Performance contracting in the University of Nairobi

Presented by:
UoN PC Secretariat
The Presentation Covers the Following:

- What is performance contracting?
- Rationale for Performance Contracting
- Objectives of PCs
- Expected Outcomes
- Performance Targets
- What is performance evaluation?
- Basic Principles of Performance Evaluation
Overview

* Part of broader public sector reforms
* Can be traced back to 2004,
* Economic Recovery Strategy (ERS)
* A deliberate policy designed to:
  - Improve performance,
  - Enhance service delivery and
  - Enhancing governance.
First signed in FY 2005/2006 between the Ministry of Education and the Council of the University of Nairobi.

The University has remained on performance contract, negotiated annually, to-date.
What is Performance Contract?

* An implementation tool of the Strategic Plan
* A freely negotiated performance agreement between a Principal and an Agent
* An agreement between two parties that clearly specifies their mutual performance obligations, intentions and responsibilities.
* Originates from the perception that the performance of the public sector has consistently fallen below the expectations of the public

* Problems inhibiting the performance of Government Agencies are largely common
Causes of non-performance

- Excessive controls
- Multiplicity of principals
- Frequent political interference
- Poor management and
- Outright mismanagement.
Characteristics of PCs

- **Tasks** → Organizes and defines
- **Points of view** → Assists in developing concepts and approaches
- **Mutual agreements** → Allows for determination of mutually agreed performance targets
- **Review** → Provides for review and evaluation of periodic and terminal performance.
Objectives of PCs

- Improving service delivery
- Ensuring that top-level managers are accountable for results, and in turn hold those below them accountable
- Reversing the decline in efficiency
- Ensuring that resources are focused on attainment of the key national policy priorities
- Measuring and evaluating performance and
- Strengthen and clarify obligations
Expected Outcomes

* Improved performance
* Decline in reliance on Exchequer funding
* Increased transparency in operations and utilization of public resources
* Increased accountability for results
* Reduced confusion
* Clear apportionment of responsibility for action or inaction.
* Expresses the extent of the expected achievement of each performance indicator. A College/Unit using cost savings as an indicator of financial performance may for example express Kshs.10 million as the target savings for the year.

* A performance target is the desired level of performance for a performance indicator.
Performance evaluation

* Most critical stage.
* Why?:
  * It is the culmination of the process of performance contracting
  * The outcome of the process is the composite score:
    - therefore possible to compare one College/Unit with the others
    - sorts out performers from the rest
    - forms the basis of ranking.
Framework for assessing Performance

* Describe the intended Result:
  What do we intend to achieve? (i.e. What is our Strategic Objective)

* Describe the Measurement Technique:
  How will we determine how well we are doing?

* Establish Targets/Thresholds
  What level of performance is acceptable?
Framework for Assessing Performance – Cont’

- Results
- Outcome (End) - What do we intend to achieve?
- Intermediate Outcomes - What do we intend to achieve that is “a step away” from the end outcome
- Outputs - What do we have to produce?
- Measure/Indicator - How will we determine how well we are doing?
- Targets/Thresholds - What level of performance is acceptable?
Performance contract evaluation: criteria and methodology

* Carried out at the conclusion of every contract cycle
* Evaluation is based on a comparison of achievements against the targets agreed at the signing of the contract.
* The actual achievements of the agencies are rated against the set performance targets negotiated and agreed upon.
* The resultant difference is resolved into weighted scores & ultimate performance denominated to a composite score.
* The critical requirement for each target is that they must be growth oriented and therefore must be improving with time.
Performance Measures – critical considerations:

- Data Source
- Collection frequency
- Units of measure
- Measure location
- Measure owner
- Validation
- Verification
The system of evaluation is the ex-ante approach and targets Managerial Performance as opposed to Agency Performance.

The Manager is evaluated only against variables within his control.
Submission of Results of Evaluation

* University Management Board
* University Council
<table>
<thead>
<tr>
<th>Performance</th>
<th>Composite Value range</th>
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<tbody>
<tr>
<td></td>
<td>05/06 - 10/11</td>
</tr>
<tr>
<td>Excellent</td>
<td>1.0000 ÷ 1.4900</td>
</tr>
<tr>
<td>Very Good</td>
<td>1.5000 ÷ 2.4900</td>
</tr>
<tr>
<td>Good</td>
<td>2.5000 ÷ 3.4900</td>
</tr>
<tr>
<td>Fair</td>
<td>3.5000 ÷ 3.5900</td>
</tr>
<tr>
<td>Poor</td>
<td>3.6000 ÷ 5.0000</td>
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Checklist for evaluating results and changing strategy

- Need to measure results against targets
- Holding management review meetings and team meetings to discuss progress and problems
- Applying corrective action to strategy incorporate learning.
- Checking incentives/sanctions plans to ensure desired effects.
- Evaluating the usefulness of each measure periodically to ensure the right measure are being used.
<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Solution</th>
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<tbody>
<tr>
<td>Resistance to change</td>
<td>Clearly communicate benefits</td>
</tr>
<tr>
<td>Fear of measurement</td>
<td>Use system to improve, not punish</td>
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<td>Disbelief that any real improvement will result</td>
<td>Show early successes</td>
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<tr>
<td>Gaming the system</td>
<td>Measure the right things</td>
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<tr>
<td>Data Collection requirements</td>
<td>Define ownership</td>
</tr>
<tr>
<td>Perceiving improvement as a separate activity from normal business operations</td>
<td>Embrace Change</td>
</tr>
<tr>
<td>Measures that are set independent of a framework</td>
<td>Define measures after developing framework</td>
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Steps for continuing to improve the value of performance information

- Analyzing trends and relationships among business performance drivers
- Seeking new ways to present information clearly
- Understanding processes to improve predictability
- Seek new leading performance indicators
- Monitoring the quality of data
- Communicating effectively both internally and externally.
Checklist for Achieving Success

* Align performance measures with strategic goals; include leading indicators
* Leadership by senior management involve the right people
* Involve everyone in the process, from top to bottom throughout the organization.
* Focus on desired results rather than on functions
* Treat performance measurement as a strategic tool to manage your business
* Manage change.