

**Performance contract as a tool for improving performance in local  
authorities in Kenya**

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## **ABSTRACT**

Performance contracting is a freely negotiated performance agreement between a government, acting as the owner of a public agency and the management of the agency. It is used in the Kenyan public to measure performance. Local authorities face pressure to improve service delivery, lower costs become more accountable, customer focused and responsive to stakeholder needs. It is unclear whether the introduction of performance contract has improved service delivery for customers. The purpose of the study was to establish whether performance contracting has enhanced service delivery of local authorities. A survey was conducted in five local authorities in Kenya. A stratified random sample of 120 employees was drawn from a population of 43,800 starting with two-stage sampling. Questionnaires, interviews and document analysis were used for data collection. Data was analyzed using Statistical Package for Social Sciences.

The study established performance contract resource factors to include: quality of fundamental statements namely: vision, mission and strategic objectives, availability of resources for service delivery, organization structures and policies, staff motivation, education level of employees, expectations of key stakeholders and partnerships and prioritization of investment. The study established that there was a strong correlation among readability tests of vision, mission and strategic objectives. Readability test, Gunning Fog Index, Flesch Kincaid Grade level, and Flesch Reading Ease showed that vision, mission and objectives of local authorities are difficult to comprehend. A regression analysis indicated a linear relationship that respondents with higher levels of

education tended to be more satisfied with utilization of their knowledge and skills. A second order polynomial relationship indicated that recognition increased with level of education up to college then dropped for university education level. A significant majority of respondents support performance contract and agreed that their local authorities should continue using it to measure performance. The study found that performance contract was administered annually and monitored through quarterly and annual submission of reports to the Government for evaluation. From the study, customer satisfaction, employee satisfaction work environment and revenue generation were growing. According to Analysis of Variance there is a significant difference in customer satisfaction among the years while work environment, employee satisfaction and revenue generation did not differ among the years. A chi-square ( $\chi^2$ ) test showed that customer satisfaction has increased significantly since the introduction of performance contracting in the local authorities.

The study concludes that performance contracting has enhanced performance of local authorities in the areas of customer satisfaction, employee satisfaction and revenue generation. The performance contract resource factors are: clarity of vision, mission and objectives, availability of resources, staff motivation, education level, sound policies and organization structure and clear expectations from parties to performance contract. Council employees generally have a positive attitude towards performance contracting and they believe that it contributes to enhanced service delivery. Performance contracting is administered annually and monitored through submission of quarterly and annual reports to the Government for evaluation of achievement of targets. Key

challenges are: inadequate resources such as human, financial, material and information, weak administrative structure, policies and processes. Improvement to PC include: training of staff on PC to empower them to implement it; strengthen administrative structure, policies and processes for PC implementation. The study recommends that local authorities should continue using performance contracting as a tool for monitoring and improving performance. They should simplify their visions and missions for ease of understanding by the employees and customers. Local authorities should also provide adequate resources for implementation of PC.