



**OFFICE OF THE PRIME MINISTER**

**PERFORMANCE CONTRACTING DEPARTMENT**

**PERFORMANCE CONTRACTING GUIDELINES**

**9<sup>TH</sup> EDITION**

## ACRONYMS

BOG	Board of Governors
ISO	International Standards Organization
KIE	Kenya Institute of Education
KNEC	Kenya National Examinations Council
MDAs	Ministries, Departments and Agencies
MOLG	Ministry of Local Government
PCD	Performance Contracting Department
PS	Permanent Secretary
PS/SC & HOPS	Permanent Secretary, Secretary to the Cabinet and Head of Public Service
TSC	Teachers Service Commission

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## **A. PURPOSE**

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

### **1.2 Scope of Application**

These Guidelines apply to all public institutions that are scheduled to sign performance contracts.

### **Model Performance Contract**

- 1.3 A Model Performance Contract and a Performance Contract Matrix for each category of public institution form part of these Guidelines. These may also be downloaded from [www.psr.pc.go.ke](http://www.psr.pc.go.ke). To ensure standardisation, the requirements and contents of the model contract and matrix should not be amended or altered.

For each category of public institution, the Performance Criteria Categories and total sub-weights have been preset and should not be altered unless (in exceptional cases), agreed mutually with the Permanent Secretary, Performance Contracting Department (PCD). The performance indicators captured under the "Finance & Stewardship", "Non-Financial", "Service Delivery", and "Dynamic/Qualitative" criteria should not be altered. In the case of "Corruption Eradication" Performance Criterion, institutions will be required to select the appropriate sub-indicators from the list prescribed by the EACC in these Guidelines, which should also not be altered.

## **B. STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS AND TARGETS**

### **1. Strategic Objectives**

- i. The objectives should be drawn from the strategic plan of the public institution;
- ii. The objectives should not be too many.

### **2. Performance Indicators**

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

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

### **3. Performance Targets**

Institutions should ensure that performance targets progressively approach and/or exceed the levels set out in the Sector Performance Standards.

Performance targets should be:

- i. *Comprehensive* → cover all significant performance areas;
- ii. *Relevant* drawn from the strategic plan
- iii. Fully linked to budgets;
- iv. *Specific, realistic, simple, easily understood, attainable and measurable.*

### C. ASSIGNMENT OF WEIGHTS TO PERFORMANCE INDICATORS

- Each performance criterion has a fixed sub-weight.
- This sub-weight should be distributed, in *negotiated* proportions, to the various indicators under each criterion.
- The indicator weight shows the relative importance of each indicator as agreed by the negotiating parties.

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

PERFORMANCE CRITERIA CATEGORY	Ministry/ Dept.	Tertiary Institutions	Local Authority	State Corporation		
				Non Commercial	Public University	Commercial
<i>Finance &amp; Stewardship</i>	15	15	15	15	15	45
<i>Service Delivery</i>	25	25	25	25	15	-
<i>Non- Financial</i>	15	15	15	15	15	10
<i>Operations</i>	30	30	30	30	40	30
<i>Dynamic/ Qualitative</i>	10	10	10	10	10	10
<i>Corruption Eradication</i>	5	5	5	5	5	5

### D. COMMITMENTS AND OBLIGATIONS OF THE GOVERNMENT

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

NB (1): The evaluation at the end of the contract period should also focus on the commitments made by the Government.

NB(2): In instances where a commitment may require Exchequer funding or the intervention of another public institution, the concurrence of the Treasury or these other institutions must be obtained before "committing" the Government or that other institution.

## **E. NEGOTIATION OF PERFORMANCE CONTRACTS**

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

**Phase I - Pre-Negotiation Consultations**

**Phase II- Negotiations**

**PHASE I: → Pre-Negotiation Consultations:**

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

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

Negotiators should ensure that performance indicators and targets meet the requirements stipulated in these guidelines, including compliance with sector performance standards.

### **PHASE II → Negotiations:**

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

NB: The draft performance contract should be initialled by the negotiating parties before submission to the Performance Contracting Department.

**The composite sectoral approach to negotiations, (Intra and Inter) ensures that all the phases, including vetting, are carried out concurrently, under one roof. Intra sector negotiations involve all the Ministries/Departments in individual sectors, while Inter sector negotiations refer to the peer consultations between sectors as per the Sector Performance Standards.**

## **F. PARTIES TO NEGOTIATION OF THE PERFORMANCE CONTRACT**

### ***PARTIES TO THE NEGOTIATION***

#### ***(I) CIVIL SERVICE***



**Government**

Ad hoc Negotiations Task Force

**Ministry/Department**

- PS/Accounting Officer
- Heads of Department

**(II)**

**STATE CORPORATION/PUBLIC UNIVERSITY**

**Government**

- PS-Parent Ministry
- Treasury

**State Corporation**

- Chairman
- Independent Director/ Council Member<sup>1</sup>
- Heads of Department

**(III) LOCAL AUTHORITY**

**Government**

- PS - MOLG
- Treasury

**Local Authority**

- Chairman/Mayor
- C/man Finance Committee
- Clerk to Council
- Heads of Department

**(IV) TERTIARY INSTITUTIONS**

**Government**

- PS – Parent Ministry
- Stakeholder Institutions<sup>2</sup>

**Tertiary Institution**

- Chairman/BOG
- One Independent BOG Member
- Heads of Department

**G. VETTING OF PERFORMANCE CONTRACTS**

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

**H. PARTIES TO THE PERFORMANCE CONTRACT**

***Ministry/ Department***

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

<sup>2</sup>(eg KNEC, TSC & KIE in the case of Tertiary Institutions in the Ministries of Education, and Higher Education, Science and Technology)

<b>Government</b>	<b>Ministry/Department</b>
PS/SC & HOPS	PS/Accounting Officer
<i>The parent Minister counter- signs Prime Minister endorses</i>	

***State Corporation/ Statutory Board***

<b>Government</b>	<b>State Corporation/ Statutory Board</b>
PS/ Parent Ministry	- Chairman, Board of Directors -Independent Director/ Council Member
<i>The Permanent Secretary, Ministry of Finance, counter- signs</i>	

***Local Authority***

<b>Government</b>	<b>Local Authority</b>
PS, Ministry of Local Government	-Mayor/Chairman of Council -Chairman, Finance Committee
<i>The Minister of Local Government counter- signs the PCs</i>	

***Public University***

<b>Government</b>	<b>Public University</b>
PS/Accounting Officer, Parent Ministry	-Chairman, University Council -Independent Council Member
<i>The Permanent Secretary, Ministry of Finance, counter- signs the PCs</i>	

***Tertiary Institutions***

<b>Government</b>	<b>Tertiary Institution</b>
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PS, Parent Ministry	-Chairman, BOG -Independent BOG Member
<b><i>The Minister of the parent Ministry counter-signs the PCs</i></b>	

**NB** Each institution is subsequently required to cascade the process downstream, to bring all levels and cadres of employees on board to support implementation.

## **I. PERFORMANCE MONITORING AND REPORTING**

### **i. Submission of Quarterly Performance Reports**

- 1) All Government agencies are required to submit quarterly performance reports to designated agencies by the end of the month following the end of a quarter. However, quarterly performance reports on cross-cutting indicators should be submitted to specialized and lead agencies as stipulated below:

#### **Agencies to Receive Quarterly Performance Reports**

<b>CATEGORY OF AGENCY/CROSS-CUTTING ISSUE</b>	<b>INSTITUTION TO RECEIVE AND PROVIDE FEEDBACK</b>
Ministry/Department	Performance Contracting Department
State Corporation/Public University	Inspectorate of State Corporations
Local Authority	Ministry of Local Government
Tertiary Institution	Parent Ministry
Corruption Eradication	Ethics and Anti-Corruption Commission
Prevention of Drug & Substance Abuse	National Campaign against Drug Abuse Authority
Automation	Directorate of e-Government
HIV/AIDS Prevention	National Aids Control Council

Competency Development	Ministry of State for Public Service
Gender Mainstreaming	National Gender and Equality Commission
Disability Mainstreaming	National Council for Persons with Disabilities
Submission of Pensions Documents	Pensions Department
Resolution of Public Complaints	Commission on Administrative Justice
Environmental Sustainability	National Environmental Management Authority

- 2) Lead Agencies, for the purpose of submission of Quarterly Reports, are Ministries of Higher Education, Science and technology, Ministry of Education, Ministry of Local Government, Ministry of State for Public Service, Performance Contracting Department and Inspectorate of State Corporations. Specialized Agencies are those charged with the oversight on cross cutting issues and include the Kenya Anti-Corruption Commission (KACC), National Aids Control Council (NACC), National Campaign Against Drug Abuse Authority (NACADAA), National Council for Persons with Disabilities (NCPWD), National Gender and Equality Commission (NGEC), Commission on Administrative Justice (CAJ) and National Environmental Management Authority (NEMA). Lead and specialized agencies are required to upload the respective reporting formats in their respective websites.
  
- 3) Lead and specialized Agencies are also required to analyze and provide feedback to the reporting institutions, with a copy to Permanent secretary PCD, not later than **2 weeks** after receipt of quarterly performance reports
  
- 4) In addition, both Lead and Specialized Agencies are required to submit to the Permanent Secretary, Performance Contracting, a quarterly report indicating the trend of performance on cross cutting issues. The Permanent Secretary shall submit quarterly reports to the Government through the Office of the Prime Minister, indicating the progress and trend of performance of

public institutions and highlighting achievements and/or challenges hindering their performance.

**ii. Submission of Annual Performance Reports**

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

## **J. PERFORMANCE EVALUATION FRAMEWORK**

### **i. Preamble**

Performance evaluation is the culmination of the process of performance contracting and is carried out by independent experts drawn from outside the public service, for the purpose of ensuring objectivity and enhancing the integrity of the results. MDAs are required to undertake self (in-house) evaluation based on the annual achievement for each performance indicator.

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

### **ii. Essential Documents Required for Evaluation**

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

### **iii. Performance Evaluation Methodology**

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

***Managerial Performance = Agency Performance ± Exogenous Factors***

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

**Excellent:** achievement  $\geq 30\%$  above the agreed performance target, ie  $1.3T \leq Xa \leq 2T$

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

- Indicators whose achievement cannot exceed 100% e.g. capacity utilization and ISO certification.
- Indicators where achievement in excess of 100% for example in procurement of plant and equipment would be wasteful.

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

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

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

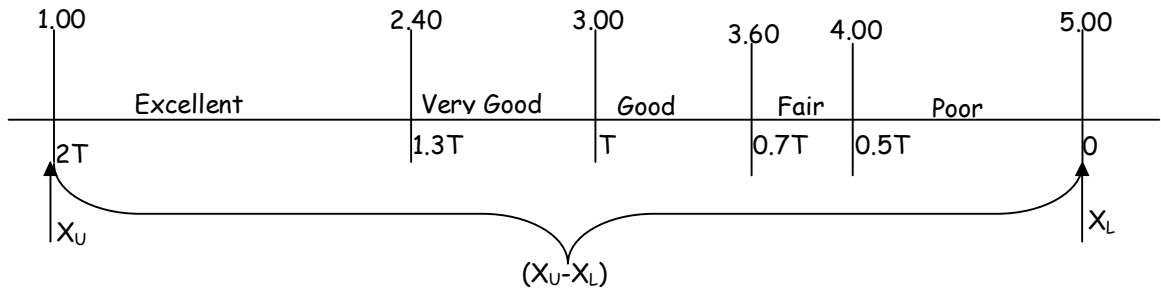
**Fair:** Achievement between 50% and 70% of the target in the signed PC, ie  $0.5T \leq Xa < 0.7T$

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

*Where T = target and Xa = Actual achievement*

**iv. Computation of Performance Criteria Values**

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



Where, T = Target

$X_a$  = Actual Achievement

$X_u = 2T$  = Upper Criteria Value

$X_l = 0$  = Lower Criteria Value

Span = 4, ie (5.00 - 1.00)

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

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

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

E.g. criteria value at 1.3T:-

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

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



### Criteria Value Range

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

### Operating Rules

**Rule 1** Performance cannot rise above criteria value of 1.00.  
Any achievement coinciding with a negative raw score attracts a raw score of 1.00.

**Rule 2** Performance cannot fall below criteria value of 5.00.  
Any achievement coinciding with a raw score greater than five attracts a raw score of 5.00. It is therefore not necessary to engage in further calculation of the raw score when achievement is zero or negative.

**Rule 3** In cases where performance falls on 2.40, 3.00, 3.60 and 4.00, the award of grading will respectively be "Excellent", "Very Good", "Good" and "Fair".

**Rule 4** Indicators whose achievement cannot exceed 100%

No	Performance Indicator	Achievement Level	
		100%	<100%
		<b>Raw Score</b>	
2.	Development of Resolved Service Charter	3.00	5.00
3.	Disposal of Idle Assets	3.00	compute
4.	Customer Satisfaction Survey (baseline)	3.00	5.00
5.	Employee Satisfaction Survey (baseline)	3.00	5.00
6.	Compliance with set Budget Levels	3.00	compute

7.	Fulfillment of statutory obligations	3.00	Compute
9.	Repairs	3.00	Compute
10.	Maintenance	3.00	Compute
11	ISO Certification	3.00	Compute
12	Capacity Utilization	3.00	Compute

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

Performance Grade	% Achievement	
	Excellent	100%
Very Good	99.9%	76.9%
Good	76.9%	53.9%
Fair	53.9%	38.5%
Poor	≤38.5%	5.00

.....  
 .....  
**v. Computation of the Raw Score**

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

**Step 1: Determine the Actual Achievement,  $X_a$**

**Step 2: Apply the formula**

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

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

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

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

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

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

**Step 3: Compute the weighted Score**

Apply the weight to the raw score to obtain the Weighted Score, ie Weighted Score = Raw Score x Weight

**Step 4: Compute the Composite Score**

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

Thus Composite Score = **SUM** (Weighted Score)

=  $\Sigma$  (Weighted Score)

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

## Performance Data for the Ministry

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

### EXAMPLE A (I): "Excellent" Performance

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

**Step 1: Determine the Actual Achievement,  $X_a$**

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

**Step 2: Apply the formula**

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

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

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

$$= 1.00 + 4.00 \left\{ \frac{10,000,000 - 18,254,100}{10,000,000} \right\}$$

$$= -2.3016$$

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

**Step 3: Compute the weighted Score**

Apply the weight to the raw score to obtain the Weighted Score, ie Weighted Score = 1.00 x 0.05  
= 0.05

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

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

**EXAMPLE A (II): "Excellent" Performance**

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

**Step 1: Determine the Actual Achievement, Xa**

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

**Step 2: Apply the formula**

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

$$\begin{aligned}
&= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\
&= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\} \\
&= 1.00 + 4.00 \left\{ \frac{10,000,000 - 9,000,000}{10,000,000} \right\} \\
&= \mathbf{1.400}
\end{aligned}$$

This performance falls under "Excellent" Grade.

**Step 3: Compute the weighted Score**

Apply the weight to the raw score to obtain the Weighted Score, ie  
Weighted Score = 1.400 x 0.05  
= 0.0700

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

Indicator	Unit of Measure	Weigl	Target	Actual	Raw Score	Weighted Score
Cost Reduction/ Saving	Ksh.	5%	5,000,000	9,000,000	1.4000	0.0700

**EXAMPLE B: "Very Good" Performance**

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

**Step 1: Determine the Actual Achievement, Xa**

$$X_a = 60\%$$

**Step 2: Apply the formula**

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

This performance falls under "Very Good" grade.

**Step 3: Compute the weighted Score**

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

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

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

**EXAMPLE C: "Good" Performance**

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

**Step 1: Determine the Actual Achievement,  $X_a$**

$$X_a = 91.4\%$$

**Step 2: Apply the formula**

$$\begin{aligned} \text{Raw Score} &= \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\} \\ &= 1.00 + 4.00 \left\{ \frac{200 - 91.4}{200} \right\} \\ &= 3.1720 \end{aligned}$$

This performance falls under "Good" grade.

**Step 3: Compute the weighted Score**

Apply the weight to the raw score to obtain the Weighted Score, ie  
Weighted Score =  $3.1720 \times 0.05$   
= 0.1586

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

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



**EXAMPLE D: "Fair" Performance**

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

**Step 1: Determine the Actual Achievement,  $X_a$**

$$X_a = 40\%$$

**Step 2: Apply the formula**

$$\begin{aligned}
 \text{Raw Score} &= \text{Upper Criteria Value Limit} + \text{Span} \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\
 &= 1.00 + 4.00 \left\{ \frac{X_u - X_a}{X_u - X_L} \right\} \\
 &= 1.00 + 4.00 \left\{ \frac{2T - X_a}{2T - 0} \right\} \\
 &= 1.00 + 4.00 \left\{ \frac{140 - 40}{140} \right\} \\
 &= 3.8571
 \end{aligned}$$

This performance falls under "Fair" grade.

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

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

**EXAMPLE E: "Poor" Performance**

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

**Step 1: Determine the Actual Achievement,  $X_a$**

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

**Step 2: Apply the formula**

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

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

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

$$= 1.00 + 4.00 \left\{ \frac{343,876 - 78,438}{343,876} \right\}$$

$$= 4.0876$$

This performance falls under "Poor" grade.

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

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

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

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

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

$$= 1.00 + \frac{4X_a}{2T}$$

$$= 1.00 + \frac{2X_a}{T}$$

Examples:

Indicator	Unit of Measure	Weight (%)	Target	Actual	Raw Score	Weighted Score
1) Decongest ward	Min	5	60	80	?	?
2) Decongest ward	Min	5	70	80	?	?
3) Decongest ward	Min	5	70	60	?	?

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

**Step 1: Determine the Actual Achievement,  $X_a$**

$$X_a = 80$$

**Step 2: Apply the formula**

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

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

$$= 1.00 + \frac{4(80)}{2(60)}$$

$$= 1.00 + \frac{320}{120}$$

$$= 3.6667$$

This performance falls under "Fair" grade.

**Step 3: Compute the weighted Score**

Apply the weight to the raw score to obtain the Weighted Score, ie  
 Weighted Score =  $3.6667 \times 0.05$   
 = 0.1833

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

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

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

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

#### vii. Treatment of contentious items

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

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

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

(b) Omitted indicators:

- Determine criteria sub weight;
- Calculate average weight for all indicators (including the omitted indicator);

- Assign the averaged weight to the omitted indicator and impute achievement of "0", which will result in a raw score of "5".

(c) Targets different from the vetted version:

→ use the targets in the vetted performance contract.

(d) Indicators differing from standard or vetted indicators:

→ assign raw score of 5.

(e) Additional indicators:

→ ignore additional indicator and reallocate weight proportionately.

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

- The Evaluator should determine the degree to which exogenous factors have affected performance and apply the same in determining the raw score for the indicator.
- If the failure to implement an activity/program is caused by another institution, the failure should be transferred to that institution unless that institution demonstrates that its action or non-action was influenced by exogenous conditions/circumstances. Exogenous factors of this nature will include delays in remittance of exchequer and issuance of restrictive circulars on expenditure by the Ministry of Finance. "Transfer" of failure should entail reducing the composite score of that other institution by  $(3.00 * \text{Indicator weight})$  i.e adding  $(3.00 * \text{Indicator weight})$  to the aggregate composite score. The "Victim" institution should, in turn, be credited with a similar score.

## **K. GENERAL GUIDELINES**

1. Any disagreements during evaluation should be referred to the Permanent Secretary, Performance Contracting Department before moderation is undertaken;

2. Evaluation results shall be submitted to the Permanent Secretary, Performance Contracting Department as soon as they are finalized;
3. Ranking of public institutions after completion of evaluation will be carried out only after the moderation exercise is completed;
4. Public institutions are required to ensure availability of verifiable evidence of achievement for purposes of evaluation;
5. It should be ensured that public institutions are in all cases represented by trained personnel during negotiation and evaluation of performance;
6. In the event of a split, merger or abolition of MDA's, consultations shall be made with the Permanent Secretary, Performance Contracting Department regarding modalities for evaluation.
7. A public institution that fails to submit its annual performance report (based on the duly signed Performance Contract) for evaluation, or for the reason that it declined to sign a Performance Contract shall be graded "Poor", at the lowest score of 5.
8. Once targets have been negotiated, vetted and the PC signed, they cannot be changed midstream.
9. The Definition of key terms, Model Performance Contracts for each category of MDA, Description of Performance Indicators, Reporting Formats, format for resolved Citizens' Service Delivery Charter form an integral part of these guidelines, and can be downloaded from [www.psrpc.go.ke](http://www.psrpc.go.ke)

**THESE GUIDELINES ARE ISSUED BY THE PERFORMANCE CONTRACTING DEPARTMENT**