



# THE NEXUS BETWEEN PERFORMANCE MANAGEMENT, PERFORMANCE CONTRACTING AND PERFORMANCE EVALUATION

## 1. Background

In Kenya, Performance Management in public institutions can be traced back to the 90s through introduction of reforms in the public sector under the Structural Adjustment Programmes. However, it's not until 2004 when Performance Management was institutionalized in the Public Service through the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC 2003-2007) blueprint. The ERS, as the blue print was popularly known, required among others, placement of managers of public institutions on Performance Contracts, Kenya's flagship tool of Performance Management.

The objective of the public sector reforms is to enhance efficiency and effectiveness in service delivery within the public sector. These reforms are aimed at improving performance in the public sector and ultimately service delivery to the citizens. These reforms include Strategic Planning, Annual Work Planning, Performance Contracting, Staff Performance Appraisal System (SPAS), Rapid Results Initiatives (RRIs), Program-based Budgeting, Citizens' Service Delivery Charters, Public Service Day, Service Delivery Innovations, Performance-Based Rewards and Sanctions and Business Process Re-engineering, among others.

Introduction of these reform initiatives contributed to robust economic growth, which increased from a mere 0.6% in 2002 to 7.1% in 2007. Although real GDP growth declined from 2008 affected by the prevailing political as well as socio-economic and global factors, it still averaged at approximately 5.6% in 2023. It has therefore become evident that efficiency and effectiveness in the Public Service, supported by a robust Performance Management framework has had a significant positive impact not only on improved service delivery but also on the performance of the economy.

## 2. Performance Management

Performance management (PM) is the systematic process by which an agency involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of its mandate. The rationale for Performance Management is to provide a framework which links national development planning, the budgeting process and delivery of targeted results in order to ensure maximum benefit from the use of national resources. It enhances the capacity of the public service to deliver services



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more efficiently and effectively, measure the institutional and employee performance, and ultimately the achievement of targeted results by Ministries, Departments and Agencies (MDAs).

## 3. Performance Contracting

Performance Contracting is the flagship Performance Management tool which the Government of Kenya adopted since 2004. Its institutionalization in MDAs is predicated on the need to ensure accountability for results and transparency in the management of public resources. Performance Contracting is undertaken annually, in tandem with the Government's Financial Year. The annual undertaking comprises the following key milestones which take place chronologically during a contract period: Review of Performance Contracting Guidelines; Identification of Performance Targets; Negotiation of Performance Contracts (PCs); Vetting (Quality Assurance) of PCs; Signing of PCs; Implementations of PCs; Submission of Quarterly and Annual Performance Reports; Mid-Year Performance Assessment; Annual Performance Evaluation, Moderation and Ranking of Performance of Previous FY; Release of Performance Evaluation Results; and Deployment of Performance Rewards and Sanctions.

The indicators and targets in Performance Contracts are informed by the priorities of Government as stipulated in national planning instruments such as

the Kenya Vision 2030, the Fourth Medium Term Plan (MTP) 2023-2027, the Bottom-up Economic Transformation Agenda (BETA), organizational Strategic Plans, Annual Work Plans, Sector Performance Standards and the United Nations Sustainable Development Goals (UN-SDGs), among others. The annual Contracts are cascaded to all Departments, Sections, and ultimately to all cadres of employees in MDAs in order to entrench accountability for results and a performance-oriented culture in the public service.

## 4. Performance Evaluation

Performance evaluation is a process which involves a systematic approach to assess the performance of an institution or individual employee against a set of performance standards and targets. Upon the vetting and signing of annual Performance Contracts, MDAs are required to implement the same. Assessment of the progress in achieving the performance targets is monitored through Quarterly Performance Reports which are prepared by MDAs. Analysis of these reports is carried out through the online Government Performance Contracting Information System (GPCIS). Feedback is then provided to MDAs in order to inform the implementation process. Performance monitoring for Ministries is undertaken by the Public Service Performance Management Unit (PSPMU) in the Office of the Deputy Chief of Staff for Performance and Delivery Management, while monitoring of performance contracts for state corporations and tertiary institutions is carried out by the Inspectorate of State Corporations and the Ministry of Education respectively.

At the end of every Financial Year, all MDAs undertake a self-evaluation of their performance for each performance indicator against the set performance targets. After this, the Public Service Performance Management Unit (PSPMU) undertakes moderation of the results for all institutions placed on Performance Contracts and prepares the Annual Performance Evaluation Report which is released formally by H.E. the President. In undertaking the moderation, PSPMU verifies correctness of the reported achievements by the MDAs through formal reports and in some instances, physical verification.

## 5. The Nexus between Performance Management, Performance Contracting and Performance Evaluation

A successful Government Performance Management framework is anchored on appropriate Performance Measurement System and Performance Measurement Methodology. On its part, a standard Performance Contracting framework comprises three key systems namely Performance Information System, Performance Evaluation System and Performance Incentives/ Sanctions System.

Performance Management is the broad strategic framework for the management of public resources in a dynamic and diverse public sector environment. Performance Management involves the alignment of human resource management practices with the goals of the organization to ensure that the performance and development of employees are both enhanced. The goal is to maximize organizational performance through a process of continuous improvement, which entails conducting performance reviews that focus on the future rather than the past.

Performance Contracting on the other hand, is a specific tool which translates the broad strategic goals of an organization into measurable performance indicators and commensurate targets for a specific period of time, often within a Financial Year. Performance Evaluation then is the tool used to confirm whether Performance Management and by extension Performance Contracting is achieving the intended results, in the short, medium and long term. It is undertaken to assess the extent of achievement of the set (and agreed upon) performance targets. Performance evaluation therefore is an integral part of both Performance Management and Performance Contracting.

From the foregoing, it is clear that a successful Performance Management regime cannot thrive in the absence of an objective implementation tool and an assessment framework. Therefore, Performance Contracts are used to implement the Performance Management framework while Performance Evaluation provides feedback on their effectiveness. The three are inter-connected and cannot therefore be implemented in isolation.

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