REPUBLIC OF KENYA

OFFICE OF THE PRESIDENT
PUBLIC SERVICE REFORM AND DEVELOPMENT SECRETARIAT

DONOR/GOK CONSULTATIVE MEETING

April, 2005
Introduction

1. When Kenya attained her Independence in 1963, like many other emerging independent nations in the 1950s and 1960s, the Government took upon itself the task of providing basic needs and services in response to the needs and aspirations of its citizens. Consequently, apart from its traditional role of maintenance of law and order, the Public Service was given the following other responsibilities:
   - Coordination of national development;
   - Promotion of economic growth and development especially among the Africans; and
   - Managing industrial and commercial concerns where Government had an interest.

2. Accordingly, a larger and more pervasive public service was required to undertake the provision of services at the grass roots level and supervision and management of the industrial and commercial activities in which the Government was involved. As there was already scarcity of management and entrepreneurial expertise, especially among the indigenous people, the consequence of this was that:
   - The capacity of the Service was overstretched resulting in poor performance and low productivity; and
   - Employment in the Civil Service grew dramatically from 63,000 in 1963 to 158,883 in 1980 and to 271,979 in 1990, which translate to annual growth rates of 9% and 7% respectively well above the growth rate of the economy.
3. Some of the other factors that contributed to the rapid growth of the Civil Service included:
   • Guaranteed Civil Service jobs for graduates of the country’s tertiary education institutions;
   • Absorption of ex-Local Authorities Health personnel;
   • Absorption of ex-East African Community employees;
   • Absorption of works paid personnel;
   • The slow pace of job creation by the formal private sector; and
   • Freedom of ministries/departments to hire personnel in Job Groups “A” to “F”.

4. By the late 1970s, the public sector had grown to an unsustainable level, as the shortfall of Government revenue against expenditure became too wide. Attempting to meet the high wage bill and maintain services, demanded finance beyond that obtained through revenue, and Government was forced to borrow money on the domestic market. This resulted in:
   • Rising domestic public debt;
   • High interest rates;
   • “Crowding out” the private sector;
   • Slow-down in economic growth; and
   • Rising levels of poverty.

5. By 1980, the Government realized that its direct participation in production activities had been carried well beyond the original intent and had reached a point where such participation was inhibiting rather than promoting development. Although the aggregate wage bill was high, individual remuneration, particularly in the professional, technical and managerial cadres was comparatively low that it had resulted in:
   • Low morale within the Service;
   • High absenteeism;
   • Increasing corruption;
   • Inability to attract and retain skilled staff;
   • High turnover of professional staff;
   • Breakdown in discipline and supervision.
6. In response to the emerging development paradigm brought about by a combination of economic crises and geo-political changes which led to reduced financial resources for Governments all over, the Government had to move away from being the principle purveyor of public service, to guiding and facilitating development by the people.

7. However, since the institution responsible for facilitating the implementation of reforms was the Civil Service, the Government could not use the Service as the channel for reform, without first restructuring it. This led to the launching of the Civil Service Reform Programme in August 1993.

**Civil Service Reform Programme (CSRP)**

The Programme was envisaged for implementation in three phases. Phase I focused on cost containment, Phase II focuses on performance
8. Improvement through rationalization of structures and functions to be undertaken by Government while Phase III will focus on refinement, consolidation and sustenance of reform gains.

Objectives of Civil Service Reform Programme (CSRP)

9. The primary and long term objective of the Reform Programme is to improve the efficiency and productivity of the Civil Service. The immediate and short term objectives are as follow:

- Staff rationalization in the Civil Service;
- Increase funds for operations and maintenance;
- In general, to strengthen the capacity, efficiency and productivity of the Civil Service;
- Provision of adequate tools, equipment and facilities in ministries/departments;
- Introduction of proper work ethics; and
- Control of establishment levels.

Phase I of CSRP

10. During Phase I of CSRP, the staffing component took centre stage as it provided the scope for cost containment. The initiatives put in place included:

- The implementation of Voluntary Early Retirement Scheme for officers on Job Groups “A” to “G”;  
- Non replacement of officers leaving the service through natural attrition other than those in critical and essential areas;
- Abolition of vacant positions;
- Introduction of centrally controlled new personal numbers;
- Ban on recruitment except on critical and essential areas;
- Withdrawal of guaranteed employment to university and tertiary college grandaunts;
- Payroll cleansing through staff head counts and computerization of personnel records in the Service; and
- Implementation of a compulsory retrenchment Scheme in the year 2000 that targeted cadres in overmanned areas and in functions identified for abolition.

11. The staff reduction and cost containment initiatives put in place have not realized the desired impact and the Civil Service is still faced with the following challenges:
• Linking all allocation of resources to core functions and priority areas;
• Duplications and overlaps of functions between and within ministries/departments and even State Corporations;
• Inadequate budget for operations and maintenance;
• Providing competitive pay and benefits package to attract and retain competent and qualified staff in the professional cadres; and
• Determining the optimal staffing levels and enhancing integrity, accountability and proper work ethics.

12. Phase I of CSRP, was a stand-alone initiative that was not integrated with budgetary reforms and, therefore, did not have the required impact on downward push on the Government’s wage bill. Building on the experience gained under Phase I, the Government reformulated the Civil Service Reform Programme and outlined the strategies for CSRP Phase II. Towards the end of 1999, the Government announced a comprehensive and integrated public sector reform programme, which would tackle the challenges facing, not only the Civil Service, but also the whole of the public sector.

13. The CSRP Phase II which focuses on performance improvement is, therefore, being implemented within the wider context of the Public Sector Reforms. Reforms in the Public Sector are aimed at making the Public Service leaner, more focused and better equipped with the capability and capacity to provide:
• Efficient management of public resources;
• Expenditures that target priority development objectives;
• Social services that reach those most in need;
• Effective poverty reduction initiatives;
• More effective infrastructure and enabling environment for the private sector;
• Security, protection and ready access of justice for all;
• The consistent application of policies, laws and regulations;
• Flexibility to react to changing circumstances;
• Responsiveness to consumer needs; and
• Recognition and promotion of individual and collective rights.

**Phase II of CSRP**
The priority reform areas under Phase II are:

- Rationalization of ministerial functions and structures;
- Staff rationalization and management of the wage bill;
- Pay and Benefits Reform;
- Performance improvement initiatives; and
• Training and capacity building.

Rationalization of Ministerial Functions and Structures

15. In 1999, the Government undertook a comprehensive assessment of ministerial functions whereby all Ministries/Departments articulated their mission and defined their core functions. Further, Ministries/Departments identified functions and activities considered non-core or peripheral to achieving their mandates. They also identified overlapping and duplicating functions and functions that can be commercialized, contracted-out and privatized.

16. Ministries/Departments also reviewed their organizational structures in light of their defined core functions. A major output of the rationalization exercise was a determination of the optimal staffing levels which led to the compulsory retrenchment exercise undertaken in October 2000.

17. In order to move the rationalization of ministerial functions and structures forward, all Ministries/Departments are currently in the process of developing Strategic Plans. The respective plans will articulate the strategic direction of each Ministry/Department, its policy priorities, objectives, strategies and the resource requirements.

Ministerial Strategic Plans will form the basis from which various departments, functional units and the individual staff will formulate their work plans. When properly implemented, Strategic Plans will facilitate enhanced implementation of ministerial/departmental programmes. The plans will augment the efforts of Ministries/Departments to match budgetary resources against national priorities as reflected in the current Government policy documents including the National Development Plan.
Staff Rationalization and Management of the Wage Bill

19. Although the staff rationalization initiatives put in place by the Kenya Government since 1993 have reduced the size of the Civil Service from 272,000 employees in 1993 to 191,700 employees in 2004, there has not been a commensurate decrease in the wage bill.

20. For instance, the wage bill rose from about 8.5% of GDP in 2001/02 to 9.2% in 2002/03 and 9.7% in 2003/04. The current wage bill absorbs about KShs.46 of each KShs100 collected as revenue, thus imposing a heavy burden on tax payers.

21. The wage bill increase has led to reduced levels of Operations and Maintenance (O&M) expenditures resulting to deterioration in the quality and quantity of public service provision which, in turn, has contributed to reduction in productivity and increasing levels of poverty.

22. Although the aggregate wage bill is high, individual remuneration, particularly in the professional, technical and managerial cadres is low and uncompetitive when compared to that of the private sector.

23. The Government has made a commitment in the Economic Recovery Strategy for Wealth and Employment Creation 2003 - 2007 to reduce the wage bill. This will be realized through various strategies including downsizing the Civil Service.

To implement Government’s commitment of reducing the wage bill and downsizing the public service, the Government has approved the
24. Implementation of a Targeted Voluntary Early Retirement Scheme in which staff in overmanned cadres and non-core functional areas identified through the strategic planning exercise will opt to retire. The Scheme is to be implemented over a period of three years with effect from July 2004 to June 2007 and a total of 21,338 employees are expected to retire.

25. As in the past retirement Schemes, the Government has prepared a training programme to prepare retirees for post retirement life. It is envisaged that empowering the retirees through support arrangement will provide employment opportunities and income for both the retirees and many other Kenyans.

Establishment Control and Payroll Management

Integrated Payroll and Personnel Database (IPPD) System

26. The Government has designed a personnel information system referred to as an Integrated Payroll and Personnel Database (IPPD) System. The objective of the System is to strengthen control and arrest payroll fraud. The IPPD System is intended to:

- Minimize irregular payments;
- Introduce on-line data capture facilities to minimize delays in updating personnel records;
- Generate timely and accurate reports in formats suitable for managers and decision makers; and
- Link the payroll to the budget and financial expenditure information systems.

27. IPPD System is now running in the following Government ministries/ institutions: Ministries of Finance, and Planning and National Development, Teachers Service Commission (Secretariat) and Kenya Institute of Administration. Plans are underway to roll out the system to all ministries.

Pay and Benefits Reform
28. The Kenya Government is committed to improving the pay for public servants. The recent reforms in this area have included:

(i) increasing the housing allowance for all civil servants and teachers with effect from 1st July, 2001;

(ii) enhancement of salaries and allowances for civil servants including disciplined forces and specific allowances for medical staff;

(iii) establishment of a Permanent Public Service Remuneration Review Board (PPSRRB) to address, among others, salaries and benefits for all public servants in a holistic and rationalized manner; and

(iv) undertaking a Comprehensive Job Evaluation and Re-grading Exercise.

Performance Improvement Initiatives

29. In order to improve the performance of the Civil Service, the Government formulated a Strategy for Performance Improvement in the Public Service in 2001. The Strategy provides a common vision and guidance to the Public Service Reform Programme and focuses on some fundamental concepts that will lead to performance improvement in the service delivery of public services to Kenyans. It outlines various initiatives including introduction of Results Based Management, undertaking service delivery surveys, developing service delivery benchmarks and service charters.

30. The Government has already approved introduction of Results Based Management (ROM) in the Public Service. Successful implementation of the RBM requires:

- Clear vision and mission;
- Changes in Management styles;
- Strategic Planning for change;
- A well-motivated and flexible workforce; and
- A re-assertion of Public Service ethos.
31. In order for RBM to be implemented, the Government has established a Public Service Reform and Development Secretariat in the Office of the President to spearhead the reform initiative.

32. Introduction of Results Based Management (RBM) will shape organizations and work activities for the achievement of pre-determined outputs/results and re-orientate the goals and objectives of the workforce towards cost effectiveness and responsiveness to customer demands and needs. RBM entails moving away from the traditional administration practice of correct application of Government regulations and procedures towards an empowered, results and service oriented public sector. It involves development of a performance management system and aligning it with accountability and decision making authority. RBM aims at introducing a performance oriented culture in the Public Service. To achieve this, the government has put in place an institutional framework which consists of:

- A Cabinet Standing Committee on Public Sector Reforms chaired by the Minister of State in the Office of the President.
- A National Steering Committee. The Committee is chaired by Head of Public Service and all Permanent Secretaries/Accounting Officers are members.
- A Secretariat in the Office of the President headed by a Secretary graded at the level of Permanent Secretary.
- Ministerial Steering Committees chaired by the respective Accounting Officers and Ministerial/Departmental Management Units.
- Work Improvement teams.

Annual Work Programmes

33. The Government is committed to the development of annual work programmes which will indicate what will be achieved over a given period of time by all Ministries/Departments.

Performance Contracts

34. The Government has approved that all Permanent Secretaries, Chief Executives of State Corporations, and Heads of Department should be placed on performance contracts. Performance Contracts will tie an organization or individual to undertaking specified tasks at
predetermined levels of performance within a given period of time. They are another option available to the Government to improve the performance of the service.

35. Already, sixteen (16) State Corporations have contracts with the Government with effect from 1st October, 2004. The remaining State Corporation and Permanent Secretaries/Accounting Officers and Heads of Department will be on performance contracts with effect from 1st July, 2005.

**Streamlining Registries in Ministries/Departments**

36. The Government is concerned about the poor state of registries and records management in the Public Service. The current state of registries has contributed to their inability to provide accurate records and information needed for quick and timely decision-making leading to poor service delivery and opening opportunities for corruption.

37. To address the poor state of records management in the Public Service, the Government is in the process of: computerizing all registries at the Ministry/Department headquarters, Provinces and Districts; training all registry personnel on records management; and improving the working environment for registry personnel in ministries/departments. Towards this end, the Government has put in place a Waste Free Clean-up Kenya Programme. The programme focuses on service delivery through hands on practical methods.

**Training and Capacity Building**

38. The Government has developed a Recruitment and Training Policy in the Civil Service whose purpose is to:

- Move towards demand-driven training and multi-skilling.
- Ensure proper supply and development of skills.
- Peg promotion on both performance and training.
• Undertake Training Needs Assessment (TNA) to determine the existing performance gaps in terms of the skills requirements.
• Address issues of succession management in the Service.

39. As a result of staff rationalization initiatives, the remaining staff in the Civil Service are required to perform added responsibilities which, in some instances, are beyond their normal competency levels. In order to effectively undertake such added responsibilities, the remaining civil servants will be retrained to cope with the increased job demands.

40. The retraining of the remaining staff is also intended to improve operational flexibility by extending the range of skills of employees through multi-skilling.

41. Besides provision of adequate intellectual capability, the Government is equally concerned with the provision of physical facilities, equipment, working tools and supportive work environment.

Current State of Information Technology (IT) in Public Service

42. The main problems of Information Technology in the Kenya Government are:
• The manual nature in our management information systems, and slow application of Information Technology;
• Manual filing system which is poor and delays service provision and gives opportunity for corruption;
• Stand alone Information Technology systems and multiplicity of equipments which causes severe maintenance problems.

43. The Government is currently putting in place the following measures:
• Computerization of personnel records and information storage;
• Development of Information and Communication Technology Policy for the entire Public Service;
• Interface all Management Information Systems, linking personnel information system with Financial Management System for better budgeting of Personal Emolument and expenditure control in order to manage better the Government wage bill;
• Development of Information Technology infrastructure; and
• Establishment of IT units in all Ministries/Departments.

**E-Government Strategy**

44. The Government has formulated a strategy for introduction, development and implementation of electronic based service delivery. The strategy is modelled in the broad E-Government context that include:

• *Electronic Service Delivery*: This entails development of a Government of the future with a shift to citizen and customer focussed thinking with citizens access to more public services, delivered online, anytime, anywhere.

• *Business for E-Government*: This is the electronic procurement of goods and services.

• *E-Governance*: This will enhance public participation in decision making process, reshaping of public policy and evaluation of administrative effectiveness and service delivery efficiency and will lead to transparency, accountability and public responsibility.

**Public Service Integrity Programme**

45. Under the Public Service Integrity programme, the Government has enacted the Public Officer Ethics Act that stipulates the code of conduct for Public Servants.

46. Towards this:

The Government has established the Anti-Corruption Authority and put in place a Public Service Integrity Programme whose main objectives are to:

- Sensitize all public servants on the causes and consequences of corruption;
- Encourage development of positive attitudes and behaviour by all public servants;
- Ensure public servants are anti-corruption change agents at all times;
- Ensure elimination of loss of public resources incurred through mismanagement, corruption, wastefulness and theft; and,
- Ensure enforcement and adherence to service regulations the development and enforcement of codes of conduct and ethics.
47. Most public servants declared their wealth and those who did not were deleted from the payroll.

48. Integrity assurance officers have been trained on how to train the rest of the staff in ministries/departments on corruption prevention measures.

49. Corruption prevention committees chaired by the respective Permanent Secretaries/Authorised Officers have been established to be responsible for fighting and preventing corruption in ministries/departments.

**Management Accountability**

50. A Management Accountability framework will be designed and implemented in the Service to strengthen accountability. This Accountability framework will be expressly factored into the Performance Contracts and be evaluated. The framework will be used as a tool to promote a modern Public Service in which:

- Services are focused on citizens;
- Public Service values (e.g. democratic, professional, ethical and people values) are clearly articulated and continually applied;
- Decision making is transparent and accountable;
- Effective support is provided to top level staff in Government and strategic discretion is translated into results through high organization performance;
- Spending is responsible; with sound stewardship of taxpayers resources;
- Risks are identified and corporately managed;
- Organizational Performance is continually enhanced through innovation, transformation and learning; and
- Employees are valued and human and intellectual capacities are developed.
Customer Service Charters

51. Customer Service Charters will be introduced in the Service.

- A Service Charter is a Public Statement or ‘Contract’ that defines and declares what an organization is, the organization’s mandate, the services the organization provides, details of any user charges, what standards of services should be expected by the consumers and how the consumers of the service may seek redress if they are dissatisfied with the service(s) provided.
- Service Charters, therefore, provide commitments to provide a certain type, volume and quality of service. They also state client obligations provide greater client choice in service delivery and detail open complaints and redress mechanisms.
- The Customer Service Charter initiative took the on-going Public Sector Reform Programme in the United Kingdom a step further.

Local Government Reforms

52. The Government is committed to improving governance and service delivery at the local level. The Local Government reform is now entering a consolidation phase during which on-going reforms will be accelerated and strengthened. This phase will include:

- Reviewing of local authorities to ensure that only the viable and sustainable one are retained.
- Accelerating the on-going Kenya Local Government Reform Programme (KLGRP) including expanding the coverage, strengthening monitoring and implementing the Local Government reform initiatives.
- Implementing staff rationalization and rightsizing in all local authorities with a view to reducing the wage bill, which is currently excessively high, and to improve efficiency and effectiveness in service delivery.
- Reviewing the Local Government Act in line with constitutional review proposals with a view to giving the Local Authorities more autonomy and enhancing their capacity to perform their roles and removing conflicts with central Government.
- Introducing information technology in personnel management, which in conjunction with IFMS will lead to improvement in performance and promote good governance.

Financial Planning and Budgeting Reform
53. The main focus of the Financial Planning and Budgeting Reform is to impose discipline and explicit linkages between resource availability, development objectives and budget allocations through the adoption of Medium Term Expenditure Framework (MTEF) budgetary process.

54. The MTEF budgetary process compels the public sector to plan and operate within its means. Priorities and expenditure allocations are set at the sectoral level. This has changed the way priorities, strategies and policies are defined and formulated and the way the resources are allocated and functional responsibilities are defined.

55. Financial Planning and budgeting processes need to be in tandem with the overall reform initiatives in the Public Sector to ensure that the reforms are funded and the necessary controls are in place to ensure proper flow and utilization of funds.
**Procurement Reforms**

56. The public must be assured that Government obtains value for money when letting out contracts. Ministries responsible for contracts are required to ensure exacting standards are demanded in contracts and that implementation strictly adheres to the quality and quantity specified, within the price and on time. Contractors who fail to meet their obligations will be barred from tendering for future contracts.

**Accounting and Audit Reforms**

57. Accounting and internal audit systems and procedures are being strengthened through introduction of an Integrated Financial Management System (IFMIS) in all ministries/departments, provinces and districts to establish a more transparent and responsive system that provides up to date information on disbursements, payments and commitments at all levels of Government. The System will help control over-expenditures, unauthorized payments and the creation of pending bills.

58. Government financial regulations will be reviewed and where necessary, amendments introduced to increase their effectiveness and reflect financial management changes being introduced under the MTEF.

**Parastatal Reforms and Privatization**

59. The Government is committed to divesting from commercial enterprise and seeks to establish private sector participation in provision of essential infrastructure. The process of reducing the role of Government in commercial activities will continue through accelerating the privatization programme for State Corporations.

60. Parastatal reforms are expected to generate benefits to the Government for national development through:

- Private sector management which will improve the efficiency with which crucial business services are delivered;
- Private capital will be invested in the expansion and modernization of critical services; thus, releasing public resources for core activities; and
- Revenue will be generated from the sale or leasing of assets which can be used to reduce public debt.

The Government is, therefore, committed to:
• Further liberalize the telecommunication sector;
• Prepare Kenya Railways Corporation for concessioning;
• Establish the necessary institutions to facilitate policy formulation, service delivery and regulation of the water sector;
• Implement the concession for the management and maintenance of the Northern Corridor dual-carriageway;
• Finalize the Privatization Bill to be tabled before Parliament and develop a clear privatization strategy and programme with an implementation plan and timetable for the remaining list of public enterprises; and

Legal Sector and Judicial Reforms

61. Reforms under this area are intended to establish a judicial process that is predictable, speedy and beyond reproach. An equitable, predictable legal framework and ready access to a well functioning judicial system are basic human rights. They are also a fundamental prerequisite for economic and social development.

62. Legal and Judicial Reforms include review of outdated and unnecessary laws, revision of the legal code and administration of justice more efficient.

63. As you are all aware, the law has become increasingly expensive and inaccessible to the majority of Kenyans and there is pressing need to establish alternative arrangements for minor dispute resolution. In recognition of this, the Government has set in motion a comprehensive reform process for the legal sector.

Funding of Public Sector Reforms

64. Since 1993, the Government with the support of Development Partners has continued to allocate funds in the budget to support Public Sector Reforms activities. The Donors include: DFID, European Union, UNDP, Danida, World Bank, SIDA, CIDA, JICA, etc.