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MONITORING TOOLKIT

SELECTING PERFORMANCE INDICATORS

Introduction

This resource supplements ADS 201.3.5.6. It provides an overview of performance indicator requirements and outlines practical steps and considerations for selecting performance indicators. The primary audience includes CORs/AORs/GATRs, Project Managers, Monitoring and Evaluation Specialists, and Activity Managers.

Performance Indicators: The Basics

WHAT IS A PERFORMANCE INDICATOR?

An indicator is a quantifiable measure of a characteristic or condition of people, institutions, systems, or processes that may change over time. *Performance* indicators measure expected outputs and outcomes of strategies, projects, or activities based on a Mission's Results Framework or project or activity logic model. Performance indicators are the basis for observing progress and measuring actual results compared to expected results. Performance indicators help answer the extent to which a Mission or Washington Operating Unit (OU) is progressing toward its objective(s), but alone cannot tell a Mission or Washington OU why such progress is or is not being made. While performance indicators are not the only means of monitoring the performance of strategies, projects, and activities, they are an important part of such monitoring efforts.

WHEN ARE PERFORMANCE INDICATORS REQUIRED IN THE USAID PROGRAM CYCLE?

Performance indicators must be included in the Country Development Cooperation Strategy (CDCS); Mission Performance Management Plan (PMP); and Activity MEL Plans. Requirements include:

Program Cycle Phase	Required Performance Indicators
Strategic Planning	
CDCS	• At least one *illustrative* performance indicator for each Intermediate Result (IR) and each sub-IR
PMP	• At least one performance indicator for each IR identified in the CDCS Results Framework; and • At least one performance indicator for any Project Purpose, if identified in an approved Project Development (PDD) .
Activity Design	

Program Cycle Phase	Required Performance Indicators
Activity MEL Plan	• Activity MEL Plans must include at least one relevant performance indicator for each activity-level outcome
Reporting[1]	
Performance Plan and Report (PPR)	• At least one performance indicator for each IR in the CDCS. Missions can determine whether to include these indicators in the PPR. • *Applicable* standard foreign assistance indicators.[2]

WHAT REQUIREMENTS MUST BE MET WHEN USING PERFORMANCE INDICATORS?

Every performance indicator used by a USAID OU must:

- have a *baseline*;
- have *targets* set prior to reporting data;
- be *disaggregated* by sex when measuring person-level data; and
- have a *Performance Indicator Reference Sheet (PIRS)*, complete and sufficient within three months of the start of indicator data collection.

In addition,

- Performance indicator data must be *stored* in an indicator tracking table or information system that allows quantitative analysis of indicator data.
- *A Data Quality Assessment (DQA)* must be conducted for each performance indicator reported to external entities, including all performance indicators reported in the PPR, at least once every three years.

Further information about these requirements of performance indicators can be found in ADS 201.3.5.6.

Types of Performance Indicators

There are several different ways to categorize performance indicators at USAID that are useful to consider when selecting or developing performance indicators for strategies, projects, and activities.

OUTPUTS AND OUTCOME INDICATORS

Output indicators measure what is produced as a direct result of inputs. Outputs are the tangible, immediate, and intended products or consequences of an activity within USAID's control or influence. Examples include number of health workers trained and number of *bednets distributed*.

Outcome indicators measure the condition of people, systems, or institutions that are expected to be affected by USAID interventions. Outcomes are any result higher than an output to which a given

[1] In addition to the PPR, specific initiatives, sectors, or funding streams may impose additional requirements on monitoring progress with performance indicators.

[2] An indicator is applicable if the OU is expected to produce results that contribute to that indicator. Further information can be found in the annual PPR guidance.

output contributes, but for which it is not solely responsible. Examples include *proportion of households with increased disposable income, percentage of children reading at grade level, and child mortality rates*.

QUANTITATIVE AND QUALITATIVE INDICATORS

Quantitative indicators are based on underlying numerical data. Examples include number of teachers trained or percent of households with incomes above a poverty threshold.

Qualitative indicators are quantifiable, but are based on subjective criteria, such as beneficiary perceptions or expert review. One common qualitative indicator is a *milestone indicator*, which measures progress along a path, such as steps taken to pass a law through the legislature. Another qualitative indicator is a *rating scale indicator*, which asks respondents to make value judgments on an ordinal scale (such as a 1 to 5 scale, where 1 equals "strongly disagree" and 5 equals "strongly disagree").

FOREIGN ASSISTANCE INDICATORS (STANDARD OR CUSTOM)

Standard foreign assistance indicators are used in the annual Performance Plan and Report (PPR) that is required of the Department of State and USAID OUs. Standard foreign assistance indicators have standard definitions that enable consistent data collection across multiple OUs. A master list of standard foreign assistance indicators is available at http://www.state.gov/f/indicators/.

Custom indicators are performance indicators not included in the list of standard foreign assistance indicators. Custom indicators are used for reporting in the PPR and/or for monitoring activities, projects, and strategies. These indicators are identified and developed to measure achievement of results where standard foreign assistance indicators are not appropriate or applicable for program management and decision-making, or where substantive changes are needed in the standard foreign assistance indicator's definition in order to make the indicator applicable to the Mission's context.

OTHER TYPES

Index (or composite) indicators combine two or more data sources into a single measure. They are often used for measuring results that are multidimensional in nature. Examples of commonly reported indices include the *Corruption Perceptions Index* and the *Women's Empowerment in Agriculture Index*.

Proxy indicators are indirect measures of a result that are linked to the result by one or more assumptions. They are often used when the most direct indicator is not practical. For example, in places where measuring household income is difficult because households engage in a variety of informal income-generating activities, household consumption is an appropriate proxy indicator for household income.

Gender-sensitive indicators point out to what extent and in what ways development programs and projects achieved results related to gender equality and whether/how reducing gaps between males/females and empowering women leads to better project/development outcomes.

Steps to Selecting Performance Indicators

The selection of performance indicators is a process that occurs *throughout* the Program Cycle. At the earliest phases of CDCS development, for instance, illustrative performance indicators may be selected to help articulate Intermediate Results (IRs). In later phases of activity implementation, new performance indicators may need to be selected as an adaptation to a changing local context. Consequently, there is no single process for selecting performance indicators.

The following set of steps provides a general process for selecting indicators that is broadly applicable during the strategic, project, and activity planning phases of the program cycle. Throughout this process, USAID operating units should strive for a collaborative process of indicator selection that engages both internal and external stakeholders (see box).

Engaging with stakeholders when selecting performance indicators.

USAID OUs are encouraged to engage, as appropriate, partner country governments and local organizations, other U.S. Government entities, and USAID/Washington stakeholders in selecting performance indicators across all phases of the Program Cycle.

Active engagement of stakeholders during performance indicator selection and development can be helpful in:

- Assessing the reliability of potential data sources and the practicality of data collection methodologies;
- Validating indicators or suggesting alternative indicators;
- Aligning the Mission's indicators to the partner government's national development plan or other critical national data collection efforts;
- Aligning the Mission's monitoring efforts with other donor efforts, including opportunities to co-fund (and thus reduce overall costs) surveys, polls, or other costly data collection methods.

STEP 1: REVIEW THE RELEVANT THEORY OF CHANGE

Program Cycle planning and design lay the foundation for performance monitoring. Review the relevant theory of change (or development hypothesis) from strategy, project, or activity design documents to understand the results that are expected to be achieved and how they are expected to be achieved. During the strategic planning phase of the Program Cycle, this review should examine the development hypothesis and each associated result under each Development Objective in the Results Framework.

At the project and activity design phases of the Program Cycle, this review should examine the relevant theories of change and their associated logic models in project and activity design documents. Determine if design documents include clear and comprehensive descriptions of:

- *the context* in which the development problem is situated;
- *if-then (causal) outcomes* needed to achieve the desired change;
- *major interventions* that USAID and others will undertake to catalyze these outcomes; and
- *key assumptions* that underlie the success of this theory;

If the design documents lack these elements, check with the relevant project or activity planners or managers for additional or updated information. The ability to select meaningful and useful performance indicators relies on a clearly articulated theory of change and set of expected results. With those in place, ideas for potential indicators of the expected results should begin to emerge from the review of the design documents.

STEP 2: REVIEW RELEVANT MONITORING, EVALUATION, AND LEARNING PLANS

Review existing Monitoring, Evaluation, and Learning Plans before moving to indicator selection. For example, at the project and activity design stage, review the Mission-wide PMP., Also, review applicable sector Evidence and Learning Plans for relevant indicators. In addition, review the evaluation and learning sections (if available) for the same MEL Plan to which the indicators under development will contribute.

The purpose of reviewing these existing is twofold. First, reviewing existing monitoring plans should help reveal what indicators need to be selected to inform higher-level results.

Second, a review of evaluation and learning plans will reveal what knowledge gaps and learning and evaluation questions have been identified so that indicators can be selected that will inform efforts to fill the gaps and answer the questions.

STEP 3: DETERMINE WHICH RESULTS IN THE THEORY OF CHANGE SHOULD BE MONITORED WITH PERFORMANCE INDICATORS

As previously noted, at the strategic planning phase of the Program Cycle, performance indicators must be selected for each IR and sub-IR identified in the Results Framework. Strategic planners may also measure a Development Objective with a performance indicator, but only if the Mission deems it appropriate to do so.

At the project and activity design phases of the Program Cycle, however, there is much greater flexibility in deciding what to monitor. While a Project Purpose must have at least one associated performance indicator, not every output or outcome identified in a project or activity logic model needs to be tracked with a performance indicator. When examining the expected outputs and outcomes described in a theory of change and logic model, consider the following questions:

- What are the most important outputs and intermediate outcomes in the logic model that will require performance monitoring to document progress and build evidence that the theory of change is working?
- What is the feasibility of monitoring a particular output or outcome? Is the benefit of monitoring a particular output or outcome higher than the cost of monitoring it?
- Where are the weak points in the theory of change that may need attention during performance monitoring? Collecting performance indicator data at weak points in the theory of change may help signal when adaptation is necessary.
- For outputs and outcomes that are deemed important to monitor, is a performance indicator the most suitable or the only means of monitoring progress? Site visits, key stakeholder interviews, and/or periodic qualitative monitoring reports may be more appropriate means of monitoring performance than performance indicators for some intended results.
- Finally, what reporting requirements apply? If the expected outputs and outcomes of the activity can be measured by a standard foreign assistance indicator, then the requirement to use a standard foreign assistance indicator may apply. Similarly, if the activity or project is conducted under an initiative, such as the President's Emergency Plan for AIDS Relief (PEPFAR), then additional requirements on the selection of performance indicators may apply.

STEP 4: IDENTIFY PERFORMANCE INDICATORS TO MEASURE SELECTED RESULTS

Gathering staff and stakeholders in working sessions to deliberate and select performance indicators is the most critical and challenging step in this process. Consider using an iterative process to help ensure that participation is not overly onerous. When selecting and approving performance indicators in Activity MEL Plans, USAID should work closely with the relevant partners expected to implement and monitor USAID activities.

A productive indicator working session should begin with generating a list of possible indicators for measuring expected results. The list will then need to be prioritized and reduced.

As described in ADS 201.3.5.6(B), selecting indicators is a balance between:

- The quantity and quality of indicator data needed for management decision making and reporting on strategies, projects, and activities;
- The availability of high-quality, verifiable primary or secondary data or information; and
- The management and financial resources required to collect and analyze those indicators.

Expanding on these basic principles of selecting indicators, the Bureau for Policy, Planning, and Learning (PPL) recommends:

Consider selecting or adapting indicators rather than developing indicators from scratch. The results that a Mission expects to achieve with any particular strategy, project, or activity may be entirely specific to that Mission and the context in which it is implemented. However, it is often the case that local actors or other donors are trying to achieve similar results in the same local context. USAID or others may also be attempting to achieve similar development results in other contexts. Consequently, performance indicators may already exist that may be selected or adapted to measure the progress toward your expected results. Missions are encouraged to research relevant third-party data sources, including partner government sources and indicator resources for performance indicators to be adapted to their needs. It is often prudent and efficient to use a previously vetted indicator rather than create one.

Compare potential indicators to the data quality standards. When selecting performance indicators, consider how well the data collected for this performance indicator will compare against the data quality standards.

- *Validity*: Does this indicator clearly and adequately measure the intended result?
- *Integrity*: Is this indicator not conducive to manipulation or transcription errors?
- *Precision*: Is the indicator precise enough to measure expected changes?
- *Reliability*: Will this indicator be collected consistently over time and across locations?
- *Timeliness*: Will the frequency and timing of indicator data collection be useful for management decision making?

Indicator data that do not sufficiently meet data quality standards could result in an erosion of confidence in the data, or could lead to bad decision-making. Additional resources to help with assessing the strengths and weaknesses of each indicator can be found in ADS 201 Additional Help, USAID Recommended DQA Assessment Checklist.

Be selective in choosing how many performance indicators will be tracked per result. A single performance indicator is often sufficient for monitoring an expected result. In some circumstances, though, it may be useful to select multiple performance indicators to track various aspects or dimensions of the expected result. For instance, an expected result of reducing hunger may be measured by both the prevalence of undernourishment and by the prevalence of moderate or severe food insecurity in the population. However, more is not always better. PPL recommends limiting the number of performance indicators to no more than three performance indicators per each expected result that is being monitored to avoid overly complicating the monitoring process.

At the end of the process of selecting individual performance indicators, consider the entire set of indicators as a whole and how they relate to each other. Ultimately, this process should result in a set of indicators, each of which is necessary, and (together with other monitoring, evaluation, and learning efforts), are sufficient for managing the strategy, project, or activity effectively. The final set of indicators should also meet all reporting requirements and ideally include a mix of both standard foreign assistance indicators and custom indicators.

STEP 5: START DOCUMENTING THE INDICATOR REFERENCE INFORMATION IN THE PIRS

The best time to start drafting a PIRS is immediately after selecting the indicator. The PIRS is not required to be completed until three months after data collection has started, but starting the process early will help clarify details or reveal gaps in the indicator definition and data collection methods.

For performance indicator data collected by implementing partners or MEL support contracts, the PIRSs should be completed in collaboration with these partners prior to final approval by USAID. Such collaboration is important for ensuring a common understanding across all parties about the indicator definition and data collection method. If a performance indicator has been selected prior to selection of the implementing partner who will collect it, for instance during project design, USAID staff may still wish to start the PIRS documentation process and adjust the details when the implementing partner who will conduct data collection has been selected.

Immediately after indicator selection is a particularly good time to document the rationale for selecting the indicator in the PIRS. There are rarely perfect indicators in the development environment—it is more often a case of weighing different criteria and making the optimal choices for a particular program. Although recording the rationale in a PIRS is optional, it helps new staff, implementers, or auditors understand why each indicator was selected.

STEP 6: REVISIT AND REVISE

Refinements to performance indicators after initial selection are common. When moving from planning to implementation, further input from implementing partners may prompt the reconsideration of selected indicators and their definitions. Once collection of performance indicator data begins, unexpected obstacles to efficiently collecting the data may lead to revisions in data collection procedures. DQAs may reveal shortcomings in the validity or reliability of indicators requiring further refinement to selected indicators.

Whether or not performance indicator data collection reveals problems with the selected indicators, it is a good idea to revisit performance indicators after some rounds of data collection are completed. Annual, semi-annual, or quarterly portfolio reviews, project reviews, and activity reviews are convenient times to revisit a full slate of performance indicators and discuss indicator issues and possible refinements with relevant staff and partners.

While refining or changing indicators may be necessary, decisions to change an indicator after data collection has started should be considered carefully. Changing an indicator reduces the ability to meaningful comparisons of indicator data over time.

Developing a process that periodically solicits feedback and input from implementing partners and other stakeholders will ensure the indicators stay relevant and are useful for management purposes. Decisions to refine an indicator should be documented in the indicator's PIRS. Decisions to add or drop indicators should also be documented in the appropriate plan, such as the PMP or Activity MEL Plan, and/or PPR.