

---

---

**PERFORMANCE CONTRACTS IN KENYA:**  
Instruments for Operationalizing Good Governance

---

---

**Prajapati Trivedi\***  
Senior Economist  
The World Bank

---

\* The views reflected in this paper are those of the author and do not necessarily reflect the views of the World Bank or its executive directors. Please send comments to the author at [ptrivedi3@worldbank.org](mailto:ptrivedi3@worldbank.org)

## **TABLE OF CONTENTS**

---

Abstract.....	3
<b>A</b> Distinguishing Features of Kenyan Performance Contracts Policy.....	6
<b>B</b> Rationale for Performance Contracts Policy.....	7
<b>C</b> Implementation of Performance Contracts Policy.....	9
<b>D</b> Institutional Arrangements for Implementing PC Policy.....	12
<b>E</b> International Comparisons.....	14
<b>F</b> Impact of the PC System on Public Management.....	15
<b>G</b> Challenges Ahead .....	19
<b>H</b> Lessons Learned .....	23
<b>I</b> Concluding Comments .....	24
<b>J</b> J. References .....	25

### Annexures

**Annex 1:** Performance Evaluation Results for Ministries and Departments

**Annex 2:** Performance Evaluation Methodology used for Performance Contracts in Kenya

**Annex 3:** Performance Contract for Ministry of Agriculture

# **PERFORMANCE CONTRACTS IN KENYA:** Instruments for Operationalizing Good Governance

## **ABSTRACT**

Performance Contract (PC) is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets. They include a variety of incentive-based mechanisms for controlling public agencies—controlling the outcome rather than the process. This paper examines the experience of implementing this policy instrument in Kenya and finds many unique and distinguishing features compared to previous attempts in developed and developing countries. Kenya is one of the few countries to use this approach across the entire public sector. The performance evaluation methodology embedded in this approach is an example of best practice and early results from impact studies are encouraging. After comparing and contrasting with international experience, paper suggests areas for improvement and summarizes lessons from Kenyan experience.

**PERFORMANCE CONTRACTS IN KENYA:**  
Instruments for Operationalizing Good Governance

On December 8, 2006, Kenyan President announced a list which ranked all the permanent secretaries in Kenya according to their performance for the fiscal year 2005-2006. The results for top ten ministries / departments are listed in Table 1.

**Table 1:**  
**Performance Evaluation Results for Ministries and Government Departments**  
**(Government of Kenya)**

NO.	MINISTRY/DEPARTMENT	COMPOSITE SCORE
	<b>EXCELLENT</b>	
	None	
	<b>VERY GOOD</b>	
1.	Ministry of Agriculture	1.9653
2.	Ministry of State for National Heritage	2.1470
3.	Ministry of Tourism and Wildlife	2.1502
4.	Ministry of State for Provincial Administration and Internal Security	2.1738
5.	Ministry of Information and Communications	2.1908
6.	Ministry of Roads and Public Works	2.2377
7.	Ministry of Energy	2.2412
8.	Ministry of Water and Irrigation	2.2508
9.	Ministry of State for Special Programmes	2.2829
10.	Ministry of Labour and Human Resource Development	2.2838

*Legend:*

Composite Score	Rating	Interpretation
1.00 – 1.49 =	Excellent	Achievement of 30% above target
1.50 – 2.49 =	Very Good	Achievement of target
2.50 – 3.49 =	Good	Achievement below target but above previous year's performance
3.50 – 4.49 =	Fair	Achievement equal to previous year's performance
4.50 – 5.00 =	Poor	Achievement below previous year's performance

These results were based on a system of Performance Contracts introduced in Kenya as part of the Kenyan government's "*Economic Recovery Strategy for Wealth and Employment Creation 2003-2007.*" The use of Performance Contracts has been acclaimed as an effective and promising means of improving the performance of public enterprises as well as government departments. Essentially, a Performance Contract (PC) is an agreement between a government and a public agency which establishes general goals for the agency, sets targets for measuring performance and provides incentives for achieving these targets. They include a variety of incentive-based mechanisms for controlling public agencies—controlling the outcome rather than the process. A large number of governments and international organizations are currently implementing policies using this method to improve the performance of public enterprises in their countries. They are now considered an essential tool for enhancing good governance and accountability for results in the public sector.

First introduced in France after the publication of the famous Nora Report on the reform of state-owned enterprises in France, today almost all OECD countries use some variant of performance contracts in managing their public sector. Adoption of Performance Contracts received a massive fillip after they were introduced in New Zealand as part of that country's pioneering public sector reforms. They gained further momentum and legitimacy when they were introduced in the US government as part of the Government Performance and Results Act (GPRA) of 1993. In the U.K. they were introduced by Margaret Thatcher as part of the creation of Next Step agencies. Today, they are widely used in all British government agencies in their latest incarnation as Public Service Agreements. It would not be an exaggeration to suggest that the concept of Performance Agreement is a key pillar of what has come to be regarded as the field of New Public Management (NPM).

Yet, as this paper will show, no other country in the world has implemented a more theoretically sound and useful version of performance contracts than the version implemented by Kenya. It is in this sense that the Kenyan version of Performance Contracts represents a simultaneous giant leap for Kenya and the world.

The balance of this paper is divided into three main sections. The next section outlines the unique and distinguishing features of Kenyan policy of Performance Contracts (PCs). It is followed by a section giving more details regarding the implementation of PCs in Kenya. After that, the impact of PCs and early results are summarized in the next section. Final section deals with lessons of experience from Kenya for other countries.

## **A. Distinguishing Features of Kenyan Performance Contracts Policy**

While the use of Performance Contracts in public sector is not a new phenomenon, the Kenyan experience stands out in several respects. First and foremost, in no other country PCs have had the kind of political support that they enjoy in Kenya. The declaration and adoption of such a policy, in and of itself, requires a great deal of political will and determination. That explains the limited number of developing countries that have adopted this policy whole heartedly, without any external pressure to do so. The size of this group shrinks dramatically when we look for countries that have used PCs in all areas of public sector. Kenyan PCs cover government departments, state-owned enterprises and municipalities. In fact, Malaysia is the only other developing country that has a PC policy of comparable scope.

In most developing countries, PCs have been introduced only for the state-owned enterprises (SOE). The asymmetric treatment of two parties to the performance contract—government and SOEs—has been a long-standing complaint of the SOE chief executives. The system can work as expected only if both parties take their commitments seriously. If, however, as is the case in India, and other countries that have PCs only for their public enterprises, only one party to the contract (SOE chief executive) is accountable for results, the system is susceptible to risk of perverse and unintended consequences. By holding both parties equally accountable for results, the Kenyan system has an infinitely more superior design. To be able to hold bureaucrats accountable is a much tougher political task than holding the SOEs accountable for results.

The clearest evidence of strong political support for the PCs in Kenya came when the results were announced on December 8, 2006. While PCs were introduced in the US government as part of the GPRA (1993), the results of Performance Agreements (the name for PCs in America) were never announced by President Clinton. According to Osborne and Plastrik (1997), this was due to warning by President Clinton's political advisors about the negative fallout from announcing the results publicly. The brief experiment with PCs in the Canadian government seems to have met with a similar fate. Yet, in Kenya, President Kibaki not only recognized the top performers in a public function organized for the occasion, but also identified the worst performers in the government. The fact that some of his closest colleagues in the government were at the bottom of the list did not deter him from announcing the list. By doing so, President of Kenya has significantly raised the governance bar for other leaders.

Kenyan effort also distinguishes itself in the area of theoretical design of the system. After an extensive survey of all existing systems, Kenyans adopted a

methodology for their system that is clearly far ahead of the other countries that have used PCs for their government departments. Unlike the Performance Agreements in New Zealand, Malaysia and USA, the Kenyan system allows the government to prepare a list of government departments arranged in a descending (or ascending) order of their overall performance. This is possible because unlike other countries, Kenya uses a methodology that allows it to convert the performance of a government department into a composite score with a range of 1 to 5, where “1” stands for excellent performance and “5” for poor performance. While this methodology (known as the Signaling system) has been used by Korea, India, Pakistan, Philippines and Thailand for their SOEs, only Costa Rica used it for evaluating performance of government departments.

This is not an obscure academic point. In fact, given the design of Performance Agreements in the US government, even if President Clinton wanted to announce the top performers, it would have been impossible to do so without being hugely subjective. The design of Performance Agreements in the US did not lend itself to an objective evaluation of performance at the end of the fiscal year. The weaknesses of the US Performance Agreements have been discussed at length elsewhere (Trivedi 2003), suffice to say that were two fatal flaws in the US system of Performance Agreements that made inter-departmental comparisons impossible. First, the performance criteria included in the Performance Agreement documents were not prioritized. Hence, at the end of the fiscal year it would be difficult to say whether meeting 8 out of 10 targets was good performance or poor performance. If the two targets that were not met were the key ones for the government department, then the performance ought to be considered unsatisfactory. Similarly, there was no *ex-ante* agreement on how to judge deviations from the targets. For example, it was not clear how to judge, say, a 10 % shortfall in a particular target. As we know, in some cases, a variation of 30% can be considered normal, whereas in other cases a variation of 5% could be considered unacceptable. International experience suggests that an *ex-ante* agreement is absolutely essential to avoid subjectivity. See Annex 2 for a summary of the Kenyan methodology for performance Contracts.

The independence, objectivity and neutrality of those evaluating the performance of the public agencies is the third distinguishing feature of the Kenyan PCs. The PCs in Kenya are vetted and evaluated by a non-government body consisting of ex-permanent secretaries, academicians, ex-CEO of state enterprises, and other private sector experts. Thus, this is not a self-evaluation by the government.

Finally, Kenya PC system also differs from other similar systems in terms of the degree of ownership of this reform. Unlike many other difficult reforms that have been tried in developing countries (including Kenya), this initiative is not only home grown but has also been implemented without any external help. Thus, it is

seen by Kenyans as a completely indigenous product fully suited to the needs of Kenya. This may partly explain why there has been hardly any serious resistance to its adoption.

## **B. Rationale for Performance Contracts Policy**

Just like in many other developing countries, there is a widespread perception in Kenya that ever since its independence performance of the Kenyan public service has been deteriorating. This state of affairs has resulted largely from systems of management in government which put emphasis on compliance with processes rather than results. Even when the top leadership of the country wants to deliver results to the citizens, often they are not able to do so. Usually, there are two main reasons for this:

1. Many government officials are confronted with multiple principals (bosses) with multiple goals (political, non-political, efficiency, equity, etc.) that are often conflicting. Therefore, in essence they really do not know what is really expected of them. They have only a fuzzy notion of their real responsibilities. In most cases, these officials resolve the trade-offs to serve their personal interests and not the interests of the nation.
2. Most government official feel they are not responsible for results and thus do not accept the responsibility. They suffer from the so called “Not-Me” syndrome: if you ask them about a problem, they would say they are not in control.

Over the years, Kenyan government implemented various strategies to address these challenges. Strategies tried include Structural Adjustments, Privatization, Commercialization, Contracting-Out, New Budgeting and Planning systems. Even after implementing these strategies, the performance of the public service did not improve. Subsequently, Kenyan government changed tact and in the Economic Renewal Strategy it decided that performance contracting process be adopted as a management tool in the management of public resources. Thus, all permanent secretaries and chief executives of public owed enterprises were placed on performance contracts. Today, Performance Contracts cover all 38 government ministries, 130 state corporations (including 6 public universities) and 175 local authorities.

Performance Contracts are known variously as Performance Agreements, Program Agreements, Memorandum of Understanding, Contratos de Rendimientos, etc. They are expected to achieve the following:

### **Promote Transparency**

Performance Contract documents list the obligations of all public agencies (Chief Executives of SOEs, Permanent Secretaries and head of other public agencies such as universities and municipalities). PCs also include specific criteria and targets to evaluate success. In addition, they prioritize the success indicators to clearly convey government's priorities to its managers. These documents are put on the internet for all to see and hold the agencies accountable.

### **Promote Accountability**

At the end of the year, the performance of all government agencies is assessed against the commitment made by them in their respective PCs. The state-of-the-art methodology allows the chief executive of the government to rank all public agencies on a scale of 1 through 5. Thus, the evaluation is not descriptive but precise and quantitative. It allows the leader of the government to rank all public agencies in a descending order. The top three performers can be recognized publicly by the leader.

Another key aspect of PC system is that its focus is on holding the top echelons accountable. It is based on the assumption that accountability for results trickles down (but does not trickle up).

### **Promote responsiveness**

Many countries talk of improving their delivery of services. But they do not put any accountability mechanism behind their good intentions ensure that their rhetoric is converted into reality. Kenyan PC policy requires each public agency to design its Service Delivery Charter (a.k.a. Citizens Charter, Client Charter, etc) and then holds the agency accountable for implementing its charter. This is a major innovation and is likely to be a trend setter.

### **Transforming Administration**

PCs are revolutionizing the administration of public agencies in the following ways:

- Each public agency is required to have a strategic plan to specify the correct direction (doing the right thing).

- In addition, each agency is required to get an ISO certification. This is a revolutionary concept in government but is common place in many countries.

### **C. Implementation of Performance Contracts Policy**

Today, PC policy in Kenya covers the entire public sector. It has been extended to all 38 government ministries, 130 state corporations (including 6 public universities) and 175 local authorities. However, as can be seen from Table 2, this policy was implemented in a phased manner.

**Table 2:  
Timeline for Implementation of Performance Contracts in Kenya**

<b>DATES</b>	<b>KEY MILESTONES</b>
<b>2003 (Jan)</b>	Blueprint containing policy direction on introduction of Performance Contracts issued as part of Economic Recovery Strategy for Wealth and Employment Creation (2003-2005)
<b>2003 (Apr)</b>	The Ministry of State for Public Service is directed to place all public institutions on performance contracts by June 30, 2004
<b>2003 (Aug)</b>	Performance Contracts Steering Committee (PCSC) established
<b>2004 (May)</b>	16 pilot SOEs selected
<b>2004 (Jun)</b>	Workshop held to train ministers, permanent secretaries directors and CEOs of the pilot SOEs
<b>2004 (Oct)</b>	Signing PCs by the pilot SOEs
<b>2004 (Nov)</b>	Training of core PCSC staff by Boston Institute for Developing Economies (BIDE)
<b>2005 (Feb)</b>	February –April 2005: Training of all top officials in public service on performance contracts
<b>2005 (Jun)</b>	Signing of PCs by all ministries and SOEs
<b>2005 (Sep)</b>	September 2005 signing of PCs by five pilot local authorities
<b>2006 (Jan)</b>	Training of top public officials by BIDE
<b>2006 (Mar)</b>	March-June 2006, trained all top public servants including local authorities
<b>2006 (Jun)</b>	Signing of PCs by all public institutions
<b>2006 (Sep)</b>	Evaluation of performance of all ministries and SOEs
<b>2006 (Oct)</b>	More public officials trained by BIDE
<b>2006 (Dec)</b>	Declaration of Results by President Kibaki on December 8, 2006

The key phases during implementation were as follows:

**Phase 1: Pilot PCs with State Corporations (October 1, 2004)**

PCs were introduced in 16 commercial state corporations on a pilot basis on October 1, 2004. The performance of the corporations against these PCs was evaluated in September, 2005. The results of this first round of evaluation are given in Table 3.

**Table 3:  
Results of the Pilot Performance Contracts with State Corporations**

<b>State Corporation</b>	<b>Composite Score</b>	<b>Rank</b>
KUC	1.74	1
EAPCC	1.78	2
NHC	2.15	3
ICDC	2.31	4
KPC	2.45	5
KPLC	2.45	5
CSC	2.64	7
KBC	2.72	8
KPA	2.80	9
TELKOM	3.10	10
KIE	3.88	11
KWAL	4.15	12
NOCK	2.50	-

**Phase 2: PCs with All Ministries and All State Corporations (June 30, 2005)**

On June 30, 2005, all ministries and all state corporations completed and signed PCs. Permanent Secretaries of all ministries negotiated their performance contracts with Ad Hoc Negotiations Task force appointed from outside the public service

(details in the next section). In addition, 5 major local authorities signed PCs on pilot basis.

### **Phase 3: PCs with Entire Public Service (2006)**

In 2006 all ministries, all state corporations and all local Authorities signed PCs. This phase extended the PCs to the entire public service.

The results for all PCs signed in Phase 2 were declared on December 8, 2006. The following is a summary of results:

**Table 4:  
Evaluation Results for Phase 2 PCs**

<b>Performance</b>	<b>Ministries</b>		<b>State Corporations</b>		<b>Municipalities</b>	
	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>
Excellent	nil	0	nil	0	nil	0
Very Good	19	54	61	52	nil	0
Good	15	43	46	40	4	80
Fair	nil	0	nil	0	nil	0
Poor	1	3	9	8	1	20

### **D. Institutional Arrangements for Implementing PC Policy**

There are three types of public institutions that sign PCs in Kenya. The parties to the contracts are as follows:

- PCs for Government Departments/Ministries:
  - The PC is signed between the Cabinet Secretary (principal) and the relevant Permanent Secretary (agent).
- PCs for State Corporations
  - The PC is signed between the Permanent Secretary (principal) of the administrative ministry in-charge of supervising the State Corporation and the Board of Directors (agent) of the State Corporation
- PCs for Local Authorities (Municipalities)
  - The PC is signed between the Permanent Secretary, Ministry of Local Government (principal) and the Council of Local Authority (agent).

Each PC is countersigned by the concerned cabinet minister to ensure that these documents receive full support from the political leadership in the country. In addition, there are two other bodies to facilitate the design and evaluation of the PCs.

### **The Ad-hoc Task Force**

This body consists of eminent experts drawn from professional associations, academia, business community as well as a few retired public servants. They represent a completely neutral, third party for ensuring the quality of PCs. They approve the design of the PCs and are also responsible for approving the evaluation of PCs at the end of the year.

### **Performance Contracts Steering Committee (PCSC)**

Established in August 2003, with the following mandate:

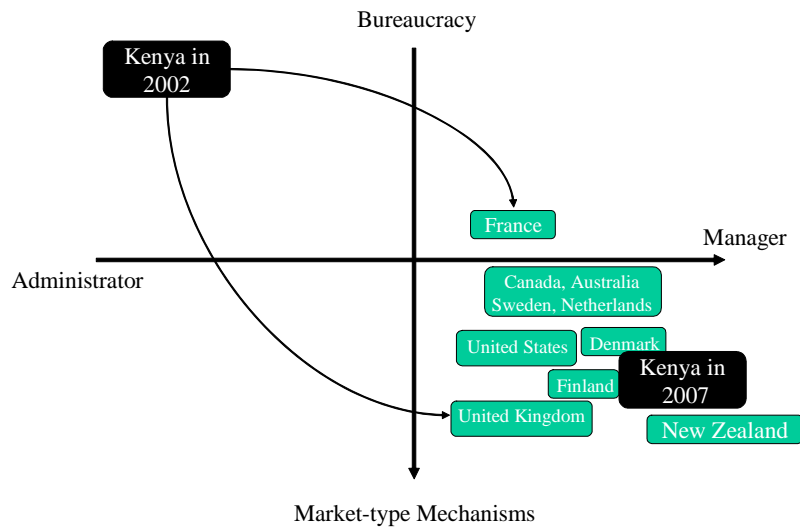
- i. Coordinate implementation of performance contracts in the Public Service;
- ii. Develop the policy framework and advise on policy direction to facilitate introduction of performance contracts in the Public Service;
- iii. Advise Government on enabling legal and institutional framework to enable unfettered introduction of performance contracts;
- iv. Provide technical support to performance contracting parties.

The composition of the PCSC is as follows:

- Cabinet Secretary (Chairman)
- Members include:
  - Permanent Secretary, Finance
  - Permanent Secretary, State and Public Service
  - Permanent Secretary, Planning & National Development
  - Permanent Secretary, Local Government
  - Solicitor-General
  - Secretary, Public Service Commission
  - Investment Secretary;
  - Secretary, Public Service Reform & Development Secretariat;
  - Inspector-General (Corporations);
  - Chairman, State Corps. Advisory Committee
  - Secretary, State Corps. Advisory Committee

## E. International Comparisons

This giant step taken by Kenya brings it into a select league of reformers. Reforming the core of government represents the most difficult challenge but also has the highest pay-off. Kenya's position in the comity of nations that have reformed their public services is depicted in Figure 1.



**Figure 3:** Trends in Public Sector Management in Kenya

The two dimensions used for classifying public sector reforms in various countries are defined as follows:

- From Administrator Model to Management Model: The management model represents an internal culture of making managers manage, as opposed to the administrator model which values compliance to rigid pre-determined rules and regulations. The shift to the management model in Kenya represents an attempt to empower managers. It requires them to take greater responsibility, give them greater operational freedom and hold them accountable for results. Kenya has used many techniques that are used to achieve this transformation in public sector systems and culture. These techniques include: mandatory strategic planning by

government agencies, explicit target setting, devolved resource management, performance monitoring and reporting, and regular evaluations using benchmarked data.

- From Bureaucratic Model to Market Model: The market model represents greater use of market type mechanisms, as opposed to the bureaucratic model, which operates the public services as a monopoly provider. The aim of such reforms is to let the managers manage on terms similar to their private sector counterparts. To promote performance orientation, countries have used a range of techniques such as: competitive tendering and contracting out, cost recovery, accrual accounting, privatization and performance contracts. Kenya is committed to making effective use of all these techniques.

As can be seen from Figure 3, few OECD countries are ahead of Kenya in terms of these reforms.

Table 5 summarizes some of the key design features of similar systems in some key countries. From this table it is clear that Kenya is ahead of all countries when one looks at the scope and design features.

## **F. Impact of the PC System on Public Management**

It is very early to answer this question adequately. Yet, there is some evidence that needs to be brought to the discussion. As mentioned earlier, 16 PCs were signed on October 1, 2004 with commercial state corporations on pilot basis. The performance of the corporations against PCs was evaluated in September, 2005. The results of evaluation were as follows:

<b>Previous Year Performance (KShs.mil.)</b>	<b>Targeted Performance (KShs.mil)</b>	<b>Achievement (KShs mil.)</b>	<b>% Change over Previous year</b>	<b>% Change over Target</b>
2,432	8,181	9,301	282	14

Similarly, in 2005/06, Kenyan Treasury budgeted to receive Kshs. 849 million in dividends from state corporations. It received 2.14 billion Kshs. This amounts to an increase of 200%.

According to a recent report from PCSC, following achievements were noticed after the latest round of performance evaluation:

- More efficient service delivery
- Reduced reliance on exchequer
- Enhanced culture of performance in public service
- Better accountability for results
- Increased transparency in management of public resources

Inclusion of the Citizens Service Delivery Charter as a performance indicator in the performance contract is one of the key achievements geared towards enhancing delivery of service. As a result of the introduction of PCs, every public institution has developed a charter communicating its services and service standards to the consumers of its services. These charters specify the quality, quantity, cost and standard of service to be expected from the institutions. They also include remedial mechanisms in the event that a client of a certain service is not satisfied with the service offered by the institution and in case an agency does not live up to the commitments in its charter.

This has empowered the public to fight corruption in the public institutions because government has sensitized the public to the effect that good and efficient service by government officers is their inherent right.

A review of the results from the latest round of performance evaluation suggests that following positive changes have taken place:

- Maize production recorded a surplus of 3.1 million bags
- HIV/AIDS prevalence decreased from 6.1% to 5.9%
- Immunization coverage rose to 65%, up from 57% in 2003
- Maternal mortality rate declined from 590 per 100,000 live births to 414, per 100,000 live births
- Tax revenue collection rose by 10.7% to kshs.297 billion
- Reduction in public debt from 53.2% of gdp to 50.1%
- Improvement in debt servicing: 14.6% of gdp down from 15.6%
- Gross fixed capital formation rose from 16.1% to 18.6%
- Since the new Kenya Cooperative Creameries (KCC) reopened in 2003, milk intake from dairy farmers grew from 3.18 million kg in June 2003 to 208.6 million Kg in August 2006.
- More significantly, the new KCC is now able to pay farmers every 20<sup>th</sup> of the month after delivery of milk.

- Kenya seed company was able to increase seed production from 17 million kg in 2003 to 27 million kg in 2006. the corporation was able to also develop four new seed varieties with:
  - higher yields;
  - higher tolerance to diseases and drought; and
  - dry-land hybrid seeds and seeds suited for coastal areas
  
- Water resources have now been extended to arid and semi arid areas. In this regard Garissa is for example a water surplus area.
- Rehabilitation/construction of water pans/dams from 570 to 663
- Expansion of land under irrigation from 1,603ha to 3,891ha
- Construction of shallow wells and water harvesting structures from 40 to 49
- Dissemination of extension messages to farmers from 1 million to 1.73 million farmers
- Pre-tax profits/surplus generated by commercial state corporations increased by 11.4% over the 2004/05 financial year. In absolute terms, this is a growth from kshs.279 billion in 2004/05 to kshs.310 billion in 2005/06.

While this is evidence is only preliminary, it is suggestive of the trend.

**Table 5:**  
International Comparison of Kenyan Approach to PCs

		<b>USA</b>	<b>Malaysia</b>	<b>New Zealand</b>	<b>India</b>	<b>Kenya</b>
<b>1</b>	<b>Name of the instrument</b>	<b>Performance Agreement</b>	<b>Program Agreement</b>	<b>Chief Executive Performance Agreement</b>	<b>Memorandum of Understanding (MOU)</b>	<b>Performance Contracts</b>
<b>2</b>	<b>Scope</b>					
	<b>2.1 Coverage of government agencies</b>	<b>All federal agencies</b>	<b>All federal agencies</b>	<b>All agencies</b>	<b>Only Federal Public Enterprises</b>	<b>All federal agencies</b>
	<b>2.2 Coverage of areas of operations</b>	<b>Comprehensive</b>	<b>Only programs funded by government</b>	<b>Comprehensive</b>	<b>Comprehensive</b>	<b>Comprehensive</b>
<b>3</b>	<b>Performance Targets Prioritized</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>
<b>4.</b>	<b>Deviations from targets agreed ex-Ante</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>5.</b>	<b>Ranking of Performance Possible</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>
<b>6.</b>	<b>Neutral, third-party evaluation</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>
<b>7.</b>	<b>Incentives linked to CEO performance</b>	<b>No</b>	<b>No</b>	<b>Yes</b>	<b>No</b>	<b>Under implementation</b>

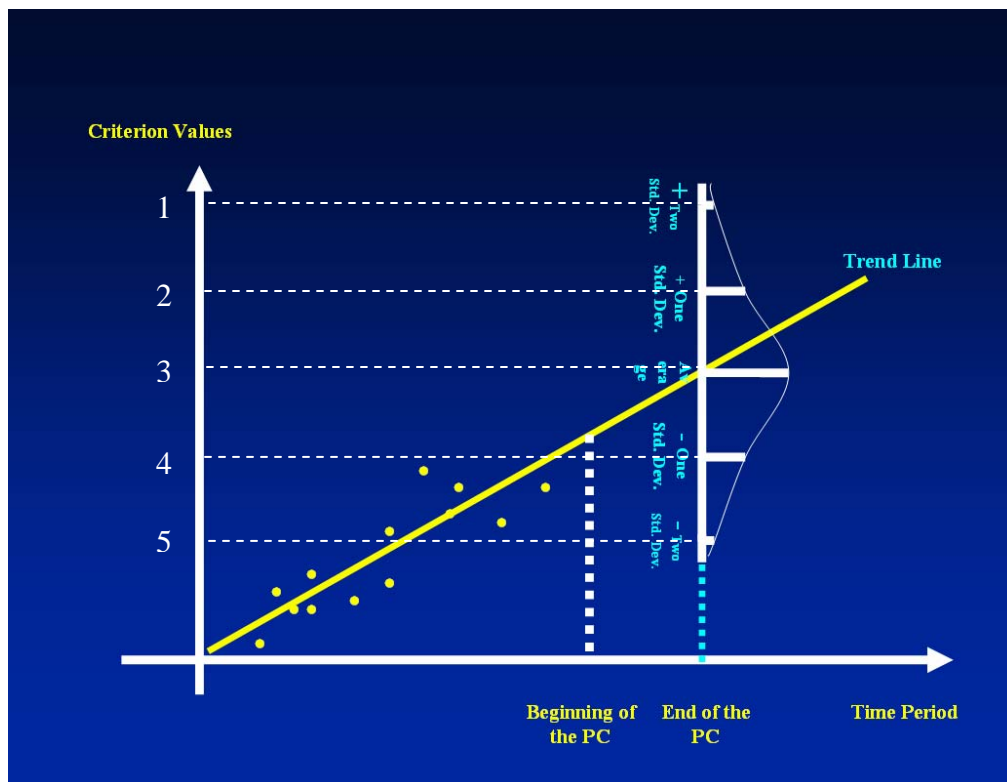
## G. Challenges Ahead

Kenya has made such an impressive start and has no major weakness. However, like any other good system, it can always be made better. In moving forward Kenya needs to think of the following issues:

### 1. Target setting:

Currently, achieving excellence seems to be a really difficult goal for public agencies. As can be seen from the results declared on December 8, 2006, none of the government agencies qualified to be in the excellent grade. This is partly the result of the fact that to be excellent agencies had to achieve targets that were at least 30% higher compared to the previous year. This approach of mechanically setting limits is similar to the approach used by Koreans in implementing a similar system. However, even Koreans allowed some flexibility depending on the nature of past trend and the standard deviation of the variables (Figure 2).

**Figure 2:**  
**Korean Approach to Setting Targets (Criterion Values)**



In essence, Koreans used the trend line by extrapolating from the past data to arrive at the value for point 3 on the 5-point scale. Then they set points 2 and 1 at one standard deviation and two standard deviations above the trend (point 3). Similarly, points 4 and 5 were set at one and two standard deviations below the trend value (point 3).

The advantage of this approach is to minimize the role of discretion in negotiating targets. Thus, in the initial stages it is probably justified to use a mechanical approach similar to that of the Koreans. Given that it is not always possible to have trend data on all variables, Kenyans appear to be using a pragmatic proxy.

In addition, Kenyan may be influenced by the experience of PCs in India. As can be seen from Table 6, in India around 40 % of public enterprises managed to get a rating of Excellent. To me it is entirely reasonable that 40 out of 240 enterprises would be excellent. Yet, this has been a constant source of criticism and has been cited as an evidence for the existence of soft-targeting. Kenya may have gone too far to protect itself from a similar criticism.

**Table 6:  
Ratings for Public Enterprises in India**

Rating	No. Of Public Sector Enterprises				
	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
Excellent	44	49	50	41	46
V.Good	30	29	28	24	21
Good	13	09	09	12	12
Fair	19	16	14	17	16
Poor	02	03	05	02	02
Excluded	-	02	01	08	03
<b>Total</b>	<b>108</b>	<b>108</b>	<b>107</b>	<b>104</b>	<b>100</b>

In the long-run, however, Kenya needs to move to a more managerial approach based on an intensive business analysis of the targets. As we can

see on the Wall Street, very often a decline of 10 % in profit is considered a very good performance. This is based on the premise that the manager was able to prevent a disastrous 40 % decline in profits. Similar, analysis is required for targets in the Kenyan system for it to remain a credible performance management system.

## **2. Institutional Arrangements**

Kenya has adopted a theoretically sound institutional arrangement. The vetting of Performance Contracts at the beginning of the year and the evaluation of agency performance at the end of the year is done by a group of independent professionals. This is in keeping with international best practice.

However, it appears that the members of this Ad-hoc Task Force who do the evaluation at the beginning of the year are not the same as those who do the evaluation at the end of the year. This needs to be corrected as the persons who do the evaluation must fully understand the rationale for the target setting. Also, target setting involves a lot of investment of time in understanding the agency. Thus, there are economies of scale in doing both tasks.

There is also an issue regarding the conflict of interest of the members of PCSC. Some of the members also sign PCs and, hence, can be seen to have the dual role of a judge and defendant in the same case. This needs to be rectified soon to remove any appearance of conflict of interest.

## **3. Incentive System**

It is true that without incentives, people start ignoring the evaluation system. However, incentive need not be pecuniary in nature. In this context, the awarding of the trophies by President Kibaki to the top three performers is to be appreciated. International experience suggests that it is better to proceed cautiously on this front for the following two reasons: First, any new system is bound to have hidden glitches. It is better to debug the system before committing public funds. Second, in the initial stages, performance tends to improve even in the absence of any monetary rewards. This is because of the so called “audit effect.” The latter implies that people shape up when they are confronted with a new system, irrespective of its intrinsic merits.

The Kenyan system needs to think carefully to ensure that benefits of giving incentives exceed the costs. Like other developing countries, Kenya has scarce budgetary resources. Thus, any incentive scheme must insure that it is not only revenue neutral but also sends desirable signals for cost reductions. Ideally, incentives should be a proportion of the cost savings. One possible way to do so would be to devise an incentive scheme on the following pattern:

$$\text{Incentive Payment} = \left[ .15 \right] \times \left\{ \left[ \frac{3 - \text{Composite core}}{2} \right] \times \left[ B_0 - B_1 \right] \right\}$$

Where:

$B_0$  = Previous Year's Cost  
 $B_1$  = Actual Cost this year

This scheme has the following advantages:

- a. The maximum incentive payment can be only 15% of the cost savings over previous year. This will be given to the public agency only if they achieve a composite score of 1 (Excellent). Thus, to receive the maximum bonus, they must not only reduce costs compared to previous year but also remain excellent in the delivery of services and other commitments.
- b. No incentive would be paid if the composite score is more than 3. Thus cutting costs that affects quality and effectiveness of delivery of services would not be a viable strategy for public agencies.

Many variations on this basic scheme are possible. For example, previous year's cost could be this year's budgeted cost; threshold for incentive could be raised from 3 to 2.5; and the amount of incentive paid could be different from the illustrative 15%.

#### **4. Meta Evaluation**

It is very important for the agency managing the PC system in a country to be clear about the goals of the system. It must be proactive in specifying the success

indicators for the PC system before anyone else does it. This exercise not only has the advantage of clarifying and managing expectations but also aligns the energies of all parties involved in operating the system to achieve success.

In the absence of any such clear expectations, other researchers examining this system at a future date will measure the success of the Kenyan PC system against their own set of criteria and benchmarks. This is not only unfair but also has the potential to derail the PC system in the future.

## **5. Legal Foundations**

The PC system in Kenya is operating under a Presidential Decree. This has served a very useful purpose in launching the system expeditiously and establishing its viability. Yet for the system to survive in the long-run, it needs to be given a more solid legal foundation. In most countries, it is done by passing a special legislation to this effect.

## **H. Lessons Learned**

The story of PC design and implementation is unique and remarkable. It provides many valuable lessons for other countries.

First, it is clear that designing and implementing these systems does not require huge amounts of funds. It is more a matter of political will than financial resources. Indeed, on balance, this is a revenue generating exercise. A key to Kenyan success lies in the fact that they did not hire expensive consultants and advisors to implement this system. They reviewed various systems by conducting an intensive desk study of various systems. Then, they short-listed some promising systems and sent two teams to study these systems. Based on the reports of these teams, they designed their own system.

Second, the fact that no outsider was involved in the design and implementation of the Kenyan system has provided it great credibility in implementing the system. It is not seen as part of any conditionality.

Third, the system succeeded because it was seen to be driven by the President's office. IT had strong support from the Cabinet Secretary and other key Permanent Secretaries (e.g. Personnel and Finance).

Fourth, there has been a huge effort in conducting demand-driven training. Once the system was introduced, there was demand from agencies to learn more about the details of the system. This was addressed by intensive training effort by the members of the PCSC and also by identifying appropriate international training opportunities and making full use of them. Incidentally, any developing country starting this effort can now get world-class support from Kenyans professionals for designing and implementing similar systems in their own country.

Fifth, to create immediate impact, it is important to include Service Delivery Charters in the first round of PCs. While PCs provide a framework for accountability, it takes some time for the accountability to trickle down. Thus, by having Service Delivery Charters included in the PCs, Kenya was able to launch a direct attack on inefficiency and substandard performance. This has had a visible positive effect on service quality and has encouraged policy makers to stay the course.

Sixth, Kenyans emphasized the cascading of PCs within the organization from the start. Thus, the PC culture has trickled down quite rapidly in the rank and file. Some of the sub-PCs (internal PCs between CEO and departmental heads) are examples of international best practice.

Seventh, Kenya's insistence on having strategic plans as a precondition for drafting PCs has been a major factor in creating PCs that work towards sustainable long-term improvements. PCs help to ensure that public agency's do it right. However, strategic plans are required to ensure that the right things get done.

Finally, having a neutral, highly-qualified, third party as evaluators increases the credibility of the system. Any evaluation done by the government is likely to be perceived as biased or flawed. Hence, Kenyan system makes use of a group of people from civil society who have nothing to do with the government at the present time. They are eminent people and their involvement sends a powerful signal regarding the professional nature of the PC system.

## **I. Concluding Comments**

Kenya has achieved in 2-3 years what most developing countries could not achieve in 10-15 years. It started modestly and made use of its internal resources. By using common sense and good judgment, it adopted relevant features from other successful system. Thus it is fair to conclude that the positive results seen in the short run are likely to be a good predictor of things to come in the future.

## J. References

1. Gore, A. **Creating a Government That Works Better and Costs Less** (Times Books, Random House, 1993)
2. Kettl, D.F. **The Global Public Management Revolution: A Report on Transformation of Governance** ( Brookings Press, Washington, 2000)
3. OECD. **Performance Management in Government: Performance Management and Results Oriented Management**, Occasional Paper Number 3, (OECD, Paris, 1994)
4. OECD. **In Search of Results: Performance Management Practices**, (OECD, Paris, 1997)
5. Osborne, D. and Gaebler, T. **Reinventing Government** (Addison Wesley, New York, 1992)
6. Osborne, D. and Plastrik, P. **Banishing Bureaucracy** (Addison Wesley, New York, 1997)
7. Popovich, M.G. **Creating High Performance Government Organizations**, Jossey-Bass Publishers, San Francisco, 1998)
8. Scott, G. **Government Reform in New Zealand** (International Monetary Fund, Washington, DC, 1996)
9. Trivedi, P. "Memorandum of Understanding and Other Performance Improvement Systems: A Comparison," **The Indian Journal of Public Administration**, Vol. XXXVI, No. 2, April-June, 1990.
10. - - - "Improving Government Performance: What Gets Measured, Gets Done," **Economic and Political Weekly**, August 27, 1995
11. - - - "Performance Agreements in US Government: Lessons for Developing Countries," **Economic and Political Weekly**, November 15, 2003
12. Wiesner, E. **From Macroeconomic Correction to Public Sector Reform: The Critical Role of Evaluation**, (World Bank Discussion Paper No. 214, World Bank, Washington, 1993)

**Table 1:  
Performance Evaluation Results for Ministries and Departments**

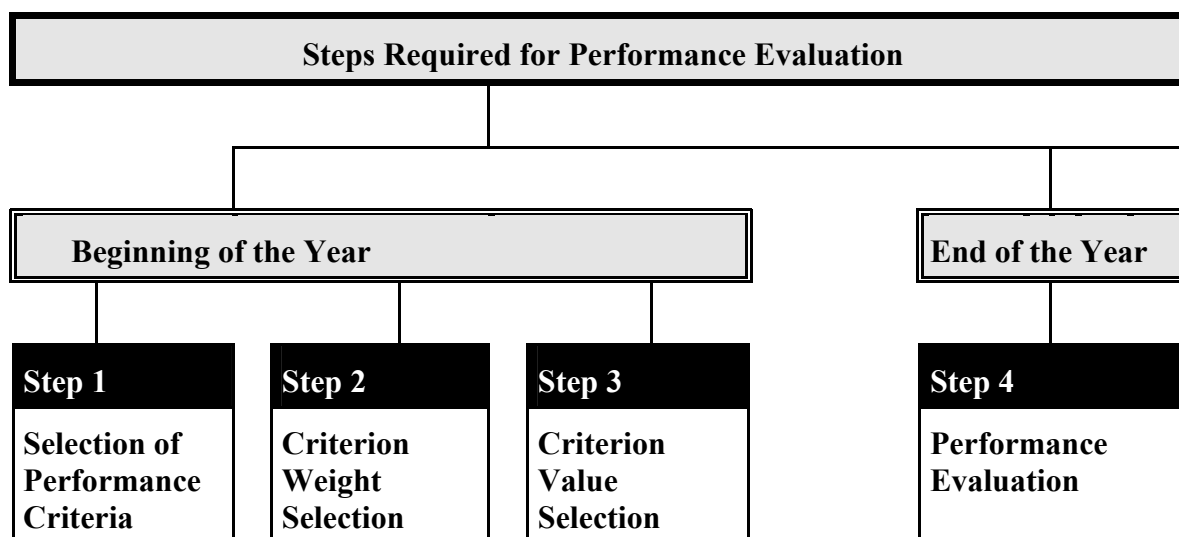
<b>NO.</b>	<b>MINISTRY/DEPARTMENT</b>	<b>COMPOSITE SCORE</b>
	<b>EXCELLENT</b>	
	None	
	<b>VERY GOOD</b>	
1.	Ministry of Agriculture	1.9653
2.	Ministry of State for National Heritage	2.1470
3.	Ministry of Tourism and Wildlife	2.1502
4.	Ministry of State for Provincial Administration and Internal Security	2.1738
5.	Ministry of Information and Communications	2.1908
6.	Ministry of Roads and Public Works	2.2377
7.	Ministry of Energy	2.2412
8.	Ministry of Water and Irrigation	2.2508
9.	Ministry of State for Special Programmes	2.2829
10.	Ministry of Labour and Human Resource Development	2.2838
11.	Ministry of Cooperative Development and Marketing	2.3203
12.	Ministry of Planning and National Development	2.3225
13.	Ministry of Finance	2.3545
14.	Ministry of Gender, Sports, Culture and Social Services	2.3596
15.	Ministry of Livestock and Fisheries Development	2.3599
16.	Ministry of Education	2.4087
17.	Ministry of State for Public Service	2.4377
18.	Ministry of Regional Development Authorities	2.4490
19.	State House	2.4511
	<b>GOOD</b>	

<b>NO.</b>	<b>MINISTRY/DEPARTMENT</b>	<b>COMPOSITE SCORE</b>
20	Cabinet Office	2.5201
21	Ministry of State for Defence	2.5399
22.	Ministry of Justice and Constitutional Affairs	2.5408
23.	Ministry of Health	2.5638
24.	Public Service Commission	2.5770
25.	Ministry of Lands	2.5857
26.	Ministry of Environment and Natural Resources	2.5970
27.	Ministry of Trade and Industry	2.6038
28.	Ministry of Immigration and Registration of Persons	2.6282
29.	Office of the Vice President and Ministry of Home Affairs	2.7061
30.	Ministry of Foreign Affairs	2.8080
31.	Ministry of East African Community	2.8728
32.	Ministry of Transport	2.9138
33.	State Law Office	2.9785
	<b>FAIR</b>	
	None	
	<b>POOR</b>	
34.	Ministry of Housing	3.5180

### Performance Evaluation Methodology used for Performance Contracts in Kenya

The methodology used by Kenyan PCs for performance evaluation involves four key steps. First three steps are taken at the beginning of the year and the last is taken at the end of the year. Figure 1 describes these steps.

**Figure 1: Steps for Performance Evaluation**



Each step is a necessary condition for an objective performance evaluation exercise. The language used to describe these steps may and, indeed, does differ from country to country, yet the spirit of each step as described in the following sections has to be present to enable a meaningful performance evaluation.

#### **Step 1: Selection of Performance Criteria**

Defining performance is the first step in any performance evaluation exercise. This is accomplished by selecting a set of criteria against which performance will be measured. The following basic principles should guide the selection of these performance criteria:

- Performance criteria should reflect the objectives of the agency.
- They should be simple and monitorable.
- They should be “fair” to the manager and “fair” to the country.
- There should not be too many criteria in a Performance Agreement.

## Step 2: Criterion Weight Selection

In the second step we deal with criterion weight selection. Whenever there is more than one indicator, we must decide what the relative priorities are so that the agency management can allocate its time more effectively in achieving those priorities. This is not an academic issue. Rather, by not specifying the priorities among the indicators we run the risk of either being unable to evaluate performance at the end of the year or appearing to be subjective in performance evaluation. In either case, the effectiveness of *the Performance Agreement* is greatly diminished.

Specification of weights is essentially a “normative” exercise. There is no rule or law that mandates a particular weight for a particular criterion either across programs or over time. This is a judgment that the two parties will have to make and agree to. As part of its fiduciary obligation, it is the prerogative of the government to reserve the ultimate right to determine these weights.

## Step 3: Criterion Value Selection

The third step in the performance evaluation system relates to criterion value selection — that is, the level of performance expected with respect to different indicators. To understand this step we need to distinguish between “criterion” and “criterion value.” We know that miles per gallon is a criterion to measure the efficiency of all types of motor vehicles (e.g., cars, scooters, trucks). However, a performance level of 10 miles per gallon may be excellent for a truck but terrible for a scooter. This value, 10 miles per gallon, is the criterion value — value that distinguishes various levels of performance. There are many ways of incorporating criterion values into the *Performance Agreement*. One way is to have a 5-point scale, where:

- 1 = Excellent
- 2 = Very Good
- 3 = Good
- 4 = Fair
- 5 = Poor

Table 1 represents a typical 5-point scale for a criterion:

**Table 4.1: Example of a 5-point Scale Depicting Criteria Values**

Criterion	Units	Criterion Values				
		1	2	3	4	5
		Excellent	Very Good	Good	Fair	Poor
Number of Children Immunized	Thousand	400	385	350	300	250

#### **Step 4: Performance Evaluation at the End of the Year**

The fourth and final step is taken at the end of the year, when we look at the achievements of the government agency, compare them with the criterion values, and determine the composite score. For example, suppose we take the 5-point scale depicted in Table 1.

At the end of the year, we compare this scale with the actual achievements. If the management has successfully immunized 385,000 children they earn a score of 2. If they have achieved an immunization level of 350,000 children, they earn a score of 3. If their achievement is in between these two levels, then their score is between 2 and 3. This is how we calculate the score (called the Raw Score) for all the indicators included in the *Performance Agreement*. Once we have done that, we take a weighted average of all these raw scores and arrive at a composite score. The value of the composite score will also lie between “5” and “1.”

The *composite score* is a key concept in the Performance Agreement exercise. It measures the ability of the managers of government agencies to meet their commitments. It also allows us to link the incentive scheme to the managerial performance in an objective and “fair” manner. In addition, it allows us to compare and rank various government agencies according to their respective composite scores at the end of the year. While the commitments of the managers may be different—for example, the commitments of government agencies under the Ministry of Education are likely to be different from those of government agencies under the Ministry of Health—through the Performance Agreement exercise we are able to compare their ability to meet their respective commitments.

In the Performance Agreement system the review meeting at the end of the year is important to adjust the criterion values for factors that were genuinely unanticipated by both parties to the Performance Agreement (i.e., factors that could not have been predicted by either party, such as natural disasters, wars, etc). This is essential to keep the system “fair” and prevent managers from losing their motivation.

#### **HOW TO CALCULATE THE COMPOSITE SCORE**

Since the **Composite Score** is the heart of the Performance Agreement exercise, it is essential to have a clear understanding of how it is calculated. In this section we illustrate the calculation of the composite score with the help of a hypothetical example.

##### **A Hypothetical Example**

Imagine that at the beginning of the year a government agency, such as the Ministry of Health, signed a Performance Agreement containing the targets given in Table 2:

**Table 4.2: Hypothetical Performance Agreement Signed at the Beginning of the Year**

Criterion	Units	Weight	Criterion Values				
			1 Excellent	2 Very Good	3 Good	4 Fair	5 Poor
1. Number of Children Immunized	Thousand	.50	400	385	350	300	250
2. Increase in level of Hygiene Awareness	%	.30	80	70	65	60	55
3. Construction of Rural Medical Facility	Months	.20	6	8	9	10	12

At the end of the year the achievements of this program were as follows:

- i) Number of Children Immunized                      385 K
- ii) Increase in Level of Hygiene Awareness        75 %
- iii) Construction of Rural Medical Facility        5 months

How would you evaluate the performance of this program? The answer to this question is summarized in Table 3.

**Table 3: Calculation of Composite Performance Score at the End of the Year**

Criterion	Units	Weight	Achievement	Raw Score	Weighted Score
1. Number of Children Immunized	Thousand	.50	385	2	1.0
2. Increase in level of Hygiene Awareness	%	.30	75 %	1.5	.45
3. Construction of Rural Medical Facility	months	0.2	5	1	.20
<b>COMPOSITE SCORE</b>					<b>1.65</b>

**Calculation of the Raw Score**

In this step we have to calculate where the program achievement falls on a scale of 1 to 5. For example, for “Number of Children Immunized” the Raw Score is exactly 2 because it corresponds to point number 2 on the 5-point scale mentioned in Table 1. However, for criterion 2 “Increase in Level of Hygiene Awareness,” the Raw Score is between 1 and 2. Since the achievement of 75 percent with respect to this criterion is exactly halfway between the two points, the Raw Score for the criterion “Increase in Level of Hygiene Awareness” is .45. The Raw Score must be calculated by interpolation when the achievement is in between points on the 5-point scale.

The calculation of the Raw Score for “Construction of Rural Medical Facility” raises interesting issues. The target for excellence for this criterion was six months, whereas the project was completed in five months. Should we give a Raw Score of 1 or less than 1 for such performance? It is possible to find supporters for both positions. Those who argue for giving a score of 1 usually base their contention on the fact that the Performance Contracting system does not provide for a score of less than 1. The other side responds by saying that not giving a score of less than 1 under these circumstances would be unfair to high performers since the system would fail to recognize their special efforts.

It turns out that those arguing for giving a score exactly equal to 1 are correct, although for the wrong reason. To understand why, we have to ask what are the possible reasons for this discrepancy between the target of six months for Project Implementation and an achievement of five months. There are three main reasons why this might happen.

First, it is possible that both parties to the Performance Agreement had genuinely failed to anticipate the future correctly and made an honest mistake. For example, based on past experience, both parties may have assumed that it would take a certain amount of time, say one month, to procure a particular item from a third party. Fortunately, this time the third party delivered the required item almost instantaneously because they happened to have it in stock. Therefore, the resultant good performance was a windfall gain, and the program cannot claim credit for it. In other words, the initial assumption was wrong, and it would be improper or unfair to the country to reward such mistakes.

This is analogous to truly unanticipated events that can hamper performance. Take the example of a government agency being affected by a serious accident. No one can predict acts of nature or Divine interventions. Therefore, it would be unfair to blame the managers of government agencies for such an eventuality. The correct course of action for the program affected by such unforeseen events is to bring them to the notice of the government at the end of the year.

In addition, it is worth pointing out at this juncture that for certain indicators exceeding the target is not necessarily desirable. For example, if the Performance Contract for the provision of additional hospital beds is 4000 in the case of a government agency in the health sector, it is not clear that it is desirable from a national point of view for this program to provide 6000 beds in the absence of excess demand for additional beds. Likewise, in the case of project implementation, it is often reasonable to say that finishing the project much ahead of the scheduled date may be undesirable if the matching end-use facility and systems are not available.

Once we have the raw scores for all three criteria, the next step is to multiply the raw scores by the respective weights for the three criteria and get the weighted raw scores as shown in the last column of Table 3. The sum total of this column gives us the Composite Score of 1.65.

### **How to Interpret Composite Scores**

The primary function of the composite score is to provide an effective link between managerial performance and incentives. The composite score shows the degree to which the government agency in question was able to meet its commitments. If it had met all its commitments in the Performance Agreement, it would have received a composite score of 1. On the other hand, if it had done a miserable job on all fronts, it would have received a composite score of 5. The fact that it got a score of 1.65 in our hypothetical example implies that its performance was close to “excellent,” all things considered.

The second function of the composite score is to allow us to compare and rank the performance of all government agencies signing Performance Contracts. While the commitments of all Performance-Agreement-signing programs are different and one-to-one comparisons of their commitments cannot be made, the “ability” to meet these commitments is certainly comparable. For example, while it is meaningless to compare individual criteria of different ministries, their composite scores can still be compared. Thus this composite score provides the missing bottom line in public sector.



**PERFORMANCE CONTRACT**

**BETWEEN**

**THE GOVERNMENT OF KENYA**

**AND**

**THE PERMANENT SECRETARY  
MINISTRY OF AGRICULTURE**

**FOR THE PERIOD  
1<sup>ST</sup> JULY 2006 TO 30<sup>TH</sup> JUNE 2007**

## **PERFORMANCE CONTRACT**

**1<sup>ST</sup> JULY 2006 TO 30<sup>TH</sup> JUNE 2007**

This Performance Contract (hereinafter referred to as “Contract”) is entered into between the **Government of Kenya (hereinafter referred to as GoK) represented by the Permanent Secretary, Secretary to the Cabinet and Head of Public Service of P.O. Box 30510, Nairobi**, (Together with its assignees and successors) of the one part, and **the Permanent Secretary/Accounting officer, Ministry of Agriculture** (hereinafter referred to as “the Permanent Secretary/Accounting officer”), (together with its assignees and successors) of P.O.Box 30028 Nairobi of the other part.

### **WHEREAS,**

The GoK is committed to ensuring that public offices are well managed and cost less in delivering efficient and quality service to the public;

The Government recognizes that Ministries hold a vital key to improving performance and sustaining the faith of the Kenyan people in the Government;

The purpose of this Performance Contract is to establish clarity and consensus about priorities for the Ministry’s management.

This Contract represents a basis for continuous improvement as we reinvent our Government to meet the needs and expectations of the Kenyan people.

From this Contract, should flow the program and management priorities of the Ministry.

**NOW THEREFORE**, the parties hereto agree as follows:

## **PART I**

### **VISION**

The Vision of the Ministry of Agriculture is “**to be the leading agent towards the achievement of food security for all, employment creation, income generation and poverty reduction in Kenya.**”

## **MISSION**

In cognizance of the role of the agricultural sector in the national economy and people's livelihood, the Mission of the Ministry of Agriculture is **“to improve the livelihoods of Kenyans by promotion of competitive agriculture through creation of enabling environment, provision of support services and ensuring sustainable natural resources management.”**

## **OBJECTIVES**

- 1) To create an enabling environment for agricultural development through review of the current legal and policy framework.
- 2) To facilitate increased productivity and agricultural outputs through improved extension and advisory support services and technology application.
- 3) To promote market and product development by adopting value chain approach.
- 4) To promote conservation of the environment and natural resources through sustainable land use practices.
- 5) To restructure and privatize non-core functions of the ministry and its institutions
- 6) To improve access to agricultural information through ICT based information management system.
- 7) To facilitate accessibility of affordable credit and inputs to farmers.
- 8) To strengthen human resources development, including monitoring and evaluation and coordination of staff functions within the ministry.

## **PART II**

### **OBLIGATIONS AND COMMITMENTS OF THE PERMANENT SECRETARY**

I undertake to do the following;

1. Implement the strategic plan of the Ministry,
2. Ensure the Strategic Plan is linked to National policy documents,
3. Ensure appropriate work plans are developed on the basis of the Strategic Plan,
4. Developing comprehensive performance targets,
5. Assigning weights to performance indicators,

6. Sign a performance contract with the Permanent Secretary, Secretary to the Cabinet and Head of Public Service,
7. Ensure achievement of the agreed performance targets, and
8. Prepare employees in the organization for the desired changes in working styles, attitude and work ethics.

The Ministry will be evaluated on the basis of the following criteria.

	CRITERIA CATEGORY	UNIT	WT	Current Status	Target 2006/07	CRITERION VALUES					Achievement	Raw score	Weighted score
						Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)			
<b>A</b>	<b>Financial Indicators</b>												
	• Compliance with set budget levels	%	2	100	100								
	• Cost Saving	Kshs	4	2 Million	10 Million								
	• AIA (A in A)	KSh	3	448 Million	567 Million								
	• Utilization of Allocated Funds	%	5	80	100								
	• Development Index	%	6	68.1	75.7								
	Weight Sub – total		<b>20</b>										

CRITERIA CATEGORY		UNIT	WT	Current Status	Target 2006/07	CRITERION VALUES							
						Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)	Achievement	Raw score	Weighted score
<b>B</b>	<b>Service Delivery Indicators</b>												
	• Implementation of Service delivery Charter	%	15	Service charter in place	100								
	• Customer Satisfaction	%	15	52	100								
Weight Sub – total			<b>30</b>										
<b>C</b>	<b>Non-Financial Indicators</b>												
	• Compliance with strategic Plan	%	4	100	100								
		%	4	85	100								
	• Disposal of Idle Assets	%	2	N/A	20								
	• ISO Certification	%											
Weight Sub – total			<b>10</b>										

CRITERIA CATEGORY	UNIT	WT	Current Status	Target 2006/07	CRITERION VALUES					Achievement	Raw score	Weighted score
					Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)			
<b>Operations Outputs:-</b> <b>Appropriate Legal &amp; Policy framework</b> Legal/Policy Reviews and Development  Review of duty based taxation <ul style="list-style-type: none"> <li>• Reports on taxation recommendation</li> </ul> Economic Partnership and trade agreement between Kenya and other Countries <ul style="list-style-type: none"> <li>• MoU signed</li> </ul> <b>Market and Product Development</b> Provide market information; <ul style="list-style-type: none"> <li>• Conduct market surveys</li> </ul> <ul style="list-style-type: none"> <li>• Market information news letters</li> <li>• Publish newspaper daily market prices</li> </ul> Develop enterprise business plans	No.	2.0	4	5								
	No.	0.5	-	2								
	No.	0.5	1	1								
	No. of reports	0.5	-	2								
		0.5	3	12								
	No.	0.5	250	302								
	No.	0.5	-	25								
	No.											

CRITERIA CATEGORY	UNIT	WT	Current Status	Target 2006/07	CRITERION VALUES					Achievement	Raw score	Weighted score
					Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)			
Promote new processing Technologies	No.	0.5	-	3								
<b>Increase Agricultural Productivity and Output</b>												
Conduct technology adoption and impact assessments;		0.5	4	10								
• Field visit and consultative meetings	No.											
Stakeholders research advisory meetings fora;		0.5	10	10								
• Research priority areas reports	No.	0.5	-	500								
Equip information desks;												
• Tents	No.	0.5	-	60								
Promotion of cotton growing;												
• Cotton seed bulked	MT	0.5	2	3								
Hold stake holders fora;												
• National research extension fora	No.	0.5	15	15								
Agricultural shows and fairs	No.	0.5	-	6								

CRITERIA CATEGORY	UNIT	WT	Current Status	Target 2006/07	CRITERION VALUES					Achievement	Raw score	Weighted score
					Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)			
Modernization of Agricultural Training Centres (ATCs)	No.	2.0	1.6 million	1.7 Million								
Dissemination of Extension messages to farmers	No. of Farmers											
Reduction of Crop losses/monitor strategic pests;		0.5	8	12								
i). Aflatoxin :												
• Field Surveillance & Sampling Exercise		0.5	10	12								
i). Larger Grain Borer :	No.											
• Field Surveillance/checking the spreading pattern		0.5	229	249								
ii). Army worm Control	No.											
• Installation of traps												
iv). Quelea Birds Control :	No.	0.5	100	100								
• Control of Birds through aerial sprays/fuel blasting												
Monitoring food balance of major Food Crops;	%	0.5	12	12								
• National food security reports												
• Train agricultural inputs		0.5	-									

CRITERIA CATEGORY	UNIT	WT	Current Status	Target 2006/07	CRITERION VALUES					Achievement	Raw score	Weighted score
					Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)			
suppliers	No. of Reports			710								
<b>Promote soil and water management</b>												
• River bank Protection (Pegging)		0.5	3,202	7,000								
• Protect and Conserve Soil between 12-35% slope	No. Trained	0.5	56,800	66,000								
	Km											
Promote adoption of specific agricultural technologies in ASAL;	No. of Farms	0.5	-	4								
• Types of technology		0.5	-	42,600								
Promote establishment of agro forestry tree nurseries;												
• No. of farmers trained	No.											
<b>Restructuring the technical part of the Ministry and its institutions</b>	No.	0.5	-	1								
Coordinate inter-ministerial												

CRITERIA CATEGORY	UNIT	WT	Current Status	Target 2006/07	CRITERION VALUES					Achievement	Raw score	Weighted score
					Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)			
agency roles : <ul style="list-style-type: none"> <li>• Convene a national stake holders forum</li> <li>• Upgrade Agricultural Training Institutions</li> </ul>	No.	0.5	-	1								
<b>Improve access to Agricultural information</b> Design appropriate information products & distribution channels;	No.	1	4,000	15,620								
<ul style="list-style-type: none"> <li>• Information products (Publications)</li> <li>• Establish information distribution centres in Divisions</li> </ul>	No.	0.5	1	500								
<b>Accessibility of affordable credits and quality inputs</b>	No.	0.5	-	Feb.2007								
<ul style="list-style-type: none"> <li>• Administration of Second Kennedy Round fertilizer</li> <li>• Assess available Micro-Finance Concept Papers</li> <li>• Hold stake holder fora ; ✓ National farm input stakeholder fora</li> </ul>	No.	0.5	-	7								
<ul style="list-style-type: none"> <li>• Finalization of National Farm Inputs Development Strategy</li> </ul>	No.	0.5	2	Dec. 2006								
	Time	0.5	75	2								
	Time	3.5	80	100								
	No.		90									
	No.		100									

CRITERIA CATEGORY	UNIT	WT	Current Status	Target 2006/07	CRITERION VALUES					Achievement	Raw score	Weighted score
					Excellent (1)	Very Good (2)	Good (3)	Fair (4)	Poor (5)			
<b>Project implementation</b> <ul style="list-style-type: none"> <li>• Timeliness</li> <li>• Quality</li> <li>• Relevance</li> <li>• Cost efficiency</li> <li>• Completion Rate</li> <li>• Fulfillment of performance Contract Commitments to State Corporations</li> </ul>	%	1	70 80 90	100 100 100 100 100								
<b>Weight Sub – total</b>		<b>25</b>										

**Note on the Project Implementation:-**

- Timeliness* – This refers to undertaking planned activities as planned
- Quality* - Refers to how the content of project services were offered to the beneficiaries
- Relevance* - Refers to whether the project is geared towards achieving the mandate of the Ministry.
- Cost Efficiency* - Refers to whether the project services were procured at the budgeted cost.
- Completion rate* – Refers to the proportion of planned projects for the contract year which are completed during that year.



## PART III

### **COMMITMENTS AND OBLIGATIONS OF THE GOVERNMENT**

While the Ministry of Agriculture will be required to achieve the Performance targets as stated in Part II, the Government of Kenya on its part is committed to:

1. Providing timely release of voted funds;
2. Approval of Ministry requests within 14 working days
3. Provide adequate and qualified staff.

**PART IV**

**FREQUENCY OF MONITORING AND INFORMATION FLOW.**

I undertake to submit quarterly and annual performance reports in the prescribed format in conformity with performance contracting guidelines within 30 days after close of the quarter/year.

**PART V**

**DURATION OF THE PERFORMANCE CONTRACT**

The duration of this Contract is one year from 1<sup>st</sup> July 2006 to 30<sup>th</sup> June 2007.

**Signed:**

**Romano M. Kiome (PhD, MBS)**

**Permanent Secretary.....Date.....**

**Ministry of Agriculture**

**Amb. Francis K. Muthaura, EGH, MBS**

**Permanent Secretary/Secretary to the Cabinet and Head of Public**

**Service.....Date.....**

**On behalf of Government:**

**Counter-signed**

**Hon. Kipruto Arap Kirwa E.G.H. MP**

**Minister.....Date.....**

**Ministry of Agriculture**

## APPENDIX 1

### EXPLANATORY NOTES

The following are the specific explanations for each target:

#### **A. FINANCIAL INDICATORS**

- **Compliance with set budgetary levels**

- The Ministry shall endeavour to comply 100% on set budgetary levels.
- The Ministry will disburse 100% of the approved budget to the spending units in form of AIEs.
- Undertake periodical monitoring and evaluation to ensure compliance with the budget by the spending units.

- **Cost reduction/saving**

The Ministry will endeavour to cut costs by Kshs 10 Million in areas that are none core and by instituting rationalization measures to eliminate any duplications and wastage in the following areas: -

- Improve security services.
- Joint utilization of resources e.g. transport joint works programme
- Regular payroll cleansing
- Prudent utilization of utilities e.g. electricity, water.
- Use of internal resources to undertake feasibility studies.

- **A-in-A**

The Ministry has a set a target of Kshs. 567 Million under recurrent budget for the Financial Year 2006/2007. The sources of A-in-A are: Kenya Plant Health Inspectorate Services (KEPHIS), Horticulture Crops Development Authority (HCDA), Pest Control Product Board (PCPB), Agricultural Mechanization Stations and Ministry HQ's e.t.c.

- **Utilization of the allocated funds**

The Ministry intends to achieve a utilization level of 100% in both recurrent and development funds allocated respectively.

- **Development Index**

The Ministry intends to achieve a development Index of 75.7% (DE/RE).

## **B. SERVICE DELIVERY INDICATORS**

- **Implementation of Service delivery Charters**

The Ministry has developed a Service charter for the period of the last PC 2005/06. During the current PC period the ministry will sensitize its staff towards its Implementation.

Process evaluation will be set to monitor its achievements and comply 100% with the Service Charter.

- **Customer Satisfaction**

The Ministry intends to ensure customer satisfaction through the following measures:

- Implementation of the service delivery baseline survey recommendations which was carried out in FY2005/06.
- Carry out an assessment of the information desks in field offices to establish their impact on extension deliver.
- Delivery of Agricultural information through Radio programmes, Barazas and Field groups.
- Provide quarterly agricultural information bulletins on services offered.
- Disseminate new technologies through publications.
- Response to feedback received from customers.
- Enhance collaboration with private sector, NGO's, etc.

## C. NON-FINANCIAL INDICATORS

- **Compliance with Strategic Plan.**

The Ministry intends to finalize review of the Strategic Plan and implement 100% of year 1 targets.

- **Disposal of idle assets**

The Ministry will dispose off the following uneconomical and idle assets during the year.

- Motor Vehicles – 100%
- Motor Cycles - 100%
- Miscellaneous stores and equipment – 100%
- Culling Livestock (Cows, Sheep& Goats) – 100%

- **ISO Certification**

The Ministry under ISO-9000 (standards on quality of management systems) will initiate the process of obtaining the ISO certification in three steps in year one.

The Ministry targets to achieve 20% of the process that include the following;

1. Undertake staff awareness
2. Undertake initial training of staff
3. Undertake documentation of the Process.

## D. OPERATIONS INDICATORS

- **Legal/policy reviews and Development:**

- I. **Amendment to the Seed Industry Act Cap 326**

National Seed Policy Paper is almost finalized. It awaits to be taken to cabinet for approval together with the seed and plant varieties (amendment) Bill after review of the seed and plant varieties Act, Cap 326 that starts in July 2006. The target is to finalize national Seed Industry, Amendment Bill Cap 326 and Rules by December 2006.

- II. **Repeal of Fertilizer and Feeds stuff Act, Cap 345**

The Draft awaits stakeholders inputs and forwarding to the Minister. The draft Fertilizers and Soil Conditioners Policy and Bill to be submitted to Cabinet for

approval by December 2006, and to Parliament by June, 2007 as part of the expanded KEPHIS Bill.

### **III. Food Security and Nutrition Policy and Bill**

Work by the various thematic groups on progress. Technical terms of reference broadened and finalized. Food Security and Nutrition Policy paper to be finalized by September 2006.

Food Security and Safety Authority Bill to be submitted to the Cabinet by March 2007, Attorney General by May 2007 and Parliament by June 2007.

### **IV. NASEP policy and Bill**

Draft NASEP policy is ready. The task is to prepare Cabinet Memo and Bill. National Agricultural Sector Extension Policy (NASEP) Cabinet Memo and Bill to be submitted to Cabinet for Approval by March 2007, AG by May 2007 and Parliament by June 2007

#### **• Other policies at various stages of Development**

- (i). Coffee amendment Bill
- (ii). Repeal of the Pyrethrum Act, Cap 340
- (iii). Amendments of the Sugar Act.10 of 2001
- (iv). Repeal of National Cereals and Produce Board, Cap 338
- (v). Concept paper on modalities for harmonization of Agricultural legislation is being finalized. The paper is to be submitted to Cabinet for approval by August 2006 and Harmonization Bill to be submitted to Attorney General by September 2006 and Parliament by December 2006.
- (vi). Finalization and Submission to the cabinet of KEPHIS Bill that will expand and incorporate the Seeds, fertilizers and soil Conditioners as well as Pest Control Products. The Expanded KEPHIS Bill to be submitted to the Cabinet by December 2006, Attorney General by February 2007 and Parliament by June 2007.
- (vii). SRA Policy and Strategy; Development of the National SRA Policy, Cabinet Memo and Bill to be submitted to Attorney General by September 2006 and Parliament by December 2006.
- (viii). Development of Root Crops Policy.
- (ix). Restructuring of Agricultural Finance Corporation.
- (x). National Horticultural Development Policy; draft policy prepared in 1999 exists but there is need to incorporate more concerns of stakeholders.
- (xi). Oil Seed Crops Development Policy and Bill; working paper to be finalized and presented to the stakeholders and submitted to Cabinet by June 2007.

### **Collaborative meetings on duty based taxation**

The Ministry in collaboration with local authority will organize meetings to discuss levies paid by market participants. Two reports on taxation recommendation will be produced.

### **Economic partnership and trade agreements**

The Ministry will enter into negotiations with potential (trade) partners to identify areas of agricultural trade/partnerships. This will involve identification of opportunities, documentation, negotiation and making contribution to MoUs' that encompasses agricultural interests/concerns. The Ministry has initiated discussions with Egypt and Mauritius, it is anticipated that an MoU with Egypt will be processed.

### **Provision of market information**

#### **➤ Conduct Market Surveys**

Organize rapid appraisal on marketing of agricultural produce (from the farm to the consumer). One market survey will be on major markets in the country and the marketing systems, while the other will be on market information on emerging crops, Agro-processed products, consumer behavior and preferences, commodity prices, trends and quantities. Two market survey reports will be prepared.

#### **➤ Market information Newsletters/Bulletin**

Monthly market information news letters will be published and disseminated. The news letter to contain information on price trend of major agricultural commodities, new markets, volumes traded in the whole sale markets, and consumer behavior and preferences

#### **➤ Publish Newspaper daily market prices.**

Nation newspaper to publish market prices daily on week days and standard newspaper once a week

### **Develop enterprise business plans**

SWOT Analysis of value chains will be carried out for enterprises. These are: Mangoes, Passion fruits, Cotton, Bananas, Irish potatoes, and Mushrooms etc. The aim will be to identify constraints along value chains and suggest means of overcoming the constraints. This will involve:-

- Identification business ideas based on the region
- Identification of players at every stage
- SWOT analysis of value chain
- Linking/ connecting relevant stakeholders in the chains

- Preparation of bankable enterprise business plans.

### **Promote new processing Technologies**

The Ministry will source for new processing technologies from Institutions such as Techno-serve. Three technologies will be sourced and promoted in at least 50 Districts.

### **Technology adoption and impact assessments:**

- In collaboration with researchers, the Ministry will undertake 6 joint field visits and hold 4 consultative meetings
- The objective will be to carry out impact assessments with a view of identifying challenges and constraints and develop appropriate intervention measures.

### **Research priority setting meetings**

Ten research agenda setting meetings also known as Regional Research and Extension Advisory Committee meetings will be held. The meetings are held in 10 Regional KARI Research stations. Each Regional Research Centre organizes one meeting per year where researchers, farmers, extension agents, and other major actors who are involved in agricultural development in the Region participate in identifying and prioritizing issues that should be researched on for the benefit of the mandated districts. The meetings are usually chaired by the Provincial Directors of Agriculture/ Livestock Development. The number of meetings remains the same as for 2005-2006 since the number of Research Centres involved has not changed.

### **Maintain and improve efficiency of information desks**

Over 1500 information desks were established in 2005-06. These will serve as centers where farmers and other stakeholders in the agricultural sector can readily access information at the provinces, districts, divisions and locations. The target for year 2006-07 is to equip 500 information desks with tents to improve on accessibility of Agricultural information. The tents will be set up during market days, barazas and any other gatherings. They will be manned by agricultural staff that will avail relevant publications and agricultural information to the farmers.

### **• Cotton Seed Bulking**

The Ministry will initiate bulking of certified cotton seed for distribution to farmers as a government effort to improve net returns to the cotton farmers. This will be done through KARI, and 50 hectares will be put under certified cotton seed (foundation and breeders

seed) at both Mwea and Kibos Stations during the year.60 Metric Tonnes of cotton seed is anticipated.

- **National Research Extension Fora:**

These will bring together public (MoA, KARI etc) and private institutions dealing with research and dissemination of agricultural information. The fora will:

- Review and formulate mechanisms and institutional arrangements for collaboration and networking
- Provide linkages between District and National Forums.

One forum will have an emphasis on mechanisms of strengthening Research and extension linkages, while two will involve stakeholders consultative forum on biotechnology and seed matters.

- **Agricultural Shows and Fairs**

There are 15 major ASK agricultural shows / Trade fairs organized every year in various parts of the country. The Ministry of Agriculture works very closely with the ASK to ensure that these shows are successful. The Ministry and its State Corporations participate in the shows where they exhibit their products and services to the farmers and other show goers. The shows are important avenues for sharing and disseminating agricultural information and technologies.

- **Modernization of Agricultural Training Centres (ATCs)**

The Ministry has a total of 27 Agricultural Training Centres. Six ATCs out of 27 are under going partial modernization-in phases. This involves renovations, purchase of specialized plant, equipment and machinery, purchase of household furniture and institutional equipment, and acquisition of strategic stocks.

- **Dissemination of extension messages to farmers**

The Ministry extension services are responsible to 4.4 million farmers in the country.

Agricultural officers who are mainly deployed to the Divisions and locations will give direct support to farmers in terms of information technology, advice and empowerment. The quality of extension services in general is also expected to improve due to additional specialization of the new Agricultural officers (300 extension officers recruited, 2005/06). This will have a direct multiplier effect in the number of farmers receiving extension messages and on Frontline Extension officer to farmer ratio currently estimated at 1:978. Consequently, the Ministry targets to reach 1.7 million farmers in 2006-2007. The distribution per province is as follows:-

▪	Nairobi province –	10,000
▪	Nyanza province –	320,000
▪	Western province –	190,000
▪	Rift valley province –	390,000
▪	Central province –	340,000
▪	Eastern province –	270,000
▪	N/Eastern province –	10,000
▪	Coast province –	210,000
○	<b>TOTAL</b>	<b>1,740,000</b>

This will involve using various methods / approaches such as field days, on –farm demonstrations, shows and fairs, individual farm visits, information desks, farmer field schools, mass media.

- **Reduce Crop Losses**

- i) Armyworm control services:

In an outbreak situation, armyworms can cause total crop damage and especially on young cereals like maize, sorghum, and millet. Currently a trap network of 229 stations is in place. During the contract period the existing traps will be serviced, and 20 additional will be installed to help in monitoring of outbreaks. Targeted areas include North Eastern Province and parts of Eastern province where there are no traps. However, depending on the forecasts the exercise might cover other provinces.

- ii) Quelea Birds control services:

Due to the migratory nature of these birds, aerial and ground surveillance in historical breeding areas will be carried out (especially wheat and rice). All the outbreaks will be contained 100%. In 2005/06, 29 outbreaks were reported and contained, it is estimated that 29-50 outbreaks will be reported in 2006/07. Farmer condemnation of the birds might be sought before aerial spraying can be done in identified sites. Other methods for control will include: ground spraying using vehicle mounted equipment and incinerating using explosives-Fuel blasting.

- iii) Post harvest Management: - Control of Aflatoxin and Larger Grain Borer in the following 12 districts; Taita Taveta, Kwale, Makueni, Kitui, Machakos, Mwingi, Kajiado, Mbeere, Tharaka, Malindi, Kilifi, and Thika.

The following activities will be carried out:

- Surveillance and farmer awareness campaigns on proper grain storage to avoid destruction by pests and aflatoxin development. This involves getting to food stores; check on aflatoxin levels and sample a few areas to determine aflatoxin infestation.

- Issuance of storage dusts to field officers for field demonstrations- case of LGB.
- Distribution of promotional materials (posters, handbooks etc) on proper post-harvest and storage management, especially in Western Kenya new infestation areas of LGB and traditional areas.

These activities will serve as contingency to determine any incidences of damage before it occurs

- **Monitoring of National Food Security:**

- The Ministry will prepare monthly crop and Food situation reports and circulate them to relevant institutions and stakeholders.
- In collaboration with the Meteorological department, the ministry will monitor information on weather and give updates on food situation and early warning.

- **Train Agricultural inputs suppliers**

This will be done in collaboration with Agro-chemical/fertilizer dealers. Training will cover product knowledge for agro-chemicals/fertilizers, business development, and safe use of agro-chemicals. At least ten suppliers per district will be trained during the contract period.

- **Promote soil and water management:**

- **River bank protection**

- A total of 7,000 Km. of riverbanks will be pegged in the Districts with rivers that this is applicable.

- **Soil conservation**

- Soil conservation measures will be carried out in 60,000 farms within 284 catchments (4 catchments per district). This will involve designing layouts for farmers to implement, and will include laying terraces, agro forestry, farm planning, etc

- **Promote adoption of specific agricultural technologies in ASAL**

This will involve the promotion for adoption of some of the following technologies:

- ❖ Water harvesting technologies- Trapezoidal pads, V-shaped pads.
- ❖ Improved varieties of orphaned and new crop varieties- Aloe Vera, improved varieties of Sorghum, Millet and Cassava
- ❖ Efficient water use technologies- Drip irrigation, sub surface dams, e.t.c.

At least 4 technologies will be promoted in 25 ASAL districts .

- **Agro-forestry tree Nurseries**

Agro-forestry combines agriculture and forestry technologies to create more integrated, diverse, productive, profitable, healthy and sustainable land use systems. 42,600 farmers will be trained in the following areas;

- (i). Land use systems
- (ii). Ecological and economic interactions between woody and non-woody components in Agro-forestry
- (iii). Selection of tree species
- (iv). Management of trees and crops
- (v). Fruit tree and nursery management

### **Restructuring the Ministry and its institutions**

- **Convene a national stakeholder forum**

A meeting will be held involving major stakeholders who provide services towards food security or whose activities contribute to agricultural development. These include Ministry of water and irrigation, Public works and roads, environment and Natural resources etc

- **Up grade Agricultural Institutions**

Involves expanding the training programmes offered and up grading the facilities in these institutions. The Ministry has three agricultural institutions to up grade (Bukura, Kilifi, and EAST College). Bukura Agricultural College will under take renovation of the student's hostels, make 40 self contained rooms and a perimeter fence. Other new training programmes will also be introduced in Bukura and Kilifi in collaboration with Egerton University

### **Improved access to agricultural information**

- **Information products-Technology packaging and information dissemination**

14 technical updates or topics in horticulture, industrial and food crops, biotechnology, land and crops development and socio-economics will be packaged and disseminated through shows, field days, audio-visual shows and information desks already established in the field. The purpose is to develop Information, Education and Communication materials on topical issues such as nutrition, appropriate technologies, population education and further update staff on emerging issues. This will involve collating information, packaging/ publishing and dissemination

- 20 copies per district for Passion fruits, Mushrooms, Mangoes.
- 1000 copies on 11 other topics covering horticulture, industrial and food crops, biotechnology, land and crops development and socio-economics.

- **Establish information distribution centres in the divisions.**

AIRC printed and distribution agricultural information publications. In the contract year, the Ministry plan to decentralize distribution to the 500 Divisions in the country.

## **Accessibility of affordable credit and quality inputs**

- **Administration of 2KR fertilizers**

This will involve administration of tender for distribution for second Kennedy round (2KR) fertilizer, advertising local tender for distribution and allocating fertilizers to the successful bidders. It will also involve monitoring the distribution of the fertilizer in the distribution network, and the allocations to the under privileged farmers.

- **Assess available micro-finance concept papers**

A number of micro finance concept papers exist. The Ministry will assess the already developed micro finance concept papers with a view of incorporating the needs of small scale farmers. A concepts paper addressing needs of small scale farmers will be produced by December 2006.

### **National Farm Inputs Stakeholder Fora:**

- Two national stakeholder fora on farm inputs will be held, involving Kenya Plant Health Inspectorate Service, Kenya Agricultural Research Institute, Stockists, Pest Control Products Board, Agrochemicals Association of Kenya, among other stakeholders.
- One to develop a strategy for fertilizer (inputs) use
- One Forum will be held before the main planting season and discussions will be centered on farm inputs prices, quality and availability.

- **National agricultural Farm inputs development strategy (NAFIDS)**

This is a strategy on input consumption which aims to accelerate input consumption-affordability and accessibility. The draft strategy paper is ready, and awaits discussion with stakeholders.

- **Programme/Project Implementation**

The Ministry is currently implementing a number of development projects. Some of these projects are jointly funded by the government of Kenya and development partners, and are therefore factored into the Ministry's development budget. The projects (7) described below will be implemented in the contract year 2006/2007.

- a. **Njaa Marufuku Kenya (2005 – 2015)**

This is a 10-year programme. The programme's overall objective is: to contribute to reduction of poverty, hunger, and food insecurity among poor communities in Kenya through:-

- Building capacity and empowerment of farmers
- Coordinating the release of starter funds to groups of farmers (productive investment programme)

- Linking agricultural production to school feeding programmes
- Providing productive safety nets for the vulnerable groups- cash for work or food for work.

The major activities the project will undertake in 2006/07 include; provision of grants to both community groups and private sector organizations to implement innovative food security initiatives; flood control, land reclamation and water harvesting; community nutrition interventions; and capacity building.

The programme effectively started in April 2005, with fast track activities that went up to December 2005. The programme has been receiving support from the government and donors are yet to come on board.

**b. NALEP Sida II (2005-2009)**

**Coverage:** 8 provinces, in 60 Districts and 348 focal areas.

**Objective:** Pluralistic, efficient, effective and demand driven extension service promoted and functional.

**Output areas include:** institutional setting, extension approaches, technical packages, collaboration and extension facilitating factors and cross- cutting issues.

**Key activities for 2006/07 include:**

- Formulation of NASEP implementation framework
- Provide extension services
- Carry out broad based surveys
- Train farmers and extension staff
- Connect stations to e-mail and internet
- Develop and distribute extension materials

**c. Promotion of Private Sector Development in Agriculture (GTZ)**

Started in July 2003 and is to run for 12 years.

**Immediate objective:** is to support small and medium scale enterprises in selected agricultural value adding chains to increasingly use market potentials under improved frameworks conditions.

Specific activities for the contract year include improving policy and legal framework conditions, improving service delivery in value adding chains, strengthening private sector organizations and improving regional rural infrastructure, mainstreaming HIV/AIDS, capacity building in farming as a business.

**d. Eastern Province Horticulture and Traditional Food Crop Project.**

**(IFAD)(July 1995-June 2007)**

Coverage: 8 Districts of Eastern Province.

Key activities/output targets:

- Horticulture Development (Community Irrigation Rehabilitation, Horticulture Production and Marketing, Rehabilitation of rural access roads and support to line of credit)
- Traditional food crops (Support bulking processing and product promotion)
- Extension and adaptive research (Farmer field schools and farmer research extension linkages)
- Local initiative funds and project coordination.

Specific activities for the contract period include; preparation of result oriented exit strategy and action plan; conduct management courses for beneficiary groups; conduct impact surveys on traditional food crops adoption; and commission irrigation schemes.

**e. Agriculture Sector Programme Support (Danida)( 2005 - 2010)**

Coverage: ASAL Districts of Makueni, Kitui, Taita Taveta, Kwale, Kilifi Malindi, and Mwingi

Programme started in July 2005.

Programme focus: support of Agriculture and water development.

Other components to include: support to national policy frame work, micro and small enterprises and rural infrastructure i.e. rural access roads, cattle markets etc. Specific activities for the year includes:- Training of farmers groups and community level workers, Spot improvement of roads, implementation of scales scale water projects, training of staff and organizing trade fairs and exhibitions.

**f. Kenya Agricultural Productivity Programme (Jointly Funded with World Bank.)**

Coverage: 20 pilot Districts in 7 Provinces. Is a 12 year programme; Phase I 2004 to 2007. It is a multi institutional project implemented by MOA, MOLFD and KARI.

**Programme goal:** to modernize the Agricultural sector and improve livelihood of Kenyans through the development, acquisition and application of improved technologies.**Objectives/components:** Give support to facilitate: Agricultural sector Policy and institutional reforms; research; extension service; and empowerment of farmers and other clients.

Main activities to be undertaken during the contract period include; conduct an inventory of extension service delivery providers in Kenya and establish a data base to inform the implementation of the new national agricultural sector extension policy; support strategic and collaborative research programmes under the national agricultural research system (NARS) and the drafting of a NARS policy which would provide a framework for collaboration of all agricultural research service providers. Support scaling up of technological innovations through grassroots and apex farmers` organizations, support to

the design of an agricultural sector monitoring and evaluation system, and support the testing and evaluation of innovative extension approaches that would provide the basis for efficient and effective service delivery

**g Community Agricultural Development Project in Semi Arid Lands (CADSAL)-JICA**

The objective is to improve food security in semi arid lands of Kenya. The purpose is that the target group increases agricultural production in a sustainable manner. The project components are; capacity building for farmers, extension agents and other stakeholders in agriculture in the project area; crop development; livestock improvement; and water resource conservation and management.

The project is located in the Kerio Valley, semi arid areas of Keiyo and Marakwet districts in Rift Valley Province

Started 11 October 2005 and ends in October 2010

Specific activities during the contract period include;

- Conduct a baseline survey to establish current status
- Build capacity of communities in Project cycle management
- Advertise, appraise and select community projects
- Implement selected community initiative projects
- Organise extension service providers' forums
- Promote soil and water conservation/ agro forestry technologies

**E. DYNAMIC/QUALITATIVE INDICATORS**

• **Organizational Capacity**

– **Skills Development.**

The Ministry will implement the recommendations of the TNA Survey carried out last year.

- **Training:** - The Ministry will formulate guidelines on how to implement the government's training and recruitment policy. It will also computerize HRD functions, cascade training of staff in Change management to other levels, strengthening and appointment of members of provincial and district training committees and making them functional. Train 20% of staff in skills development.

TOT/conservation agriculture training will be conducted for 500 extension staff. The trained staff will in turn be expected to train about 250,000 farmers on techniques of conservation agriculture; Zero or minimum tillage and direct seeding practices. This will also include capacity building in the importance of conservation agriculture as a soil and water conservation measure.

The Ministry will also carry out the following activities:

- Induction for the newly recruited Agricultural officers.
- Training in ICT for Senior Management staff at Headquarters, PDA's, DAO's and Lecturers of training institutions.
- Training in ICT for middle management staff.
- Skills improvement for senior and middle management staff in leadership Development and change management.
- Performance Improvement courses for Secretaries, Drivers and Support staff.
- Training for Accounts and procurement staff on Ethical Issues and Government.

– **Automation (IT)**

Networking at the HQ's is complete and in use. The Ministry will continue with the network connection of the provinces and later will be rolled out to districts.

Use of email to pass in the daily office communications e.g. Memos e.t.c.  
Provision of IT equipments and capacity building at the HQ's, Provinces and districts.

– **Work Environment (Baseline Survey and Implementation)**

The Ministry will undertake a baseline survey in work environment and implement 30% above the survey results. The Ministry will also provide Uniforms, Computers to its staff.

• **Service Delivery Innovations**

The Ministry will set up and operationalize rapid response unit to address critical issues in agriculture together with other arms of the government.

• **Employee Satisfaction**

The Ministry intends to do the following towards employee satisfaction:

- Implementation of the findings of the employee baseline survey which indicated employee satisfaction rating of 100%.

- Strengthening and appointment of members of provincial and district training committees and making them functional.
- Prudent management of schemes of services to ensure that productivity is rewarded.
- Facilitate regular staff meetings.
- Update employee's records every six months.
- Introduce a questionnaire-based system to assess staff satisfaction.
- Provision of uniforms for field staff.
- Provide a conducive working environment.
- Formulate guidelines on how to implement the training and recruitment policy
- Computerization of the training and development functions
- Continue with proper deployment of the Ministry staff.
- Reactivate Ministerial Management Steering Committee (MMSC) and Ministerial Management Unit (MMU) in the Ministry.
- Reactivate the Ministerial Work Improvement Teams (WITS).

- **Repair and Maintenance**

The ministry will undertake to ensure that 100% of its equipment and fleet of vehicles are repaired and maintained.

- **Safety Measures**

The Ministry will upscale the installation of modern safety measures to province and district offices. It will also do the repair the existing ones. The Ministry will also undertake one fire drill during the year and provide fire fighting appliances to all the provincial head quarters.

- **Statutory Obligations**

The Ministry will ensure 100% tax compliance by remitting VAT deductions immediately on payment of merchants and PAYE deduction. It intends to submit the annual accounts by 30<sup>th</sup> September 2006 as required by law and sign Performance Contract by 30<sup>th</sup> June 2006.

- **Corruption Eradication**

The Ministry will continue with installing systems of checks and balances and undertake risk assessments which will lead towards corruption eradication. The Ministry will also undertake RRIs in Finance and Accounts, Procurement, HR and general administration.

- **HIV/AIDS Behaviour Change**

- i). Continue with sensitization on the need for behaviour change.

- ii). Assess two studies done on the impact of HIV AIDs on agricultural sector and identify intervention points.
- iii). Prepare a new ministry HIV/AIDS Strategic Plan based on Kenya National Aids Strategic Plan (KNASP).
- iv). Implement Public Sector workplace policy.

### List of Idle Assets

#### MOTOR VEHICLES, MOTORCYCLES, MISCELLENOUS STORES/EQUIPMENT AND LIVESTOCK

	STATION	MOTOR VEHICLES AND TRACTORS	MOTOR CYCLES	MISCELLANEOUS STORES & EQUIPMENT	LIVESTOCK (COWS, SHEEP & GOATS)
1	Administration Headquarter	3	-	2	-
	<b>Field Stations</b>				
2	DAO – Makueni	-	1	7	-
3	DAO – Maua	-	2	7	-
4	Kaguru F.T.C.	-	-	-	4
5	East College-EMBU	6	2	-	-
6	DAO – Mwingi	2	2	-	-
7	Machakos F.T.C.	-	-	-	21
8	DAO – Meru South	2	2	7	-
9	DAO – Mbeere	4	1	6	-
10	DAO – Tharaka	1	1	-	-
11	DAO Meru Central	-	-	5	-
12	DAO – Maragwa	-	1	51	-
13	Kenyatta F.T.C.	-	-	-	3
14	Kamweti F.T.C.	-	-	-	16
15	DAO – Kiambu	5	6	13	-
16	DAO – Thika	7	-	-	-
17	DAO – Nyeri	16	12	44	-
18	Wambugu FTC	-	-	-	10
19	DAO – Kirinyaga	4	6	45	-
20	Njabini F.T.C.	-	-	-	4
21	DAO – Muranga	-	8	4	-
22	OI Joro Orok F.T.C.	-	-	238	15
23	DAO – Mombasa	-	-	4	-
24	DAO – Wajir	5	3	4	-
25	DAO – Garissa	1	1	64	-
26	DAO – Moyale	4	2	-	-

27	DAO – Lugari	2	1	-	-
28	Bukura Agricultural College	5	-	8	6
29	Busia FTC	-	-	-	4
30	DAO – Bungoma	6	11	4	-
31	AMS, Bumala	6	-	8	-
32	DAO – Teso	-	-	50	-
33	Mabanga F.T.C.	-	-	-	2
	<b>STATION</b>	<b>MOTOR VEHICLES AND TRACTORS</b>	<b>MOTOR CYCLES</b>	<b>MISCELLANEOUS STORES &amp; EQUIPMENT</b>	<b>LIVESTOCK (COWS, SHEEP &amp; GOATS)</b>
34	DAO – Kisumu	4	1	9	-
35	DAO – Nyamira	5	-	-	-
36	DAO – Baringo	2	5	3	-
37	Principal, Kabianga F.T.C.	-	-	-	5
38	Principal – Baringo F.T.C.	-	-	-	17
39	DAO – Kajiado	6	2	26	-
40	AMS– Eldoret	4	1	7	-
41	DAO Nandi South District	-	-	18	-
42	DAO – West Pokot District	2	-	2	-
43	DAO – Nandi North District	-	-	18	-
44	DAO – Kericho District	5	4	12	-
45	DAO – Turkana District	5	1	7	-
46.	Siaya F.T.C.	-	-	-	2
47.	Mtwapa F.T.C.	-	-	-	11
48.	DAO – Kakamega	3	3	-	-
49.	PDA – Coast	3	-	134	-
50.	DAO – Lamu	4	3	74	-
51.	DAO – Butere – Mumias	2	2	-	-
52.	DAO – Koibatek	1	-	157	-
53.	AMS – Siaya	11	-	23	-
54.	DAO – Laikipia	-	1	4	-
55.	PDA – Eastern	1	-	89	-
56	Sericulture Project - Thika	2	-	-	-
57	PDA-Nyanza	2	-	14	-
58	FTC - Bukura	4	1	-	-
59	FTC Maseno	1	-	571	-
60	DAO- Kitui	-	-	4	-

61	DAO- Kabarnet	2	5	3	-
62	DAO-Nyandarua	4	6	52	
	<b>TOTAL</b>	<b>152</b>	<b>97</b>	<b>1798</b>	<b>120</b>