

Muthaura: Perform or quit

By Samuel Kumba



In a move that could have unprecedented and untold repercussions on the government's entire administrative and service delivery systems, all those public officers who fail to deliver on their performance contracts will be shown the door.

This is according to the country's top civil servant Ambassador Francis Muthaura, who oversees the entire government bureaucracy.

In an interview with *The Financial Post*, Muthaura, who is also secretary to the cabinet, was categorical that it was high noon for non-performers and dead wood in the civil service.

Amb. Muthaura explains: "If you were very good last year and this year you are rated as poor, then there must be something wrong. We have to correct what is wrong. To us, that means the leadership of the institution has not been good. It is as simple as that. This is standard practice."

With a performance contract, Muthaura says, a civil servant knows that there are targets to be met. Provisionally, he adds, at the end of the contract, one is evaluated on whether the targets they have agreed on with the employer have been met or not.

"We devised the measurement with a scale of 1 to 5 where 1 is the best performing and 5 represents the poorest performer. It is very easy to scale all the targets set and, at the end of it, establish how one has done," he explains.

Asked to explain why the evaluators failed to consider parameters which changed midstream for some ministries during the evaluation, Muthaura argues that such things are discussed during the process of approval of the performance contracts.

The Head of the Civil Service explains: "One only commits to what is available. Targets are set, based on the resources that are available or at least one is sure are going to be available. If one overstates the resources, that is poor judgment.

As an officer, you should be as accurate as possible. This has to do with the management of the resources and service delivery. So if you do not efficiently deliver, Kenyans will not excuse you for lack of resources. The emphasis is on the services provided as well as the results."

Only three months after the first round of the evaluation, the ministries are taking the exercise seriously. While announcing the performance results in December last year, President Mwai Kibaki said that the unveiling of the evaluation report marks a crucial milestone in the government's efforts towards delivering efficient services to Kenyans.

Kibaki pointed out that under the performance contracting process, the most important management perspective that leaders in the public service are required to focus on is the Citizens Service Delivery Charter.

The charter empowers the public to not only expect but also demand specific service standards.

And indeed the government, through the performance contracts steering committee secretariat, has organized a two week training workshop on performance contracting courtesy of Boston Institute for Developing Economies (BIDE) which ends this Friday.

The training aims to create a general awareness and appreciation of the concept of performance contracting at management levels in the public service and sensitize and induct public servants into the process.

It also wants to create the critical mass necessary for disseminating knowledge of the process to the entire public service in order to ensure its sustainability and guide the public service on the processes of designing, negotiating and implementing performance contracts, including the process of evaluation.

BIDE has extensive experience in advising governments on design and implementation of both macro- and micro-policies. 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 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.

The success of performance contracts in such diverse countries as France, Pakistan, South Korea, Malaysia, India, and Kenya has sparked a great deal of interest in this policy around the world. A large number of governments and international organizations are currently implementing policies using this method to improve the performance of public entities in their countries.

If anything, performance contracts represent a state-of-the-art tool for improving public sector performance. They are now considered an essential tool for enhancing good governance and accountability for results in the public sector.

International experiences with privatization show that the process of implementing a well-thought-out privatization programme is a lengthy one.

Therefore, in the interim, it is imperative that immediate steps be taken to increase the efficiency of public enterprises and reduce further drain on the country's Treasury.

A rigorous performance contract exercise reveals the 'true' costs and benefits associated with a particular public enterprise. This, in turn, provides a valuable basis for privatization.

And just to eliminate any doubt of the ultimate results at the end of the performance contracts, an initiative was established to monitor the progress even at departmental levels.

The Rapid Results Initiative (RRI) was initially set up by the Office of the President (OP) in response to the Kenya Anti-Corruption Commission (KACC) report that singled out the OP as the most corrupt ministry.

The RRI campaign was aimed at improving service delivery and eliminating corruption. Realizing that the initiative can hasten the achievement of performance contracts objectives, a number of departments and ministries are adopting it.

RRI is a management tool through which small components of larger projects can be geared towards achieving set results in 100 days.

The RRI was formulated by Robert H. Schaffer & Associates (an independent consulting firm), whose experience in the private and public sectors suggested that a critical instrument for capacity enhancement of clients and teams was to achieve short-term success through quick and meaningful results. While acknowledging that RRI goals will be challenging but worth pursuing, Muthaura urges government officials to brave them.

"We have reached a point where we have to change the way we have always done things to a way that delivers results to Kenyans. In order to achieve this objective, the government has introduced a Results Based Management (RBM) approach in the conduct of government business. The process of instituting RBM in the public service constitutes a major shift from a public service that has traditionally been process-oriented to one that focuses on organizational performance, results and good governance," Muthaura is on record saying.

Many countries have had success in improving the performance of their own public sector by designing performance contracts in accordance to their needs and lessons from the international scene.

The concept of performance contracting was first introduced in Kenya in the management of state corporations in 1989, then focusing on the Kenya Railways Corporation and National Cereals and Produce Board (NCPB).

The contracting failed for three basic reasons. First, there was a lack of political goodwill to drive the process which was then largely perceived as donor-driven. Secondly, the process did not conform to the requirements of the three subsystems of performance contracts as they lacked the performance incentive system. Thirdly, there was no provision for the impact of external factors such as changes in government policy, inflation and exchange rate fluctuations which would have made evaluation unfair.

Kenya decided to re-introduce performance contracting in 2003 by the then newly elected Narc government as clearly spelt out in the Economic Recovery Strategy (ERS) for Wealth and Employment Creation.

The expected outcome of performance contracts in Kenya is improved performance, decline in reliance on exchequer funding, increased transparency in operations and resource utilization, increased accountability for results and linking reward on measurable performance

They are also expected to lead to reduced confusion resulting from multiplicity of objectives, clear apportionment of responsibility for action, improvement in the correlation between planning and implementation and creating a fair and accurate impression on the performance.

Even though the strategic plan is a critical management tool in performance contracting, a political will is more decisive.

This being an election year, *FP* sought to know from Muthaura whether what has been achieved will come to naught in the likely event that the incoming government lacks the political will to continue the process.

“Not at all. You know political will is determined by Kenyans. This is because politicians are employees of the Kenyan population. So, if a politician does not want what Kenyans want, then the politician is in trouble,” explains Muthaura.

Started in France in the 1970s, performance contracting has been used in about 30 developing countries in the last 15 years. In Asia, the performance contract concept has also been used in Bangladesh, China, and Sri Lanka.

In Africa, it has been used in selected enterprises in Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d’Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire.

And in Latin America, they have been used at different times in Argentina, Brazil, Bolivia, Chile, Colombia, Mexico, Uruguay and Venezuela. Other countries that have applied the concept include United Kingdom, United States, Canada, Denmark and Finland, among others.

In Kenya, Muthaura says, the country has begun to see and feel the benefits of performance contracting in a relatively short period.

“There has been increased productivity and profitability. Last year, for example, the Treasury had budgeted to receive Ksh 849 million in dividends from state corporations. Because of improved efficiency engendered by performance contracting, the corporations delivered Ksh 2.14 billion in dividends, an improvement of 200 per cent.”

Contracting ministries have not been left out in recording visible efficiency gains and Muthaura says the Treasury has, for example, streamlined disbursement of funds in a way that ministries now know in advance the amount of funds they will receive in accordance with agreed annual cash flow projections.

“This has eliminated subjectivity and arbitrary determination of funds disbursement, increased efficiency in service delivery and high quality of government initiated programmes as well as increased management accountability for results,” he explains.

Does the whole process amount to change of employment contracts?

Whereas an employment contract and a service contract may dwell on the terms and conditions of service, a performance contract is a mutually agreed document that specifies the responsibilities, commitments and obligations of both parties to the agreement.

It itemizes the key results areas, the level of performance expected towards achievement of agreed targets, and how performance will be measured. It is presumed that every employee is hired to carry out specified tasks and functions in an organization.

To the extent that a performance contract makes explicit the expected standards of carrying out the tasks, and how they will be measured, then the performance contract is a subset of an employment or service contract.

Victors: How we managed to excel

By **Samwel Kumba**

In a bid to unravel what the ‘victors’ did and ‘loser’ did not do in the wake of last year’s performance contracts rating, *The Financial Post* managed to get views of both sides as they prepare to launch their teams to work towards this year’s rating.

Dr Romano Kiome, Permanent Secretary in the Ministry of Agriculture

A beaming Dr Kiome explains: “We are proud that we were ranked first, therefore, making us the best performing ministry. It is not that we did anything extraordinary. We rather kept track of our targets and commitments. One of the things we take very seriously in this ministry is that when

we accept to do our job, we ensure we do it very well. I keep mentioning to my colleagues that I do not like to be associated with failure.

In some of the very serious aspects of the job, we give it a personal touch. If anything, I do some of those things myself. I then let my people to own the results as we develop together. I believe that, as a manager, there are things that call for a personal touch.

We, therefore, try to put together a team that is committed to the job. When I joined the ministry in December 2005, I realized that the performance contracts thereof had not been fully developed and we had to revise our strategic plan. The previous one had been done by a consultant and I know from my management experience that certain plans, if they are done from outside, hardly get acceptance inside. By February 2006, we had produced the first draft.”

“By the time we were signing the performance contracts we managed to use the plan to develop the targets for our contract. So far, we have a good working team and a cohesive understanding between the political and technical leadership.”

Strategy

“The first thing we did was to put structures in place by reinforcing the technical department. We came up with positions of an agricultural secretary and four directors so that each can take responsibilities of the main departments of the ministry.

We proceeded to do a comprehensive staff mapping. This involved transferring 4,700 members of staff with a condition that nobody who had served in the same place for more than three years shall remain there. To me, this was a bold move that enabled us to adjust staff between the districts which had a surplus and those that had a deficit.

We recruited 340 younger people in the technical department. We also put in place very comprehensive programmes which included an initiative to revive all the agricultural training colleges.

Our position is that any service that we are providing is either well done or we do not provide it at all. We provided uniforms to all our agricultural extension officers and set up a very comprehensive field visit programme with each staff having specific targets.

We agreed with both the minister and his assistant that they will equally be involved in the field work. You will be surprised that even the minister has his own targets of the field days he is going to preside over. He has up to 100 while the assistant has 120 field days.

This was very good of them because everybody was fully committed to the targets. We have a very close monitoring process. We meet with the minister and the assistant minister every Tuesday to monitor the ongoing activities. We also meet technical departments every month for the same. We actually exceeded many of the estimated targets. Where we faltered was where we depended on others to perform. Take, for instance, the civil works where we usually depend on the Ministry of Public Works to tender and approve the process which is sometimes not as fast.

Challenges

“Actually, a lot had gone wrong and we had to put a lot of effort to correct things. For example, all the 27 agricultural training colleges were run down. Our challenge was to revive them in turn. Our initial step was to convince the staff in these institutions that it can be done.

Currently, most of them are up and running but the challenge that still remains is the perception in the public about these institutions which is difficult to change. For instance, by the time I came here, the government had not provided transport for the provinces and districts since 1993. The 51 vehicles and the 320 motor bikes that we distributed last year were the first batch for over two decades.

People had given up. But we have been meeting and talking to them quite regularly to put them into perspective. Today, the response is amazing. In fact, all they needed was a little inspiration. We are now buying about ten dozers for the agricultural machinery services. These had not been bought for along time. I also found out that the ministry’s agricultural machinery services that were hired out were not being paid for especially by prominent Kenyans including Members of Parliament (MPs).

Fortunately, for MPs, I had to discuss the issue with the August House and when it was decided that their salaries will be deducted for that purpose, they paid immediately.”

Teamwork

“The most important thing among people is contacts. One needs to have very good contacts with the members of staff at all levels. I believe that when we are in regular contacts with the people then it is easy for them to know what you expect and they also know what you expect. That way, each employee’s capacity is known. We regularly organize field days that enable us maintain these contacts.

By keeping close contacts and identifying the strengths and weaknesses of our members of staff, we can be able to differentiate and re-direct our capacity building programmes.

Most of our managers had not undergone refresher courses for a long time. We have, therefore, set in place refresher courses on management, leadership and strategic planning currently being conducted across the country throughout the year. We intend to train over 150 managers.

That is why we have now put in place comprehensive extension programmes which people thought had been abolished. The problem actually was lack of resources.

For example, per capita funding of the extension staff in 2003 was Ksh 7,000 per frontline extension per year. The other day I was telling a colleague that such a per capita expenditure is lower than per capital expenditure on a prisoner.

We have, however, since increased that to Ksh 34, 000, which is still a bit lower but we intend to increase it over time. We are also providing the officers on the ground with transport. We also prioritize certain areas so that the officers are not overstretched. We would like them to cover village by village.

However, some villages have not probably been covered so far but, they will, finally. In addition we have started training farmers in our agricultural training centres. Actually, none of them were training. Last year we gave each of these institutions a target to train at least four courses for every two weeks and we are increasing the number of courses to raise the level of interaction with the farmers.”

Maintain top position

“We believe we have what it takes to maintain our high ranking because we know what it takes. Ours is to keep close monitoring of the targets we have set as well as sustain high inspiration of our members of staff.

We believe in strong commitment, good teamwork, being focused and tracking our targets. We know what is within our limit to achieve unless we are faced with phenomena such as bad weather. But we believe that if everybody pulls up across the ministries, then the government performs better on overall.”

Suleiman Rashid Shakombo, Ministry of State for National Heritage

The ministry was ranked the second best performing ministry. *FP* caught up with the minister and he had this to say: “We are not struggling to maintain our position. We are heading to the first position.”

Second position

“We attained position two by doing what was supposed to be done and that is how we lived within the targets. We are sure of doing even better this time around. I know that the government is committed to reforms in the ministry in order to introduce efficiency in its operations.

Our four-year strategic plan, which covers from 2006 to 2010, operationalizes the ministry’s mandate in accordance with the new policy shift as advocated by the government’s Economic Recovery Strategy (ERS), the Poverty Reduction Strategy Paper (PRSP), the Government Action Plan (GAP) as well as the Millennium Development Goals (MDG).”

So what next after the impressive performance?

“The ministry will remain committed to implementing the government’s Vision 2030, whose underlying feature is the improvement of service delivery and the reforms aimed at reviving the productive and service sectors of the economy.

Among the factors affecting the implementation of various government development plans are lack of sufficient finance, human resources and strategic plans that would ensure effective and efficient services.

Our strategic plan sets out a number of strategic objectives, strategic initiatives and interventions which seek to address the current situation in the context of the ongoing ministry reforms. The reform agenda in the ministry aims at promoting quality service delivery, efficiency and effectiveness, development of alternative financing options, development of human resource, strengthening in institutions, support systems and good governance.”

Mark Bor, PS, Ministry of Labour and Human Resource Development

One of the middle ranking ministry, but which is crucial to the development in this country, was ranked Very Good (position 10). Bor assures Kenyans that the ministry will aim to achieve even better results than last years. He explains:

“It is generally understood that what gets measured gets done. Hence what cannot be measured can not be appreciated. In this ministry, the then PS Ambassador Nancy Kirui, entered into a performance contract containing measurable specific targets. At the end of the period, an assessment based on the targets agreed upon was carried out and the ministry was ranked number 10.

Now my challenge is that if the ministry is ranked less than that position, which I know will not happen, the perception will be that I performed poorly. So, we are working very hard to maintain and improve the performance.

Achievements

A number of medium and small enterprises (MSEs) sites were identified and secured. Space has been allocated to such operators by the government. Other achievements include streamlining labour resolutions where the industrial courts did a marvelous job.

The industrial training department is equally doing very well. In the management of the budget, the ministry was well run. It stuck to the provisions.

Generally, the members of staff worked together and they did a good job. We want now to improve on that. We would like to work even more closely with training institutions and companies to ensure that the knowledge is not only acquired but applied.

We want to play a great role in realizing Vision 2030. There is every indication that the government is generally moving towards achieving that. All it needs is the goodwill from the people so that great things can be achieved in the future.”

Moses Akaranga, Minister in Charge of Public Service

According to Akaranga, almost all government officials have changed their attitude towards service delivery. He attributes that to the fact that when one knows his or her performance contract is being measured, then the set goals have to be achieved.

Akaranga’s ministry which was ranked 24 overall is the one that provides policy direction in human resource management and development in public service.

Drivers, there is nowhere to hide

By **Guchu Ndung’u**

He reckons he was born a challenge taker and great thinker. It is just that he realized this in his mid life. Indeed, various incidences in his life justify that title.

In 1997, Paul Mahiaini became another statistic in the corporate retrenchment that hit the job market when he was relieved of his duties as an information technology (IT) specialist at a local bank.

While doing his many rendezvous trips to town, he heard complaints from owners of Japanese made vehicles that their car stereos could not receive signals from the local FM radio stations, and immediately, his mind went into an overdrive.

“After research, including on the Internet, I discovered the existence of FM expanders.”

Mahiaini raised Ksh 50,000 from his savings and friends, imported the expanders and arguably, became the first Kenyan to expand the Japanese made car radios to accommodate Kenya’s frequency range. FM signals in Kenya extend to 90 and above e.g Kiss Fm 100 while Japanese FM signals are less than 90.

The rest, as the cliché by political biographers goes, is history.

For currently, the father of two is the proprietor of the Stoic Company, a firm that specializes in car security, accessories, maintenance and care. It also trains drivers on defensive driving-refresher courses aimed at training drivers on the Highway Code.

Stoic has rattled the car security industry by coming up with a tracking device that uses the power of the Internet and the expansiveness of the mobile phone network to not only help in tracking stolen cars but also assist fleet owners to keep track of their fleet.

At a cost of Ksh 40,000 and a monthly charge of Ksh 3,000, a device known as a transponder is installed discreetly on the vehicle.

The device captures information such as when car doors are opened, how long the car has stopped, and vehicle speed and location.

Through a built-in mobile phone SIM card, the transponder continuously relays the data back to Stoic's main server and the control room of the fleet company via the mobile phone network.

"A client receives updates through an email or SMS sent to Stoic's mobile phones or that of the clients," the entrepreneur discloses. The vehicle can be stopped or even immobilized.

The technology, Mahiani offers, cost the company between Ksh 10 million and Ksh 20 million to develop and though they have not recouped their investments, the prospects are good.

"We have more than a dozen companies in the service ranging from taxi companies to security and other corporate institutions," says the seemingly confident Mahiani.

It is a confidence born of many tribulations and, although his is not the typical rags to riches story, having not been born with a silver spoon in his mouth.

Born 40 years ago in Murang'a, Mahiani attended Menengai High School before joining the Kenya Polytechnic for a Diploma in Computer Science and later a business management course at the Kenya Institute of Management.

He later joined Citibank's IT department where he worked until 1997 when the bank's restructuring programme saw him join the jobseekers camp. It was then that he discovered the anomaly in the Japanese vehicles being imported into the country and Stoic Company was born.

"I got a job offer from another bank but declined. The challenge in business was more exciting and rewarding. My view of employment changed significantly."

And why the name Stoic?

"Because we are immovable, strong, and brave. This is adequately captured by our trade name, Stoic."

Stoic, only consisting of the entrepreneur and his wife, started operating with a desk donated by a company belonging to a friend as the only furniture. Other roadblocks as set out on his entrepreneurial sojourn included too much taxation, capital for expansion, and lack of awareness among would be customers.

"We marketed our products ourselves. To say the least, we were thorough in our job. Later on, other copycats emerged and prices for FM expanders dipped. This called for a change of strategy and business focus to survive."

His next venture was also a first; as Stoic was the first Kenyan company to repair windscreens, a technology he acquired from a Western firm through the Internet.

However, that and other grand plans needed funds for expansion and Mahiani knocked on many a bank's door only to have it slammed shut on his face for lack of collateral.

The Navigator, a church-based group that loans its entrepreneurial members loans for business, advanced the born again Christian a 'substantive' amount that he used to expand his business.

"At the Navigator, your character is your collateral," says the proprietor who is also the chairman of the Kenya Auto Motor Security Association (KASA), an association whose members are tracking companies.

He expanded to car alarms and it was while doing the car alarms that the idea of fleet management through technology hit him and, like other ideas, he embarked on research on the same.

The first challenge was the unavailability of the digital maps since the available ones were archaic and did not reflect the changes taking place in the landscape of the city and country at large.

"Our experts convert maps from paper to digital form," says Mahiani, who in his spare time mentors upcoming entrepreneurs.

Also, the company opted to have its servers located in the United Kingdom (UK) hence increasing their operational expenses than initially budgeted for.

"We set the servers in the UK because of security reasons. Also, Internet connection in Kenya is very slow, which is a disadvantage in this business."

However, Mahiaini hopes this will change once the proposed fibre optic and the underground marine sea cable are up and running.

Opposition from drivers of some of the clients almost worked against him with drivers in one of the companies who procured his services staging a walkout once the tracking device was installed as they termed it 'intrusive.'

"Misuse of vehicles by drivers and fuel theft were common as fleet owners in the past relied on drivers to tell them the location of each vehicle. Currently, our clients can see where they are at any time and our devices can alert the owners of any attempts to siphon the fuel."

Once a transponder is installed, the tracking device in the vehicle picks three signals from a satellite, which in turn gives information like the latitude and longitude thus determining the location of the vehicle.

"The information is sent to our servers in the UK which relay them here. Our customers are able to access the information through a software, which we install in their systems. The tracking devices can even show which side of the road the vehicle is parked in."

With 14 employees and an expansion plan that has its sight traded on the East African market, the entrepreneur urges the government to scrap all forms of taxes for start-ups.

"It should give at least a 5-year tax break to start-ups. This way, it will even collect more tax as the start-up will have matured at the expiry of the period. And they cannot avoid paying tax because corporate clients only deal with a tax compliant company," he explains.

He advises young entrepreneurs to think outside the box and not to fear venturing into entrepreneurship.

"Even if you start a kiosk, make it different from the rest. Side step the competition and always put God first," concludes Mahiani.

How to access Kenya's first and only indigenous fund

By **Guchu Ndung'u**

From her office on the 16th floor of Teleposta Towers, Joyce Oganda has an excellent view of small scale traders and hawkers displaying their wares at Uhuru Park and bets that she understands their predicament.

After all, the Master's degree in entrepreneurship graduate has disbursed over Ksh 15 million to micro and small enterprises (MSEs) in the country for the 2006/7 financial year and for the next financial year, she is dreaming big.

"We have budgeted for Ksh 73 million during this year's Budget," says Oganda, the Senior Deputy Director of Trade at the Ministry of Trade and Industry.

A relatively unknown fund, Oganda is overenthusiastic about the Joint Loans Board Scheme (JLBS) fund by the Ministry of Trade given to micro entrepreneurs throughout the country.

It is the only fund in the country that has an almost racial, sorry, Pan-Africanist characteristic, in that it is available to Kenyans of African origin only. Simply put, it is strictly open to black Kenyans.

Probably, this is due to its origin. It was established by funds from the American International Corporation Administration in 1956, seven years before Kenya gained her independence.

"The fund was established to facilitate Africans expand their businesses and thus become creditworthy for banks to lend them money," explains Oganda.

How to access the fund

To access the fund, an enterprise must be fully registered, have a premise and must have been in existence "for at least six months or close to that."

"It is not meant for startups but those who require money for expansion," explains the director.

Enterprises must also be seeking to borrow not more than Ksh100, 000 which they are expected to repay within a period of two years. It also attracts an interest of 12 per cent per annum.

Entrepreneurs seeking money for expansion have to visit a district trade officer near them where, after filling the requisite forms, the officer visits them for verification on the existence of their business and its legality.

"The status and character of the person is also checked to find out their creditworthiness," says Oganda.

Once verified, the application is sent to the Joint Loans Board and the loan disbursed after approval.

The process has its critics and, chief among them, is an applicant who accuses the board of being too bureaucratic by taking unnecessarily long to process the funds.

"They took over six months to process the loans and by the time I got the money, it was almost too late," said the trader who preferred to remain anonymous.

Oganda while admitting that the disbursement takes long; blames lack of manpower in the ministry and other bureaucratic requirements.

"The Joint Board cannot convene for more than three times a year. So, the trade officer has to pile the applications until the board meets. Also, we have insufficient trade officers to deal with the applications," says the director.

Due to the 2000 retrenchment exercise, trade officers currently manage trade zones rather than district as was the case thus affecting their output especially on evaluating the entrepreneurs eyeing the fund.

In addition, the Trade Ministry official decries shortage of funds compared with the ever increasing needs of the entrepreneurs.

Due to lack of staff, auditing is slow leading to complaints from local authorities on the transparency in management of the fund. Local authorities are supposed to contribute to the fund but Oganda say most of them do not.

"Currently, there are some officers handling up to four districts and more are needed," points Oganda.

Also, the ministry has to grapple with an average default rate of 57 per cent which Oganda attributes to the freebie mentality especially during the first post-independence years.

"Many thought the loans given in the 1950s and 60s were *matunda ya Uhuru* (fruits of independence) and were not obliged to pay. We have treated such loans as bad debts and have been unsuccessfully trying to have them written off," she explains.

Loans issued in the 1990s have, however, recorded repayment rates of over 80 per cent and Ksh 157 million is owed to the fund.

Since 2003, over 2,080 entrepreneurs have benefited from the fund and it has been increased from between Ksh 3million and 5 million to Ksh 10 million this financial year.

"Since it is a revolving fund, as people repay the money, we combine it with the allocation for disbursement," says the director who joined the ministry in 1982.

Critics of the fund are, however, quick to accuse it of rewarding cronies of the provincial administration besides serving as a cash cow for civil service technocrats due to not only the selection of the board members but also the repayment rate.

The JLB has six members, three councillors and three appointees from the business community. The zone trade officer while liaising with the District Commissioner, recommends five people to the Permanent Secretary who picks three.

Each local authority nominates the councillors to the board. There are 49 boards in the country and a local authority has to initiate the fund by initially applying to the Trade Ministry and subsequently allocating a section of its budget for that.

Most, after the first contribution, do not continue and it is entirely funded by the central government.

"Only four local authorities contribute. Others decry lack of funds," says the director.

Whether the government has the capacity to administer such funds has also been put to question with some saying it has no business engaging in private sector lending.

"The government has a social responsibility to help disadvantaged groups in the country. The Black Empowerment Programme in South Africa is a good example," points out the director.

Admitting flows in the objective and disbursement of the fund, Oganda also offers that the ministry has hired consultants to restructure the fund to address the changing needs of micro and small entrepreneurs.

The consultants, who are expected to hand in their report after five months, will also align the fund with the government's proposed Vision 2030.

"They will look at how it can be restructured to become more effective. It has now become part of the Economic Recovery Strategy paper and has been identified for poverty reduction in the country."

Though mooted by the colonial government and placed under the local authorities, the fund has since been put under the Trade Ministry for prudent management.

The fund comes hot on the heels of the proposed Micro and Small Enterprise Bill that seeks to establish an authority to cater for the needs of micro enterprises

Ironically, authority will be at the Ministry of Labour and many analysts have attributed the slow development of MSEs due to, among others, the 'distribution' of management of SMEs across various ministries thus lacking coordination while helping the sector.

Contacted on the alleged duplicity of roles, both Trade and Labour ministry officials referred us to the Office of the President.

Until then, MSEs will have to be contented with piecemeal efforts.