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# **PRODUCTIVITY MANAGEMENT FRAMEWORK FOR THE NATIONAL TREASURY**

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*Sustained Socio-economic Transformation for Job Creation and Shared Prosperity*

**January, 2024**



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## **LIST OF ABBREVIATIONS**

AHP	-	Analytical Hierarchical Process
HRMD	-	Human Resource Management Department
M&E	-	Monitoring and Evaluation
NPCC	-	National Productivity and Competitiveness Centre
OMAX	-	Objective Matrix
DG	-	Director General
MDAs	-	Ministries, Departments and Agencies
BFEA	-	Budget Fiscal Economic Affairs
PDMO	-	Public Debt Management Office
PFM	-	Public Finance Management
PPP	-	Public Private Partnership
PIMIS	-	Public Investments Management Information System
PIPM	-	Public Investments Portfolio Management
ICT	-	Information Communication & Technology
MFAD	-	Macro and Fiscal Affairs Department
IFMIS	-	Integrated Financial Management Information System
FSAD	-	Fiscal Sectoral Affairs Department
FDI	-	Foreign Direct Investment
KRA	-	Key Result Areas
TNT	-	The National Treasury
GOK	-	Government of Kenya



## **DEFINITION OF TERMS**

**Metric:** Measures of quantitative assessment commonly used for comparing, and tracking performance or production.

**Performance:** A measure of the extent of attainment of set objectives.

**Performance period:** The period between the first date and the last date of the financial year.

**Performance targets:** The specific and measurable planned level of result to be achieved within an explicit timeframe with a given level of resources.

**Productivity:** A measure of efficiency and effectiveness with which inputs are translated into outputs.

**Productivity index:** A measure of achievement that identifies the input contribution of each factor of production to the final output in relation to an agreed base year.

**Indicator:** A specific observable and measurable characteristic of achievement of the output. Outputs: The immediate results from an activity.





## **CHAPTER ONE: INTRODUCTION**

### **1.1. Overview of the National Treasury**

The National Treasury and Economic Planning was established under the Executive Order No. 2 of 2023 to oversee the Country's economic policy, public finance management, national and sectoral development planning.

The National Treasury (TNT) derives its mandate from Article 225 (1) of the Constitution of Kenya which provides for the establishment of The National Treasury through an Act of Parliament. This was actualized by Part III of the Public Finance Management Act 2012 which provides for the establishment, responsibilities and powers of TNT in respect of public financial management, fiscal and budget preparation and execution of responsibilities among other functions. The Executive Order No. 2 of 2023 placed the National Treasury and Economic Planning under one Ministry.

The core mandate of the National Treasury is to formulate, implement and monitor economic and financial policies of the Country as well as oversee proper and transparent management of public finances for both levels of government. It is also responsible for developing sound fiscal policies that facilitate social and economic development. This makes the National Treasury strategic and central to the Country's economic management as all sectors of the economy look up to it to create an enabling macroeconomic environment for effective and efficient service delivery. Moreover, the National Treasury regulates the financial sector which is central to the development of the country and on which all the other sectors of the economy depend for investment resources.

The National Treasury further mobilizes domestic and external resources to provide funds to national and county government budgetary requirements. In addition, the National Treasury prepares the annual estimates of revenue of the National Government. It also ensures that uniform accounting standards are applied by the National government and its entities and is the custodian of the national government assets.

In line with the Bottom-up Economic Transformation Agenda (BETA), this framework was established to guide productivity management in TNT.



## **The vision, mission, core values and core function**

### **1.4.1 VISION**

Excellence in economic and public financial management, and development planning.

### **1.4.2 MISSION**

To provide leadership in economic and public financial management, and development planning for shared growth through formulation, implementation and monitoring of economic, financial and development policies.

### **1.4.3 OUR CORE VALUES**

The National Treasury and Planning is committed to providing quality services to all and is guided by the following Core Values;

#### **i. Customer focus**

We put our customers first and continuously provide timely and quality services that match or exceed their expectations.

#### **ii. Results oriented**

The National Treasury and Economic Planning shall relentlessly pursue timely attainment of targeted results at all levels.

#### **iii. Stakeholder participation**

We adopt a participatory approach to policy formulation, planning, budgeting, monitoring and evaluation to facilitate inclusiveness, ownership and consensus.

#### **iv. Professionalism and Ethical Practices**

All staff shall uphold high moral standards and professional competence in service delivery.

#### **v. Transparency and Accountability**

We uphold transparency and accountability in service delivery.

#### **vi. Teamwork and commitment**

We embrace team work and commitment through collaborative efforts of all actors to achieve common goals.

#### **1.4.4 Key Functions**

The key functions of the National Treasury as derived from the above stated legal provisions include:

- Formulate, implement and monitor macro-economic policies involving expenditure and revenue;
- Manage the level and composition of national public debt, national guarantees and other financial obligations of national government;
- Formulate, evaluate and promote economic and financial policies that facilitate social and economic development in conjunction with other national government entities;
- Mobilize domestic and external resources for financing national and county government budgetary requirements;
- Design and prescribe an efficient financial management system for the national and county governments to ensure transparent financial management and standard financial reporting.
- In consultation with the Accounting Standards Board, ensure that uniform accounting standards are applied by the national government and its entities;
- Develop policy for the establishment, management, operation and winding up of public funds;
- Prepare the annual Division of Revenue Bill and the County Allocation of Revenue Bill;
- Strengthen financial and fiscal relations between the national government and county governments and encourage support for county governments;
- Assist county governments to develop their capacity for efficient, effective and transparent financial management and;
- To prepare the National Budget, execute/implement and control approved budgetary resources to MDAs and other Government agencies/entities.

## **1.2 Background**

Productivity level is an indicator of a country's competitiveness and its prosperity status. Countries that have embraced productivity practices develop their ability to produce quality goods and services at costs that meet the test of domestic and international markets, while promoting and maintaining high standards and quality of life of their people. Productivity measures how efficiently and effectively production inputs, such as labour and capital, are being used in an organization to produce a given level of output or service at minimum cost.

Productivity is considered a key source of economic growth and competitiveness and, as such, is a basic statistical information for many international comparisons and country performance assessments. At the organizational level, productivity is the capacity of an organization, institution, or business to produce goods and services with a minimum expenditure on inputs without compromising on the quality of goods and services.

Kenya suffers from three main challenges with regard to productivity which include, inadequate adoption of productivity management standards and practices; lack of knowledge in productivity and management techniques; and absence of a national integrated institutional framework for productivity promotion and management.

Given the foregoing, The National Treasury has prioritized productivity improvement in the refocused Strategic Plan Year 2018/19 to 2022/23 to be managed through this framework with a view of enhancing the efficiency and effectiveness in service delivery.

## **1.3 Rationale for Productivity Management**

The prevailing economic environment requires that the public sector configures itself in response to a tough fiscal environment and the rising expectations and demand for quality services by citizens as envisioned by the Constitution. This calls for optimal utilization of resources and efficient delivery of quality services.

The productivity measurement will therefore assist TNT in assessing its efficiency, quality of service, competitiveness, innovation, and sustainability. Measuring productivity will also be critical in gaining insight into the management intervention needed to improve efficiency and overall performance. This framework, therefore, guides the development of TNT metrics for measuring and recognizing productivity in line with the Government policies and directives.

## **1.4 Objectives**

### **1.4.5 Overall Objective**

The principal objective of this framework is to establish a mechanism to guide productivity management in The National Treasury.

### **1.4.2 Specific Objectives**

- Entrench a culture of productivity in The National Treasury.
- Provide a mechanism for measuring and improving productivity in line with The National Treasury Strategic Plan.

## **1.5 Guiding Principles**

This framework shall be guided by the following principles so as to ensure its success:

- a) Promotion of National values as guided in the PSC HR Policy & Procedures Manual (2016).
- b) Innovation in Management and Technology as guided by The National Treasury Refocused Strategic Plan 2018/19 to 2022/23.
- c) Modernization of labour management relations;
- d) Employee involvement and human resources development and fair distribution of productivity gains as guided in PSC HR Policy & Procedures Manual (2016).
- e) Rewards for productivity, the Performance, Rewards and Sanctions Framework for the Public Service (2016) will ensure that productivity is rewarded in accordance with this framework and the existing Government Guidelines.

## **1.6 Scope of Application**

The framework applies to all TNT employees, functions, processes, and projects relating to metrics prioritized for productivity improvement.

## **1.7 Review of the Framework.**

This Framework will be reviewed in the fifth year of implementation or as the need may arise. TNT may seek the necessary support from the NPCC during the scheduled reviews.

## **CHAPTER TWO**

### **PRODUCTIVITY MANAGEMENT**

#### **2.1 Context for Productivity Improvement and Measurement**

The Salaries and Remuneration Commission (SRC) has developed a framework to acknowledge productivity and performance within the public service. The main objective of this framework is to establish a mechanism to guide productivity management in TNT and serve as a guideline for implementing the principles outlined in Article 230(5) (c) of the Constitution of Kenya, which focuses on recognizing productivity and performance. To also align it with section 43(3)(a) of the Performance Management Regulations (2021) and the 8th Summit resolution number five on the National Wage Bill Conference (2019), which mandates the SRC to review public service remuneration and benefits to facilitate the rewarding of productivity.

On 31st March 2022, the Executive Office of the President, Head of Public Service, issued a circular (ref. OP/CAB.9/1A) to raise awareness among all Ministries, Departments, and Agencies (MDAs) regarding the National Productivity and Competitiveness Centre (NPCC). The MDAs were encouraged to engage with the NPCC, an organization that specializes in productivity improvement programmes for both the private and public sectors.

#### **2.2 Training and Sensitization on Productivity Improvement and Measurement**

The 20<sup>th</sup> Cycle Performance Contracting Guidelines for the Year 2023/24 on Productivity Mainstreaming required MDAs to develop and implement strategies and interventions aimed at ultimately entrenching a culture of productivity. In compliance with the guidelines, PS/TNT appointed a Productivity Mainstreaming Committee comprising of 28 members of staff to spearhead this process.

From 22<sup>nd</sup> to 27<sup>th</sup> January, 2024 NPCC facilitated a training on Productivity Mainstreaming. The objective of the training was to understand the following concepts:



- Overview of productivity management
- Overview of productivity measurement
- Productivity measurement metrics
- Development of Productivity Metrics
- Objective matrix and AHP
- Pairwise matrix weights allocation(practical)
- Finalization and validation of the weights.
- Productivity management framework.

### **2.3 Development of the TNT Productivity Measurement Metrics**

During the training session, NPCC guided TNT Productivity Mainstreaming Committee members/champions in developing productivity measurement metrics as well as coming up with TNT Productivity Management Framework. The developed metrics, derived from TNT Strategic Plan 2018/19-2022/23, are tabulated in table 1 below.

**Table 1: Productivity Metrics developed**

1.	Ratio of policies implemented against those developed
2.	Percentage change in FDI
3.	Customer satisfaction score
4.	Timely payment of debt
5.	The cost of borrowing in comparison to debt raised
6.	Percentage change in amount of money invested under PPP Initiative in a financial year
7.	Percentage change in the number of projects onboarded in the PIMIS in a given financial year
8.	Ratio of active partnerships against total number of partnerships signed
9.	Turnaround time for pension payment
10.	Employee satisfaction score
11.	Percentage of employees trained
12.	System availability
13.	Percentage of automated business processes
14.	Timely disbursement of funds to the various MDAs
15.	Ratio of policies implemented against those developed

TNTEP objectives	Sub-Factor	Indicator	S/No.	Metric	Metric Weight	Metric Description	Formulae/Ratio	Data Required	Data Available (Yes/No)	Data Source
Stable and sustainable macroeconomic environment	operational performance	effectiveness	1	ratio of policies implemented against those developed	14.63%	the metric tracks the policies implemented against those developed	number of policies implemented/ total number of policies developed	1. Number of policies implemented 2. total number of policies developed	yes	D/MFAD
	operational performance	financial sustainability	2	Percentage change in FDI	2.66%	this metric tracks the growth in FDI in the country	current - previous/ previous * 100	amount of FDI attracted in a given time period	Yes	DG. BFEA
	customer satisfaction	citizen experience	3	Customer satisfaction score	5.71%	Track level of customer satisfaction	Customer satisfaction score	Customer survey and feedback	Yes	Director Admin
	operational performance	Efficiency	4	Timely payment of debt	18.68%	this metric will track time taken to pay debts	debts paid on time (quarterly)/total obligations	Debt Register	Yes	DG. PDMO

Resource Mobilization for financing public expenditure	operational performance	effectiveness	5	The cost of borrowing in comparison to debt raised	7.05%	the metric will track the cost of borrowing in comparison to debt raised	Cost of borrowing/total borrowing	Debt Register	Yes	DG. PDMO
	operational performance	effectiveness	6	Percentage change in amount of money invested under PPP Initiative in a financial year	5.39%	the metric will track the amount of money invested in the current year under PPP Initiative in comparison to the previous financial year	current year - previous year/previous year*100	financial records for PPP	Yes	DG. PPP
	operational performance	Efficiency	7	percentage change in the number of projects on boarded in the PIMIS in a given financial year	2.76%	this metric will track the projects on boarded in the PIMIS	current year - previous year/previous year*100	Project Data	Yes	DG. PIPM/ PDMO

	operational performance	sustainability	8	ratio of active partnerships against total number of partnerships signed	4.78%	this metric will track the ratio of active partnerships (bilateral MOUs, Multi-lateral )	active partnerships/total number of partnerships	Agreements/MOUs	Yes	DG. PDMO/ BFEA
	operational performance	citizen experience	9	turnaround time for pension payment	2.84%	this metric will track the time taken to process pension claims	disbursement of payment date- lodged date of the claim	Number of days to disburse pension claims	Yes	DG. PPM
Organizational Capacity and Strengthening	labour performance	handling of internal customers	10	Employee satisfaction score	3.46%	Track level of employee satisfaction	employee satisfaction score	Employee survey and feedback	Yes	Director HRM& D
	labour performance	handling of internal customers	11	percentage of employees trained	1.90%	this metric tracks employees trained in technical and relevant skills (minimum number of hours) in a financial year	number of employees trained /total number of employees	training reports	Yes	Director HRM& D

	operational performance	maintenance of equipment	12	system availability	4.64%	this metric will measure the availability of the systems	uptime/downtime + uptime* 100	System Logs	Yes	Director, ICT
	operational performance	innovation and technology	13	percentage of automated business processes	3.78%	this metric will track the number of business processes automated	number of automated processes/total number of automatable processes*100	Business processes	Yes	Director, ICT
Development planning, Budgeting and intergovernmental relations	operational performance	Efficiency	14	timely disbursement of funds to the various MDAs	9.17%	this metric will measure the time taken to disburse funds	number of days of request/ the disbursement day	disbursement schedule	Yes	DG AS
Tracking and reporting on implementation of policies, plans and budgets	operational performance	effectiveness	15	ratio of policies implemented against those developed	12.57%	the metric tracks the policies implemented against those developed	number of policies implemented/ total number of policies developed	1. Number of policies implemented 2. total number of policies developed	yes	The relevant DG

### CHAPTER THREE: IMPLEMENTATION PLAN

Table 2: Productivity Mainstreaming Work-plan

Activity	Output	Timeline (2023/24 FY)				Responsibility
		Quarter 1	Quarter 2	Quarter 3	Quarter 4	
Create awareness/sensitize staff on productivity mainstreaming	Sensitized staff					Committee + NPCC
Develop productivity metrics	Key Productivity metrics					Committee + NPCC
Collect productivity measurement data	Required Productivity Data					Committee
Develop workplace productivity improvement strategy	Approved Framework					PS/TNT
Compute productivity index	Productivity Index					Committee + NPCC
Submit quarterly productivity reports to the National Productivity and Competitiveness Centre	Quarterly Reports					Committee

