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FOLLOWING REFERENCE NUMBER QUOTED:-

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CIRCULAR NO. 18
FILE NO. 463/132
DIVISION: PUBLIC EXPENDITURE POLICY CO-ORDINATION

Permanent Secretaries
Chief Executive Officers
Heads of Departments

Performance Incentive Payments – Guidelines for Executive Agencies

The attention of Permanent Secretaries and Chief Executive Officers of Executive Agencies is being drawn to the requirement to adhere to the following guidelines in respect of the payment of Performance Incentives effective for financial year 2009/2010 and thereafter.

1. All proposals to establish a performance incentive scheme must be submitted to the Financial Secretary for review and evaluation in adherence to Circular No. 17 "Public Sector Compensation Packages" dated December 13, 1999.
2. The Executive Agency's Key Performance Indicators (KPI) must be included in the Corporate Plan of the Executive Agency (EA).
3. All annual performance targets must be agreed to by individuals and be so evidenced and approved by the management of the EA. The Chief Executive Officer's targets are the organization's targets and will be approved by the Portfolio Minister/Ministry and included in the Corporate Plan.
4. Procedures for the evaluation of KPI's and the payment of performance incentives must be established and approved (for example in an EA Human Resources Handbook/Manual).
5. The basis for evaluation of KPI's must be clearly established and communicated to all participants prior to the finalization and final acceptance of all performance targets.

6. One of the following two methodologies shall apply when evaluating the achievement of KPI's (see Appendix for application):
 - i. Where the agency in its Corporate Plan establishes its KPI's based on the achievement of an absolute number of targets then the evaluation shall be based on the number of targets that satisfies 100% of the performance criteria (targets achieved) against the total number of targets (the population) that were established and agreed on. The final score shall be derived by dividing the number of targets achieved by the total number of established targets. This will determine eligibility for the payment of performance incentive (see Appendix); or
 - ii. Where the Agency in its Corporate Plan establishes its KPI's based on a system whereby weights are attached to each KPI then the evaluation shall be based solely on each KPI that satisfies 100% of the performance criteria and the attached weight. The final score shall be derived by multiplying each KPI that satisfies 100% of the performance criteria by the related weight to arrive at a weighted score. The sum total of the weighted score will be used to determine eligibility for the payment of performance incentives. Targets that do not satisfy 100% of the performance criteria will be regarded as being not achieved for evaluation purposes (see Appendix).
7. All expenditure for incentive payments must be included in the Approved Estimates of Expenditure for the financial year in which the payment is being made.
8. The KPI's achieved by all EA's must be **audited and certified** by the Chief Internal Auditor (CIA) of the Executive Agency or in his/her absence, by the CIA of the Portfolio Ministry. Approval for payments shall **only** be given after the Chief Internal Auditor has certified that the agency has successfully achieved its KPI's.
9. The CIA in the EA or in his/her absence the CIA of the Portfolio Ministry must audit all payments of Performance Incentives for correctness and eligibility.
10. The performance targets achieved in every proposal for the payment of a performance incentive by an Executive Agency must be reviewed and evaluated by the Financial Secretary in every period in which the performance incentive is to be paid.
11. Performance incentive payments shall not exceed **Twelve and one half percent (12.5%)** of the gross basic salary of the employee. This includes amounts paid for performing duties (acting) in a post that is not the employee's substantive post during the course of the financial year to which the performance incentive is applicable.
12. **A target is satisfactorily achieved only if 100% of the conditions/criteria^(a) required for achievement is satisfied.** Payment for Performance Incentive may be made only if all (i.e.100%) of the KPI's have been satisfactorily achieved when evaluated.
13. However, if the result of the evaluation of the KPI's is assessed to be between 80% and 99% and these have satisfied **100% of the performance condition/criteria^(a)** the payment of performance incentives may be made but **only** on a pro rata basis.

14. The following pro-rata rates shall apply to performance targets whose evaluation result is assessed to be between 80% and 99%. That is, between 80% and 99% of established targets satisfy 100% of the performance criteria/conditions:

	<u>% of targets that satisfy 100% of conditions/criteria</u>		<u>% of Incentive Payment Applicable</u>
i.	100	=	100
ii.	95 – 99	=	95
iii.	90 – 94	=	85
iv.	85 – 89	=	75
v.	80 – 84	=	60

15. The payment of performance incentive shall be based on the achievement of performance targets in the following three categories as developed by the agency:

- i. Agency/organization;
- ii. Department/division; and
- iii. Individual.

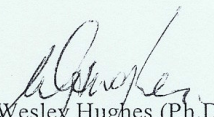
16. The 12.5% maximum payable for the achievement of performance targets shall be allocated on the following basis.

	<u>Category/Classification</u>	<u>Allocation</u>
i.	Agency/Organization	6.0%
ii.	Department/Division	3.0%
iii.	Individual	3.5%

17. An employee may be paid a performance incentive **only** if at least eighty percent (80%) of his/her agreed performance targets satisfies 100% of the conditions/criteria related to those targets.
18. The normal mathematics/arithmetic rule of rounding off will apply where an evaluation score falls between two different performance incentive payment categories when the pro rata rates are applied.
19. Only individuals who have been employed in the agency for a period of six (6) or more months consecutively in the year in which the performance incentive payment applies shall be eligible for incentive payment.

This Circular supersedes Circular No. 11 dated May 13, 2008.

The contents of this document are to be brought to the attention of all relevant personnel.


Wesley Hughes (Ph.D.)
Financial Secretary

(a) **EXAMPLE**

Key Performance Indicator (KPI) – 85% staff satisfaction with facilities

Achievement/Result – 64%

- i. ***The condition/criteria*** – 85% or more of the agency's staff must be satisfied with the agency's facilities.
- ii. *A satisfaction level of 64% is partially achieved and does not satisfy the established condition/criteria 100%, the performance target is thus not achieved.*
- iii. *This KPI would therefore be classified as not being achieved when the evaluation is being done to determine whether the 80% minimum achievement level for the payment of performance incentive was met (regardless of the weight attached thereto).*

Appendix - Evaluation of Performance Targets

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	Strategic Objective		Key Performance Indicators	Performance Measure	Weight %	Targets	Actual Performance	Absolute	Weighted Average
i	Increase learner participation, engagement & achievement	1	Job competence & performance met by faculty	Job competence and performance met by faculty	7	95%	98%	achieved	7
		2	Client's satisfaction with the performance of staff trained.	Clients' satisfaction with the performance of staff trained by the agency	7	85%	98%	achieved	7
		3	Training Impact Evaluations	Quarterly Training Impact Evaluation Reports	7	4	4	achieved	7
ii	Expand options & access to training development	4	Partnerships & collaborations established & strengthened	Number of new partnerships & collaborations established & strengthened	7	3	5	achieved	7
		5	- Courses delivered	- No. of courses delivered	4	211	237	achieved	4
		6	- Course hours	- No. of courses course hours	4	16,102	11,361	not achieved	0
		7	- Participants	- No. of participants	4	3,826	4,456	achieved	4
		8	Special Learning Events	- No. of Special Learning Events	4	8	2	not achieved	0
iii	Strengthen the quality of service delivery	9	Clients' overall satisfaction with service delivery	Client's overall satisfaction with service delivery	5	85%	94.3%	achieved	5
		10	Index of staff job satisfaction	Index of staff job satisfaction	5	75%	70%	not achieved	0
		11	Participants' overall satisfaction with service delivery	Participants' overall satisfaction with service delivery	5	85%	93.7	achieved	5
iv	Maintain sound financial management	12	Financial targets met	- Income	10	101.8	105.96	achieved	10
		13	Financial targets met	- Expenditure	10	191.9	163.27	achieved	10
v	Expand strategies to upgrade public sector employees.	14	Competency Framework	Competency Framework developed	10	100%	100%	achieved	10
vi	Provide innovative & responsive learning environments	15	Satisfaction with facilities	Clients/participants satisfaction with facilities	6	85%	91%	achieved	6
		16	Satisfaction with facilities	Staff satisfaction with facilities	5	85%	64%	not achieved	0
	Total				100			75.0	82.0
	Total number of targets							16	
	No. of Targets not achieved							4	
	Total number of targets achieved							12	
	Percentage of target achieved							75.0	
	Weighted Average Achieved								82.0