This study sought to investigate the effects of performance appraisal on the productivity of employees in the health institutions in Yatta district in Kenya. Specifically the researcher intended to find out whether the process of performance appraisal helps to improve the productivity of employees in the health institutions through giving feedback, focusing on targets, influencing attitudes, enhancing motivation and offering job security. The research also undertook to find out whether all the ranks in the institutions were involved in the process when it's done, and if not all, then who among them conducts the exercise. The project used descriptive survey design and studied the government and mission health institutions in Yatta district. The whole population in the health institutions was used to ensure that all categories of employees in the institutions were represented and captured as much data as possible. Primary data was used and was collected using questionnaires that were distributed to the various institutions. Data was analyzed by the use of Microsoft word computer software programme and findings were presented using charts and tables. It was found that performance appraisal does take place in the institutions though at different intensities in the different centers. Also, giving of feedback varied from institution to institution. The employees however were of the opinion that the whole process of appraisal is very important and should be taken seriously in order to enhance the productivity in the various institutions. Feedback after every appraisal session was said to be very important to the improvement of performance. Performance appraisal also enabled the employees to focus on the targets set for them. When done well, it would also influence positive attitude towards the job and also enhances motivation to the employees as well as increasing the job security among the employees. The researcher recommends more emphasis on performance appraisal by equipping those doing it with the necessary knowledge and facilities to conduct the exercise. There is also need to educate the employees about the whole process so that they can stop viewing the performance appraisal with much suspicion.