

## FOREWORD

Governments everywhere are seeking various ways to improve the performance of public enterprises (PEs) and to increase their productivity. The long debates on what to do with loss-making enterprises are over and many governments have sought solutions in privatising or commercialising selected enterprises for several reasons, including the need to make them more efficient and to instil market discipline in them. But wholesale privatisation of the public enterprise sector has not happened yet, at least not in countries outside the former Eastern European and Soviet Republics. It is therefore a fact of life that government still has a role to play in managing some key public enterprises. It is important that these enterprises be properly managed.

One of the important problems facing public enterprises relates to poor management of the interface between government and PEs. While PEs usually believe that they lack operational autonomy to carry out their assigned responsibilities, governments often contend that PEs lack initiative, are wasteful in the use of resources and give back poor returns on investment. While the need for accountability is generally recognised by the PEs' management, the board and the government, problems arise when one tries to find out who is accountable for what and to ascertain the mutual obligations of the parties.

This book is written to assist in providing some answers to the thorny questions facing the performance of public enterprises. It sets out in some detail the mechanisms for determining enterprise performance and a framework for assessing enterprise productivity across the board. It explains the concept and methodology of the performance contracting system and provides case studies from five countries to clarify the approach.

The first chapter deals with the concept and rationale for performance contract and explains the underlying principles for its adoption in selected countries. Chapter two discusses the development of the performance contracting system and traces its history from the early 1960s in France to its current use in various countries, with special reference to France, Korea, Pakistan and the Gambia. The institutional arrangements for performance contracts are covered in the third chapter which also outlines the arrangements in use in selected countries like France, Korea, India, Nigeria, Bangladesh and Ghana. In chapter four, the contents of a performance contract are explained in detail, including criteria identification, target setting and assigning weightages. Monitoring and evaluation are the subject of chapter five which provides a definition for monitoring and evaluation, and distinguishes one from the other. The importance of monitoring and evaluation is fully explained and their central role in the system highlighted. A critical issue in performance

contracts is the Incentive System and this is discussed in chapter six. The last chapter examines the process of installing the performance contracting system, providing a checklist at the end for successful operation of the system.

The second section of the book contains five well-researched cases, all of which were specially commissioned for this publication. These cases are from Pakistan, India, Bangladesh, Ghana and The Gambia. Each of the cases provides useful information on the evolution and practice of performance contracts in the country and the lessons learnt to date in adopting the system.

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This publication is for practising managers. It is written in an easy to read language, with copious illustrations to make it a useful companion to policy-makers and students of public sector management. It is hoped that the book will contribute to a better understanding of the design and implementation of a performance improvement tool that undoubtedly holds great promise for the management of our public enterprises.

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