Performance Based Budgeting Prospects for Poland

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The Roles of Key Institutional Factors

United States Congress

1993 Government Performance and Results Act required of agencies . . . .

- Strategic Plans
  - general goals and objectives, including outcome- related goals and objectives, for the major agency functions
- Annual Performance Plans and Reports
  - Includes the performance indicators established in the agency performance plan, along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.
- Program Performance Reports
  - establish performance goals to define the level of performance to be achieved by a program activity

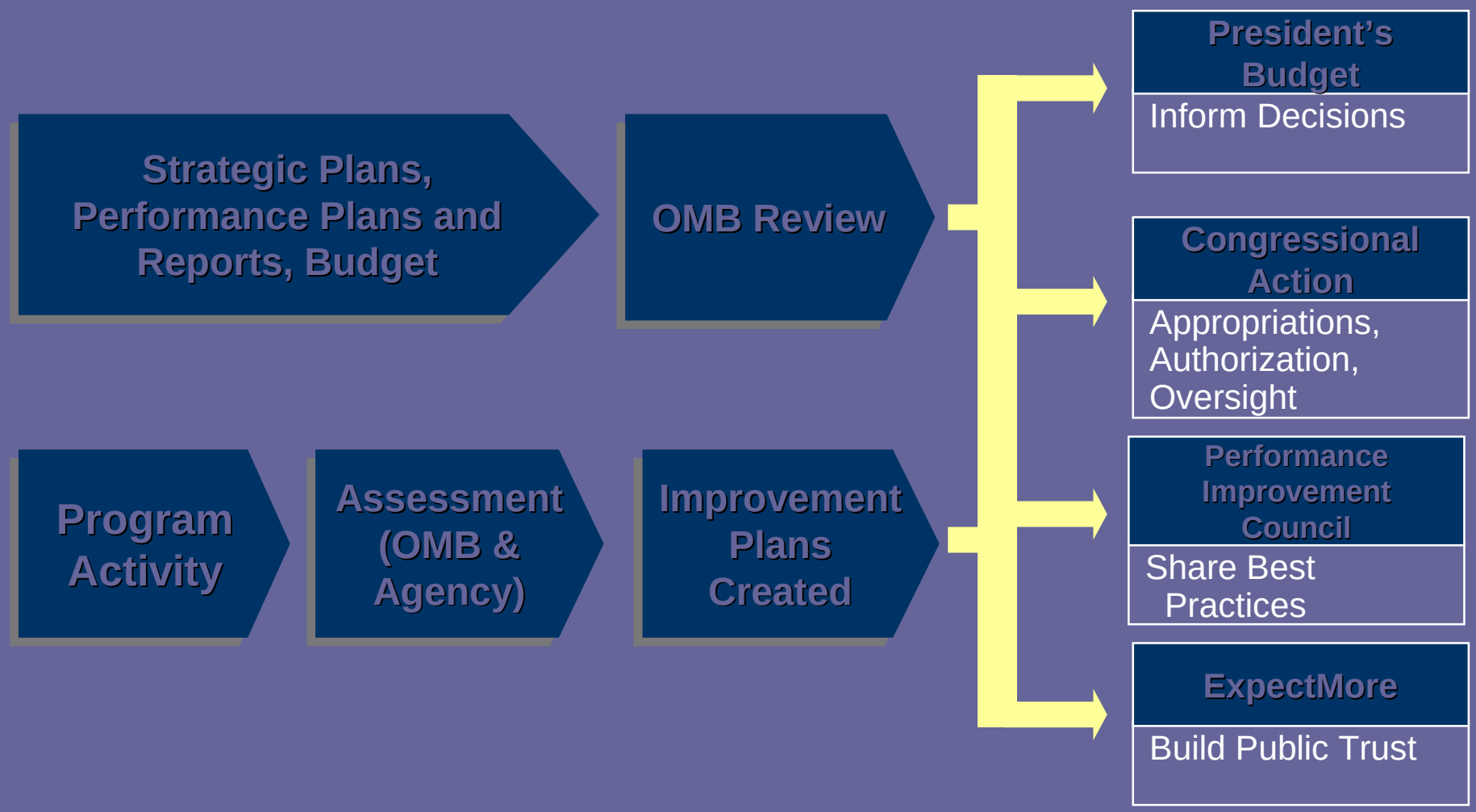
The United States Office of Management and Budget

- Develops guidelines for . . .
  - Strategic plans
  - Performance plans
  - Performance reports
  - Budget justifications

- Assesses programs and holds agencies accountable for improvement

www.omb.gov

Agencies, the Office of Management and Budget, Congress, and the Public



Recent Audit Office Findings

"Since 1997, significantly more federal managers report having performance measures for the programs they manage, though reported use of performance information in management decision making has not changed significantly."

Source: Lessons Learned for the Next Administration on Using Performance Information to Improve Results: Statement of Bernice Steinhardt: Director, Strategic Issues: GAO-08-1026T; www.gao.gov/highlights/d081026thigh.pdf.

Non-Governmental Organizations

- The Mercatus Center
  www.mercatus.org
- The Performance Institute
  www.performanceweb.org
- The Partnership for Public Service
  www.ourpublicservice.org
- The Council for Excellence in Government
  www.excelgov.org
- The Urban Institute
  www.urban.org

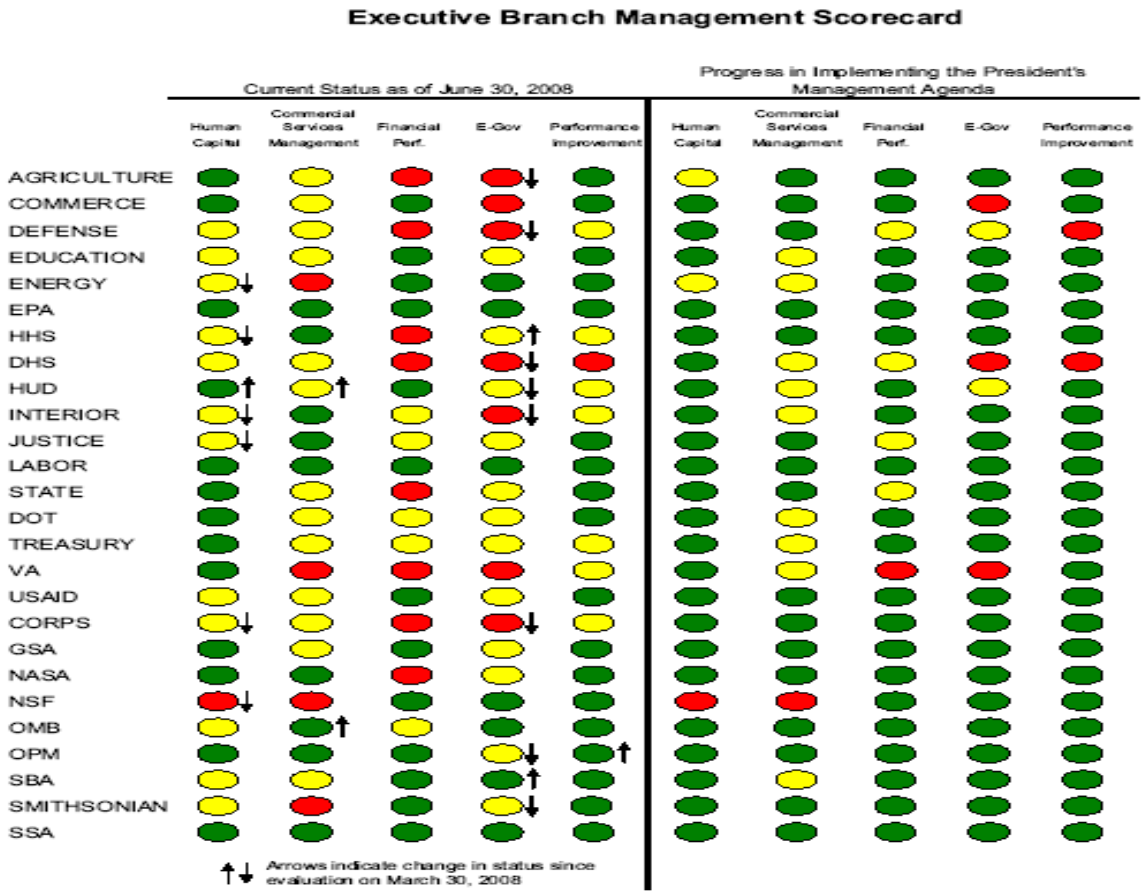
Introducing Performance Based Budgeting:

Opportunities and Challenges

The President's Management Agenda

- Quarterly Scorecard assessing agency improvement in five categories:
  - **Human Capital**
  - **Commercial Services**
  - **eGovernment**
  - **Financial Management**
  - **Budget Performance Integration**

The Scorecard



PERFORMANCE IMPROVEMENT

Agency: • Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers all major responsibilities of the Department. Agency works to improve program performance and efficiency each year; • Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate measures identified in the PART and focus on the information used in the senior management report described in the first criterion; • Reports the full cost of achieving performance goals accurately in budget and performance documents and can accurately estimate the marginal cost of changing performance goals; • Has at least one efficiency measure for all PARTed programs; • Uses PART evaluations to direct program improvements and hold managers accountable for those improvements, and PART findings and performance information are used consistently to justify funding requests, management actions, and legislative proposals.; **AND** • Less than 10% of agency programs receive a Results Not Demonstrated rating for two years in a row. **To maintain green status, agency:** • Improves program performance and efficiency each year, **AND** • Uses marginal cost analysis to inform resource allocations, as appropriate.	Agency: • Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers some of the major responsibilities of the Department. Agency can demonstrate information is used to improve performance of agency programs; • Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate measures identified in the PART process; • The full cost of achieving performance goals is accurately reported in budget and performance documents; • At least 50% of agency programs rated by the PART have at least one efficiency measure; • PART findings and performance information are used to justify funding requests, management actions, and legislative proposals, and agency assigns specific individuals responsibility for implementing program improvement plans; **AND** • No more than 50% of agency programs receive a Results Not Demonstrated rating for two years in a row.	Agency: • Senior agency managers do not have a regular process for considering financial and performance information when making decisions regarding the management of Agency programs; • Strategic plans contain too many goals and objectives to provide a clear focused statement of Agency priorities. Performance measures included in annual budget and performance documents do not meet the standards of the PART; • Does not have a systematic way to estimate the full cost of achieving performance goals reported in budget and performance documents; • Fewer than 50% of agency programs rated by the PART have at least one efficiency measure; • Agency does not consistently use PART ratings to justify funding requests, management actions, and legislative proposals; **OR** • More than 50% of agency programs receive a Results Not Demonstrated rating for two years in a row.

The Program Assessment Rating Tool

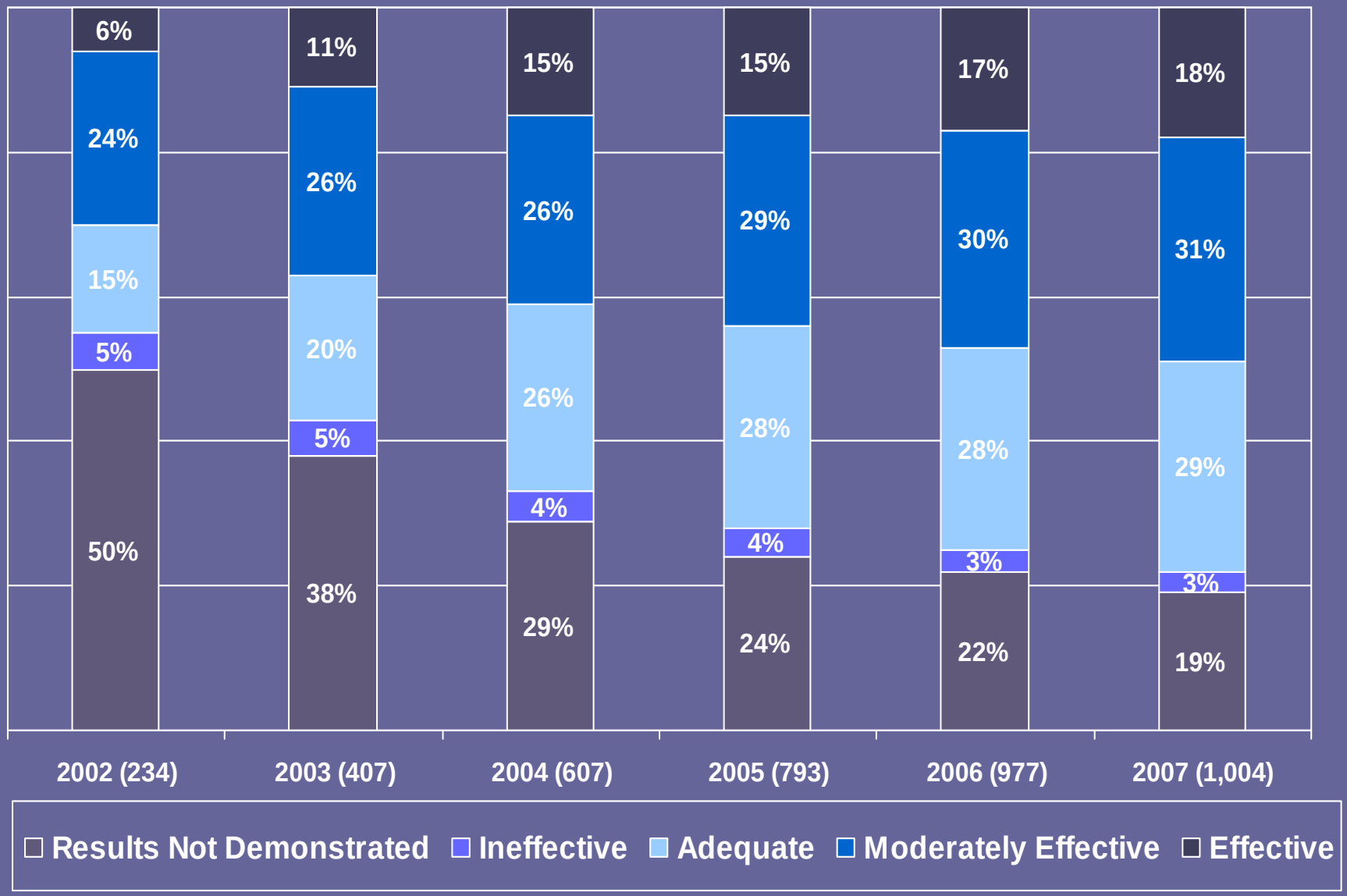
- Assesses Programs in Four Key Dimensions
  - **Purpose and Design**
  - **Planning**
  - **Management**
  - **Results and Accountability**

- Encourages Continuous Improvement

- Applies Consistent Framework to all Programs

- Generates Objective Program Ratings
  - **Effective**
  - **Moderately Effective**
  - **Adequate**
  - **Ineffective**
  - **Results Not Demonstrated**

PART Results



Agency	% Targets Exceeded	% Targets Met	%Targets Not Met	% targets improved
Department of Agriculture	42%	22%	36%	48%
Department of Commerce	51%	30%	19%	44%
Department of Defense--Military	37%	42%	21%	49%
Department of Education	48%	13%	39%	46%
Department of Energy	47%	44%	10%	46%
Department of Health and Human Services	52%	19%	29%	39%
Department of Homeland Security	37%	28%	35%	56%
Department of Housing and Urban Development	39%	27%	34%	49%
Department of Justice	56%	19%	25%	38%
Department of Labor	63%	13%	24%	41%
Department of State	44%	29%	27%	54%
Department of the Interior	49%	23%	28%	53%
Department of the Treasury	52%	18%	30%	51%
Department of Transportation	53%	18%	29%	40%
Department of Veterans Affairs	23%	40%	37%	51%
Corps of Engineers-Civil Works	44%	29%	27%	43%
Environmental Protection Agency	50%	26%	24%	50%
General Services Administration	47%	15%	37%	60%
International Assistance Programs	47%	23%	30%	49%
National Aeronautics and Space Administration	25%	47%	28%	45%
National Science Foundation	48%	39%	13%	73%
Office of Personnel Management	50%	17%	34%	42%
Small Business Administration	66%	7%	27%	30%
Social Security Administration	10%	20%	70%	54%

Prospects for the Future

- While performance will never be exclusive factor in budgeting, goals should be to increase its prominence in debates over budget.
- Active performance management will require greater leadership attention – chief executive, finance ministry, agency, and Congress.
- Duplicative programs aimed at same goal should improve collaboration.

Performance Audit

Audit Requirements for Federal Financial Statements

Effective for fiscal year 2008, the provisions in Paragraphs 2.8, 6.11, and 7.13 of the Bulletin will no longer apply. Instead, OMB and agency officials with responsibility for performance management will develop a separate framework for independent verification and validation of performance data starting for fiscal year 2008.

(www.omb.gov/bulletins/fy2007/b07-04.pdf)

Assessing the completeness and reliability of performance data

Each agency Performance Report must include:

- Candid discussion of data limitations;
- Description of procedures for verification and validation of performance data, including any process of checking or testing performance information to types of errors, such as errors in keying data;
- Description of any external assessments such as evaluations, peer reviews, and performance audits that can mitigate the risk of bias in performance reporting;
- Brief statement by the agency head attesting to the completeness and reliability of the performance data, and on data limitations, if they exist.

(www.omb.gov/circulars/a11/current_year/s230.pdf)

Best Practices in Verifying and Validating Performance Information

- The Results Act. An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GCD-10.1.20)located at www.gao.gov/special.pubs/gg10120.pdf

- Department of Interior Data Validation and Verification Standards located at http://www.doi.gov/ppp/DOI%20Data%20V&V%20Standards%20Matrix.doc

Indicators and Evaluations: The Good and the Bad

Indicators

- ***Outcome Measures.*** The intended result of carrying out a program or activity. An event or condition that is external to the program or activity and that is of direct importance to the intended beneficiaries and/or the general public.

- ***Output Measures.*** The level of activity that will be provided over a period of time, including a description of the characteristics (e.g., timeliness) established as standards for the activity. Outputs refer to the internal activities of a program (i.e., the products and services delivered).

Indicators

Outputs v. Outcomes. While performance measures must distinguish between outcomes and outputs, there must be a reasonable connection between them, with outputs supporting (i.e., leading to) outcomes in a logical fashion.

Outcome measures are the most informative measures about performance, because they are the ultimate results of a program that benefit the public. Programs must try to translate existing measures that focus on outputs into outcome measures by focusing on the ultimate goal of the program, as shown here:

Outputs	Outcomes
Number of housing units rehabilitated.	Increases in equity (property value) of rehabilitated houses for low-income families as a result of targeted assistance.
Number of businesses assisted through loans and training.	Percent of businesses that remain viable 3 years after assistance.
Number of people served by water/sewer projects.	Increased percent of people with access to clean drinking water.
Number of acres of agricultural lands with conservation plans.	Percent improvement in soil quality; dollars saved in flood mitigation.

Agency Name	% Outcome Measures	% Output Measures	% Efficiency Measures
Department of Agriculture	39%	35%	27%
Department of Commerce	32%	47%	20%
Department of Defense--Military	35%	38%	27%
Department of Education	64%	13%	23%
Department of Energy	33%	47%	20%
Department of Health and Human Services	56%	26%	19%
Department of Homeland Security	39%	34%	27%
Department of Housing and Urban Development	38%	47%	16%
Department of Justice	43%	27%	30%
Department of Labor	51%	20%	29%
Department of State	55%	29%	16%
Department of the Interior	47%	34%	19%
Department of the Treasury	47%	28%	25%
Department of Transportation	52%	26%	22%
Department of Veterans Affairs	68%	5%	27%
Corps of Engineers-Civil Works	49%	37%	14%
Environmental Protection Agency	40%	39%	21%
General Services Administration	7%	24%	68%
International Assistance Programs	5%	71%	24%
National Aeronautics and Space Administration	32%	52%	15%
National Science Foundation	4%	48%	48%
Office of Personnel Management	22%	9%	70%
Small Business Administration	36%	38%	26%
Social Security Administration	65%	9%	26%

Indicators

Small Business Development Centers

- Old focus: Number of small businesses counseled or trained
- *Current focus: Number of jobs created (new businesses v. old businesses)*

Community Health Centers

- Old focus: Numbers and characteristics of persons served and services provided
- *Current focus: Heath outcomes such as low birth weight babies*

Evaluations

- Review of Math and Science Programs
  - Of 115 evaluations reviewed
    - 65 were insufficiently rigorous to gauge impact, such as pre-post studies, comparison group studies without careful matching, or randomized controlled trials with important design flaws.
    - 25 were not impact evaluations
    - Only 25 were sufficiently rigorous to assess impact; 10 had preliminary findings, 15 were underway.

Evaluations

- What Constitutes Strong Evidence?
  - *Randomized Controlled Trials*
  - *Direct Controlled Trials*
  - *Quasi-Experimental*
  - *Non-Experimental Direct Analysis*
  - *Non-Experimental Indirect Analysis*

(www.omb.gov/part/2004_program_eval.pdf)