

Review of Performance Measurement Tools and Performance Contracting in Kenya

Margaret Gichini
Governance Division

Kenya Institute for Public Policy
Research and Analysis

KIPPRA Discussion Paper No. 186
2015

KIPPRA in Brief

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) is an autonomous institute whose primary mission is to conduct public policy research leading to policy advice. KIPPRA's mission is to produce consistently high-quality analysis of key issues of public policy and to contribute to the achievement of national long-term development objectives by positively influencing the decision-making process. These goals are met through effective dissemination of recommendations resulting from analysis and by training policy analysts in the public sector. KIPPRA therefore produces a body of well-researched and documented information on public policy, and in the process assists in formulating long-term strategic perspectives. KIPPRA serves as a centralized source from which the Government and the private sector may obtain information and advice on public policy issues.

Published 2013

© Kenya Institute for Public Policy Research and Analysis

Bishops Garden Towers, Bishops Road

PO Box 56445-00200 Nairobi, Kenya

Tel: +254 20 2719933/4; fax: +254 20 2719951

email: admin@kippra.or.ke

website: <http://www.kippra.org>

ISBN 9966 058 59 1

The Discussion Paper Series disseminates results and reflections from ongoing research activities of the Institute's programmes. The papers are internally refereed and are disseminated to inform and invoke debate on policy issues. Opinions expressed in the papers are entirely those of the authors and do not necessarily reflect the views of the Institute.

This paper is produced under the KIPPRA Young Professionals (YPs) programme. The programme targets young scholars from the public and private sector, who undertake an intensive one-year course on public policy research and analysis, and during which they write a research paper on a selected public policy issue, with supervision from senior researchers at the Institute.

KIPPRA acknowledges generous support from the Government of Kenya, African Capacity Building Foundation (ACBF), and the Think Tank Initiative of IDRC.



Abstract

Performance measurement is crucial to the delivery of improved services in the public sector. The public contracting process in Kenya has been associated with innovativeness, effectiveness, efficiency, and quality services. The introduction of public sector reforms and performance contracting was motivated by the government's realization of poor performance in the public sector over the years. The performance contracting process in Kenya uses the Balance Score Card (BSC) tool to measure performance. This study aimed at evaluating the performance of government ministries using the results of performance contracting composite scores. The study covered the period between 2005/2006 to 2010/11. Findings from the data analysis indicate that it is quite difficult for performance contracting to rate the ministries on the overall best performing ministry based on the performance measurement tool in use. The study recommends integration of other tools together with BSC in public contracting in order to improve public service delivery. These tools include Public Value Scorecard (PVS), Common Assessment Framework (CAF), and Leadership Effectiveness Index (LEI).

Abbreviation and Acronyms

BSC	Balance Score Card
CAF	Common Assessment Framework
CIPFA	Chartered Institute of Public Finance and Accountancy
CSDC	Customer Services Delivery Charter
CSRP	Civil Service Reform Programme
EACC	Ethics and Anti-Corruption Commission
ERS	Economic Recovery Strategy
ERSWEC	Economic Recovery Strategy for Wealth and Employment Creation
GDP	Gross Domestic Product
GOK	Government of Kenya
HPO	High Performing Organization
IEA	Institute of Economic Affairs
IFAC	International Federation of Accountants
LEA	Leadership Effective Analysis
LEI	Leadership Effectiveness Index
NPM	New Public Management
OECD	Organization for Economic Corporation and Development
OPI	Organization Performance Index
PC	Performance Contracting
PVS	Public Value Score card
PSR&PC	Public Services Reforms and Performance Contract
SAPs	Structural Adjustment Programmes
SPSS	Statistical Package Package for Social Scientist
TQM	Total Quality Management

Table of Contents

Abstract.....	iii
Abbreviation and Acronyms.....	iv
1. Introduction	1
1.1 Background.....	1
1.2 Problem Statement	3
1.3 Objectives	3
1.4 Justification of the Study	3
2. Literature Review	4
2.1 Theoretical Literature	4
2.2 Empirical Literature	7
3. Methodology	12
3.1 Research Design and Population.....	12
3.2 Sample Design and Sample Size	12
3.3 Data Analysis	12
4. Data Analysis and Interpretation.....	13
4.1 Analysis of Performance using Composites Scores.....	13
5. Conclusions and Policy Recommendations	18
5.1 Conclusions	18
5.2 Policy Recommendations	19
References.....	20



1. Introduction

1.1 Background

The Government of Kenya acknowledges that over the years, there has been poor performance in the public sector, especially in the management of public resources, thus hindering the realization of sustainable economic growth. Some of the factors that adversely affect the performance in the public sector are: excessive regulations and controls, frequent political interference, outright mismanagement of resources, and a bloated staff establishment (Government of Kenya, 2004)). To improve performance, the government has continued to undertake a number of reform measures. In the Economic Recovery Strategy for Wealth and Employment Creation (ERSWRC) of 2003-07, the government outlined its commitment towards the improvement of the general performance in ministries and state-owned corporations. The need to improve performance in the public service is further emphasized in Vision 2030. This was to be done through the introduction of performance contracting (Government of Kenya, 2004).

The objective of introducing performance contracts was to improve public service delivery. Performance contracting is a management tool for measuring performance in service delivery against negotiated targets. The aim of performance contracting is to ensure that public resources are focused on the attainment of key national policy priorities of the government. It also institutionalizes a performance-oriented culture in the public service by providing a way to measure and evaluate performance. The contract specifies the mutual performance obligations, intentions and responsibilities between the two parties (Government of Kenya, 2005). Thus, performance contracting in Kenya was intended to improve service delivery and also refocus the mindset of the public service away from a culture of inward-looking to an outward culture of business focusing on results and customer satisfaction (Government of Kenya, 2005).

In 2004, through Legal Notice No. 93, the government introduced mandatory strategic plans and performance contracts (PCs) to all Ministries, Departments and Agencies (MDAs) to be implemented and evaluated on yearly basis. The Inspector-General (Corporations) spearheads the administration of performance contracts, and is assisted by the performance contracting secretariat in setting ministerial targets and evaluation of results (performance).

The performance contracting process in Kenya uses the Balance Score Card (BSC) tool to measure performance. This tool comprises four performance measures (perspectives) of financial, customer, internal processes and innovation. The department of performance contracting formulates performance standard

guidelines in form of annual cycles. The BSC and the standard performance guidelines form the implementation framework for performance contracting in Kenya.

Performance management process typically involves four main stages of work plan management, skills development, performance monitoring and evaluation, and rewarding of outstanding performance. In terms of work plan management, it is based on government plans and regulations. Ministries' key deliverables and areas of responsibility to which staff members will contribute are predetermined. A staff member and the immediate supervisor set the targets and responsibilities in a specified time frame. They also set the criteria on how the staff members' performance is to be measured or evaluated against set objectives (Akaranga, 2008). The supervisor provides regular formal and informal feedback on their assessment of the staff member's achievements on quarterly basis.

The set targets are negotiated by ad hoc negotiators and ministerial negotiating committees, in the case of ministries. These targets as set are verified on the basis of available resources (both financial and human capital requirement), timeframe, relevancy to the existing policy documents (Vision 2030, Medium-Term Plan 2008-2012, sector plan and institutions' strategic plan). The set targets are re-examined and evaluated by checking their backgrounds, i.e. if it is a new or a continuing target. A target once started can be implemented in phases based on its timeframe in the ministry's strategic plan. This process is referred to as vetting process. At the signing stage, the contract is normally signed for the sake of accountability and to show commitment by the senior management. The Minister and the Permanent Secretary (the accounting officer) signs, while the Minister for Finance countersigns. Finally, the ministry implements the vetted and signed contract for each target.

The initiative has positively transformed service delivery in most government sectors. However, certain challenges still exist. There is consensus among members of the public that they should be involved in the performance contracting processes (Government of Kenya, 2010). The PCs enforceability in some government agencies such as Judiciary and Parliament has not been successful. Performance contracts do not provide for the impact of external factors such as changes in government policy, inflation, and exchange rate fluctuations that would make the evaluation fairer (Kobia and Mohammed, 2006).

On the other hand, the PCs lack the performance incentive system. The new constitutional dispensation redefined institutional structures and relationships across the three arms of government and devolved county governments, and these have not been well integrated in performance contracting.

1.2 Problem Statement

Public contracting in Kenya has been going on since 2004. The processes have had some successes in improving public service delivery but, overall, the change has not been significant in some areas of public and constitutional interest (Kobia and Mohammed, 2006). This possibly results from the way performance is measured. In Kenya, the performance contracting process normally uses the BSC to evaluate performance in various ministries. It is, therefore, important to review various tools that can be used to gauge performance to enhance the PC process in Kenya for effective public service delivery.

1.3 Objectives

The main objective of this study was to review various public sector tools that can be used to gauge performance to enhance the PC process in Kenya.

The specific objectives were to:

- (i) Review the development of public contracting as a means of improving public service delivery.
- (ii) Evaluate the performance of government ministries since the introduction of performance contracting processes began in Kenya in the year 2005/2006.
- (iii) Identify other tools that can be used to measure performance in PC process in Kenya.

1.4 Justification of the Study

The purpose of the study was to provide information on how performance contracting is conducted and used for measuring performance in government ministries. In doing so, the study evaluated whether the continuous updates of the performance contracting implementation guidelines reflect improved service delivery by the ministries. The study also provided knowledge on other performance measuring tools that can be used for measuring performance alongside the BSC for improved public service delivery in Kenya.

2. Literature Review

2.1 Theoretical Literature

2.1.1 Public performance contracting

Performance-based contracting allows government to acquire services through contracts that define what is to be achieved, and not necessarily how it is done. It allows the entities involved the freedom to bring new approaches to the government table (Petri and Virtanen, 1999).

The idea behind performance contracting reforms was to emphasize outputs and results instead of inputs and rules, and to improve target-setting and follow-up. In this process, performance contracts have played an important role. The contractual model has replaced the old hierarchical, compliance-based guidance and control system. Result negotiations and performance contracts represent decentralized and flexible ways of making government agencies more cost-conscious, responsible and accountable. Performance management has also been considered as one of the main instruments for enhancing strategic thinking and prioritization among the ministries. Despite its official objectives, performance contracts do not always produce the expected results, and some cases might even have unexpected consequences or negative externalities (OECD, 1999).

2.1.2 Public sector performance measurement tools

In general, the commonly accepted performance measures in successful public sectors in the world embrace the principles of good governance and are applied in a system-based approach. Governance entails putting arrangements in place to ensure that the intended outcomes for stakeholders are defined and achieved (IFAC and CIPFA, 2014). Other such tools used to measure performance, besides the BSC include: Public Value Scorecard (PVS), Common Assessment Framework (CAF) and Leadership Effective Index (LEI). Each one of the performance measurement tools comprises a set of key components. Each of these tools is briefly outline in the following subsections.

Balance Score Card (BSC)

The Balanced Score Card (BSC) uses multiple measures based on four perspectives - employee, processes, financial and customer perspectives. The employee perspective helps to identify innovative ways of operational management (processes). Through learning processes, the internal business processes are improved, and this leads to improved customer satisfaction, culminating in

improved financial results. The financial perspective encourages government agencies to operate in a cost-effective way and avoid wastage of resources. The customer perspective requires ministries to offer quality services in a speedy, responsive and integrated manner. These perspectives provide a balanced presentation of both financial and non-financial measures of the ministries' activities.

The four perspectives form the four main indicators for performance evaluation for all performance contracts. At the end of every financial year, the performance contracting department evaluates government agencies' efforts in meeting their objectives against set targets and ranks their results. In Kenya, the leading three government departments are sometimes rewarded. The BSC approach emphasizes continuous improvement. Any organization that does not improve will eventually lose out to its competitors. Incorporating these BSC perspectives in the PC tool offers a framework for translating strategic objectives into performance measurements, which gauge the effects of implemented strategies. This also provides feedback on the performance of strategic initiatives.

Public Value Score card (PVS)

Public Value Score (PVS) card is commonly used in America. Public value emphasizes on overall use of the three pillars of the performance triangle, namely: legitimacy and support; operational capabilities; and public value (Moore, 1995). In the later years, Moore designed a standard performance measurement framework map on internal and external organizational outcomes on accountability. Exceptional to the tool is the need for public sector managers to analyze both internal and external environment. The external environment hosts the citizens on one side and the political leaders on the other side. Public resources are collective goods; their utilization must be legitimized, that is, shown to have on-going support of the collective (Moore, 2002).

The framework is a multidirectional representation of an organization's production value chain. It has distinct production stages of input, processes, output, client satisfaction and outcomes. Inputs include sets of policies, strategic organizational objectives, public money, staffing levels, and authority of state. Public managers make choices from key stakeholders' needs priority lists as preferred by the society majority (democracy). This is at the expense of alternative choice (sacrifice) to maximize economic benefits for the society (Meynhardt, 2012). Outputs of the public organisation are policies, procedures, computerized systems, community services, among others. Examples of outcomes are reduction in burglary rates,

or increase in seizure of illegal imports. Others are reduction in mortality rates, increase in school enrolment and higher transition rates, and reduction in reported corruption cases and so on. This is a valuable planning tool as it helps in deciding between several different paths on each outcome and overall cost effectiveness (Cole and Parston, 2006).

Outputs involve engagement with the clients through transactions, encounters and relationships yielding differentiated satisfaction levels and outcomes. The value chain has encounters with co-producers and stakeholders. These are instrumental in ensuring client satisfaction and other social outcomes. Measurement of accountability for performance may be made anywhere along the production value chain. A good number of diverse authorizers have different intensity of interest on a certain public institution activity outcome (Moore, 2006). In this measure, the final result is mapped using the three intensity of interest of weak, erratic or strong based on the stakeholders needs in the priority list (Appendix 3).

Common Assessment Framework (CAF)

The Common Assessment Framework (CAF) was developed and used by the European Union (EU) ministers responsible for public administration (European Institute of Public Administration, 2013). A selected team of experts from member countries developed a kit of performance measurement tools appropriate for use by public sector service providers worldwide. CAF is a total quality management (TQM) tool. Its implementation requires a multi-discipline group membership with a twofold orientation of enablers' features and results' features. Every public institution to be evaluated aligns itself to a standard set five (5) enablers criteria and four (4) results criteria highlighted in Appendix 4.

The enabler criterion determines the organization's mandated tasks to be performed so as to achieve the desired results. The enablers include measures of performance based on leadership, management of resources and processes, strategy and partnerships. Enablers lead to another set of results measures of employee production and motivation, and customer satisfaction yielding into various society outcomes in the long run (Nogueiro and Saraiva, 2008).

Leadership Effective Index (LEI)

Across the world, organization's success is fundamentally dependent upon the skills and actions of its leaders (Wiley, 2010). The Leadership Effectiveness Index (LEI) was developed to measure employees' perceptions of their organization's senior leaders. Senior leaders are effective if they are capable and trustworthy,

inspire confidence, are committed to high quality products and services, and have communicated a motivating vision. Various items are considered when evaluating employee perceptions of leaders at their organization.

This tool is implemented in form of a survey across organizations of similar (homogeneous) sizes. The questionnaires capture descriptive employee perceptions grouped in various themes or categories such as: common purpose, quality and performance focus, communication and co-operation, well-being, the person I report to, my team, my job, learning and development, performance and feedback, reward and recognition, overall perceptions, taking action, and final thoughts. The quality of executive leaders explains around 45 per cent of an organization's performance, and effective leadership positively affects organizational performance outcomes such as labour productivity, return on assets, and outputs of patents (Wang, Courtright and Colbert, 2011).

2.2 Empirical Literature

2.2.1 BSC utilization results and outcome

The public sector is devoting more attention, time and money to performance management, measurement and evaluation than at earlier times (McAdam et al., 2005). Many public sector organizations have implemented performance measurement systems such as the BSC. However, such adaptation of private sector approaches has caused a number of difficulties because of multiple stakeholders in public sector organizations – in comparison to private sector organizations that mainly focus on the customer. The main reasons for these problems of performance measurement in public organizations were identified using the results of three case studies as stated by Rantanen et al (2007).

These challenges are: (i) difficulties in solving the conflicts between the needs of different stakeholders (owners, employees, customers, suppliers and the community), that is not clear what should be measured; (ii) difficulties in target setting (i.e. not clear what the goal of the operations should be); (iii) representatives of different stakeholder groups influence the development of individual measures at too detailed a level; (iv) the personnel do not understand the objectives of the measurement development; (v) too many persons responsible for the measurement development leads to non-responsibility; (vi) the personnel does not see the usefulness of the project with regard to their work, and so ignore or resist it; and (vii) overlapping projects hamper the measurement project because they take up resources.

PCs in Kenya have been an effective tool to some extent as indicated in a study done by Kobia and Mohammed (2006), and 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 those dealing with immigrations, registration of persons, agriculture, the provincial administration and internal security, health, finance and water; (iii) significant improvement in operations and services by Nairobi City Council, Kisumu and Nakuru municipalities; and (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, Kenya Ports Authority, Kenya Utalii College, National Oil Corporation of Kenya, Kenyatta International Convention Centre (KICC), among others.

However, lack of clear sector standards has resulted in sectors concentrating on inputs, process and output indicators that do not link performance to outcomes. There have been concerns from stakeholders, including the general public about the government services delivery, and the inconsistency between perceived performances of various government ministries and their performance ratings. In addition, studies done by Rantanen et al. (2007) and Kobia and Mohammed (2006) indicated that the PC was facing major challenges in meeting its core objectives, which are innovativeness, effectiveness, efficiency, and quality services provision.

Despite the Kenya government's effort to introduce performance contracting in the public sector, the public has expressed dissatisfaction because there is no public participation throughout the PC process (Northcott and Taulapapa, 2012). According to Northcott and Taulapapa (2012), some activities that increase public trust and awareness are not measured, for example employee welfare, behavioural change, and corporate responsibility benefits to the citizens. The main purpose of performance contracting, according to Armstrong and Baron (2004) is to ensure delivery of quality services to the public in a transparent manner for the survival of the organization. This indicates the need for an additional tool(s) to assess performance in government ministries.

On the other hand, the PC obligations are not enforceable due to prevalent political goodwill in the appointment of government institutions' management boards, chief executives and accounting officers. Sometimes, the government fails to avail or release recurrent and development funds on time before the closure of a given financial year. This causes challenges in securing commitment and accountability of performance score ranking results by the government. Surprisingly, there has been stagnation of current PC measures on the four BSC perspectives of, financial,

customer, internal processes and employee learning (innovation). These PC measures have been in operation for over a decade and a half.

2.2.2 PVS utilization results and outcome

Public value approach draws heavily on the work of Moore (1995), and signals a shift from strong ideological positions of market versus state provision. In various guises, public value has become extraordinarily popular in recent years (Rhodes and Wanna, 2007).

According to Moore (2003), the PVS works better for non-profit organizations than the BSC in two ways. First, it aligns more neatly with the ambitions of non-profit organizations that have to find some way to make a valuable contribution to society without worrying too much about their financial performance, or their competitive position and yet being able to sustain themselves financially. To achieve this feat, the organizations may have to compete to some degree with other non-profit firms. Secondly, PVS works better for non-profit organizations than the BSC, since the ultimate goal of non-profit organizations is not to capture and seize value for themselves, but to give away their capabilities to achieve the largest impact on social conditions that they can, and to find ways to leverage their capabilities with those of other non-profit firms.

Public managers need to understand and diagnose the external environment in order to align the internal environment to fit those demands - not to satisfy the demands, but to respond to them in a value-creating way. This is why innovation and flexibility are necessities of the public sector. To do this, a manager needs to understand both the 'task environment' and the 'authorising environment'. The task environment in public sector management can be characterized by speed, variability and complexity. The relations between these factors vary depending on the role of the agency. The task environment varies depending on whether the agency is providing a service or imposing obligations (operational or professional).

The authorising environment concerns those institutions, groups and individuals by whom the agency can be properly held accountable. These parties (constituencies) are the source of legitimacy for an agency's activities. An agency's activities should reflect all of its constituencies, but often some constituencies have been neglected. An agency should have performance measures and reporting processes that reflect its authorisers' desired ends. The public sector environment is very complex and dynamic. It has to be, according to Moore, constantly 'failing'. He also saw the need to understand and diagnose the external environment and then align the internal environment to fit those demands. This is not to satisfy the demands but to respond to them in a value-creating way until the organization

fails, and the cycle starts all over again (Moore, 2013).

For some, public value may prove a frustrating approach to public service reform. Unlike the market-based approach or even the classical centrally-planned approach, its essence cannot be summed up in one sentence. As has been pointed out above, the approach is more about process and the conceptualization of public service than about formulae and models. In public services that meet the needs of citizens, public service staff is critical to legitimizing policy initiatives and the public service officers themselves by building trust and communicating with citizens. The role of staff can obviously not be underestimated. Indeed, it is imperative that staff have to play the central role in the process of legitimation (Trade Union Congress, 2008).

The public value framework enables the government to understand and balance between pressures such as to increase outcomes (from ministers, politicians), pressure from public sector for value creation (from citizens) and pressure to reduce costs (from treasury). It aligns outcomes to vision and mission, with rigorous measurement of outcomes' metrics. It also compares historic performance with the average performance over a specified period of time. It also facilitates deeper process analysis to study which programmes worked or failed.

2.2.3 CAF utilization results and outcome

Nearly 95 per cent of organizations who start using CAF for improvement actions want to use it again and again. The University of Evora used CAF-structured questionnaires to conduct self-assessment on performance of its academic services. The Department of Public Administration and Employment (DGAEP) sent out 1,000 questionnaires to students, non-teaching staff and to the managers of academic services. The response rate was above 80 per cent for each category. The variables considered in this study were the four criteria of enablers of the CAF, namely leadership, planning and strategy, people management, and management of processes. The analysis of the four criteria was found useful to obtain the strong, weak and improvement points that helped the academic services of the University of Évora to know themselves better (self-evaluation and grade of satisfaction) and to obtain the desired quality level.

2.2.4 LEI utilization results and outcome

Effective leadership has a positive way on the performance of organizations (Bass, 1997). Behling and McFillen (1996) confirmed that there is a link between high performance and leadership in the United States by developing a model of

charismatic/transformational leadership, where the leaders' behaviour is said to give rise to inspiration, awe and empowerment in the subordinates, resulting in exceptionally high effort, exceptionally high commitment, and willingness to take risks.

Effective leadership is helpful in ensuring organizational performance (Hellriegel et al, 2004). As a result, many leadership theories have been proposed in the last fifty years, which are claimed to have influenced effectiveness of organizations where they have been applied through employee performance.

High performing organizations (HPOs) consistently deliver high quality products and services (Owen et al., 2001). They can be differentiated by their continually superior performance, such as higher customer satisfaction, greater customer loyalty and higher productivity (Wiley, 2010). According to Kenexa (2013), HPOs share four fundamental characteristics: customer orientation, quality emphasis, innovation and effective leadership. In addition, they have the potential to influence macroeconomic performance through three mechanisms, each a major component of gross domestic product (GDP), namely: consumption, investment and international trade.

3. Methodology

3.1 Research Design and Population

The study used secondary data collected from performance contracting department, formally in the Office of the Prime Minister. The data is on the composite scores results of all government ministries from 2005/2006 to 2010/2011. Composite score results for 46 ministries were used for analysis. However, only 31 ministries have complete data on composite score results.

3.2 Sample Design and Sample Size

The sampling frame is the PC evaluation results for all the government ministries for the fiscal years 2005/6 to 2010/11. The study drew a sample size based on the top ten (10) leading government ministries for each year starting from 2005/6 to 2010/11. It should be noted however, that not all ministries submit their PCs for evaluation as required in practice, and other ministries were not in existence by the time PC was introduced in Kenya.

3.3 Data Analysis

Descriptive analysis aids in exploration of the gathered data where data can be tabulated and graphed into various patterns that may emerge during analysis. Descriptive analysis was done using Statistical Package for Social Scientist (SPSS) software.

4. Data Analysis and Interpretation

4.1 Analysis of Performance using Composites Scores

Performance evaluation methodology measures the extent to which public agencies achieve negotiated performance targets. The resulted differences are resolved into weighted scores, and the ultimate performance evaluation results denominated to a composite score. The performance tool rating instrument is shown in Table 4.1. Appendix 1 shows performance rating targets and raw scores equations used determining composite scores.

Table 1: The PC tool rating in Kenya

Performance	Criteria	Composite scores range
Excellent	Achievement between 30% and 100% above target	$1.3T \leq X_a \leq 2T$
Very Good	Achievement of target. Achievement below target but above previous year	$T \leq X_a < 1.3T$
Good	Achievement below target but above previous year	$0.7T \leq X_a < T$
Fair	Achievement equal to previous year	$0.5T \leq X_a < 0.7T$
Poor Achievement	Achievement below previous year.	$0 \leq X_a < 0.5T$
Where T = performance indicator target and X_a = actual performance in percentage		

Adopted from Government of Kenya (2013)

The performance evaluation guidelines for government ministries and departments within the ministries implementation schedule (Appendix 2) provides a complete list of all ministries/departments composite scores). Each year, the PC department provides a list of the top ten ministries/departments using the composite scores. This information is published in their annual publications. The composite score results of the top ten leading ministries/departments performance for years 2005/6 to 2010/11 are shown in Table 4.2.

Table 4.2: Top ten composite score results for ministries/departments, 2005/6 - 2010/11)

Name	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11	Number of times it appears in the leading top ten list
Performance contracting guidelines**	3 rd cycle	4 th cycle	5 th cycle	6 th cycle	7 th cycle	8 th cycle	
Cabinet Office	-	-	-	-	2.1121	-	1
Minister of Gender, Children & Social Development	-	2.1936	-	-	2.1096	-	2
Minister of Public Health & Sanitation	-	2.3263	-	-	-	-	1
Ministry of Agriculture	1.9653	-	-	2.2211	2.2192	-	3
Ministry of Cooperative Dev. & Marketing	-	-	2.2062	-	-	-	1
Ministry of East African Community	-	-	2.2765	-	-	-	1
Ministry of Energy	2.2412	2.2477	-	-	2.1145	1.9509	4
Ministry of Higher Education, Science and Technology	-	-	-	-	-	2.1712	1
Ministry of Housing	-	2.2599	-	-	-	-	2
Ministry of Information and Communications	2.1908	-	2.1207	2.4047	-	2.1655	4
Ministry of Justice, National Cohesion & Constitutional Affairs	-	2.3324	-	-	-	-	2
Ministry of Labour	2.2838	-	-	-	-	-	1
Ministry of Lands	-	-	2.263	2.3678	2.2132	1.972	4
Ministry of Planning, National Dev. & Vision 2030	-	-	2.199	2.2774	2.101	1.9382	4

Ministry of Public Works	-	-	-	-	2.1889	-	1
Ministry of Regional Development Authorities	-	2.1975	-	-	-	-	1
Ministry of State for Immigration and Registration of Persons	-	2.3281	-	-	-	-	1
Ministry of State for National Heritage & Culture	2.147	2.2922	2.2561	2.1329	-	-	4
Ministry of State for Provincial Admin. & Internal Security	2.1738	-	1.9684	2.272	-	-	3
Ministry of State for Provincial Admin. & Internal Security	-	-	-	-	-	2.2701	1
Ministry of State for Public Service	-	-	-	2.3277	2.199	2.2113	3
Ministry of State for Special Programmes	2.2829	2.2477	2.2469	-	-	2.1434	4
Ministry of Tourism	2.1502	-	-	-	-	-	1
Ministry of Water & Irrigation	2.2508	-	2.1766	-	2.1756	-	3
Ministry of Roads	2.2377	-	-	2.3931	-	-	2
Office of the Vice President & Ministry of Home Affairs	-	2.2599	-	-	-	-	1
Public Service Commission	-	-	2.02	-	2.1338	2.2381	3
State House	-	-	-	2.2703	-	2.2054	2
State Law Office	-	-	-	2.1932	-	-	1

- means not listed among Top Ten in that particular year

** - means the PC guideline cycles/editions that guide ministries PC setting and evaluation

The results in Table 4.2 indicate that there was no ministry/department that had maintained being listed among the top ten leading institutions consistently since the evaluation process began in 2005/6. Thus, it becomes extremely difficult to

explain which ministry/department has overall performance of either excellent/very good/good/poor or has consistently been improving its performance since the introduction of the performance contracting process.

However, some ministries such as the Ministries of Energy, Information and Communications, Lands, Planning, National Development & Vision 2030, National Heritage & Culture and Special Programmes have appeared at least four (4) times in the list for the leading top ten in the span of six (6) years for PC evaluation, but again it has not been a progressive performance. Such erratic performance does not reflect improved public service delivery. For example, the Ministry of Lands in the financial year 2010/11 scored a composite score of 1.972, which is 'excellent' performance according to the evaluation scores, but was accused by the public of being involved in many corruption scandals that affected service delivery. A good example is the Nairobi City Council cemetery land fraud in 2010, which saw the Minister for Local Government being investigated by the Ethics and Anti-Corruption Commission (EACC). This was followed by the Nyeri land graft claims where the community complained of corruption and poor service delivery by officers in 2011, and many other cases as reported by the EACC press release (EACC, 2011). In another instance in 2011, the EACC reported that officers in the Ministry of Special Programmes were involved in procurement corruption scandals, yet the ministry was rated among the leading top ten ministries/departments with a composite score of 2.14, which is 'very good' performance. Such cases lead to poor service delivery to the public by the involved ministries, engendering lack of public trust.

Other ministries/departments have appeared only once within the PC evaluation period in the list for top ten leading institutions. These ministries and departments are indicated in Table 4.3.

Table 4.3: Ministries/Departments that appeared only once as top ten within the period 2005/6 - 2010/11

Ministry/Department	Year appearance among Top Ten
Cabinet Office	2009/10
Ministry of Public Health and Sanitation	2006/7
Ministry of Cooperatives Development & Marketing	2007/8
Ministry of East African Communities	2007/8
Ministry of Higher Education, Science and Technology	2010/11
Ministry of Housing	2006/7

Ministry of Justice, National Cohesion & Constitution Affairs	2006/7
Ministry of Labour	2005/6
Ministry of Public Works	2009/10
Ministry of Regional Development Authorities	2006/7
Ministry of State for Immigration & Registration of Persons	2006/7
Ministry of State for Provincial Administration & Internal Security	2010/11
Ministry of Tourism	2005/6
Office of the Vice President & Ministry of Home Affairs	2006/7
State Law Office	2008/9

Table 4.3 shows that most government ministries may appear to be performing well going by the PC composite results. However, this is not continuously sustainable over the years of study. This means that ministries are irregular in meeting the public expectations on service delivery. The expectation of the introduction and provision of standard guidelines (PC guidelines, 12th cycle) by the department for performance contracting was that the performance of all public institutions would improve progressively. That is why the PC department takes time to revise the implementation guidelines based on expectations (enhanced public service delivery), lessons learnt from previous PC evaluation, and experiences within the public institution.

Thus, performance contracting implementation may not have achieved what it was expected to achieve. This is an indication that the performance tool used in PC may not, alone, be sufficient to reflect the performance of ministries, departments or agencies. It is also a clear indication that the public sector may need to explore the use of other tools that can be used alongside with the PC to measure performance and ensure adequate service delivery.

5. Conclusions and Policy Recommendations

5.1 Conclusions

The main objective of this study was to review various public sector tools that are used to gauge performance in PC process in Kenya. The findings indicate that it is quite difficult to rate the service delivery performance of the ministries/departments. Performance contracting composite score results for the period 2005/6 to 2010/11 show inconsistency in rating the overall best performing MDAs. The results show that none of the government ministries/departments retained position among the top ten listed annually since PC implementation in 2004. In addition, the performing ministries only appear at most four times among the top ten annual lists during the study period.

From the empirical literature, PC implementation using the BSC tool to measure performance in the public sector is continuously being faced by numerous challenges. The adaption of BSC by the public sector in Kenya and elsewhere in the world has registered challenges of: poor strategy planning, interference from external factors, lack of legitimacy support, inefficient resource utilization, key stakeholders' exclusion, low quality services, insufficient training of civil servants, low integrity, and lack of motivation and innovation (rigidity) amongst public officers. There are uncoordinated and unstandardized sector inputs, process and output indicators negating linkage with performance to outcomes. The theoretical and empirical literature in this study provided other performance measures that could complement the PC challenges in Kenya. These performance measures are Public Value Score (PVS) card, Common Assessment Framework (CAF), or Leadership Effective Index (LEI).

PVS is a popular public sector performance tool in America. This is a standard performance measurement framework that maps resources, internal operational processes, and organizational outcomes to accountability. It is an extraordinary tool enabling public sector managers to analyze both the internal and external environment. The external environment hosts the citizens and the political leaders on two different sides. The approach emphasizes that public resources are collective goods and the utilization must be legitimized through well-managed public participation. This approach has distinct production stages of input, processes, output, client satisfaction and outcomes. Inputs include sets of policies, strategic organizational objectives, public money, staffing levels, and authority of state. Public managers make choices from key stakeholder priority list of needs as preferred by the society majority (democracy).

The other public sector performance measure tool is Common Assessment Framework (CAF), commonly used by the European Union (EU) member countries.

This tool emphasises on ‘performance enablers’ of good leadership, effective management of resources, processes, and strategy planning and stakeholder partnerships. The enablers lead to another set of performance measures of results of customer satisfaction, employee production and motivation, yielding into various society long run impacts such as employee and client satisfaction.

The Leadership Effectiveness Index (LEI) is also another public sector performance measurement tool developed to measure employees’ perceptions of their organization’s senior leaders. The tools has been widely applied in Asia, Far East and some other parts of the world. The fundamental assumption is that a good public sector is dependent upon the skills and actions of its leaders. Capable senior leaders are effective if they have a motivating vision. They are trustworthy, inspire confidence, and are committed to high quality products and services. Employees and customer overall perception is the overriding concern. Regular surveys are conducted to gauge leadership suitability perception in aspects such as communication effectiveness, vision, quality of services and products, employee well-being, suitability of the team, supervisor, employee, and reward system. Information on actions to be taken is also sought to aid future decision making. Some management theories suggest that the quality of executive leaders explains around 45 per cent of an organization’s performance.

5.2 Policy Recommendations

From the study findings, the study recommends that performance contracting may continue using the BSC measures in measuring performance but the challenges of using BSC can be addressed by introducing other sets of performance measures, namely PVS, CAF and LEI. These tools have successfully transformed public sectors in parts of the world. The new approach (combining BSC with other performance tools) would help incorporate good leadership practices, effective public participation by all the stake holders, increase legitimacy support, and capture employee motivation and customer satisfaction levels.

References

- Armstrong, M. and Baron, A. (2004), *Managing performance: Performance management in action*. London: Chartered Institute of Personnel and Development.
- Akaranga E. M. (2008), *The process and effects of performance contracting in Kenyan public sector*. MBA Project, United States International University (USIU), Nairobi.
- Bass, B.M. and Avolio, B.J. (1997), "Full range leadership development: Manual for the multifactor leadership questionnaire," Mind Garden Inc., Redwood City.
- Behling, O. and Mcfillen, J. (1996), "A syncretical model charismatic or transformational leadership", *Group and Organization Management*, 21(2), 120-160.
- Cole, M. and Parston, G. (2006), *Unlocking public value: A new model for achieving high performance in public service organizations*. Hoboken: John Wiley & Sons.
- Ethics & Anti-corruption - EACC (2011), Press release. Nairobi: Ethic and Anti-corruption Commission.
- European Institute of Public Administration (2013), *Common Assessment Framework (CAF)*. Maastricht (NL): European Institute of Public Administration.
- Government of Kenya (2004), *Economic Recovery Strategy for Wealth and Employment Creation*. Nairobi: Government Printer.
- Government of Kenya (2013), *Performance Contracting Guidelines*, 12th Edition. Nairobi: Performance Contracting Department.
- Government of Kenya (2010), *Review of performance contracting in public sector*. Retrieved from [www.primeminister.go.ke/Docs/Draft Report POE Summary.pdf](http://www.primeminister.go.ke/Docs/Draft%20Report%20POE%20Summary.pdf) on 10/01/2013.
- Government of Kenya (2005 to 2011), *Reports on evaluation of the performance of public agencies*. Nairobi: Performance Contracting Department and Government Printer.
- Government of Kenya (2005), *Ministry Human Resources Development Strategy*. Nairobi: Government Printers.

- Hellriegel, D., Jackson, S. E., Slocum, J.W., Staude, G., Amos, T., Klopper, H.B., Louw, L. and Oosthuizen, T. (2004), *Management*. Cape Town: Oxford University Press.
- IFAC & CIPFA (2014), International framework: Good governance in the public Sector. The framework was developed jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants (IFAC).
- Kenexa (2013), High performing organization and macroeconomic performance. Available at www.kenexa.com Retrieved on 10/02/2013.
- Kobia M. and Mohammed N. (2006), The Kenya experience with performance contracting: Discussion Paper 28th AAPAM Annual Roundtable conference, Arusha, Tanzania.
- McAdam, R., Hazlett, S. A. and Casey, C. (2005), "Performance management in the UK public sector: Addressing multiple stakeholder complexity", *International Journal of Public Sector Management*, 18(3).
- Meynhardt T. (2012), Public value – Turning a conceptual framework into a scorecard. University of St. Gallen Center for Leadership and Values in Society.
- Moore, M.H. (1995), *Creating public value: Strategic management in government*. Cambridge: Harvard University Press.
- Moore, M.H. (2003), Public value scorecard. A rejoinder and an alternative to strategic performance measurement and management in non-profit organizations by Robert Kaplan, John F. Kennedy School of Government, Harvard University, Working Paper No.18.
- Moore M.H. (2002), A rejoinder and an alternative to strategic performance measurement and management in non-profit organizations. John F. Kennedy School of Government, Harvard University, Working Paper.
- Moore M.H. (2006), Hauser center for non-profit organizations. John F. Kennedy School of Government, Harvard University.
- Moore M. (2013), *Recognizing public Value*. Harvard University Press.
- Nogueiro T. and Saraiva M. (2010), The use of the common Assessment framework tool: Empiric study on the University of Évora (Academic Services), New Achievements in Technology Education and Development, Safeullah Soomro (Ed.), Portugal.

- Nogueiro T. and Saraiva M. (2010), “The use of the common assessment framework tool: Empiric study on the University of Évora (Academic Services)”, in Safeullah Soomro (ed.). *New achievements in technology education and development*, Portugal.
- Northcott, D. and Taulapapa, T. M. A. (2012), “Using the balanced scorecard to manage performance in public sector organizations: Issues and challenges.”, *International Journal of Public Sector Management*, 25(3), 166-191.
- OECD (1999), *Performance contracting: Lessons from performance contracting case studies and a framework for public sector performance contracting, and to the other related case studies of Australia, Belgium, Canada, Denmark, France, New Zealand, Norway and Spain.*
- Owen, K., R. Mundy, W. Guild and R. Guild (2001), “Creating and sustaining the high performance organization,” *Managing Service Quality*, 11(1), 10-21.
- Panel of Experts. (2010), *Review of performance contracting in the public sector*, November 2010. Office of the Prime Minister, Department of Performance Contracting.
- Rantanen, H., Kulmala, H., Lonnqvist, A. and Kujansivu, P. (2007), “Performance measurement systems in the Finnish public sector”, *International Journal of Public Sector Management*, 20(5).
- Rhodes, R. and Wanna, J. (2007), “The limits to public value, or rescuing responsible government from the platonic gardens”, *Australian Journal of Public Administration*, 66(4).
- Trades Union Congress (2008), *Rethinking public service reform: The “Public Value’ alternative.* United Kingdom: Precision Printing.
- Petri Uusikylä P. and Virtanen P. (1999), *Public sector performance contracting in Finland.* Public Management Department, Finnish Ministry of Finance.
- Wang, G., Oh, I., Courtright, S. H. and Colbert, A. E. (2011), “Transformational leadership and performance across criteria and levels: A meta-analytic review of 25 years of research”, *Group Organization Management*, No.36.
- Wiley, J. W. (2010), *Driving success through performance excellence and employee engagement: Kenexa High Performance Institute.*

Appendix 1: Performance rating targets and raw scores equations

Managerial performance = Agency performance \pm Exogenous factors¹..... (Equation 1)

Where managerial performance is either:

1. Excellent= $\geq 30\%$ above agreed performance target (score 1.00-1.49), i.e. $1.3T \leq X_a \leq 2T$
2. Very Good= between 100% and 130% of performance target (score 1.50-2.49), i.e. $T \leq X_a \leq 1.3T$
3. Good= Achievement between 70% and 100% of performance target (score 2.50-3.49), i.e. $0.7T \leq X_a < T$
4. Fair= Achievement between 50% and 70% of the performance target (score 3.50-3.59), i.e. $0.5T \leq X_a < 0.7T$
5. Poor= Achievement between 0% and 50% of the performance target (score 3.60-5.00), i.e. $0 \leq X_a < 0.5T$

Where T= Target and X_a =Actual achievement

In computing the raw score actual achievement (X_a) results are used as they related to the target (T). The formula is given as follows:

$$\text{Raw scores} = \text{upper criteria value limit} + \text{span} \left[\frac{X_u - X_a}{X_u - X_L} \right] \dots \dots \dots \text{(Equation 2)}$$

Where T= target

X_a = Actual achievement

X_u = 2T = upper criteria value

X_L = 0 = Lower criteria value

Span = 4(5.00-1.00) where 1.00 is highest achievement and 5.00 lowest achievement

Weighted score = Raw score x weights..... (Equation 3)

Composite score = Sum (weighted score)(Equation 4)

¹Source: Government of Kenya (2005 to 2011)

Appendix 2: List of composites score for all ministries/ departments for the 2005/6 to 2010/11

Name	2005/6	2006/7	2007/8	2008/9	2009/10	2010/11
Ministry of Planning, National Dev. & Vision 2030	2.3225	2.7328	2.199	2.2774	2.101	1.9382
Ministry of Energy	2.2412	2.2477	2.4481	2.7322	2.1145	1.9509
Ministry of Lands	2.5857	2.3857	2.263	2.3678	2.2132	1.972
Ministry of State for Special Programmes	2.2829	2.2477	2.2469	2.6321	2.5615	2.1434
Ministry of Information and Communications	2.1908	2.3898	2.1207	2.4047	2.2732	2.1655
Ministry of Higher Education, Science and Technology	Nil	2.4335	2.6536	2.5221	2.4322	2.1712
State House	2.4511	2.3686	2.3344	2.2703	2.2474	2.2054
Ministry of State for Public Service	2.4377	2.4796	2.4502	2.3277	2.199	2.2113
Public Service Commission	2.577	2.5922	2.02	5	2.1338	2.2381
Ministry of State for Provincial Admin. & Internal Security	2.1738	2.3788	1.9684	2.272	2.3379	2.2701
Ministry of Medical Services	Nil	Nil	Nil	2.7885	2.4013	2.2718
Ministry of Foreign Affairs	2.808	2.8183	2.4897	5	2.6581	2.2906
Ministry of Livestock Development	2.3599	2.6864	2.6203	3.275	2.2481	2.293
Ministry of Trade	2.6038	2.5387	2.606	2.5188	2.3181	2.337
Office of the Vice President & Ministry of Home Affairs	2.7061	2.2599	2.314	2.57	2.4596	2.3388
Performance Contracting Department	Nil	Nil	Nil	Nil	2.4084	2.3462
Minister of Gender, Children & Social Development	2.3596	2.1936	2.4676	2.8355	2.1096	2.3527
Ministry of Justice, National Cohesion & Constitutional Affairs	2.5408	2.3324	2.3796	2.4636	2.3541	2.3661
Minister of Public Health & Sanitation	2.5638	2.3263	2.7739	2.7606	2.4902	2.367
Ministry of State for National Heritage & Culture	2.147	2.2922	2.2561	2.1329	2.3816	2.403
Ministry of Industrialization	Nil	Nil	Nil	3.0595	2.3523	2.4109
Ministry of Housing	3.518	2.2599	2.3446	2.437	2.386	2.4265
Ministry of Water & Irrigation	2.2508	2.5512	2.1766	2.5965	2.1756	2.439
State Law Office	2.9785	2.7608	2.3293	2.1932	2.3116	2.4408

Ministry of Regional Development Authorities	2.449	2.1975	2.3123	2.9287	2.4315	2.4532
Office of the Deputy Prime Minister & Ministry of Finance	2.3545	2.4155	2.5793	2.6525	2.5905	2.4555
Ministry of Tourism	2.1502	2.4042	2.8296	2.5497	2.5473	2.4659
Ministry of Cooperative Dev. & Marketing	2.3203	2.4642	2.2062	2.5192	2.4686	2.4693
Office of the Prime Minister	Nil	Nil	Nil	2.5119	2.5302	2.4765
Ministry of Environment & Mineral Resources	2.597	2.7091	2.7367	2.446	2.2739	2.4834
Ministry of State for Immigration and Registration of persons	2.6282	2.3281	2.4391	2.495	2.4145	2.4858
Ministry of Public Works	Nil	Nil	Nil	2.6466	2.1889	2.5118
Ministry of Forestry & Wildlife	Nil	Nil	Nil	2.8351	2.6846	2.5228
Ministry of Agriculture	1.9653	2.4604	2.6354	2.2211	2.2192	2.6113
Ministry of East African Community	2.8728	2.433	2.2765	2.89	2.8478	2.649
Ministry of Nairobi Metropolitan Development	Nil	Nil	Nil	2.9774	2.6834	2.6941
Ministry of Education	2.4087	2.364	2.7691	2.7929	2.6121	2.7074
Ministry of Fisheries Development	Nil	Nil	Nil	3.2132	2.5473	2.7581
Ministry of Transport	2.9138	2.4331	2.5302	2.6758	2.8619	2.8087
Office of the Prime Minister & Ministry of Local Government	Nil	2.4879	2.5176	2.5425	2.7132	2.8277
Ministry of Labour	2.2838	2.364	2.5502	3.2501	2.5249	2.8467
Ministry of Youth Affairs & Sports	Nil	2.4353	2.553	2.9781	2.6938	2.8608
Ministry of State for Dev. Of Northern Kenya & Other Arid Lands	Nil	Nil	Nil	2.415	2.2924	3.0996
Cabinet Office	2.5201	2.4257	2.9253	2.647	2.1121	3.1834
Ministry of Roads	2.2377	2.6287	2.5076	2.3931	2.3861	3.4407
Public Service Reform & Development Secretariat	Nil	2.3831	2.7892	2.5612	Nil	Nil
Ministry of State for Defence	2.5399	Nil	Nil	Nil		Nil

Source: Government of Kenya (2005 to 2011)

Appendix 3: PVS and CAF Implementation Matrices

Public Value Score Card Performance Measurement Implementation Framework

Authorizers	Outcome 1	Outcome 2	Cont.	Outcome x
Formal Overseers (Executive)	*	*		
Official Oversight Bodies (Parliament, Commissions)	***		**	
Informal Organizations (Civil Society, Media)				*
Criminal Justice System	*			
Others	*	***		
Key for Intensity of interest	Strong***	Weak**	Erratic *	

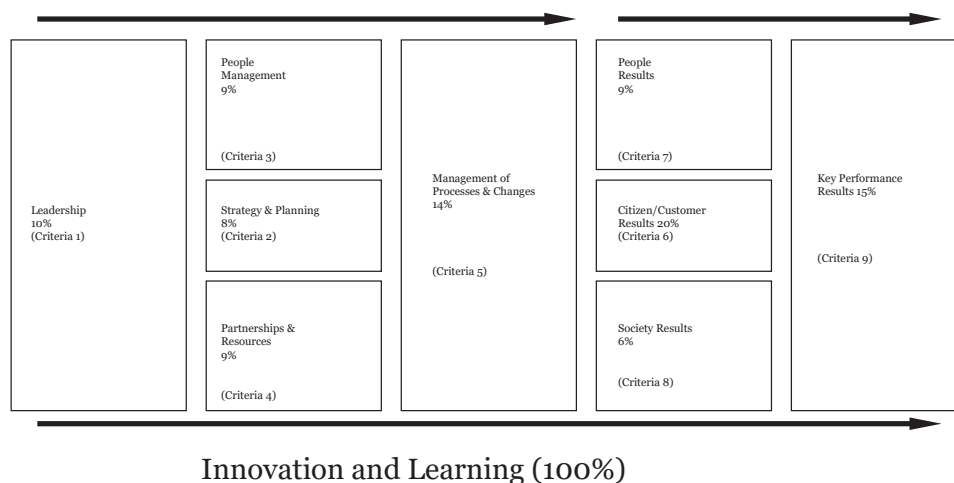
Adopted from Moore (2006)

Appendix 4: CAF implementation matrix

Presentation of Common Assessment Framework Model

Enablers (50%)

Results (50%)



Source: Adopted from Nogueiro and Saraiva (2008)