and thereafter focuses on the recent reform of performance contracting in the public service.

Using primary data collected from a sample of 280 senior public service course participants at KIA, the paper identifies achievements, lessons learned and challenges of implementing performance contracting in Kenya.

Finally the paper draws conclusions, suggestions and recommendations that would contribute to higher successes in performance contracting reform. In addition the paper highlight areas for further research relating to the implementation of performance contracting.
INTRODUCTION

The primary development goal for any country is to achieve broad-based, sustainable improvement in the standards of the quality of life for its citizens. The Public service and in particular the civil service plays an indispensable role in the effective delivery of public services that are key to the functioning of a state economy. When the delivery of services is constrained or becomes ineffective, it affects the quality of life of the people and nation’s development process.

Public services in many African countries are confronted with many challenges, which constrain their delivery capacities (Lienert, 2003). They include the human resource factor, relating to shortages of the manpower in terms of numbers and key competencies, lack of appropriate mindsets, and socio-psychological dispositions. There is also the perennial problem of the shortage of financial and material logistics that are necessary to support effective service delivery. On the other hand, the gradual erosion of the ethics and accountability has continued to bedevil the public sector in delivering public services to the people effectively. Public sector reforms meant to address these challenges have achieved minimal results (AAPAM, 2005).

The Kenyan Government responded to public service delivery challenges by formulating and implementing Public Sector Reforms (PRS) way back in 1993. The program implementation was in three phases. The first phase focused on cost containment, which entailed staff rightsizing initiatives and rationalization of government functions and structures. Under the first phase, a Voluntary Early Retirement Scheme was put in place that targeted civil servants in job group A-G in which 42,132 civil servants retired. The second phase of the reform program focused on rationalization of government ministries/departments to determine appropriate structures and optimal size of the civil service for effective performance of the government’s core functions within budgetary limits. As a result of rationalization exercise, 23,448 civil servants who were occupying posts that were no longer required were retrenched by year 2000. Both phases of the reform coupled with the embargo on recruitment reduced the core civil servants size from 272,000 in 1992 to 191,670 in 2003 (GOK, 2004). While there was a reduction in the size of the core civil service of about 30%, it was noted that productivity and performance in the public service was not as expected (Opiyo, 2006). Further reform initiatives targeting performance improvement and management in the public service were required, thus introducing the third phase of the public sector reforms guided by Economic Recovery policy direction (DPM, 2004).
In the Economic Recovery Strategy for Wealth and Employment Creation (ERS) 2003-2007 policy document, the government accords high priority to economic recovery and improving the performance of public service to deliver results to the people. Up to this point, the goal of public sector reform was the restoration so as to equip it well in order to play a pivotal role in national development. This called for fundamental changes in the way the sector operates in institutional organization and relationships, and in the individual and collective behavior of those serving in the sector. The aim is to enhance efficiency and effectiveness together with probity and integrity. In effort to achieve the objectives and targets of ERS and to manage performance challenges in public service, the Government adopted Performance Contracting (PC) in public service as a strategy for improving service delivery to Kenyans. The Performance Contract is one element of the broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs.

WHAT IS PERFORMANCE CONTRACT?

Before proceeding with this paper, it is essential to have a clear understanding of what is meant by Performance Contract and its origin. Performance Contract System originated in France in the late 1960s. It was later developed with great deal of elaboration in Pakistan and Korea and thereafter introduced to India (OECD, 1997). It has been adopted in developing countries in Africa, including Nigeria, Gambia, Ghana and now Kenya.

The definition of Performance Contracts itself has been a subject of considerable debate among the scholars and human resource practitioners. Performance Contracting is a branch of management science referred to as Management Control Systems. A Performance contract is freely negotiated performance agreement between Government, organization and individuals on one hand and the agency itself (Kenya, Sensitization Training Manual, 2004). It is an agreement between two parties that clearly specify their mutual performance obligations, and the agency itself.

Suresh Kumar (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent.
OECD (1999) defines Performance Contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agree results. While Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. In this paper performance contracting is used as a management tool to help public sector executives and policy makers to define responsibilities and expectations between the contracting parties to achieve common mutually agreed goals.

INTERNATIONAL EXPERIENCES WITH IMPLEMENTATION OF PERFORMANCE CONTRACTS

Starting in France in the 1970’s, Performance Contracting has been used in about 30 developing countries in the last fifteen years. In Asia, the Performance Contract concept has been used in Bangladesh, China, India, Korea, Pakistan and Sri Lanka. In Africa, performance Contracts have been used in selected enterprises in Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d’Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire. In Latin America, they have been used at different times in Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Others include Malaysia, United Kingdom, U.S.A, Canada, Denmark and Finland among others.

Public Enterprises in Africa are suffering financially and many are seeking financial assistance. Their problems stem from unclear and conflicting objectives, and a lack of autonomy and accountability. The results of performance contracting have been mixed. In some countries there has been a general and sustained improvement in Public Enterprise improvement, while in other countries some Public enterprises have not responded or have been prevented by government policies from responding.

In implementing performance contracts, the common issues that were being addressed include:

1. Improve performance to deliver quality and timely services to the citizen
2. Improve productivity in order to maximize shareholders wealth
3. Reduce or Eliminate reliance on the exchequer
4. Instill a sense of accountability and transparency in service delivery and the utilization of resources.
5. Give autonomy to government agencies without being subjected to the bureaucracies and unnecessary procedures.

THE CONTRACT PLAN EXPERIENCE IN AFRICA

In little more than a decade, Ghana has transformed the structure and strategy of its rural water supply sector. By 2000, district assemblies and communities played a significant role in planning supplies. The new policy and structure has attracted extra funds, and work is accelerating. This reform process started with an extended dialogue with the major stakeholders in the sector, out of which a new rural water and sanitation policy was developed. The policy was then implemented in several large pilot projects, supported by a number of external agencies, and finally the lessons from those projects were incorporated into the national performance contract program itself. The success of this approach was due to the fact that national and international NGOs were contracted to build the capacity of local-level NGOs and CSOs. The Community Water Supply Agency (CWSA) was created as a facilitating agency rather than an implementer. CWSA, as a semi-autonomous public-sector agency, signs an annual performance contract with the State Enterprise Commission. It is committed to staying efficient and lean, below a 200 size staff, and highly decentralized to its ten regional offices. (Source: World Bank 2002)

The evolution of contract plans in Swaziland can be traced back to the early 1990’s a period that witnessed the promulgation of the Public Enterprise (Control and Monitoring) Act of 1989 (Musa, 2001). The latter sought to establish viable control mechanisms for Swaziland’s parastatal sector amid a national outcry that public enterprises were continuing, unabated, to be a financial as well as an administrative burden on the government (Musa, 2001). However, the performance agreement of the early 1990’s failed to achieve its stated objective i.e. to improve the performance of the Public enterprises. This was because of widespread use of consultants in the formulation of contract plans, including the determination mechanisms for their monitoring and evaluation; Public enterprise
management did not develop the necessary sense of ownership and commitment to the success of the enterprise contracts.

Lessons of experience with regard to the use of outside consultants, expert or advisors, especially from developed countries, in the formulation of development plans, have shown that while they may be knowledgeable about certain issues and areas that are generic to their field of specialization, they often lack an intimate knowledge of the unique socio-political and economic circumstances confronting individual countries, especially those of the third world (Musa, 2001)

The performance contract system for public enterprises was introduced in Gambia in 1987. As a prelude to identifying those Performance Enterprises to come under the performance contract system, the Public Enterprise sector was divided into three schedules:

1. Enterprises in which the government is a minority shareholder;
2. Enterprises in which the government is a majority shareholder or has 100% shareholding and
3. Strategic corporation/departments.

Only Public Enterprises under schedule three were identified as suitable candidates for performance contracts. Under the first phase in 1987, the performance contracts were developed for three Public Enterprises only.

**Lesson Learnt from African Experience**

1. To Institutionalize and create ownership of the performance contract, Public enterprise managers and citizen should be involved and let them manage the process rather than external parties.
2. Allocate adequate resources to achieve the set target
3. Select few realistic target rather than too many objectives attempted at once.
4. Government should honor their financial commitment to the enterprise.
PERFORMANCE CONTRACTING IN KENYA AS A STRATEGY FOR PERFORMANCE IMPROVEMENT IN THE PUBLIC SERVICE

In order to move the implementation of the PSRP forward, the Government developed and launched the Strategy for Performance Improvement in the Public Service in 2001. The Strategy sought to increase productivity and improve service delivery. It outlined the actions that were necessary to imbed long lasting and sustainable change in the way public services are offered. Underpinning this strategy was the Results Oriented Management (ROM) approach, which makes it necessary to adjust operations to respond to predetermined objectives, outputs and results. The adoption of this approach therefore demanded a paradigm shift in Government. This called for a transformation from a passive, inward-looking bureaucracy to one which is pro-active, outward looking and results oriented; one that seeks ‘customer satisfaction’ and ‘value for money’. Consequently the ministries’/departments were required to develop strategic plans which reflected their objectives derived from the 9th National Development Plan, the Poverty Reduction Strategy Paper and based on the Medium Term Expenditure Framework (MTEF), Sectoral Priorities and Millennium development Goals.

MANAGING FOR RESULTS

Introduction of Results Based Management (RBM) is to ensure that the public sector is transformed into being more focused and responsive to the needs of those it serves. The result will be a sector directing its energies towards delivering targeted results for Kenyans and utilizing resources more productively. The quality and productivity of expenditures and investment will be improved to ensure cost-effectiveness and value-for-money.

Results Based Management is about institutional as well as individual performance, both in quality and quantity. The key elements of RBM are:

I. Performance target setting- the process of setting performance targets for ministries/ departments, groups or individuals in carrying out specific work assignments.

II. Performance planning -the process of establishing a shared understanding of what is to be achieved, and how it is to be achieved and managing resources to ensure successful implementation.
III. Performance monitoring and reporting

IV. Performance appraisal- the process of evaluating organization, group or individual performance against predetermined targets.

The framework for managing for results is at three levels namely: National, organizational (ministries and institutions) and individual. Embedded in the RBM framework are two key components to ensure its success, a performance management information system and a strong enforcement mechanism. The framework is a key part of government’s commitment to improving the performance of public service delivery and is based on agreed national principals and values.

Result Based Performance Management Cycle

The figure below illustrates the performance management cycle and identifies the position of performance contracting in the cycle.

![Performance Management Cycle Diagram](image)

Figure 1: Performance Management Cycle

In order to provide a mechanism that supports the achievement of Economic Recovery Strategy (ERS) and achievement of Millennium Development Goals (MDG’s), all ministry and public enterprise must
develop a Strategic Plan and strive to achieve its mission and objectives. Strategic planning in all public sector organizations should therefore aim at strengthening and looping linkages with policy, planning and budgeting. The human resource function needs to be aligned with the strategic goals of the organizations. Individuals derive individual work plans from the strategic plan. It is this work plan that forms a basis for the performance contract, which is then implemented, evaluated and the information used to inform decisions on performance improvement.

However, this process has not been without challenges. First, there is witnessed an absence of clear, well-formulated objectives based on strategic plan. This makes it difficult to assess organizational and individual performance. Second, public enterprises develop strategic plans without involving all stakeholders, which leads to lack of ownership and in turn makes it difficult to achieve strategic objectives.

RATIONALE FOR REINTRODUCTION PERFORMANCE CONTRACTS

Performance Contracts originated from the perception that the performance of the Public Sector has been consistently falling below the expectations of the Public. Performance Contracting is part of broader Public sector reforms aimed at improving efficiency and effectiveness in the management of Public service. The problems that have inhibited the performance of government agencies are largely common and have been identified as excessive controls, multiplicity of principles, frequent political interference, poor management and outright mismanagement (RBM Guide, 2005). While several approaches have been used to address these challenges, it is hoped that performance contract will be an effective tool for managing productivity.

A Performance Contracts is a freely negotiated performance agreement between government, acting as the owner of the agency and the agency. It clearly specifies the intentions, obligations, responsibilities and powers of the parties. It addresses economic, social and other tasks to be discharged for Economic or other desired gain.

The fundamental principle of performance contracting is the devolved management style where emphasis is management by outcome rather than management by processes. It therefore provides a framework for changing behaviors in the context of devolved management structures.
Governments all over the world view performance contracting as a useful vehicle for articulating clearer definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day-to-day management to the managers themselves. It organizes and defines tasks so management can perform them systematically, purposefully and with reasonable probability of achievement. Performance Contracts are based on the premise that what gets measured gets done; if you cannot see and measure success, you cannot reward it; if you cannot recognize failure, you cannot correct it and if you can demonstrate results, you can win public support.

The Government has adopted Performance Contracting in the Public Service in order to ensure that:

1. There is reduction or altogether elimination of reliance on exchequer funding for government agencies which are expected to generate revenue or make profit
2. An objective basis for divesting loss making government agencies, it will also compel the agencies to give a return to the shareholders by paying dividends or surplus
3. The process will ensure that government ministries/departments improve service delivery to the public.

**The Objectives of Introducing Performance Contracts in Kenya**

(i) Improve service delivery to the public by ensuring that top-level managers are accountable for results
(ii) Reversing the decline in efficiency and ensuring that resources are focused on attainment of Key national policy priorities of the government (Parachuted projects)
(iii) Institutionalizing performance oriented culture in the public Service through introduction of an objective performance appraisal system
(iv) Measure and Evaluate Performance
(v) Linking reward to measurable performance
(vi) Facilitate the attainment of desired results
(vii) Instill accountability for results at the highest level in the government
(viii) Ensure that the culture of accountability pervades all levels of the government machinery.
(ix) Strengthen and clarify the obligation required of the government and its employees in order to achieve agreed target.
Genesis of Performance Contracting in Kenya
The concept of performance Contracting was first introduced in the management of state corporations in 1989. A Parastatal Reform Strategy Paper, which was approved by cabinet in 1991, was the first official recognition of the concept of Performance Contracting as it was part of the following policies that were recommended to streamline and improve the performance of State Corporations:

1. Divestiture or Liquidation of non-strategic Parastatals
2. Contracting out Commercial activities to the private sector
3. Permitting private sector competition for existing state monopolies
4. Improvements in the enabling environment of all strategic parastatals including removal of potentially conflicting objectives. Performance Contracts, where applicable will be used to make transparent the cost of social services and to compensate the parastatals for their net costs.

The first two parastatals to be on Performance Contracting were Kenya Railways Corporation and the National Cereals and Produce Board. Kenya Railways signed PC’s in April 1989 and National Cereals and produce Board signed in November 1990.

Outcome of the two PC’s
The PC’s of Kenya Railways Corporation and the National Cereals and produce Board eventually failed due to the following:

1. Lack of Political goodwill to drive this process. It was perceived as donor-driven
2. The PC’s did not conform to the requirements of the three subsystems of PC’s as they lacked the performance incentive system
3. There was no provision for the impact of external factors such as changes in GoK policy, inflation, exchange rate fluctuations that would have made evaluation fair.

Re-Introduction of Performance Contracting
Kenya decided to re-introduce performance contracting in 2003. The initiative to introduce PC’s in Kenya came from H.E. the president and was clearly spelt out in the Economic Recovery Strategy for wealth and Employment Creation (ERSWEC).

In August 2003, the government appointed a committee to spearhead the introduction and implementation of Performance Contracts namely the performance Contracts Steering Committee. The
government made a decision to introduce PC in state corporations on a pilot basis in 2004. Sixteen State Corporations signed the PC’s by December 2004. The criteria for selecting the pilot companies included representation of diverse sectors and corporations with Strategic plans. Following the success in implementing performance contracts in state corporations, the government extended the process to Public Service beginning with Permanent Secretaries and accounting officers. Further, in April 2005, Government decided to place the management of 175 Local Authorities on Performance Contracts. Accordingly, five major municipalities completed Performance Contracts on 30th September 2005 on pilot basis; these are:

(i) City Council of Nairobi
(ii) Mombasa Municipal Council
(iii) Eldore Municipal Council
(iv) Kisumu Municipal Council
(v) Nakuru Municipal Council

The remainder signed Performance Contracts on 30th June 2006.

**Expected Outcome**

(i) Improved performance
(ii) Decline in reliance on Exchequer funding
(iii) Increased transparency in operations and resource utilization
(iv) Increased accountability for results
(v) Linking reward on measurable performance
(vi) Reduced confusion resulting from Multiplicity of objectives
(vii) Clear apportionment of responsibility for action
(viii) Improvement in the correlation between planning and implementation
(ix) Creating a fair and accurate impression on the performance
(x) Greater autonomy
(xi) Creation of enabling legal and regulatory environment
Impacts of Performance Contracting in Kenya

Implementation of the Process of Performance Contracting began only in 2004. The real impact of the process is yet to be fully visible. However, there is clear evidence of radical improvement particularly in the following aspects of the management of Public Service:

(i) Remarkable and unprecedented improvement in profit generation for commercial state corporations

(ii) Significant improvement in service delivery and operations by such ministries as immigrations and registration of Persons, Agriculture, Provincial Administration and Internal Security, Health, finance and Water.

(iii) Significant improvement in operations and services by Nairobi City Council, Kisumu and Nakuru Municipalities.

(iv) Unprecedented improvement in service delivery and operations by the bulk of state corporations and statutory boards, among them, KenGen, Kenya Power and Lighting Company Limited, Kenya Ports Authority, Kenya Utalii College, National Oil Corporation of Kenya, KICC etc.

RESULTS AND DISCUSSION OF THE PC SURVEY

To understand the successes and challenges of implementing performance contracting in Kenya, a survey was carried out among the civil servants. A questionnaire was developed from performance contract literature and administered to a purposeful sample identified during training. The results presented in this paper are based on primary data collected from a sample of 280 senior public service course participants at K.I.A. Data were collected from the course participants who were central in the implementation of performance contract in the ministries.

Demographic Characteristics of the respondents

Data were collected from the participants of a senior management course, and performance appraisal system course. The demographic information sought were on gender, age, education level, marital status, number of years in the civil service, job group on first appointment, current job group and
number of years in the job group and the name of the ministry assigned. Highlights of the characteristics are presented in the table below.

Table 1: Demographic Characteristics of the Respondents

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>f</th>
<th>%</th>
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<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>231</td>
<td>82.5</td>
</tr>
<tr>
<td>Female</td>
<td>49</td>
<td>17.5</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 35</td>
<td>25</td>
<td>8.9</td>
</tr>
<tr>
<td>35-40</td>
<td>92</td>
<td>32.9</td>
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<tr>
<td>41-45</td>
<td>79</td>
<td>28.2</td>
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<td>46-50</td>
<td>52</td>
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<tr>
<td>50 and above</td>
<td>32</td>
<td>11.4</td>
</tr>
<tr>
<td>Marital status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>22</td>
<td>7.9</td>
</tr>
<tr>
<td>Married</td>
<td>256</td>
<td>91.4</td>
</tr>
<tr>
<td>Divorced</td>
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<td>0.7</td>
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<tr>
<td>Level of education</td>
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<td></td>
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<tr>
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<tr>
<td>Bachelors</td>
<td>130</td>
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<tr>
<td>Masters</td>
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<tr>
<td>PhD</td>
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<tr>
<td>1987-1992</td>
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<td>1993-1998</td>
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<tr>
<td>2003 to 2006</td>
<td>9</td>
<td>3.2</td>
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<tr>
<td>Number of years in JG</td>
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<td></td>
</tr>
<tr>
<td>Experience</td>
<td>No.</td>
<td>%</td>
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<tr>
<td>----------------</td>
<td>-----</td>
<td>-------</td>
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<tr>
<td>Less than 1 year</td>
<td>21</td>
<td>7.5</td>
</tr>
<tr>
<td>1-3 years</td>
<td>131</td>
<td>46.8</td>
</tr>
<tr>
<td>4 –6 years</td>
<td>66</td>
<td>23.6</td>
</tr>
<tr>
<td>7-9 years</td>
<td>27</td>
<td>9.6</td>
</tr>
<tr>
<td>above 10 years</td>
<td>31</td>
<td>11.1</td>
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<table>
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<tr>
<th>Current work station</th>
<th>No.</th>
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<tr>
<td>Coast</td>
<td>13</td>
<td>4.6</td>
</tr>
<tr>
<td>Nairobi</td>
<td>146</td>
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</tr>
<tr>
<td>Nyaza</td>
<td>19</td>
<td>6.8</td>
</tr>
<tr>
<td>North Eastern</td>
<td>4</td>
<td>1.4</td>
</tr>
<tr>
<td>Central</td>
<td>23</td>
<td>8.2</td>
</tr>
<tr>
<td>Eastern</td>
<td>26</td>
<td>9.3</td>
</tr>
<tr>
<td>Western</td>
<td>16</td>
<td>5.7</td>
</tr>
<tr>
<td>Rift Valley</td>
<td>26</td>
<td>9.3</td>
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<table>
<thead>
<tr>
<th>Ministries participating</th>
<th>No.</th>
<th>%</th>
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<tbody>
<tr>
<td>Ministry of Finance</td>
<td>60</td>
<td>21.4</td>
</tr>
<tr>
<td>Office of the president</td>
<td>58</td>
<td>20.7</td>
</tr>
<tr>
<td>Ministry of labour HD</td>
<td>53</td>
<td>18.9</td>
</tr>
<tr>
<td>Ministry of Roads</td>
<td>24</td>
<td>8.6</td>
</tr>
<tr>
<td>Office of VP</td>
<td>22</td>
<td>7.9</td>
</tr>
<tr>
<td>Ministry of LFDev</td>
<td>20</td>
<td>7.1</td>
</tr>
<tr>
<td>Others</td>
<td>41</td>
<td>12</td>
</tr>
</tbody>
</table>

**Characteristics of the Respondents**

Two hundred and thirty one males and forty-nine females who had attended the senior management course and performance Appraisal system at KIA were surveyed. Male participants represented 82.5% of the respondents. The ages of the respondents ranged from 35 to over fifty. Regarding marital status, 22 (7.9) were single, 256 (91.4) were married while 2 (0.7%) were divorced. Concerning their level of
education, 101 (36%) had a diploma, 130 (46%) had a bachelors degree while 44 had a masters degree. Majority of the respondents 131 (46.8%) had been in their current job group for three years while 66 (23%) had been in the same job group between 4-6 years. While all the provinces of Kenya were represented in the group, majority of the respondent’s workstation was in Nairobi. Ministries that had a higher number representation in the survey were Finance with 60 (21.4%), Office of the President 58 (20.7%), and Ministry of Labor (18.9%)

Understanding of Performance Contract
To investigate if the participants knew the goal of performance contracting, the participants were required to state the goal of performance contracting in their ministries. A majority of the respondents 205 (72.2%) summed the goal as to improve performance/enhance efficiency and effectiveness in service delivery through a transparent and accountable manner. Further 206 (73.6%) said their ministries had signed the second (2006/7) performance contract with the Government. The responses indicate that majority of the participants were conversant with performance contract.

The Strategic plan is a critical management tool in performance contracting. To establish if the ministries had developed strategic plans, the participants were asked whether their ministries had developed strategic plans. 242 (86.4%) indicated that their ministry had strategic plans, while 31 (11.1%) indicated that they did not have. Closely related to strategic plan, is the departmental work plan aligned with performance contract. A majority of the respondents 223 (79.6%) indicated that they had departmental work plan, while 43 (15.4%) had not. In addition, slightly over half of the respondents 159 (56%) indicated that they had developed individual work plan in line with the their ministry performance contract.

A service charter is an agreement of what the organization promises to do to satisfy their customers. A majority of the respondents 187 (66.8) said that their ministries had developed service charters. However only 88 (31.4 %) were involved in the development of their Ministry’s service charter.

Regarding training in performance contracting, only 57 respondents said they had received a training in performance contracting while a majority 212 (75.5%) had not received any. It is interesting to note that 208 (74.3%) said they would require further training on all aspect of performance contracting.
Attitudes Towards Implementation of Performance Contracts

A majority of the respondents 179 (63.9%) felt that the performance contract has helped improve communication with the public while 164 (68.6%) agreed that performance contract would increase accountability among public officers. An overwhelming majority 217 (77.5%) of the respondents felt that performance contracts had introduced setting of the individual job expectations and staff performance plans. Over 166 participants felt that as a result of performance contract, performance targets are fairly distributed in their departments. A majority 205 (74.2%) of the respondents indicated that with the introduction of performance contract, public servants are increasingly seeking to multi-skill and diversify to remain on the job.

Over 60% of the respondents indicated that with the implementation of performance of contracts, public servants are more involved in decision making, felt evaluation of the performance is done fairly, they knew where to seek assistance concerning meeting the targets and has assisted in understanding government policy documents. However over 174 (62.1%) respondents indicated that they do not have adequate resources needed to meet their targets. The table below shows that with the introduction of performance contract, the participants were generally enjoying their jobs.

Table 2. After Introduction of performance contract, what was their work like most of the time?

<table>
<thead>
<tr>
<th>Response on their work most of the time was:</th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfying</td>
<td>156</td>
<td>55.7</td>
</tr>
<tr>
<td>Creative</td>
<td>155</td>
<td>55.4</td>
</tr>
<tr>
<td>Challenging</td>
<td>186</td>
<td>66.4</td>
</tr>
<tr>
<td>Interesting</td>
<td>149</td>
<td>53.2</td>
</tr>
<tr>
<td>Feel more responsible</td>
<td>162</td>
<td>57.9</td>
</tr>
<tr>
<td>Sense of accomplishment</td>
<td>156</td>
<td>56.4</td>
</tr>
<tr>
<td>Performance is better</td>
<td>219</td>
<td>75.7</td>
</tr>
</tbody>
</table>
Results from the above analysis indicate that the participant’s views regarding performance contracting are positive and support the objectives of performance contracting objectives. In other words, performance contract is enhancing job satisfaction for the participants; hopefully their satisfaction would lead to improved job performance.

**CHALLENGES OF IMPLEMENTING PERFORMANCE CONTRACTING IN KENYA**

To investigate participant’s experience with the implementation of performance contract, several questions were asked regarding whether the participants had signed performance contracts with their supervisor and whether they had experienced any problems with implementation of the performance contract. It was interesting to find out only 25 out of the 280 participants had signed the performance contract. Some of the problems experienced during the implementation of the performance contract include lack of adequate resources, resources not being released on time; some performance targets were highly ambitious and unplanned transfer of staff.

Respondents went ahead to suggest ways of ensuring performance contract is successful in their workplace. Some of the suggestions given by a significant (over 30) number of participants include continuous training on PC, allocation of adequate resources; develop a reward system for performers, increase salaries, enhance teamwork and availing the resources on time in that order.

**LESSONS LEARNED AND RECOMMENDATIONS**

In general, performance contracting has induced the public service to become more oriented towards customers, markets and performance, without putting the provision of essential public services into jeopardy. The introduction of contracts and management by results is used to increase the performance as it emphasizes better the human resource management. Performance management strategies pursue three objectives namely, saving, internal management improvement and better accountability (OECD, 1997). Some of the lessons drawn from the Kenyans experiences as well as from the review of literature include:
1. A solid legal framework, which sets out the basic premises and the status of the contract, may avoid ad hoc and fragmented solutions. The current arrangements lack enforcement legal capacities. Sanctions can be questioned as in the case of the 7 senior officers from Kenya Revenue Authority who are seeking legal redress after jobs were terminated as a result of not meeting their performance targets.

2. Stability of resources enhances the motivating effect of the contract. When resources are not available or availed late, the staff involved gets frustrated. The majority of respondents in the public service expressed this view.

3. The political top must respect the operational autonomy of the contracted organizations/ministries. Knowledge of strategic planning, development of work plans and monitoring capacities among the staff is central to the success of PC and the management support and their technical knowledge is crucial.

4. Contract management should be accompanied by performance-oriented change in the public service structure and management culture. Culture that empowers staff to embrace and manage change is necessary. Management instruments, focusing on performance and cost in the field of human resources and financial management should be developed in an integrated manner.

5. There is a need for a good definition of outputs and solid performance measures. This requires a well-defined training program for the public servants to support implementation.

6. Other instruments of control such as quality service charters and regulations concerning transparency and accountability must complement performance contracting. PC tends to emphasize competition among staff to meet their targets. Competition if not well-controlled may bring conflicts with values hence interfere with organization culture.

7. Performance contracting is not a substitute for poor management. PC will only succeed where best management practices are practiced. Top management key competencies and participatory approach to decision making is crucial.
8. There should be regular overall evaluations and audits of benefits and drawbacks of the implemented contract in order to learn from experiences. Differences in implementing contexts may provide different learning experiences. For example, Canadian experience may not fully work very well in some African countries hence the need to consider the regional context.

9. The early years of implementing PC are difficult both for the staff and management. A degree of tolerance from the management may sustain the momentum. Mistakes are likely to be made but what is critical is drawing lessons for innovations and creativity for future performance improvements.

**Recommendations for further research**

To further understand the implementation of PC in Kenya, the paper suggests areas of further research that may provide more insights on the successes and challenges and lessons learned such as:

1. Future research should focus on the role of Results Office in the implementation of PC in Kenya. Such investigations would reveal the strength of the secretariat in leading the implementation of PC in all the ministries.

2. A comparative study to investigates the extent to which State Corporations and the Ministries are in implementing the PC in Kenya. Comparing the differences in the successes or failure in State corporation and Ministries would be an interesting area to explore to gain insights into factors that enhance or inhibit the implementation of PC in Kenya.

3. Future research study focusing on larger sample public servants perceptions on the role of PC in improving service delivery is needed. There is a relationship between perceptions and behavior.

4. Further research effort is needed to establish if Kenyan citizens perceive service delivery has having been improved since the implementation of PC in Kenya. Results of such a study would confirm if the objectives of implementing PC are being achieved in Kenya.

5. Finally, future research should deal with assessment of legal and regulatory environment to find out the extent to which it facilitates or inhibits implementation of PC in Kenya.
CONCLUSION

The government commitment to the provision of effective, efficient and ethical services for social economic development continues to be the driving force behind many initiatives that have been introduced into the public service in the recent past. Although there have been several initiatives since 1993, Performance Contract was implemented in Kenya in 2003. This was a Government attempt to provide a unifying framework within which performance can be managed in the public service to achieve the goals outlined in the Economic Recovery Strategy.

This paper has highlighted the three phases of public sector reforms in Kenya and identified the fit of performance contract as a management tool within the third phase of the wider public sector reforms. Literature review synthesizes the definitions of performance contract as well as outlines the success and challenges and lessons learned in the implementation of PC in developed countries and Kenya. A purposeful sample of 280 training participants highlighted the perceived successes, challenges and suggestions for Implementing PC in Kenya. Further, the paper has presented areas for future research in understanding implementation and management of PC in Kenya.


