

REPUBLIC OF KENYA



THE PRESIDENCY

MINISTRY OF DEVOLUTION AND PLANNING

DIVISION OF PERFORMANCE CONTRACTING

PERFORMANCE CONTRACTING GUIDELINES

10TH EDITION

ACRONYMS

ADA	Alcohol and Drug Abuse
AIDS	Acquired Immuno-Deficiency Syndrome
AO	Accounting Officer
BOM	Board of Management
CAJ	Commission on Administrative Justice
CS	Cabinet Secretary
DA	Drug Abuse
DPC	Division of Performance Contracting
EACC	Ethics and Anti-Corruption Commission
EAP	Employee Assistance Program
EDMS	Electronic Document Management System
HIV	Human Immuno Virus
HODs	Heads of Department
ICT	Information and Communication Technology
ISO	International Standards Organization
KICD	Kenya Institute of Curriculum Development
KNEC	Kenya National Examinations Council
KRA	Kenya Revenue Authority
MDAs	Ministries, Departments and Agencies
MTP II	Medium Term Plan II
NACADA	National Authority for the Campaign against Alcohol and Drug Abuse
NCPWD	National Council for Persons with Disabilities
PPOA	Public Procurement and Disposal Act
PS	Principal Secretary
PWDs	Persons with Disabilities
SPS	Sector Performance Standards
SUD	Substance Use Disorder
TSC	Teachers Service Commission

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A. PURPOSE

1.1 The Performance Contracting Guidelines are issued to provide guidance in the process of implementing Performance Contracts in the Public Service.

1.2 Scope of Application

These Guidelines apply to all MDAs that are scheduled to sign performance contracts in the Financial Year 2013/14.

1.3 Model Performance Contract

A Model Performance Contract and a Performance Contract Matrix for each category of public institution form part of these Guidelines. These may also be downloaded from www.devolutionplanning.go.ke. To ensure standardisation the model contract and matrix should not be amended or altered.

B. STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS AND TARGETS

1. Strategic Objectives

- i. The objectives should be drawn from the strategic plan of the public institution;
- ii. The PC should be anchored on the Medium Term Plan II (MTP II) and the Sector Performance Standards (SPS)
- iii. The objectives should not be too many.

2. Performance Indicators

Institutions are expected to select indicators, as far as is practicable, from the "Medium Term Plan II (MTP II)" and "Sector Performance Standards (SPS)". The ultimate objective of performance contracting is to ensure that performance is measured using international best practices and that performance targets are grown to the extent of placing the country on the cutting edge of global competitiveness. Institutions should accordingly ensure that indicators, particularly in the "Operations" criterion, conform to the constitution, relevant laws and international best practices, as indicated in the **"Sector Performance Standards"**.

For the operations indicators, especially Vision 2030 flagship projects whose implementation requires participation of several institutions, then the institutions will need to consult and agree on the roles of each participating institution.

In the case of Implementation of Vision 2030 projects, all public institutions will be expected to list and outline in an annex, all the projects to be implemented during the contract period, including a list of all collaborating institutions. In addition, MDAs will negotiate and allocate weights to operational indicators including Vision 2030 projects. The distribution of weights to all projects, including Vision 2030 flagship projects will be determined through the negotiation process.

3. Performance Targets

Institutions should ensure that performance targets progressively approach and/or exceed the levels set out in the MTP II. Institutions are also encouraged to use the Sector Performance Standards (SPS), as far as possible, for the purpose of benchmarking their key result areas, performance indicators and targets.

Performance targets should be:

- i) Comprehensive, *i.e.*, cover all significant performance areas;

- ii) Relevant, *i.e.*, drawn from the strategic plan and MTP II
- iii) Fully linked to budgets; and
- iv) Specific, realistic, simple, easily understood, attainable and measurable.

C. ASSIGNMENT OF WEIGHTS TO PERFORMANCE INDICATORS

- i) For each category of public institution, the performance criteria categories, total criteria categories sub-weights and performance indicator sub-weights have been preset, apart from the indicator weights under the Operations Criteria and should not be altered.
- ii) The sub-weight under the Operations Criteria should be distributed, in *negotiated* proportions to the various indicators.
- iii) The indicator weight shows the relative importance of each indicator.

Performance criteria weights for various criteria categories have been assigned as follows:

Performance Criteria Category	Ministries/State Depts.	Tertiary Institutions	State Corporation		
			Non Commercial	Public University	Commercial
Finance & Stewardship	10	10	10	10	45
Service Delivery	30	30	30	20	-
Non-Financial	20	20	20	20	15
Operations	30	30	30	40	30
Dynamic/Qualitative	5	5	5	5	5
Corruption Eradication	5	5	5	5	5

D. COMMITMENTS AND OBLIGATIONS OF THE GOVERNMENT

- i) These refer to the support extended to MDAs from Government to facilitate achievement of performance targets.
- ii) Commitments of Government are largely facilitative and should therefore not feature where mechanisms to address them already exist.
- iii) The support should be relevant and related to fulfilling the agreed performance targets.
- iv) The nature, extent and timing of any obligation from the Government should be specific, measurable and agreed upon.
- v) The requested assistance should, in addition, NOT include exemption from the existing legal regime.
- vi) Social obligations should not be included, **unless** they have been imposed on the agency by the Government. In this regard, *voluntary actions by the agency in the interest of good industrial or neighbourhood relations (corporate social responsibility) do not qualify for inclusion.*

Notes

1. The evaluation at the end of the contract period should also focus on the commitments made by the Government.
2. In instances where a commitment may require Exchequer funding or the intervention of another public institution, the concurrence of the National Treasury or these other institutions must be obtained before "committing" the Government or that other institution.

E. NEGOTIATION OF PERFORMANCE CONTRACTS

The process of negotiation is carried out in two phases:-

Phase I - Pre-Negotiation Consultations

Phase II - Negotiations

PHASE I: Pre-Negotiation Consultations

During this phase, the parties should be cognizant of, and create a common understanding on:-

- i) the scope of operations;
- ii) core business;
- iii) finances;
- iv) human resources; and
- v) other factors which could affect performance.

Negotiators should ensure that performance indicators and targets meet the requirements stipulated in these guidelines, including compliance with SPS and MTP II. In cases where institutions are regulated, then the regulator should form part of the negotiation teams.

PHASE II: Negotiations

The parties are expected to finalize the performance contract and submit it to the Director, Division of Performance Contracting for **Vetting (quality assurance)**, before signing. In addition, any significant departures from the guidelines which are likely to affect implementation or evaluation, should be documented by the parties, and brought to the attention of Director, Division of Performance Contracting.

The sectoral approach to negotiations, (intra-sectoral and inter-sectoral) will ensure that all the phases, including vetting, are carried out concurrently, under one roof. Intra-sector negotiations will involve all the

Ministries and State Departments in individual sectors, while inter-sector negotiations refer to the peer consultations between sectors as per the Sector Performance Standards.

Notes

1. The draft performance contract should be initialled by the negotiating parties before vetting by the Division of Performance Contracting.
2. During the process of negotiations, public participation in identification of performance indicators should be ensured.

F. PARTIES TO NEGOTIATION OF THE PERFORMANCE CONTRACT

PARTIES TO THE NEGOTIATION

(I) MINISTRIES/DEPARTMENTS

Government

Ad hoc Negotiations Task Force

Ministry/State Department

-CS /PS/Accounting Officer
-Heads of Department

(II) STATE CORPORATION/PUBLIC UNIVERSITY

Government

- CS-Parent Ministry/State Department
- National Treasury

State Corporation

- Chairperson
 - Independent Director/
Council Member¹
 - Heads of Department
-

(III) TERTIARY INSTITUTIONS

Government

- CS/PS - Parent Ministry/State Department
- Stakeholder Institutions²

Tertiary Institution

- Chairperson/BOM
 - One Independent BOM
Member
 - Heads of Department
-

¹Independent Director/Council Member- refers to a director/council member who is not a public official and who does not hold any position or directorship in another public institution.

²(eg KNEC, TSC & KICD in the case of Tertiary Institutions in the Ministry of Education, Science and Technology)

G. VETTING OF PERFORMANCE CONTRACTS

All performance contracts **MUST** be vetted before signing. The negotiating parties should be represented during vetting of the contract. The purpose of vetting is to ensure:

- Compliance with the performance contracting guidelines.
- That the performance contract is anchored on MTP II, SPS and other national development priorities.
- That performance targets are growth oriented.
- That the performance indicators and targets are relevant to the institution's mandate.
- That the views from the public are incorporated, as appropriate, in the final performance indicators and targets.

H. PARTIES TO THE PERFORMANCE CONTRACT

Ministry/State Department

Government	Ministry/State Department
1 st level - President	CS
2 nd level - CS	PS
3 rd level - PS	Directors/Heads of Directorates and Units

State Corporation/Statutory Board

Government	State Corporation/ Statutory Board
1 st level - PS in charge of parent Ministry/State Dept	-Chairperson, Board of Directors -Independent Director
2 nd level - Board	Chief executive Officer (CEO)
3 rd level - CEO	Unit Heads
Cabinet Secretary, National Treasury, counter-signs the PCs	

Public University

Government	Public University
1 st Level - PS in charge of parent Ministry/State Dept	- Chairman, University Council - Independent Council Member
2 nd Level - University Council	Vice-Chancellor
3 rd level - Vice-Chancellor	Deans of Faculties and Heads of Institutes
Cabinet Secretary, National Treasury counter-signs the PCs	

Tertiary Institutions

Government	Tertiary Institution
PS, Parent Ministry	- Chairperson, BOM - Independent BOM Member
Cabinet Secretary of the Parent Ministry counter-signs the PCs	

Notes:

1. MDAs are subsequently required to cascade the process downstream, to bring all levels and cadres of employees on board to support implementation
2. Ministries/State departments should ensure that all state corporations under their mandate are placed on performance contract.

I. PERFORMANCE MONITORING AND REPORTING

i) Submission of Quarterly Performance Reports

- 1) All Government agencies are required to submit quarterly performance reports to designated agencies by the end of the month following the end of a quarter. However, DPC is in the process of installing a web based real time monitoring and reporting system that will replace the current manual system of quarterly reporting.

Quarterly performance reports on cross-cutting indicators should be submitted to specialized and lead agencies. During this FY the Division of Performance Contracting will roll-out the use of the real-time Performance Monitoring System (PMS) and MDAs will be expected to use it for performance monitoring and reporting. MDAs are encouraged to make their reports on the PMS instead of the manual system. Towards

this end, MDAs that will use the system will NOT be required to submit quarterly reports in hard copies.

- 2) Specialized agencies are those charged with the oversight on cross cutting issues and include the Ethics and Anti-Corruption Commission (EACC), National Aids Control Council (NACC), National Authority for the Campaign against Alcohol and Drug Abuse (NACADA), National Council for Persons with Disabilities (NCPWD), National Gender and Equality Commission (NGEC), Commission on Administrative Justice (CAJ) and National Environmental Management Authority (NEMA).
- 3) Lead and specialized agencies are also required to analyse and provide feedback to the reporting institutions, with a copy to Division of Performance Contracting not later than **2 weeks** after receipt of quarterly performance reports. The **agencies to receive quarterly performance reports** and provide feedback are tabulated below:

Category of Agency/Cross-Cutting Issue	Institution to Receive and Provide Feedback
Ministries/State Departments	Division of Performance Contracting
State Corporation/Public University	Inspectorate of State Corporations
Tertiary Institution	Parent Ministry
Corruption Eradication	Ethics and Anti-Corruption Commission
Prevention of Alcohol and Drug Abuse	National Authority for the Campaign against Alcohol and Drug Abuse
Automation	Directorate of e-Government
HIV/AIDS Prevention	National Aids Control Council
Competency Development	Directorate of Public Service Management
Gender Mainstreaming	National Gender and Equality Commission
Disability Mainstreaming	National Council for Persons with Disabilities
Submission of Pensions Documents	Pensions Department
Resolution of Public Complaints	Commission on Administrative Justice
Environmental Sustainability	National Environment Management Authority
Youth and Women Empowerment	<ul style="list-style-type: none"> • Directorate of Youth Development and Empowerment • Directorate of Gender

4) Lead and specialized agencies are required to upload the respective reporting formats in their respective websites.

ii) Submission of Annual Performance Reports

Annual performance reports must also be submitted by institutions to the DPC within a month after completion of a financial year, for the purpose of annual evaluation.

J. PERFORMANCE EVALUATION FRAMEWORK

i) Preamble

Performance evaluation is the culmination of the process of performance contracting and is carried out by independent experts drawn from outside

the public service, for the purpose of ensuring objectivity and enhancing the integrity of the results. MDAs are required to undertake self (in-house) evaluation based on the annual achievement for each performance indicator.

Primary evaluation and moderation is undertaken at a single sitting by the Ad-Hoc Evaluation/Moderation Task Force (the external experts) on the automated platform. MDAs are therefore expected to provide verifiable evidence of achievement of targets. The parties to the evaluation process, upon agreement with evaluation results will be required to endorse the final evaluation matrix, minutes and detailed notes.

ii) Essential Documents Required for Evaluation

- 1) Approved budget for the year under evaluation
- 2) 4th Quarter and Annual performance reports in standard formats
- 3) PC guidelines pertinent to the contract year
- 4) Copies of:
 - a) Signed Performance Contract
 - b) Vetted Performance Contract
 - c) Letter of Vetting
- 5) Self-evaluation report by institution in standard format
- 6) Verifiable evidence of achievements and other supporting documents

Note: In case where the performance of an institution is affected by the performance of another, supporting evidence should be provided upfront.

iii) Performance Evaluation Methodology

The measurement of the extent to which public agencies achieve negotiated performance targets should be established using the equation below:

$$\textit{Managerial Performance} = \textit{Agency Performance} \pm \textit{Exogenous Factors}$$

Performance of an MDA for a particular performance indicator can fall under any of these ranges:

Excellent: achievement $\geq 30\%$ above the agreed performance target, i.e. $1.3T \leq Xa \leq 2T$

However, the following are exceptions to this general rule:-

➤ Indicators whose achievement cannot exceed 100% e.g. capacity utilization and ISO certification.

➤ Indicators where achievement in excess of 100% for example in procurement of plant and equipment would be wasteful.

Indicators of this kind, and where achievement is 100%, will attract raw score of 2.40.

Very Good: Achievement between 100% and 130% of the performance target in the signed PC, i.e. $T \leq Xa < 1.3T$

Good: Achievement between 70% and 100% of performance target in the signed PC, i.e. $0.7T \leq Xa < T$

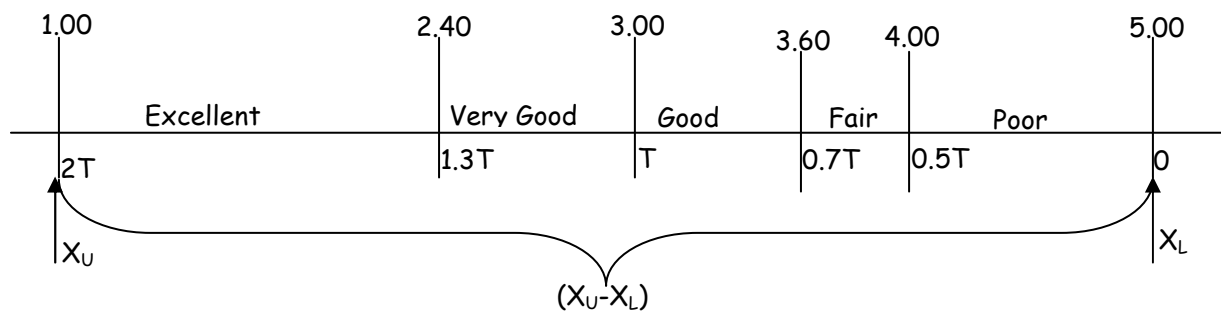
Fair: Achievement between 50% and 70% of the target in the signed PC, i.e. $0.5T \leq Xa < 0.7T$

Poor: Achievement between 0% and 50% of the target in the signed PC, i.e. $0 \leq Xa < 0.5T$

Where T= target and Xa = Actual achievement

iv. Computation of Performance Criteria Values

Performance is rated on a scale of 1.00 to 5.00 where 1.00 represents achievement equal or greater than 2T and 5.00 represents "Zero" achievement and below. This means that an achievement of 2T and above attracts a raw score of 1.00, while an achievement of "Zero" and below attracts a raw score of 5.00. This can be represented in the diagram shown below:



Where, T = Target

- Xa = Actual Achievement
- Xu = 2T = Upper Criteria Value
- XL = 0 = Lower Criteria Value
- Span = 4, ie (5.00 - 1.00)

The Methodology for calculating the raw score of any achievement is more like measuring the distance which performance has "traveled" inside the entire span of 1.00 to 5.00. Calculation of the Raw Score is based on the Actual Achievement (Xa) as it relates to the Target (T).

$$\text{Raw Score} = \text{Upper Criteria Value Limit} + \text{Span} \times \left\{ \frac{Xa}{Xu - XL} \right\}$$

Note that all the criteria value ranges are determined by the same formula that assigns proportionately the criteria values from 1.00 to 5.00. This results in a single span of 4 and hence one formula for all values.

E.g. criteria value at 1.3T:-

$$\begin{aligned} \text{Raw Score} &= 1.00 + (5-1) \times \left\{ \frac{2T-1.3T}{2T-0} \right\} \\ &= 1.00 + 4(0.7T)/2T \\ &= 1.00 + 2.8/2 \\ &= 2.40 \end{aligned}$$

Similarly the rest of the criteria values can be derived using the same formula thus:

Criteria Value Range

Performance Grade	Criteria Value Range		Range Span
	Upper	Lower	
Excellent	1.00	2.40	1.40
Very Good	2.40	3.00	0.60
Good	3.00	3.60	0.60
Fair	3.60	4.00	0.40
Poor	4.00	5.00	1.00

Operating Rules

- Rule 1** Performance cannot rise above criteria value of 1.00.
Any achievement coinciding with a negative raw score attracts a raw score of 1.00.
- Rule 2** Performance cannot fall below criteria value of 5.00.
Any achievement coinciding with a raw score greater than five attracts a raw score of 5.00. It is therefore not necessary to engage in further calculation of the raw score when achievement is zero or negative.
- Rule 3** In cases where performance falls on 2.40, 3.00, 3.60 and 4.00, the award of grading will respectively be "Excellent", "Very Good", "Good" and "Fair".
- Rule 4** Indicators whose achievement cannot exceed 100%

No	Performance Indicator	Achievement Level	
		100%	<100%
		Raw Score	
1. 4.	Customer Satisfaction Survey (baseline)	3.00	5.00
2. 5.	Employee Satisfaction Survey (baseline)	3.00	5.00
3. 6.	Compliance with set Budget Levels	3.00	Compute
4. 7.	Fulfillment of statutory obligations	3.00	Compute

5. 11	ISO Certification	3.00	Compute
6. 12	Capacity Utilization	3.00	Compute
7. 13	Prevention of HIV/AIDS	3.00	Compute
8. 14	Gender Mainstreaming	3.00	Compute
9. 15	Disability mainstreaming	3.00	Compute
10.16	Prevention of Alcohol & Drug Abuse	3.00	Compute

Note: For **Operations Indicators** where achievement beyond 100% is not feasible, the institution will be required to demonstrate compliance with both timelines and total quantities. In this case, achievement of 100% will be awarded "Excellent" at the lower of 2.40. Scores below 100% will accordingly be treated as under;

Performance Grade	% Achievement	
	Excellent	100%
Very Good	99.9%	76.9%
Good	76.9%	53.9%
Fair	53.9%	38.5%
Poor	38.5%	0 %

The above scenario will prevail in cases where target setting is predicated on fulfillment of continuous demand.

v. Computation of the Raw Score

Computation of the Raw Score entails determining the point at which the achievement falls within the range 1.00 to 5.00. The value of the raw score determines the performance grade.

Step 1: Determine the Actual Achievement, X_a

Step 2: Apply the formula

$$\text{Raw Score} = \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X_L} \right\}$$

$$\text{Raw Score} = 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\}$$

As the diagram above shows, $X_u = 2T$ and $X_L = 0$
Therefore,

$$\text{Raw Score} = 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\}$$

$$\text{Raw Score} = 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T} \right\}$$

Where, Upper Criteria Value Limit = 1.00, Span = 4.00, T = Target
and X_a = Actual Achievement.

Step 3: Compute the weighted Score

Apply the weight to the raw score to obtain the Weighted Score,
i.e. Weighted Score = Raw Score x Weight

Step 4: Compute the Composite Score

The Composite Score of an agency is computed by adding up the weighted scores of all the performance indicators in the performance contract. The Composite Score ranges from 1.00 to 5.00.

$$\begin{aligned} \text{Thus Composite Score} &= \text{SUM (Weighted Score)} \\ &= \Sigma (\text{Weighted Score}) \end{aligned}$$

The following examples, drawn largely from a past performance report of a State Department, cover each of the above performance grading and therefore all the various criteria value ranges:

Performance Data for the State Department

Indicator	Unit of Measure	Weight	Target	Actual	Raw score	Weighted score
Cost Reduction/Savings	Kshs.	5%	5,000,000	18,254,100	?	?
Cost Reduction /Savings	Ksh.	5%	5,000,000	9,000,000	?	?
Development Index	%	6%	50	60	?	?
Disposal of Idle Assets	%	8%	100%	100%	?	?
Compliance with set Budget level	%	5%	100%	91.4%	?	?
Customer Satisfaction	%	4%	70	40	?	?
Debt Collection	Ksh (M)	2.5%	171,938	78,438	?	?

EXAMPLE A (I): "Excellent" Performance

Indicator	Unit of Measure	Weight	Target	Actual	Raw core	Weighted Score
Cost Reduction/ Saving	Ksh.	5%	5,000,000	18,254,100	?	?

Step 1: Determine the Actual Achievement, X_a

$X_a = \text{Ksh } 18,254,100$

Step 2: Apply the formula

$$\begin{aligned} \text{Raw Score} &= \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{10,000,000 - 18,254,100}{10,000,000} \right\} \\ &= -2.3016 \end{aligned}$$

Since the raw score is less than 1.00, then it follows that the performance falls in the "Excellent" grade with a raw score of 1.00.

Step 3: Compute the weighted Score

Apply the weight to the raw score to obtain the Weighted Score, i.e.

$$\begin{aligned} \text{Weighted Score} &= 1.00 \times 0.05 \\ &= 0.05 \end{aligned}$$

The fully filled matrix therefore comes out as shown in the table below:

Indicator	Unit of Measure	Weight	Target	Actual	Raw Score	Weighted Score
Cost Reduction / Saving	Kshs	5%	5,000,000	18,254,100	1.00	0.05

EXAMPLE A (II): "Excellent" Performance

Indicator	Unit of Measure	Weight	Target	Actual	Raw Score	Weighted Score
Cost Reduction/ Saving	Kshs	5%	5,000,000	9,000,000	?	?

Step 1: Determine the Actual Achievement, X_a

$$X_a = \text{Ksh } 9,000,000$$

Step 2: Apply the formula

$$\text{Raw Score} = \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X_L} \right\}$$

$$= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\}$$

$$= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\}$$

$$= 1.00 + 4.00 \left\{ \frac{10,000,000 - 9,000,000}{10,000,000} \right\}$$

$$= 1.400$$

This performance falls under "Excellent" Grade.

Step 3: Compute the weighted Score

Apply the weight to the raw score to obtain the Weighted Score, i.e.

$$\begin{aligned} \text{Weighted Score} &= 1.400 \times 0.05 \\ &= 0.0700 \end{aligned}$$

The filled performance matrix is therefore as shown in the table below:

Indicator	Unit of Measure	Weight	Target	Actual	Raw Score	Weighted core
Cost reduction/ Saving	Kshs	5%	5,000,000	9,000,000	1.4000	0.0700

EXAMPLE B: "Very Good" Performance

Indicator	Unit of Measure	Weight	Target	Actual	Raw core	Weighted
Development Index	%.	6	50%	60%	?	?

Step 1: Determine the Actual Achievement, X_a

$$X_a = 60\%$$

Step 2: Apply the formula

$$\begin{aligned}
 \text{Raw Score} &= \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\
 &= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\
 &= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\} \\
 &= 1.00 + 4.00 \left\{ \frac{100 - 60}{100} \right\} \\
 &= 2.6000
 \end{aligned}$$

This performance falls under "Very Good" grade.

Step 3: Compute the weighted Score

Apply the weight to the raw score to obtain the Weighted Score, ie
 Weighted Score = 2.6000 x 0.06
 = 0.1560

The filled matrix is therefore as shown in the table below:

Indicator	Unit of Measure (%)	Weight	Target	Actual	Raw Score	Weighted Score
Dev. Index	%	6	50%	60 %	2.6000	0.1560

EXAMPLE C: "Good" Performance

Indicator	Unit of Measure	Weight	Target	Actual	Raw Score	Weighted Score
Compliance with Budget Level	%	5%	100%	91.4%	?	?

Step 1: Determine the Actual Achievement, X_a

$$X_a = 91.4\%$$

Step 2: Apply the formula

$$\text{Raw Score} = \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X_L} \right\}$$

$$= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\}$$

$$= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\}$$

$$= 1.00 + 4.00 \left\{ \frac{200 - 91.4}{200} \right\}$$

$$= 3.1720$$

This performance falls under "Good" grade.

Step 3: Compute the weighted Score

Apply the weight to the raw score to obtain the Weighted Score, i.e.
 Weighted Score = 3.1720 x 0.05
 = 0.1586

The fully filled matrix is therefore as shown in the table below:

Indicator	Unit of Measure	Weight	Target	Actual	Raw Score	Weighted Score
Compliance with set budget level	%.	5%	100%	91.4%	3.1720	0.1586

EXAMPLE D: "Fair" Performance

Indicator	Unit of Measure (%)	Weight	Target	Actual	Raw core	Weighted core
Customer satisfaction	%	4	70	40	?	?

Step 1: Determine the Actual Achievement, Xa

$$X_a = 40\%$$

Step 2: Apply the formula

$$\text{Raw Score} = \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X_L} \right\}$$

$$= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\}$$
$$= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\}$$
$$= 1.00 + 4.00 \left\{ \frac{140 - 40}{140} \right\}$$

$$= 3.8571$$

This performance falls under "Fair" grade.

The fully filled matrix is therefore as shown in the table below:

Indicator	Unit of Measure	Weight (%)	Target	Actual	Raw Score	Weighted Score
Customer satisfaction	%	4	70	40	3.8571	0.1543

EXAMPLE E: "Poor" Performance

Indicator	Unit of Measure	Weight (%)	Target	Actual	Raw Score	Weighted Score
Debt collection	Kshs (M)	2.5%	171,938	78,438	?	?

Step 1: Determine the Actual Achievement, Xa

$$X_a = \text{Ksh } 78,438$$

Step 2: Apply the formula

$$\begin{aligned} \text{Raw Score} &= \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{343,876 - 78,438}{343,876} \right\} \\ &= 4.0876 \end{aligned}$$

This performance falls under "Poor" grade.

The fully filled matrix is therefore as shown in the table below:

	Unit of Measure	Weight (%)	Target	Actual	Raw core	Weighted core
Debt Collection	Kshs	2.5	171,938	78438	4.0876	0.1022

vi. Computations of the Raw Scores when declining achievement is desirable, e.g. Turn-around time, waiting time and decongestion.

Indicator	Unit of Measure	Weight (%)	Target	Actual	Raw Score	Weighted Score
Cost Reduction /Savings	Kshs	5	5,000,000	18,254,100	1.0000	0.0500
Cost Reduction/ Savings	Kshs	5	5,000,000	9,000,000	1.4000	0.0700
Development Index	%	6	50%	60%	2.6000	0.1560
Compliance with Budget Level	%	5	100%	91.4%	3.1720	0.1586
Customer Satisfaction	%	4	70	40	3.8571	0.1543
Debt Collection	Kshs	2.5	171,938	78,438	4.0876	0.1022

$$\begin{aligned}
 \text{Raw Score} &= \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_a - X_L}{X_u - X_L} \right\} \\
 &= 1.00 + 4.00 \left\{ \frac{X_a - 0}{2T - 0} \right\} \\
 &= 1.00 + \frac{4X_a}{2T} \\
 &= 1.00 + \frac{2X_a}{T}
 \end{aligned}$$

Examples:

Indicator	Unit of Measure	Weight (%)	Targe	Actua	Raw core	Weighted core
1) Decongest ward	Min	5	60	80	?	?
2) Decongest ward	Min	5	70	80	?	?
3) Decongest ward	Min	5	70	60	?	?

The interpretation of the indicator, "Decongest Ward" is that it is desirable to have fewer patients in a ward.

Step 1: Determine the Actual Achievement, X_a

$$X_a = 80$$

Step 2: Apply the formula

$$\begin{aligned} \text{Raw Score} &= \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_a - X_L}{X_U - X_L} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{X_a - 0}{2T - 0} \right\} \\ &= 1.00 + 4 \frac{(80)}{2(60)} \\ &= 1.00 + \frac{320}{120} \\ &= 3.6667 \end{aligned}$$

This performance falls under "Fair" grade.

Step 3: Compute the weighted Score

Apply the weight to the raw score to obtain the Weighted Score, *i.e.*

$$\begin{aligned} \text{Weighted Score} &= 3.6667 \times 0.05 \\ &= 0.1833 \end{aligned}$$

The fully filled matrix is therefore as shown in the table below:

Indicator	Unit of Measure	Weight	Target	Actual	Raw	Weighted
Decongest Ward	%	5%	60	80	3.6667	0.1833

The fully filled matrix is therefore as shown in the table below:

Indicator	Unit of Measure	Weight (%)	Target	Actual	Raw core	Weighted core
Decongest ward	Min	5	60	80	3.6667	0.1833
Decongest ward	Min	5	70	80	3.2857	0.1643
Decongest ward	Min	5	70	60	2.7143	0.1357

vii. Treatment of contentious items

(a) Targets based on "false" actual performance:

(NB: the equally false target will have been grown by a definite proportion on the false actual performance)

The evaluator should use the same growth proportion to compute a new target based on the "true" actual performance. It is this new target that should be the basis of evaluation.

(b) Omitted indicators:

- Determine criteria sub weight;
- Calculate average weight for all indicators (including the omitted indicator);
- Assign the averaged weight to the omitted indicator and impute achievement of "0", which will result in a raw score of "5".

(c) Targets different from the vetted version:

→ use the targets in the vetted performance contract.

(d) Indicators differing from standard or vetted indicators:

→ assign raw score of 5.

(e) Additional indicators:

→ ignore additional indicator and reallocate weight proportionately.

(f) Excess performance criteria sub-weight

The excess weight will be divided by the institution's assigned sub-weight and this proportion multiplied by the respective weights assigned to each of the performance indicators within the criteria. The assigned performance indicator weights will then be reduced by the respective proportion. The reverse situation will apply in cases where institutions assign less sub-weight than the preset.

(g) Determination of exogenous factors should not be discretionary. Factors considered as exogenous should be objectively established. In addition, the level to which the performance of an institution is affected by the exogenous factor should be determined. Therefore, the following two issues should be observed:

- The Evaluator should determine the degree to which exogenous factors have affected performance and apply the same in determining the raw score for the indicator.
- If the failure to implement an activity/program is caused by another institution, the failure should be transferred to that institution unless that institution demonstrates that its action or non-action was influenced by exogenous conditions/circumstances. Exogenous factors of this nature

will include delays in remittance of exchequer and issuance of restrictive circulars on expenditure by the State Department of Finance. "Transfer" of failure should entail reducing the composite score of that other institution by (3.00 * Indicator weight) *i.e.* adding (3.00 * Indicator weight) to the aggregate composite score. The "affected" institution should, in turn, be credited with a similar score.

- Exogenous factors that affect the performance of an institution should be documented and shared with the evaluators at the commencement of the evaluation exercise.

K. GENERAL GUIDELINES

1. Any disagreements during evaluation should be referred to the Director, Division of Performance Contracting, before moderation is undertaken;
2. Evaluation results shall be submitted to the Director, Division of Performance Contracting as soon as they are finalized;
3. Ranking of public institutions after completion of evaluation will be carried out only after the moderation exercise is completed;
4. Public institutions are required to ensure availability of verifiable evidence of achievement for purposes of evaluation;
5. It should be ensured that public institutions are in all cases represented by trained personnel during negotiation and evaluation of performance;
6. In the event of a split, merger or abolition of MDA's, consultations shall be made with the Director, Division of Performance Contracting, regarding modalities for evaluation.
7. In carrying out surveys that address the performance indicators on customer satisfaction, work environment or employee

satisfaction, institutions should ensure that data is disaggregated by the following variables:

- i) Disability mainstreaming
 - ii) Youth (age category - below 35, 35-59, 60+)
 - iii) Gender mainstreaming
 - iv) Minority and marginalized groups and communities
8. On competency development (skill development data) be disaggregated by PWD, youth (<35 yrs, 35-59 yrs, 60+) gender, minority and marginalized, to respond to number of special interest groups trained and have access to relevant professional development opportunities.
 9. A public institution that fails to submit its annual performance report (based on the duly signed Performance Contract) for evaluation, or for the reason that it declined to sign a Performance Contract shall be graded "Poor", at the lowest score of 5.
 10. Once targets have been negotiated, vetted and the PC signed, they cannot be changed midstream

The Definition of key terms, Model Performance Contracts for each category of MDA, Description of Performance Indicators, Reporting Formats, format for resolved Citizens' Service Delivery Charter form an integral part of these guidelines, and can be downloaded from www.devolutionplanning.go.ke

ANNEXES TO THE PERFORMANCE CONTRACTING GUIDELINES:

- I. Definitions of Key Terms
- II. Model Performance Contracts &, Performance Contract Matrices
- III. Descriptions of Performance Indicators
- IV. Reporting Formats
- V. Format of Citizens' Service Delivery Charter

ANNEX I: DEFINITIONS OF KEY TERMS

Ad-Hoc Evaluation Taskforce - refers to a team of experts appointed mostly from outside the public service to evaluate performance of public agencies on performance contract on behalf of the Government.

Ad-Hoc Negotiation Taskforce - a team of experts appointed mostly from outside the public service to negotiate performance contracts of public institutions on behalf of the Government.

Cascading of Performance Contracts - refers to the process of extending the system of performance contracting to all departments, sections, levels and cadres of employees and grass-root institutions for the purpose of complete integration of the process. The integration will include linking the Performance Contracts with the Performance Appraisal System (PAS).

Chief Executive Officer - refers to the executive head of a public institution and includes Cabinet Secretary/Principal Secretary/Accounting Officer, Chairperson/Secretary of Constitutional Commission, Managing Director/Executive Chairman of a State Corporation, Vice Chancellor of a Public University, Head of a Tertiary Institution

Citizens' Service Delivery Charter - refers to a resolved version of the written statement prepared by an institution in the prescribed format (refer to Annex V), outlining service standards customers should expect from that

institution. It also includes requirements to qualify for the service, cost if any of the service, timelines and redress avenues.

Exogenous Factors - refers to those events which cannot reasonably be planned for, controlled or predicted by the manager. These however, exclude events which could have been pre-empted by meticulous planning and sensitivity analysis.

In-House Evaluation -institutional annual self-assessment using the methodology prescribed in the guidelines on the automated platform.

Managers - refers to any of the following governance arms:

- Cabinet Secretary/Principal Secretary/Accounting Officer
- Board of Directors of State Corporation;
- Council of a Public University;
- Board of Management of a Tertiary Institution.

MDA - refers to Ministries, Departments and Agencies. Agencies are downstream institutions such as State Corporations, and Tertiary Institutions.

Moderation - the process of ensuring that evaluation methodology including tools and instruments have been applied uniformly by external experts (Ad Hoc Evaluation Task Force), at the primary evaluation level. It includes validation of evidence of achievement of targets.

Outcomes -Visible results that are expected to be achieved at the intermediate level which are realized as a consequence of specific outputs. Where it is not possible to measure outcomes because of non-attribution or time frame involved, public institutions should use proxy indicators.

Outputs - comprise specific products or services (immediate and visible results of an activity) in a given period.

Parties to the Negotiations - representatives of the contracting parties and key stakeholder groups, who take part in the negotiation of performance contracts. These include Ad Hoc Negotiation Task Force members, institutions' officials and representatives of lead agencies on cross cutting issues.

Performance Criteria - is a principle or standard for evaluating achievement, represented by a range of management perspectives on which performance of the manager is evaluated. These are listed in the Performance Contract matrix featured in categories A to F.

Performance Evaluation - assessment or measurement of the extent to which public agencies achieve negotiated performance targets, including determination of causal factors of various levels of performance.

Performance Indicator - is a standard measure by which the performance of an institution is assessed.

Performance Target - is the desired level of performance for a performance indicator for a contract year.

Primary Evaluation - assessment of in-house evaluation report by external experts (the Ad Hoc Evaluation Task Force)

Sector Performance Standards - refers to the existing composite set of sector performance benchmarks, including performance levels, based on international best practices, issued by the Division of Performance Contracting and which may be downloaded from www.devolutionplanning.go.ke.

Total Assets is the net sum of fixed assets, current assets, investments, work in progress and other tangible and intangible assets.

Vetting - refers to the process of scrutinizing negotiated performance contracts to establish conformity to Performance Contracting Guidelines. It is therefore, a quality assurance exercise and is carried out by the DPC.

ANNEX II: MODEL PERFORMANCE CONTRACTS

ANNEX IIA: MODEL PERFORMANCE CONTRACT - MINISTRIES/DEPARTMENTS

This Performance Contract (hereinafter referred to as "Contract") is entered into between the Government of the Republic of Kenya (hereinafter referred to as "GoK") represented by H.E. the President of P.O. BoxNairobi (together with its assignees and successors) of the one part, and the Cabinet Secretary, Ministry/State Department of(hereinafter referred to as the "the Cabinet Secretary), (together with its assignees and successors) of P.O. BOXof the other part.

WHEREAS;

The Government is committed to ensuring that public offices are well managed and are cost effective in delivering quality service to the public in line with provisions of the Constitution of Kenya;

The Government recognizes that Ministries/Departments hold a vital key to improving the quality of lives of Kenyans and making the country globally competitive;

The purpose of this performance contract is to establish the basis for ensuring efficient and effective services are delivered to Kenyans in line with the provisions of the Constitution and by requiring MDAs to adopt human rights approach to service delivery and focus on:

1. Ensuring that systems are established to ensure equality of all users of public services;

2. Ensuring impartiality and fairness in the process of delivery of public services;
3. Ensuring continuity of public services under all circumstances;
4. Establishing systems to enable adaptability of public services to the needs of users;
5. Ensuring professionalism and ethics in Public Service is achieved and maintained;
6. Establishing systems to ensure promotion and protection of rights of users of public services and public servants as enshrined in the Bill of Rights;
7. Institutionalizing a culture of accountability, integrity, transparency and promotion of values and principles of public service;
8. Ensuring effective, efficient and responsible use of public resources, and
9. Ensuring responsiveness by public servants in delivery of public services.

This contract therefore represents a basis for continuous improvement as Government endeavors to meet the needs and expectations of the Kenyan people; and

This contract should form the basis for the Ministries' programs, projects and priorities.

NOW THEREFORE, the parties hereto agree as follows:

Part I

Vision, Mission and Strategic Objectives

(a) Vision of the Ministry/State Department:

(b) Mission of the Ministry/State Department:

(c) Strategic Objectives of Ministry/State Department

- Objectives should be linked to Medium Term Plan II (MTP II)

Note: For new institutions or those that have been merged and which may not have strategic plans, then the "Development of Strategic Plan" should be included as a key performance indicator under the Non-Financial Criterion.

Part II Commitments and Responsibilities of Cabinet Secretary

- Ensuring that public services are delivered in accordance with national laws, regulations and policies,
- Ensuring modernization of the Public Service by introduction of modern technologies and innovative procedures and systems to improve service delivery;
- Ensuring that public officers demonstrate professionalism, transparency and accountability in performing their duties and that they show courtesy, integrity and neutrality in dealing with citizens.
- Developing/Reviewing and implementing strategic plan and ensure that it is linked to MTP II.
- Setting comprehensive performance targets and ensuring their achievement.
- Cascading performance contract to all departments, sections, units, levels and cadres of employees and grass-root institutions for the purpose of complete integration of the process. The integration will include linking the Performance Contracts with the Performance Appraisal System (PAS).
- Preparing employees in the organization for the desired changes in working styles, attitudes and work ethics.
- Ensuring progressive realization of the Bill of Rights.

Part III
Commitments and Obligations of the Government

- Ensuring that senior public officers suspected of corrupt practices step down to allow room for investigations.

Part IV
Reporting Requirements

Ministries/State Departments are required to submit quarterly and annual performance reports to the Division of Performance Contracting for the purpose of monitoring progress of performance, and for annual evaluation of performance.

Part V
Duration of the Performance Contract

The Performance Contract will run for one financial year.

Part VI
Signatories

Signed:

Cabinet Secretary
Date
H.E. the President
Date

Ministries Matrix

	CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current Status YR (0)	Target	CRITERION VALUES					Raw Score	Weighted Score
							Excellent (1.00-1.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)		
A	Finance & Stewardship												
	• Compliance with set budgetary levels	%	3										
	• Cost reduction/ Savings	KShs	2										
	• A-in-A	KShs	2										
	• Utilization of Allocated Funds	%	3										
	Weight Sub total		10										
B	Service Delivery												
	• Service delivery systems access to information	%	5										
	• access to efficient and quality public services	%	10										
	• Service delivery improvements (including business process re-engineering)	%	5										
	Customer Satisfaction												
• Customer satisfaction index	%	5											
• Resolution of Public Complaints	%	5											
	Weight Sub total Non-Financial		30										
C													

	CRITERIA CATEGORY	UNIT	WT	Previous YR (-1)	Current Status YR (0)	Target	CRITERION VALUES					Raw Score	Weighted Score	
							Excellent (1.00-1.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)			
	<ul style="list-style-type: none"> Asset management ISO Certification Prevention of HIV infections Prevention of alcohol and drug Abuse, Gender mainstreaming Disability mainstreaming Youth and women empowerment Compliance with statutory obligations Automation Competency development Environmental sustainability Implementation of the Constitution 	%	2											
		%	2											
		%	1											
		%	1											
		%	2											
		%	2											
		%	2											
		%	1											
		%	2											
		%	2											
		%	2											
			20											
D	Operations¹ Project implementation; i) Vision 2030 projects: ii) Other Projects Project sub-indicators -Timeliness -Quality -Relevance	%												
		%												
		%												

CRITERIA CATEGORY	UNIT	WT	Previous YR (-1)	Current Status YR (0)	Target	CRITERION VALUES					Raw Score	Weighted Score
						Excellent (1.00-1.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)		
-Cost efficiency -Completion Rate	% %											
Outcomes aligned to MTP II and Sector Performance standards a. X. b. Y. c. Etc.												
Fulfillment of Performance Contract commitments to Downstream Institutions.	%											
Ease of Doing Business	%											
Analysis and Provision of Feedback on Quarterly Reports[†]	Time											
Treasury Representation in negotiations for State Corporations*	% %											
Weight Sub total						30						
Dynamic/ Qualitative:												
• Work Environment	%					1						
• Employee Satisfaction	%					1						

CRITERIA CATEGORY	UNIT	WT	Previous YR (-1)	Current Status YR (0)	Target	CRITERION VALUES					Raw Score	Weighted Score
						Excellent (1.00-1.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)		
<ul style="list-style-type: none"> • Safety Measures • Research and Development • Submission of Pensions Documents to Pension Dept 	%	1										
	%	1										
	Months	1										
Weight sub total												
Corruption Eradication	%	5										
Weight Sub Total		5										
Total		100										

† Applies only to Specialized Agencies

*applies only to the National Treasury

ANNEX IIB: MODEL PERFORMANCE CONTRACT FOR STATE CORPORATION

This Performance Contract (hereinafter referred to as "Contract") is entered into between the Government of the Republic Kenya (hereinafter referred to as "GoK") through its Ministry ofof P.O. BOXNairobi (together with its assignees and successors) of the one part, and the Board of Directors of.....(*corporation*) (hereinafter referred to as the "the Board"), a State Corporation having its registered office at.. ... (together with its assignees and successors) of P.O. BOXof the other part.

WHEREAS

The GoK is committed to clearly defining the working relationship between itself and the State Corporations;

The parties recognize the need for adequate and reasonable managerial and operational autonomy to facilitate achievement by the Board and Management of(*corporation*) of the agreed and freely negotiated performance targets set out in this Contract;

The parties are desirous of enhancing transparency in the management of public resources and accountability for results in line with the Constitution;

The purpose of this performance contract is to establish clarity and consensus about priorities for the Corporation's management in order to;

1. Ensuring that systems are established to ensure equality of all users of public services is achieved;
2. Ensuring impartiality and fairness in the process of delivery of public services;
3. Ensuring continuity of public services under all circumstances;
4. Establishing systems to enable adaptability of public services to the needs of users;

5. Ensuring professionalism and ethics in Public Service is achieved and maintained;
6. Establishing systems to ensuring promotion and protection of rights of users of public services and public servants as enshrined in the Bill of Rights;
7. Institutionalizing a culture of accountability, integrity, transparency and promote values and principles of the public service;
8. Ensuring effective, efficient and responsible use of public resources, and
9. Ensuring responsiveness by public servants in delivery of public services.

The Board/Council has indicated its capacity and competence to perform the duties and undertake the functions specified under this Contract; and

From this contract, should flow the program and management priorities of the State Corporation.

NOW THEREFORE, the parties hereto agree as follows:

Part I

Vision, Mission and Strategic Objectives

a) Vision of the Corporation:

b) Mission of the Corporation:

c) Strategic Objectives of Corporation

- Objectives should be linked to Medium Term Plan II (MTP II).

Note: For new institutions that may not have strategic plans, then the "Development of Strategic Plan" should be included as a key indicator under the Non-Financial Criterion.

Part II

Commitments and Responsibilities of State Corporation (Board/Management)

- Ensuring that public services are delivered in accordance with national laws, regulations and policies,
- Ensuring modernization of the public service by introduction of modern technologies and innovative procedures and systems to improve service delivery;
- Ensuring that public officers demonstrate professionalism, transparency and accountability in performing their duties and that they show courtesy, integrity and neutrality in dealing with citizens.
- Setting comprehensive performance targets and ensuring their achievement.
- Cascading the contract to all departments, sections, units, levels and cadres of employees and grass-root institutions for the purpose of complete integration of the process. State Corporations should develop a Performance Appraisal System (PAS) in order to link the institutional performance to that of individual employees.
- Preparing employees in the organization for the desired changes in working styles, attitudes and work ethics.
- Ensuring progressive realization of the Bill of Rights.
- Developing/Reviewing and implementing strategic plan and ensuring that it is linked to MTP II.
- Setting comprehensive performance targets and ensuring their achievements.

Part III

Commitments and Obligations of the Government

- This refers to support required from Government which is not already within the Corporation's mandate.
- Ensuring resources are available for the achievement of agreed performance targets.
- Ensuring adherence to the principles of leadership and integrity.
- Ensuring that public officers suspected of corrupt practices step down to allow room for investigations.

Part IV

Reporting Requirement

State Corporations are required to submit quarterly and annual performance reports to designated agencies and copied to the Division of Performance Contracting for the purpose of monitoring progress of performance, and for annual evaluation of performance.

Part V

Duration of the Performance Contract

The PC will run for a period of 12 months from 1st July to 30th June for those state corporations whose financial year ends in July. For those State Corporations whose financial year corresponds with the calendar year, the PC will run from 1st January to 31st December of every year. For those State Corporations whose financial year ends in March, the PC will run from 1st April to 31st March.

Signed:

State Corporation: Chairman.....Date.....

Director.....Date.....

Government: Principal Secretary.....Date.....

Counter-signed:

The National Treasury: Principal Secretary.....Date.....

Commercial State Corporations Matrix

	CRITERIA CATEGORY	UNIT	WT	Previous YR (-)	Current Status YR (0)	Target	CRITERION VALUES					Achievement	Raw Score	Weighted Score
							Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)			
A	Finance & Stewardship													
	• Pre-tax Profits	KShs	20											
	• Debt Equity ratio	%	5											
	• Return on Investment	%	15											
	• Development Index	%	5											
	Weight Sub total		45											
B	Non-Financial													
	• Asset management		1											
	• ISO Certification	%	2											
	• Prevention of HIV infections	%	1											
	• Prevention of alcohol and drug Abuse	%	1											
	• Gender Mainstreaming	%	1											
	• Disability Mainstreaming	%	2											
• Youth and women empowerment	%	2												
• Compliance with statutory obligations	%	1												

CRITERIA CATEGORY	UNIT	WT	Previous YR (-)	Current Status YR (0)	Target	CRITERION VALUES					Achievement	Raw Score	Weighted Score
						Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)			
<ul style="list-style-type: none"> • Automation • Competency Development • Environmental Sustainability 	%	1 1 2											
Weight Sub total		15											
C	Operations												
	Project implementation; i) Vision 2030 projects:	%											
	ii) Other Projects	%											
	Project sub-indicators	%											
	-Timeliness	%											
	-Quality	%											
	-Relevance	%											
	-Cost efficiency	%											
	-Completion Rate	%											
	Outcomes aligned to Sector Performance standards												
a. X.													
b. Y.													
c. Etc.													
Capacity Utilization	%												
	%												

CRITERIA CATEGORY	UNIT	WT	Previous YR (-)	Current Status YR (0)	Target	CRITERION VALUES					Raw Score	Weighted Score
						Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)		
Ease of Doing Business												
Weight Sub Total		30										
D	Dynamic/ Qualitative:											
	• Work Environment	%	1									
	• Employee Satisfaction	%	1									
	• Safety Measures	%	1									
	• Research and Development	%	1									
• Submission of Pensions Documents	%	1										
Weight Sub total		5										
E	Corruption Eradication											
	Weight Sub -Total	%	5									
	TOTAL		100									

Non -Commercial State Corporations Matrix

	CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current status YR (0)	Target	CRITERION VALUES					Raw Score	Weighted Score
							Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)		
A	Finance & Stewardship												
	• Compliance with set budgetary levels	%	2										
	• Cost reduction/ Savings	KShs	1										
	• A-in-A	KShs	2										
	• Utilization of Allocated Funds	%	2										
	• Development index (DE/RE)	%	2										
	• Debt equity ratio	%	1										
	Weight Sub total		0										
B	Service Delivery												
	Service delivery systems												
	• access to information	%	5										
	• access to efficient and quality public services	%	10										
	• Service delivery improvements (including business process re-engineering)	%	5										
	Customer Satisfaction	%	5										
	• Customer satisfaction index												
	• Resolution of Public Complaints	%	5										
	Weight Sub total		30										
C	Non-Financial												
	• Asset management	%	2										
	• ISO Certification	%	2										
	• Prevention of HIV infections,	%	1										

	CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current status YR (0)	Target	CRITERION VALUES					Achievement	Raw Score	Weighted Score	
							Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)				
	<ul style="list-style-type: none"> Prevention of alcohol and drug Abuse Gender mainstreaming Disability mainstreaming Youth and women empowerment Compliance with statutory obligations Automation Competency development Environmental sustainability Implementation of the Constitution 	%	1 2 2 2 1 2 1 2 2												
	Weight Sub total														
D	Operations¹ Project implementation; i) Vision 2030 projects: ii) Other Projects Project sub-indicators -Timeliness -Quality -Relevance -Cost efficiency -Completion Rate Outcomes aligned to MTP II and Sector Performance standards a. X. b. Y. c. Etc.	%													

CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current Status YR (0)	Target	CRITERION VALUES					Achievement	Raw Score	Weighted Score
						Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)			
Ease of Doing Business	%												
Weight Sub total		30											
Dynamic/ Qualitative:													
• Work Environment	%	1											
• Employee Satisfaction	%	1											
• Safety Measures	%	1											
• Research and Development	%	1											
• Submission of Pensions Documents	Months	1											
Weight sub total		5											
Corruption Eradication													
Weight Sub Total	%	5											
Total		100											

Public Universities Matrix

	CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current Status YR (0)	Target	CRITERION VALUES					Raw Score	Weighted Score
							Excellent (1.00-40)	Very Good (2.40-50)	Good (3.00-50)	Fair (3.60-50)	Poor (4.00-5.00)		
A	Finance & Stewardship												
	• Compliance with set budgetary levels	%	2										
	• Cost reduction/ Savings	KShs	1										
	• A-in-A	KShs	2										
	• Utilization of Allocated Funds	%	2										
	• Development index (DE/RE)	%	2										
	• Debt equity ratio	%	1										
	Weight Sub total		10										
B	Service Delivery												
	Service delivery systems												
	• access to information	%	4										
	• access to efficient and quality public services	%	5										
	• Service delivery improvements (including business process re-engineering)	%	2										
	Customer Satisfaction												
	• Customer satisfaction index	%	5										
• Resolution of Public Complaints	%	4											
	Weight Sub total		20										

CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current status YR (0)	Target	CRITERION VALUES					Achievement	Raw Score	Weighted Score
						Excellent (1.00-1.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)			
C Non-Financial <ul style="list-style-type: none"> Asset management ISO Certification Prevention of HIV infections, Prevention of alcohol and drug Abuse Gender mainstreaming Disability mainstreaming Youth and women empowerment Compliance with statutory obligations Automation Competency development Environmental sustainability Implementation of the Constitution 	%	2											
	%	2											
	%	1											
	%	1											
	%	2											
	%	2											
	%	2											
	%	1											
	%	2											
	%	2											
	Weight Sub total		20										

CRITERIA CATEGORY	UNIT	WT	Previous YR (-1)	Current status YR (0)	Target	CRITERION VALUES					Achievement	Raw Score	Weighted Score
						Excellent (1.00-40)	Very Good (2.40-30)	Good (3.00-50)	Fair (3.60-30)	Poor (4.00-5.00)			
D													
Operations¹													
Project implementation;	%												
i) Vision 2030 projects:													
ii) Other Projects													
Project sub-indicators													
-Timeliness	%												
-Quality	%												
-Relevance	%												
-Cost efficiency	%												
-Completion Rate	%												
Outcomes aligned to MTP II and Sector Performance standards	%												
a. X.													
b. Y.													
c. Etc.													
Ease of Doing Business	%												
Weight Sub total		40											
Dynamic/ Qualitative:													
• Work Environment	%	2											
• Employee Satisfaction	%	1											
• Safety Measures	%	1											
• Submission of Pensions Documents	Months	1											

CRITERIA CATEGORY	UNIT	WT	Previous YR (-1)	Current Status YR (0)	Target	CRITERION VALUES					Achievement	Raw Score	Weighted Score
						Excellent (1.00-1.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)			
Weight sub total		5											
Corruption Eradication	%												
Weight Sub Total		5											
Total		100											

ANNEX IIC: MODEL PERFORMANCE CONTRACT FOR TERTIARY INSTITUTIONS

This Performance Contract (hereinafter referred to as the "Contract") is entered into between the Government of the Republic of Kenya through its Ministry of (*Parent Ministry*) (hereinafter referred to as "GoK") of P.O BOX ...Nairobi(together with its assignees and successors) of the one part, and the Board of Management of [*Tertiary Institution*] (together with its assignees and successors) of P.O BOXof the other part.

WHEREAS

The Government is committed to ensuring that Tertiary Institutions are well managed, and are cost effective in delivering quality services to the public in line with the provisions of the Constitution;

The Government recognizes that Tertiary Institutions hold vital key to improving performance and restoring the faith of the Kenyan people in their government;

The parties recognize the need for adequate and reasonable managerial and operational autonomy to facilitate achievement by the Board and Management of [*Tertiary Institution*] of the agreed and freely negotiated performance targets set out in this contract.

The Board has indicated its capacity and competence to perform the duties and undertake the functions specified herein.

This contract represents a basis for continuous improvement of the Tertiary Institution to meet the needs and expectations of the Kenyan people.

The purpose of this contract is to establish clarity and consensus about priorities for the institution's management in order to:

1. Ensuring that systems are established to ensure equality of all users of public services is achieved;

2. Ensuring impartiality and fairness in the process of delivery of public services;
3. Ensuring continuity of public services under all circumstances;
4. Establishing systems to enable adaptability of public services to the needs of users;
5. Ensuring professionalism and ethics in public service is achieved and maintained;
6. Establishing systems to ensure promotion and protection of rights of users of public services and public servants as enshrined in the Bill of Rights;
7. Institutionalizing a culture of accountability, integrity, transparency and promote values and principles of the public service;
8. Ensuring effective, efficient and responsible use of public resources, and
9. Ensuring responsiveness by public servants in delivery of public services.

From this contract, should flow the program and management priorities of the Tertiary Institution.

NOW THEREFORE, the parties hereto agree as follows:

Part I

Vision, Mission and Strategic Objectives

- Objectives should be linked to Medium Term Plan II (MTP II).

Note: For new institutions that may not have strategic plans, then the "Development of Strategic Plan" should be included as a key indicator under the Non-Financial Criterion.

Part II

Commitments and Responsibilities of The Board

- Ensuring that public services are delivered in accordance with national laws, regulations and policies,

- Ensuring modernization of public services in the institution by introduction of technologies and innovative procedures and systems to improve service delivery.
- Ensuring that officers demonstrate professionalism, transparency and accountability in performing their duties and that they show courtesy, integrity and neutrality in dealing with citizens.
- Setting comprehensive performance targets and ensure their achievement.
- Cascading performance contract to all departments, sections, units, levels and all cadres of employees. The institution should develop a Performance Appraisal System (PAS) in order to link the institutional performance to that of individual employees.
- Preparing employees in the institution for the desired changes in working styles, attitudes and work ethics.
- Ensuring progressive realization of the Bill of Rights.
- Developing/Reviewing and implementing strategic plan and ensuring that it is linked to MTP II.
- Ensuring achievement of the agreed performance targets.

Part III

Commitments and Obligations of the Government

- This refers to support required from Government which is not already within the Board's mandate.
- Ensuring resources are available for the achievement of agreed performance targets.
- Ensuring adherence to the principles of leadership and integrity.
- Ensuring that public officers suspected of corrupt practices step down to allow room for investigations.

Part IV

Reporting Requirement

Tertiary Institutions are required to submit quarterly and annual performance reports to designated agencies and copied to the Division of Performance Contracting

for the purpose of monitoring progress of performance, and for annual evaluation of performance.

Part V

Duration of the Performance Contract

The Performance Contract will run for a period of 12 months from 1st July to 30th June.

Signed:

Chairman, BoM..... Date.....

Independent
BoM Member..... Date

Principal Secretary,
[Parent Ministry]..... Date.....

Counter-signed:

Cabinet Secretary,
[Parent Ministry] Date.....

CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current status YR (0)	Targ	CRITERION VALUES					Raw Score	Weighted Score
						Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)		
Complaints												
Weight Sub total		30										
C Non-Financial												
• Asset management	%	2										
• ISO Certification	%	2										
• Prevention of HIV infections,	%	1										
• Prevention of alcohol and drug Abuse	%	1										
• Gender mainstreaming	%	2										
• Disability mainstreaming	%	2										
• Youth and women empowerment	%	2										
• Compliance with statutory obligations	%	1										
• Automation	%	2										
• Competency development	%	2										
• Environmental sustainability	%	2										
• Implementation of the Constitution	%	2										

CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current status YR (0)	Targ	CRITERION VALUES					Achievem ent	Raw Score	Weighted Score
						Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)			
D													
Weight Sub total		20											
Operations¹													
Project implementation:													
i) Vision 2030 projects:	%												
ii) Other Projects	%												
Project sub-indicators													
-Timeliness	%												
-Quality	%												
-Relevance	%												
-Cost efficiency	%												
-Completion Rate	%												
Outcomes aligned to MTP II and Sector Performance standards													
a. X.	%												
b. Y.	%												
c. Etc.	%												
Ease of Doing Business													
Weight Sub total		30											
E													
Dynamic/ Qualitative:													
• Work Environment	%	1											
• Employee Satisfaction	%	1											
• Safety Measures	%	1											
• Research and Development	%	1											

CRITERIA CATEGORY	UNIT	WT	Previous YR YR (-1)	Current Status YR (0)	Targ	CRITERION VALUES					Achievement	Raw Score	Weighted Score
						Excellent (1.00-2.40)	Very Good (2.40-3.00)	Good (3.00-3.60)	Fair (3.60-4.00)	Poor (4.00-5.00)			
<ul style="list-style-type: none"> Submission of Pensions Documents 	Months	1											
Weight sub total		5											
Corruption Eradication	%	5											
Weight Sub Total		100											
Total													

ANNEX III: DESCRIPTION OF PERFORMANCE INDICATORS

A-I-A - are particular classes of revenue which the Treasury authorizes an accounting officer to use, in addition to the amounts to be issued from the exchequer to meet expenditure. For the purpose of performance contracting, A-in-A also includes donor funds, donations (grants and assets) and contributions from any other source.

Asset Management - is the process of making best use of an institution's equipment, machinery, tools, buildings etc in order to maximize taxpayers' value. This will include:

- i) **Inventory management**, is to establish and keep a catalogue of an institutions' assets and property
- ii) **Maintenance** - refers to activities towards preserving assets, equipments, tools, etc, in good working condition in order to avoid breakdown of the same. In the case of plant and equipment, maintenance should be undertaken in accordance with the manufacturers' schedules. In addition, maintenance should not only be confined to the MDA's headquarters, but also extended to grass-root institutions.
- iii) **Repairs** - refers to activities towards restoring assets, equipment, tools, etc, to usable condition after damage, tear or wear. In addition, implementation of this performance indicator should not only be at the MDA's headquarters, but efforts should be made to ensure that it is rolled out to grass-root institutions, and
- iv) **Disposal of Idle Assets**- refers to the clearance of unserviceable, obsolete and surplus assets by way of sale, transfer to other public institutions, destruction, donation or other authorized methods of disposal, and in all cases in full conformity to the existing legal requirement.

Automation - refers to the extent to which an agency keeps in pace with developments in Information and Communication Technology (ICT). The thrust of this indicator is on ICT development as a package, not collection of activities. The milestones to address this indicator include the following:

Automation Stages	Sub-indicators	Level of Automation
-------------------	----------------	---------------------

Automation Stages	Sub-indicators	Level of Automation
1. Institutional strategy and vision	<ul style="list-style-type: none"> • Institutional ICT strategy developed and disseminated (will detail the roadmap the institution intends to take in utilizing ICTs to deliver on its core mandate) • Adoption and operationalization of e-Government standards (the standards are available at e-government website www.e-government.go.ke) • Qualified ICT staff deployed as per organizational approved structure • Percentage of Institutional ICT budget-line against total budget- industry standard is 10%. • Staff to computer ratio- ranges from 1:1 for technical staff to 1:10 for support staff. 	15%
2. Connectivity and technology infrastructure	<ul style="list-style-type: none"> • Internet bandwidth available within the institution • ICT infrastructure <ul style="list-style-type: none"> ○ Office automation(turn around time for business processes) ○ Centralized user authentication ○ Electronic Document Management System (EDMS) in use ○ LAN installed ○ WAN installed ○ Centralized user authentication within the LAN/WAN • No. of enterprise wide systems/ERPs in operation • % of institutional data which has been digitized and is accessible against total number of manual records kept • ICT security measures in place, i.e., use of 	25%

Automation Stages	Sub-indicators	Level of Automation
	biometric security features, anti-virus updates, data back-up, etc. <ul style="list-style-type: none"> • Adoption and usage of Voice Over Internet Protocol (VOIP) • % of staff who have access to broadband Internet in the workplace 	
3. Consumer and business adoption	<ul style="list-style-type: none"> • Institutional website with the following features: <ul style="list-style-type: none"> ♦ Interactive ♦ Navigable ♦ Feedback response ♦ Updates • Automation of core public services (e-services) for citizens, business, employees and Government • On-line annual customer service rating of services (e-services) to ascertain feedback from recipients of service. • Service delivery channels utilized i.e. methods used by MDAs to provide services, e.g. SMS, Unstructured Supplementary Service Data (USSD), portal services, Interactive Voice Response System (IVRS) • Cost savings through delivery of e-services • No. of services hosted in common Government infrastructure (GDC). 	30%
4. Social and cultural environment	<ul style="list-style-type: none"> • An institutional measure of ICT literacy has been adopted (Directorate of e-government will provide independent ICT assessments for comparison • % of staff who are ICT-literate or have 	10%

Automation Stages	Sub-indicators	Level of Automation
	<ul style="list-style-type: none"> undertaken ICT training • ICT training programs implemented as per ICT strategy • % of staff with disabilities who have access to ICT • ICT service delivery options for clients with disabilities. 	
5. Legal environment	<ul style="list-style-type: none"> • Institutional ICT policy developed and implemented • Institutional arrangements for protection and privacy of data in place • % of staff who have signed an institutional ICT security compliance agreement • No. of electronic payment systems rolled out 	10%
6. Other factors	<ul style="list-style-type: none"> • Range of information systems in use 	10%

Capacity Utilization - refers to the level of actual utilization against optimal capability.

Competency Development - refers to the systematic enhancement of skills and proficiencies in order to address career progression of individual employees and improve institutional performance. The activities to address this performance indicator include the following;

- i) Skills/Competence needs assessment
- ii) Intervention programs
- iii) Performance Appraisal
- iv)

In undertaking Skills/Competence needs assessment, institutions should refer and be guided by the "Manual on Managing the Training Function in the Public Service" developed by the Directorate of Public Service

Management in September, 2010, and which can be downloaded from website.

Compliance with set Budget Levels - this measures the extent to which agencies expend funds availed in accordance with the budget. In instances where non compliance with set budgetary levels is perpetrated by the National Treasury, that failure will be transferred to the Ministry and the affected MDA credited accordingly as stipulated in sub-section (vii), item (f) of the Performance Evaluation Framework of the Performance Contracting Guidelines. Compliance with set Budget Level = (Actual Expenditure/Total Budget)*100%. For the purpose of this indicator, "Budget" includes any other funding (external/internal), accessed by, or availed to, an institution, in the course of the contract year and should include all aspects of A-in-A.

Corruption Eradication Criterion- (EACC will be called to explain way Forward one back in Nairobi) public institutions are required to undertake the following activities under this performance criterion:

Level	Category	Sub- indicators	Performance Levels
1.	Anti-Corruption framework	<ul style="list-style-type: none"> • Institutional Anti-Corruption Policy developed (refer to EACC guide) • Institutional Code of Conduct developed and operationalized • Operational Corruption Prevention Committee/Integrity Committee comprised of PSS/AOs/CEOs and HODs • PS/CEO and HODs trained on corruption risk assessment & management • Integrity officers trained on corruption risk assessment and management • Staff sensitization on anti-corruption 	5%
2.	Corruption risk	<ul style="list-style-type: none"> • Corruption risk assessment undertaken 	10%

Level	Category	Sub- indicators	Performance Levels
	assessment	<ul style="list-style-type: none"> • Institutional Corruption Prevention Plan developed, based on a thorough risk assessment of all functional areas of the organization • Channels to facilitate corruption reporting for staff and stakeholders and feedback mechanism on reported cases in place • Provision for preliminary investigation of corruption • Staff compliance with the Code of Conduct by signing an integrity pact • Procedure for reporting and managing ethical misconduct cases 	
3.	Implementation of corruption control measures	<ul style="list-style-type: none"> • Corruption prevention strategies implemented to address corruption related risks • EACC recommendations in systems reviews reports implemented • Mechanisms implemented to address corruption related audit queries • Adherence to provisions of the PPOA/EACC Corruption Prevention Guide in public procurement process • Cases of ethical misconduct dealt with effectively and promptly • Institutional policy position on corruption prevention disseminated to service users, suppliers and stakeholders. • Public officer(s) suspected of corrupt practices is (are) suspended to allow room for investigations 	25%
4.	Management	<ul style="list-style-type: none"> • Chief Executive Officers* and 	30%

Level	Category	Sub- indicators	Performance Levels
	commitment to corruption control	<p>Heads of Departments vetted</p> <ul style="list-style-type: none"> • Management upholds and promotes the principles provided in Chapter Six of the Constitution of Kenya on Leadership and Integrity • Management upholds and promotes the principles provided for in the institutional Anti-Corruption Policy and the Code of Conduct • Submission of quarterly reports to EACC using prescribed format clearly indicating corruption prevention strategies implemented/ or are on-going and the outcome, with minutes of the CPC deliberations attached 	
5.	Zero tolerance to corruption	<ul style="list-style-type: none"> • Internal controls to mitigate against corruption and their effectiveness constantly reviewed • Promotion and maintenance of high standards of ethical culture • Enhanced transparency and accountability • Auditor-General's/external auditors unqualified reports • Anti-Corruption Assessment • Reduced corruption perception index (<i>determined with the involvement of stakeholders</i>) 	30%
Total Score			100%

*Refer to Annex I on "Definition of Key Terms"

Note:

- The Guidelines on implementation of corruption eradication, quarterly reporting template and the Public Procurement Oversight Authority and EACC Corruption Prevention guide in public procurement process are available on the Ethics and Anti-Corruption Commission's website, www.eacc.go.ke.

Cost Reduction/Savings - this is an efficiency measure that assures that more is achieved with less without sacrificing quantity, quality and standards. The unit of measure is in Kshs. Institutions will be expected to make full disclosure of the intended costs saving areas and evaluation will be based on the aggregate savings realized. In cases where the actual achievement exceeds the target, an analysis should be done to determine if it was as a result of managerial input or not.

Customer Satisfaction - refers to the utility derived by the customers of the product or service as attested by the independent opinion of the consumer of the product or service. All agencies are required to carry out an independent customer satisfaction survey in a contract year. This should be undertaken towards the end of the fourth quarter. In addition, the following parameters should form common criteria for customer satisfaction surveys.

- (i) Speed of service/product
- (ii) Quality of service/product
- (iii) Accessibility
- (iv) Affordability
- (v) Courtesy
- (vi) Information on services/product
- (vii) Adherence to the commitments set out in the service charters.

Debt Equity Ratio - refers to the relationship between resources contributed by the owners of the agency and borrowed funds. However, for institutions established outside the Companies Act, equity will include seed money invested by the Government or other public institutions, grants, subventions and donations. In addition, for these institutions, borrowed funds will include any funding that is repayable to another institution, outstanding dues owed to staff

and unremitted statutory deductions as well as the cumulative stock of pending bills. Debt Equity Ratio is computed by expressing borrowed funds (BF) as a ratio of owner's equity (OE), i.e. (BF/OE). In addition, institutions with negative equity or no equity will be required to outline their restructuring/recovery plan which explicitly indicates how they plan to address the debt payments.

Development Index - refers to the relationship between development expenditure and recurrent expenditure. It is computed as Development Expenditure (DE), divided by Recurrent Expenditure (RE), i.e. (DE/RE). Development expenditure includes expenditures on development of infrastructure, acquisition of new facilities, human capital development, marketing programmes, research and development, etc. Recurrent Expenditure (RE) on the other hand refers to expenditure on goods and services which does not result in the creation or acquisition of fixed assets. It consists mainly of expenditure on wages, salaries, purchase of consumer goods and services and consumption of fixed capital (depreciation). The Index is intended to ensure that more resources are progressively applied to development activities to ensure progressive and sustained growth. For purposes of computing quarterly achievements, the denominator for Development Index for a quarter should be the **actual annual** Recurrent Expenditure.

Disability Mainstreaming - public institutions are required to implement Government policy on affirmative action for people with special needs. The activities to be implemented under this indicator include;

- Establish and operationalize Disability Mainstreaming Committee with membership drawn from the following: Human Resource, Logistics & Procurement, member of Board/Executive and, Representative of Persons with Disabilities (PWDs). A Senior Officer will chair the Committee.
- Formulate Disability Mainstreaming Action Plan to ensure that Staff are informed on disability related aspects and to empower persons with disabilities.
- Sensitize and train staff on service provision to persons with such disabilities such as mental, physical, visual, deaf, albinism, epilepsy, autism, cerebral palsy, etc.

- Establish structures and systems that ensure persons with disabilities access information and services, e.g. Train staff on sign language, avail materials in braille, ramps, signage, guides, accessible toilets, lifts with visual, audio and ductile features, floors that are not slippery, disability-friendly vehicles & walkways, accessible parking, etc.).
- Ensure progressive realization of attaining the 5% of all recruited personnel in appointments, employment and promotion are persons with disabilities.
- MDAs should ensure that there is no discrimination in advertising, interviewing, recruitment, volunteerism, internships, training & promotions of PWDs.

In addition, MDAs are required to submit Quarterly Disability Mainstreaming Reports to NCPWD using the prescribed Reporting Format which can be downloaded from www.ncpwd.go.ke

Ease of Doing Business - This refers to measurement of regulations directly affecting businesses, and higher rankings indicate better, usually simpler, regulations for businesses and stronger protections of property rights.

The effect of improving these regulations on economic growth is strong. A nation's ranking is based on the average of the following 10 sub-indicators:

- i) **Starting a business** - Procedures, time, cost and minimum capital to start a new business
- ii) **Dealing with construction permits** - Procedures, time and cost to put up buildings and infrastructure
- iii) **Getting utilities** - procedures, time and cost to get connected to utilities (e.g. electricity, water, sewerage etc.).
- iv) **Registering property** - Procedures, time and cost to register a title.
- v) **Getting credit** - Ease of getting credit

- vi) **Protecting investors** - Extent of disclosure of information to investors and shareholders
- vii) **Paying taxes** - Number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit
- viii) **Trading across borders** - Number of documents, cost and time necessary to export and import
- ix) **Enforcing contracts** - Procedures, time and cost to enforce a debt contract
- x) **Resolving insolvency** - The time, cost and recovery rate (%) under bankruptcy proceeding

MDAs are required to select sub-indicators that are relevant to their mandate from the above list for implementation.

Employee Satisfaction - refers to the utility derived by an employee by working for a public institution. This entails aspects such as provision of basic working tools, implementation of schemes of service, recognition and rewards, rationalization of emoluments, harmonizing internal relations etc. Public agencies are required to undertake an internal employee satisfaction survey towards the end of the fourth quarter. It is recommended that the survey should be based on such parameters as employee development, job satisfaction employee welfare, etc.

Environmental Sustainability - refers to concerted efforts to mitigate against environmental degradation. It is the maintenance of the factors and practices that contribute to the quality of environment on a long term basis. MDAs should pick at least four of the activities for implementation during the contract year. The activities to be implemented under this indicator include:

- i) Domesticating the Environmental Policy at the workplace
- ii) Developing and implementing environmental awareness creation programmes
- iii) Waste management that includes:

- Reducing, reusing and recycling of waste in the respective institutions
- Developing and implementing mechanisms for proper disposal of e-waste, e.g. computers, microwaves, air conditioners, phones, among other electronic devices.
- iv) Measures to mitigate against water, air, noise and other forms of pollution.
- v) Developing and implementing climate change adaptation and mitigation initiatives such as energy saving, water harvesting, etc.
- vi) Planting trees
- vii) Protecting riverbanks by enforcing riparian regulations
- viii) Promoting environmental protection and conservation through partnerships with stakeholders

MDAs are required to select four indicators from the above list for implementation during the year and to submit quarterly reports to the National Environmental Management Authority (NEMA) on the above activities.

Fulfilment of Performance Contract Commitments - refers to the extent to which parent Ministries meet commitments to their respective state corporations and tertiary institutions, including downstream institutions as stated in Part III of the Performance Contract and facilitate achievement of performance targets by these institutions.

Gender Mainstreaming - The activities under this intervention will include:

- i. Development and implementation of gender policy to guide gender mainstreaming activities - 20 %;
- ii. Development and implementation of work place policy on gender based violence - 20 %;
- iii. Training and sensitization of all staff on gender mainstreaming - 20 %;
- iv. Compliance with one third rule on appointments, promotions and employment in the public service, as per the Constitution - 30 %
- v. Collection of sex-disaggregated data to guide in planning and programming in public institutions - 10%

In addition, MDAs are required to submit quarterly progress reports to National Gender and Equality Commission on the level of gender mainstreaming as per the prescribed format available in National Gender and Equality Commission (NGEC) and Directorate of Gender Websites.

Implementation of Constitution - this will entail implementing elements of the Constitution that are relevant to the Ministry/Department and which, according to the fifth schedule of the Constitution of Kenya, require implementation within the current contract year or which otherwise can be fast-tracked for implementation in the contract year. Ministries/Departments will also be expected to include activities that they will undertake in order to ensure smooth transition to County Governments.

Implementation of Vision 2030 projects - Vision 2030 projects are categorized into the following classifications:

i. **Flagship Projects/Core Projects**

The projects are national, multi-sectoral and transformative in nature and have a significant impact in the acceleration of social political and economic progress of Kenya. An outline of the projects is available at www.vision2030.go.ke.

ii. **High Priority Projects**

These are complementary projects to the core flagship projects. They are the other projects outlined within the Vision 2030 handbook, the MTP, the budget outlook paper and the Medium Term Expenditure Framework (MTEF). MDAs should refer to these documents in identification of high priority projects.

The implementation of the Vision 2030 projects is measured yearly based on 100% completion of the targets set in the year. For the Financial Year 2013/2014 the minimum target is 20% based on:

- i) Project Implementation Road Map by end of Q1 FY 2013/2014
- ii) Detailed project collaboration framework by end of Q1 FY 2013/2014
- iii) Funding model by end of Q2 FY 2013/2014

iv) Branding/ communication plan by end of Q2 FY2013/2014

For projects that are in the implementation stage, it is expected that institutions shall present the implementation road map and negotiate the level of performance (targets) based on the 80% assigned for the project implementation.

ISO 9001:2008 Certification - ensures that operations and management are benchmarked to the best international practices as attested by certification by a reputable certification body accredited by international standards accreditation institution. The process helps to re-engineer management processes thereby making them efficient. It also helps create competitive advantage in the public service. It involves the following milestones:

STEPS TO ISO CERTIFICATION

A 10%

- Bring expert on board
- Define scope
- Appoint management representative (MR)
- Appoint ISO team

B 25%

- Train middle management - (process owners)
- Brief top management
- Conduct awareness training for all employees

C 35%

- Conduct gap analysis and process determination
- Complete documentation
- Launch the quality management system (QMS) based on the standard.

D 20%

- Conduct Internal Quality Auditor (IQA) training
- Conduct trial audits under expert auditor guidance
- Conduct internal audit (s)
- Conduct management review meeting (s)

E 10%

- Select certification body (CB)
- Apply for certification
- CB to conduct pre- certification audit
- Carry out corrective actions
- CB to carry out certificate audit
- Carry out corrective action
- Certification to ISO 9001:2008

Note: Institutions that are already ISO certified need to ensure that the certification is maintained and there continuous improvement of services. In addition, these institutions need to ensure that the ISO procedures are automated. The institutions will be required to comply with the standards stipulated for the purpose of maintaining the certification status, and provide a letter from the certifying body as testimony thereof.

For MDAs that are not certified and in the process of certification, they should follow what is in the 9th cycle guidelines.

MDAs that are already certified need to sustain and improve the Quality Management System by undertaking sub-indicators as categorized below:-

MDAs that are in their first and second year after Certification

1. Automate QMS through a Certification Body designed software to aid in maintenance , compliance , audits and knowledge management to all users - 60%
2. Conduct Surveillance Audits using the automated system - 20%
3. Conduct Management Reviews -20%

Note 1: MDAs who are already in their 1st year or 2nd year after Re-Certification fall in the above category.

MDAs that are in their 3rd year after Certification

1. Automate QMS through a Certification Body designed software to aid in maintenance, compliance, audits and knowledge management to all users - 60%
2. Undertake Internal Audits and Management reviews using the automated system - 20%
3. Undertake a Re-Certification Audit by a Certification Body -20%

Note 2: MDAs in their third year after Re-Certification fall in the above category.

Note 3: For those MDAs that are already certified but have departments that are not certified should ensure that they are certified.

Pre-Tax Profit: - refers to the excess income over expenditure after providing for depreciation and interest, but before providing for corporate tax.

Prevention of Alcohol and Drug Abuse - Refers to the implementation of activities aimed at reducing the prevalence of alcohol and drug abuse and minimizing the negative effects thereof. The activities to address this will include:

- Submit annual Alcohol and Drug Abuse (ADA) work-plans to NACADA at the beginning of the contract period in the prescribed format.
- Undertake independent baseline /follow-up survey to establish prevalence of ADA in the institution
- Develop/Implement workplace policy on prevention of ADA
- Strengthen the capacity of ADA prevention unit to implement the program
- Undertake sensitization of staff/target population on prevention of ADA.
- Establish and operationalize an Employee Assistance Program(EAP) focusing on early identification, treatment and rehabilitation of staff with substance use disorder (SUD)

Prevention of HIV/AIDS Infections - the activities to address this indicator in conjunction with other players will include:

1. Counseling and Testing
2. Promotion of condom use
3. Behavior Change Communication for vulnerable groups
4. Prevention of Mother to Child Transmission*

5. Behavior change among the youth
6. Blood Safety*
7. Post Exposure Prophylaxis*
8. Injection Safety
9. Voluntary Medical Male Circumcision*
10. Social protection activities targeting Orphans and Vulnerable Children (OVC)

*In instances where MDAs are not technically competent to undertake the activity, such institutions should formulate activities that create demand for the services, i.e. MDAs should provide information through sensitization.

MDAs shall choose for implementation and reporting at least four (4) activities which are relevant to their mandate. In addition, organizations shall report to the National AIDS Control Council all HIV prevention activities implemented using the Sectoral HIV & AIDS Mainstreaming Reporting Tool on quarterly basis.

MDAs shall be required to submit their annual HIV & AIDS performance framework with clear targets to the NACC at the beginning of the contract period to enable the latter develop a validation Report on prevention activities undertaken by each organization for submission to the Performance Contracting Department in the Prime Minister's Office.

Project - refers to both physical and non-physical development undertakings. Non-physical projects may include investments with returns which are long term in nature e.g. training, marketing and capacity building. Acquisition/construction of plant and equipment also qualify under this category.

Project Implementation - is measured using the following sub-indicators:

- i. *Timeliness: was the project completed within stipulated time? Institutions are expected to present the project planning and implementation instrument that clearly stipulates the timelines.*
- ii. *Quality: to what extent were specified quality standards met? Institutions are expected to provide the project specifications and where applicable, the experts' inspection certificate.*

- iii. *Cost effectiveness: was ultimate cost within the budget? Institutions are expected to provide the budget for the projects and also where applicable, the variance analysis.*
- iv. *Project completion rate: this refers to the proportion of planned projects for the contract year, which is completed during that year. It should be obtained by averaging the total completion rates for all completed projects.*
- v. *Relevance: Refers to extent of linkage to the strategic plan.*

The sub-indicators should capture average attainment for all the projects. All agencies should attach an annex listing all projects to be implemented. For each project, the target (should not exceed 100%) for each of the five sub-indicators and the budget should be indicated. In addition, certificate of completion as evidence of project completion should be signed by qualified authority.

Research and Development - refers to creative work undertaken on a systematic basis in order to increase the stock of knowledge and the use of this stock of knowledge to develop a product in terms of quality, affordability, relevance and competitiveness. Research and Development is one of the means by which institutions can apply to experience future growth by improving and expanding their operations.

In instances where Research & Development (R&D) is part of the core functions of an agency, it should be reflected as an indicator in the "Operations" criteria and not under "Dynamic/Qualitative" criteria. Other public institutions are however expected to reflect R&D in the Dynamic/Qualitative" performance criterion.

Return on Investment- refers to the ratio of Pre-tax Profits to Total Assets.

Resolution of Public Complaints - A public complaint is an expression of dissatisfaction by one or more members of the public about an action, inaction, decision or service provided by a public officer or public institution. All public institutions are required to promptly address and resolve public complaints

referred to them directly or channelled through the Commission on Administrative Justice (CAJ). The MDAs are expected to undertake the following towards resolution of public complaints:

- i) Establishment of complaints handling and management infrastructure (mechanisms) and submitting information on the same to the CAJ in the prescribed format in Quarter 1;
- ii) Development of complaints-handling procedures;
- iii) Development and implementation of service delivery charters;
- iv) Conducting capacity building for complaints-handling officers and staff;
- v) Creating awareness on the existence of complaints-handling mechanism in the organisation; and
- vi) Actual resolution of public complaints received.

All MDAs are required to submit Quarterly reports on the number, nature and action taken using the prescribed format by CAJ which can be downloaded from www.ombudsman.go.ke.

The CAJ will issue a certificate with a percentage score of the level of resolution of public complaints to institutions that have complied fully with the requirement to address public complaints.

Safety Measures - should include all aspects relating to the safety of personnel, documents, information, equipment and assets. They include backups for automated systems, insurance as a risk mitigation effort, signage, warnings, fire/smoke detectors, safety drills, etc.

MDAs are also required to put in place an Information Security Management System (ISMS) that ensures that access to information is appropriately authorized, safeguard the accuracy and completeness of information and processing methods and ensure that authorized users have access to information when they require it. MDAs will therefore be required to train at least ten champions on ISMS.

Service delivery systems - this refers to the need by MDAs to incorporate systems of service delivery and the actual service delivery itself. These include:

- i) **Access to information** - This defines the systems used by the MDAs to ensure that Kenyans have access to information to enable them to get the full benefits on their services. Access to information should incorporate systems to enable persons with disabilities (PWDs) e.g., blind, lame, deaf, dumb, etc, and illiterate citizens as well as the coverage within the country.
- Baseline on the population currently accessing information on services should be carried out and targets set which should increase in subsequent years. This applies to all MDAs. Some of the ways through which MDAs could improve access to information include:
 - i) Implementation of the Citizen's Service delivery charters
 - ii) Having Web-based enabled systems e.g. online application systems
 - iii) Holding open days
 - iv) Customer information desks
- ii) **Access to efficient and quality public services** - The levels of access should include distance to service points, time taken, quality of service, cost of service and consideration for PWDs, minorities and marginalized groups.

Baseline on the population currently accessing efficiency and quality services should be carried out and targets set should increase in subsequent years.
- iii) **Service delivery improvements** (including business process re-engineering) - this is premised on identifying customers, analysing their needs, demands and desires and designing new ways of improving service delivery to enhance efficiency, timeliness, quality, flexibility, accessibility, affordability, convenience and to address the needs of PWDs, minorities and marginalized groups (business process re-engineering).

Statutory Obligations - this entails compliance with, and enforcement of all relevant legislation/regulations. Public institutions should undertake audit to establish extent of compliance and enforcement. These should include, but are not limited to, compliance with public procurement regulations and rules, remittance of statutory deductions, and ensuring repayment of Higher Education Loans Board dues by beneficiary employees.

Submission of Pensions Documents to Pensions Department - the objective of this indicator is to ensure that retiring public servants receive their retirement dues promptly. Public institutions are required to submit pension claims with all the requisite documents nine months before retirement date, except the Last Pay Certificate and Tax Clearance Form issued by the last employer and KRA respectively.

Utilization of Allocated Funds on Programmed Activities - ensures that funds are applied to programs, projects and activities for which the funds were appropriated and planned for. Allocated funds include financial resources from outside the exchequer, including donor funds. This links the process of budgeting to performance target setting. **Variance analysis** should be carried out on all budget items/lines to establish conformity to this indicator. This indicator should include projects funded through proceeds from cost reduction/savings. In instances where re-allocation of funds cannot be avoided, authority to re-allocate must be sought from the National Treasury.

Note: For the purpose of evaluation, the proportion of "Compliance with set budgetary level" should be the basis for the utilization of funds, i.e. If the compliance with set budgetary level is 96%, then utilization of the funds on the programmed activities should be based on the 96%.

Work Environment - refers to improvement in the physical work environment as well as the immediate surroundings of the workplace. These should also include social, psychological, environmental as well as **ergonomic** factors. Each institution will be expected to identify relevant issues affecting the working conditions and address them appropriately. Each institution will be required to undertake an internal work environment survey during the fourth quarter, to establish progress made towards addressing the identified issues.

Youth and Women Empowerment

- i. Progressive involvement of youth in internship programs of MDAs
- ii. All government projects and programs should have a component of transfer of skills to the youth through apprenticeship
- iii. 30 percent of the value of government tenders be allocated to the youth and women enterprises

ANNEX IV: REPORTING FORMATS FOR MINISTRIES, DEPARTMENTS AND AGENCIES

1.0 Classification of reporting;

- ♦ Quarterly reporting
- ♦ Annual reporting

A: Quarterly Reporting -

1.1 Form 2A provides the prescribed format for reporting quarterly performance on each criteria category for all MDAs. While the *Target for Quarter* (Column C) may not have been explicitly agreed on in the contract, it is expected that every MDA will have set its own quarterly targets as milestones towards achieving the agreed *Target for Contract Period* (Column A). MDAs are required to explain the *Quarterly* and *Cumulative* variances, including remedial actions, where necessary. This format is expected to be similar in the case of all other indicators.

Form B provides the prescribed format for reporting quarterly performance on each criteria category for all MDAs in a manner that captures the trend. The trend is captured when values of specific performance indicators are reported with reference to "Actual Same Period Last Year". It is possible, however, that some specific indicators may not be repeated in subsequent contracts; in such cases reference to the previous year would not be applicable. This format is expected to be similar in the case of all other indicators.

1.2 MDAs are required to submit Quarterly Performance Reports for each quarter, **within 30 days after the close of the quarter** to the respective designated agency as stipulated on Page 9 of the *Performance Contracting Guidelines*.

QUARTERLY PERFORMANCE REPORT
 QUARTER ENDING

FORM 2A

FINANCE & STEWARDSHIP INDICATORS <i>(eg cost reduction, compliance with budget)</i>	UNIT	TARGET FOR CONTRACT PERIOD	QUARTER			CUMULATIVE TO DATE		
		ACTUAL	TARGET FOR QUARTER	VARIANCE (B - C)	ACTUAL	TARGET	VARIANCE	
		A	B	C	D	E	F	G
1								
2								
COMMENTS ON ANY VARIANCE [(UN)FAVOURABLE, CAUSES AND ANY ACTION TAKEN]:								

FORM B

FINANCE & STEWARDSHIP INDICATORS <i>(eg cost reduction, compliance with budget)</i>	UNIT	QUARTER			CUMULATIVE TO DATE		
		ACTUAL	ACTUAL SAME PERIOD LAST YEAR	VARIANCE (A-B)	ACTUAL	ACTUAL SAME PERIOD LAST YEAR	VARIANCE
		A	B	C	D	E	F
1							
2							
COMMENTS ON ANY VARIANCE [(UN)FAVOURABLE, CAUSES AND ANY ACTION TAKEN]:							

B: End-Of-Year Reporting

1.1 Form 1 provides format for submitting annual performance reports on each criteria category for all MDAs. Form 2 provides the format in which performance is reported in a manner that captures the trend. This trend is captured when values of specific indicators of performance are reported with reference to "Actual Same Period

Last Year". It is possible, however, that some specific indicators may not be repeated in subsequent contracts; in such cases reference to the previous year would not be applicable. This format is expected to be similar in the case of all other indicators.

1.2 MDAs are required to submit to designated agencies annual performance report detailing actual performance against targets contained in their respective performance contracts within 30 days after the close of the financial year.

1.3 MDAs are also required to submit annual Performance Reports for each year, **within 30 days after the close of the financial year**, to Performance Contracting Department.

ANNUAL PERFORMANCE REPORT					
DRM 1					
YEAR ENDING					
PERFORMANCE INDICATORS					
FINANCE & STEWARDSHIP INDICATORS <i>(e.g. cost reduction, utilization of allocated funds)</i>	UNITS	CUMULATIVE FOR YEAR			
		ACTUAL	TARGET	VARIANCE	
		A	B	C	
1					
2					
COMMENTS ON ANY VARIANCE [(UN)FAVOURABLE, CAUSES AND ANY ACTION TAKEN]:					

ANNUAL PERFORMANCE REPORT					
FORM 2					
YEAR ENDING					
PERFORMANCE INDICATORS					
FINANCE & STEWARDSHIP INDICATORS <i>(e.g. cost reduction, utilization of allocated funds)</i>	UNITS	CUMULATIVE FOR YEAR			
		ACTUAL	ACTUAL SAME PERIOD LAST YEAR	VARIANCE	
		A	B	C	
1					
2					
COMMENTS ON ANY VARIANCE [(UN)FAVOURABLE, CAUSES AND ANY ACTION TAKEN]:					

These formats are expected to be similar in the case of all other indicators.

Note: In addition, State Corporations are required to submit overall financial performance for each quarter to the parent Ministry, National Treasury and Inspectorate of State Corporations using Forms **1A and 1B, 2 and 7** on Profit and Loss Account, Quarterly Cash Flow Statement and Debt Service Obligations respectively as has been the practice.

**ANNEX V: FORMAT FOR CITIZENS' SERVICE DELIVERY
CHARTER**

NO.	SERVICES/GOODS	REQUIREMENTS TO OBTAIN SERVICES/GOODS	COST	TIMELINE

"Commitment to Courtesy and Excellence in Service Delivery"
Any service that does not conform to the above standards or any officer who does not live up to commitment to courtesy and excellence in Service Delivery should be reported to:

- a. **The PS/Accounting Officer/CEO/MD/ /Principal of the Public Institution (hot lines should be provided)**
- b. **The Commission Secretary/Chief Executive Officer, Commission on Administrative Justice, 6th Floor, Prime Ministers Building, Nairobi.**
P.O. Box 20414-00200 Nairobi
Tel: +254020 2270000
Email: certificationpc@ombudsman.go.ke
Web: www.ombudsman.go.ke

**HUDUMA BORA SI BAHATI YAKO HUDUMA BORA NI
HAKI YAKO**

**THESE GUIDELINES ARE ISSUED BY THE
DIVISION OF PERFORMANCE CONTRACTING,
DIRECTORATE OF PUBLIC SERVICE MANAGEMENT**