

## **SUMMARY**

### **Indonesian Government Officials**

Kenneth Leventhal, Director of Program Budget Development, briefed an 11 person delegation on Performance Based Budgeting and Performance Management. The delegation was made up of officials from the Indonesian National Development Planning Agency and the Ministry of Finance. The meeting was requested by Rapid Access International on behalf of the Japan International Cooperation Agency (JICA). The officials were part of a capacity building project run by JICA and the Mitsubishi UFJ Research and Consulting Co., Ltd. (MURC). The purpose of the project is to build the capacity of Indonesian Government organizations and to help them create systems for performance-based budgeting.

The Indonesian delegation explained that they are undergoing a reform of their planning and budgeting system. They began developing these budget reforms in 2003. The goal of the reforms is to develop performance indicators, to link performance and budget allocation, and to implement performance based budgeting. They are still struggling with this process, and would like to learn from the U.S.

Mr. Leventhal explained the history of HUD's experience with performance management, within the context of the Government Performance Reform Act (GPRA). He explained that in FY2000, HUD was identified as a high risk agency from an accounting standpoint, and was taught about performance management by the National Academy of Public Administration. He said that out of this training HUD came to recognize three important guiding principles. The first was that top-level buy-in was crucial for the success of performance management efforts. Mr. Leventhal explained that this means that the Secretary must energize, and follow through on efforts. He must drive the process to realize success.

A related principle is that this drive must spread throughout the entire organization. Because change is difficult in a large organization, it is important to get all facets of the organization moving in the same direction. An effective tool to realize this goal is Total Quality Management (TQM). TQM involves top-level identification of goals, mission, and vision, which everyone in the organization will work toward in an energetic way. To institutionalize TQM, this vision should be made part of everyone's performance evaluation. In order to advance in the organization you have to advance the work of the agency overall.

The third guiding principle is for successful performance management is data quality. Mr. Leventhal explained that HUD needs to improve its data quality, and that this improvement is a necessary challenge for any organization with ambition that is trying new things. Such new projects require data collection and understanding of data. Because HUD relies on states and public housing authorities to input data in a timely and accurate manner, this process must be closely monitored.

Because HUD has in recent years closely adhered to these three guiding principles, today the agency is considered a leader on performance management.

Next, Mr. Leventhal explained some background information on HUD. He explained that HUD is a medium-sized department with a workforce of approximately 10,000 people, about 2,000 of which work in headquarters. HUD runs about 200 programs with a \$40-\$45 billion budget. Mr. Leventhal gave several examples of HUD programs. HUD's main programs deal with housing and community development. HUD's mission is to make housing quality and affordable and to make communities strong, sustainable, and inclusive. HUD's programs are highly targeted for very low income, low income, and to a lesser extent moderate income people.

For example, FHA facilitates homeownership through guaranteeing mortgages for low income people. HUD also supports rental housing, which makes up 60-70 percent of the agency's budget. This includes tenant-based rental assistance through vouchers, and project-based rental assistance to landlords. These programs serve approximately 4.1 million families, or 10-11 million individual people. HUD also runs community-focused programs, such as the Community Development BLOC Grant program. In addition, HUD provides homelessness assistance, fair housing programs, and housing counseling.

Mr. Leventhal explained that since the year 2000, HUD has developed and implemented a strategic plan. This process is made up of three steps, the strategic plan, the annual performance plan, and the annual performance report. The process is mandatory under the GPRA. The strategic plan includes what performance measurements the agency wants. Today it is a living, well done, and effective document. The annual performance plan features a one year goal and includes information on what the agency wants to accomplish in that year. Finally, HUD issues an annual performance report, to chart its progress on meeting these goals. When it comes to these three performance management tools, the more specific, metric, and measurable the goals laid out are, the better the agency will be able to manage its performance. This will help the agency improve in the long run.

HUD's new strategic plan has changed since 2000. For example, in the past, the strategic plan focused on expanding home ownership. However, as the foreclosure crisis has illustrated, high levels of home ownership were not sustainable. Thus today, HUD's strategic plan focuses on supporting financially sustainable home ownership in a more realistic way. Another change is that, although rental housing has always been an important part of HUD's work, today it is emphasized emphatically both in the document and when the Secretary speaks with Congress. Thus HUD leadership has made rental housing a top priority for the agency. Finally, in the case of community development, this notion has been expanded to a more united, enhanced effort that is undertaken with a variety of stakeholders across sectors and across agencies. There is now an increased focus on sustainable communities. One example of this new type of work is the DOT-EPA-HUD partnership on this issue. The Community Development BLOC Grant program attracted over 1200 applicant communities, illustrating the popularity of this approach. The task that lays before HUD today is to produce outcomes that will prove that this approach works.

This task points to the crucial importance of connecting performance, budget, and data. Mr. Leventhal explained that as part of reforms in the U.S. HUD in FY2010 created an office of Strategic Planning & Management with more energy, expertise, and specialization. This office works very closely with HUD's Budget Office. Also, in compliance with GPRA, HUD appointed a Chief Operating Officer, who has been very effective in improving performance management in the Agency.

Mr. Leventhal closed the meeting by once again emphasizing the importance of goals and indicators which are tied to the budget in order to achieve effective performance management. He also reminded the delegation that having this all on paper is good, but it is not enough. Good performance management must be a fundamental priority at the highest level, and must be energetically pursued by the agency's leadership. Mr. Leventhal was happy to report that under the current Secretary of HUD, the strategic plan does not sit on a shelf collecting dust. He explained that there is a HUDSTAT meeting once a month to review the strategic plan with experts both from headquarters and the field. In this meeting the Secretary asks tough questions about what the agency needs to achieve, what it has achieved, and what it needs to do to improve. He emphasizes solutions and accountability. Asking these types of questions has ensured that HUD's record on performance management has improved.