

# The United States Government's Method for Rating the Performance of All Programs — the Program Assessment Rating Tool (PART)

## Discussant's Comments

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The PART approach is a good example of performance-based budgeting. It also provides an example of the nexus between performance-based budgeting (PBB) and performance management. The PART thus constitutes a sound government system of monitoring and evaluation (M&E).

We know there are three possible types of PBB. The first is direct PBB. This involves formula-based approaches to the allocation of funding. In such cases, budget funding is based on the volume of outputs or outcomes provided. Examples include university funding that is based on the number of graduates, and hospital funding based on the number of different types of surgical and other health interventions.

Indirect PBB exists when M&E information on the performance of government programs provides one input — but only one input — to the government's budget allocation decisions. In such cases the decision rule may be unclear, so it cannot be expected that a well-performing program will necessarily receive additional budget funding. For example, a program which is more than achieving its performance targets, and which is also not a high priority for the government, might receive less funding in future because the targets could still be achieved with a lower level of funding. Conversely, a poorly-performing program that is a high priority for the government — such as primary education — will simply have to be fixed; this is likely to require more funding to resolve its performance problems, at least in the short run.

Presentational PBB involves the government reporting the performance of its programs to the Congress and civil society, at the time when budget documents are presented. Presentational PBB is the weakest form of performance budgeting.

### **Successes of PART**

It seems clear that the PART has achieved success in 9 different areas.

First, it has succeeded in helping all government programs — their departments, managers and staff — clarify their objectives and program design. Such clarification is conceptually easy to do, yet most governments struggle with this.

Second, it has helped achieve a reorientation from the traditional focus of civil servants on program inputs, activities and outputs, to a focus on program outcomes.

Third, the PART has provided real incentives to departments to better manage their performance, and it has done this through publication and wide dissemination of the PART ratings — in other words, via full transparency of government performance.

Fourth, PART has placed considerable pressure on all departments and agencies to be able to demonstrate their results in a credible and convincing manner. This has evidently led to a substantial improvement in the information available on the performance of the U.S. government's programs, via better monitoring information and evaluation findings. At the start of the PART initiative in FY02, 50% of government programs were able to demonstrate their results (especially their outcomes). By FY06 this proportion had risen to 78%.

Fifth, the Office of Management and Budget (OMB) uses the PART information to negotiate with each department a range of performance targets and commitments to specific improvements. (This is analogous to the approach of Chile's finance ministry.) The targets and the commitments go beyond PBB and represent important ways in which OMB promotes the performance management of government programs.

Sixth, departments and agencies are required, under PART, to use this M&E information in their budget requests to report (a) the performance ratings of each of their programs, (b) the corresponding performance targets, and (c) the specific measures that OMB has negotiated with them to improve the performance of individual programs — the departmental commitments.

Seventh, the PART has succeeded in rating the performance all government programs — which cover the wide range of government activities in all sectors — on a consistent and comparable basis. This has great advantages to a finance ministry because it helps clarify the trade-offs between competing spending priorities in the budget process. The OMB in turn uses this information as one input when preparing the executive government's budget proposals for Congress' consideration. A senior manager of OMB recently mentioned that each year the government might recommend that around 100 of its 1,000 programs be either terminated or have their funding reduced significantly, and that for about half of these 100, such cuts would be recommended because of poor performance (as measured by PART).

Eighth, the PART ratings of each program are drafted by the relevant department or agency. These preliminary ratings are then scrutinized closely by the OMB budget analysts (the "program examiners") who oversee the program, and who have a large say in the final ratings of each program. (OMB manages a process of adjudicating any differences in the two sets of ratings.) This process ensures the close involvement of OMB's budget analysts in the PART ratings of program performance, and also in ensuring that departments commit to undertake specific improvements to program design or management. This close involvement ensures the budget analysts are closely familiar with the performance of the programs they oversee. This contrasts with the approach of finance ministries in many developing countries that have a more traditional focus solely on financial spending and not on government results — i.e., government's outputs, outcomes and impacts.

Finally, the PART process is highly transparent both within and outside government. The performance rating process achieves a high level of credibility when OMB and the government rate some of the President's favorite programs as performing poorly. This provides strong support to government accountability.

### **Challenges Facing PART**

As we heard earlier, the Congress is largely indifferent, and at times even hostile, to the PART ratings. One possible explanation is a preference to focus more on political issues and matters of high-level policy, rather than on government effectiveness. The latter is apparently viewed as an issue for the executive arm of government to be more concerned about. At the same time, Congress does retain a close interest in the dollar amounts appropriated for particular government programs. (Dollar spending provides one possible measure of political commitment to any given program.)

It is perhaps unfortunate that only one arm of government gives a high priority to having M&E information available to enable the performance of all programs to be formally assessed. However, the U.S. Government budget that is finally agreed represents a compromise between the executive and legislative arms of government. Thus the PART ratings do have some influence on budget allocations — i.e., there is indirect PBB. (Note that in most other countries, the legislature plays a relatively weak role in budget allocations.)

### **Success Factors Underlying PART**

There appear to be at least four main success factors. First, the principal champion of the PART is the OMB, a very powerful budget office that is attached to the White House. Second, the OMB has created an objective and credible process for measuring and assessing the performance of government programs. This is particularly important in a system of government where both the political party in Opposition and lobby groups are highly influential.

A third success factor is the close involvement of OMB's budget analysts. Related to this is a fourth factor: the ability of these analysts to fully understand and interpret monitoring information and evaluation findings when making the PART ratings. This understanding is no doubt facilitated by many of the analysts having degrees in public administration of the social sciences.

### **A Conclusion**

The PART is a good example of performance-based budgeting. It also provides also provides an example of a budget office being involved in the performance management of government programs. The PART thus constitutes a sound government system of M&E. One suggestion: that the Government should consider conducting a formal assessment — a PART rating — of its PART system. This would further clarify its strengths and weaknesses, and provide a menu of possible improvements for the future.