**PERFORMANCE MONITORING & EVALUATION**

# TIPS

## PREPARING A PERFORMANCE MANAGEMENT PLAN

## ABOUT TIPS

These TIPS provide practical advice and suggestions to USAID managers on issues related to performance monitoring and evaluation. This publication is a supplemental reference to the Automated Directive System (ADS) Chapter 203.

## INTRODUCTION

This TIPS provides the reader with an overview of the purpose and content of a Performance Management Plan (PMP). It reviews key concepts for effective performance management and outlines practical steps for developing a PMP.

This discussion is focused primarily on developing PMPs at the program level. The program level is represented by the Assistance Objective and Intermediate Results contained in the Results Framework. These form the key objectives that USAID will achieve in a particular country or program over a specific period of time. Projects also require their own Monitoring and Evaluation (M&E) plans. Many principles presented here can be applied to projects; however, some adjustments in tools and approaches

may be necessary to effectively address management requirements at that level.

## WHAT IS A PERFORMANCE MANAGEMENT PLAN (PMP)?

The Performance Management Plan (PMP) is a tool designed to assist in setting up and managing the process of monitoring, analyzing, evaluating, and reporting progress toward achieving the AO. PMPs enable operating units to collect comparable data over time. The PMP is intended to be a living document that is developed, used, and updated by the AO team.

The PMP organizes performance management tasks and data over the life of a program. Specifically, it:

- Supports institutional memory of definitions, assumptions, and decisions.
- Alerts staff to imminent tasks, such as data collection, data quality assessments, and evaluation planning.
- Provides documentation to help mitigate audit risks.

## WHY DOES PERFORMANCE MANAGEMENT MATTER?

Performance management (or monitoring, evaluation, and reporting) represents USAID's commitment to using development resources as effectively as possible in order to achieve development results. Effective performance management is important to:

- Maximize the impact of U.S. foreign assistance programs. For example, a performance management system informs us as to whether the development hypothesis is correct or needs adjustment. More importantly, it affords the opportunity to make these adjustments as necessary.
- Improve knowledge, transparency of practice, and accountability.
- Enable programs to withstand the scrutiny of foreign assistance managers, Congress, The Office of Management and Budget (OMB), and taxpayers.
- Fulfill the requirements of the Government Performance and Results Act (GPRA).

Performance management is integral to effective program operations. The development of effective systems requires clearly-defined goals and objectives, effective leadership, and team-oriented approaches. The indicators that are chosen from the metrics by which program success is defined.

## WHAT ARE THE REQUIREMENTS?

Each AO team is responsible for developing a PMP to measure progress toward achieving the AO and the associated results identified in the results framework. It is absolutely essential that the AO team be actively engaged in the PMP development process for the resulting document to be effective.

While PMPs are required and are auditable, they do not need to be approved outside of the Mission. USAID policies require a preliminary PMP to be submitted for each AO with baselines and targets. The PMP must then be finalized before implementation can begin (see ADS 201.3.8.6). PMPs should be set up as soon as possible so that baseline data can be established.

## KEY PRINCIPLES FOR EFFECTIVE PERFORMANCE MANAGEMENT

### DEVELOP A SOUND STRATEGY

The results framework is the foundation for the PMP (see TIPS 13: Building a Results Framework, for further detail). It is difficult to develop an effective PMP without a set of clear, focused, and well-reasoned objectives. As a team is developing or refining the results framework, it is useful to brainstorm potential indicators to further define the objective and clarify exactly what the team will deliver. If the team has difficulty in defining indicators, then some readjustment or fine-tuning of the results framework may be needed.

### SEEK PARTICIPATION

One of the most important principles for developing effective PMPs is to seek participation at various points in the process. Missions should engage USAID's partners, customers, and stakeholders in the planning of approaches to monitor performance and in the planning of evaluations. Experience has shown the value of collaboration with relevant host government officials, implementing agency staff, contractors, grantees, other donors, and customer groups when preparing PMPs. They will have important insights on data availability, the feasibility of collecting the data, and issues that should be considered in analyzing the data. Their participation is also essential to ensure that data produced by the performance management systems are useful to the various players in making decisions.

### STREAMLINE AND FOCUS

One of the greatest challenges in developing a PMP is ensuring that it is practical and streamlined. Developing a system with too many indicators is as problematic as having too few: such systems become too unwieldy to maintain over the long term. One way to avoid creating a burdensome system is to review the indicators from a systematic point of view. Are all key areas covered? Are there indicators that are not necessary? Second, be sure that what the indicators are measuring is meaningful. For example, a team may be able to easily count the number of meetings between government and civil society organizations (CSOs), but does that really matter? In defining indicators, the team is creating incentives for the program, and these incentives need to be directed toward achieving the appropriate results for the greatest development impact. Using the example above, we don't want to create an incentive to simply have more meetings. In this case, it may be preferable to examine the quality of the interaction or whether true partnerships exist, and it is likely that a qualitative indicator is better-suited to measure the result we seek.

### USE THE DATA FOR DECISION-MAKING

The development of the PMP is only the first step in establishing an effective performance management system. Once the PMP is developed, it is essential to operationalize systems and to consider how data can be presented in a way that will facilitate use in decision making, as well as influence budget allocations and program changes.

## ENCOURAGE TRANSPARENCY AND LEARNING

It is important to support a culture of transparency and learning in examining both success and failure. Managing for results is not only a simple question of whether targets have or have not been met. There are deeper questions that must be asked: if targets aren't met, why is that the case? What is the manager or the team doing to address those problems? Managing for results implies that program managers respond effectively to changing circumstances, unforeseen events, and changes in the program's underlying assumptions. For example, an economic growth project might have to reassess indicators, targets, or the entire strategy following an economic collapse.

Indicators by definition create incentives, some intended and some unintended. This makes it even more important to ensure that indicators are measuring the "right" phenomena. Recognizing this and incorporating it into how performance data are analyzed and used is part of instituting more dynamic and flexible performance management systems.

## HOW DOES THE PMP FIT INTO PERFORMANCE MANAGEMENT?

Performance management is the systematic process of (a) monitoring the achievements of program operations; (b) collecting and analyzing performance information to track progress toward planned results; (c) using performance information and evaluations to influence AO decision-making and resource allocation; and (d) communicating results achieved, or not achieved, to advance

**Figure 1. Elements of the Performance Management System**
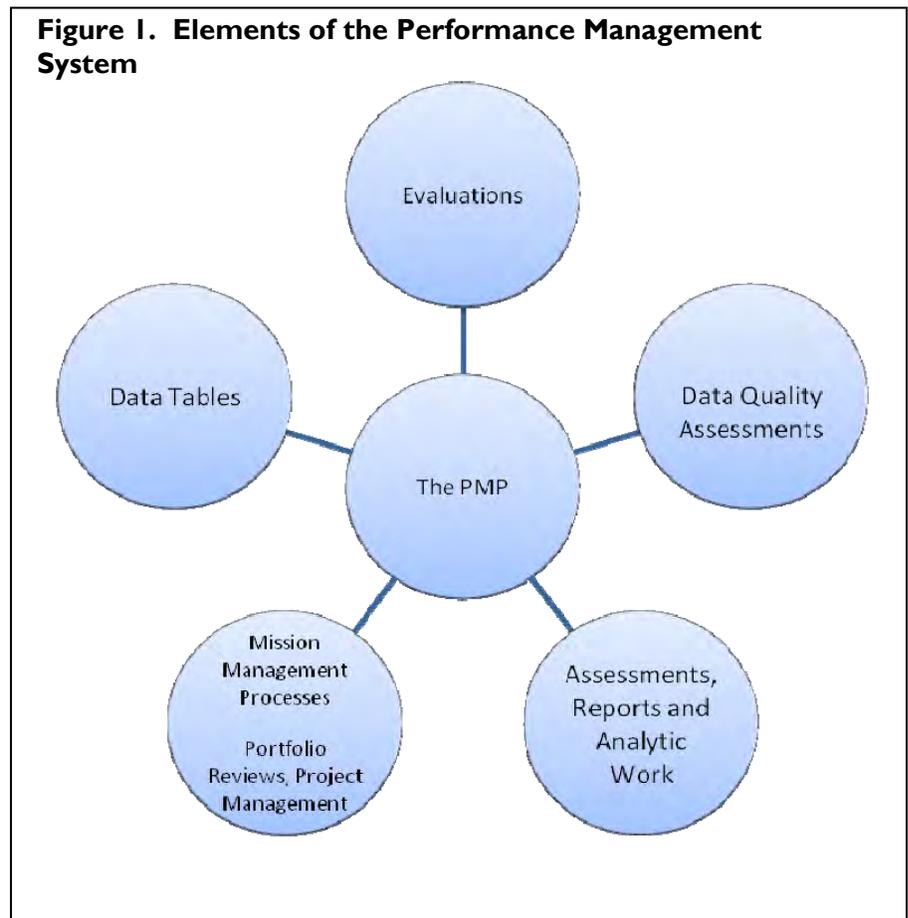


organizational learning and tell USAID's story (ADS 203.3.2). A *performance management system* consists of a number of elements that, when combined, assist managers in instituting evidence-based programming (see Figure 1). These elements include:

- The PMP.
- Data Tables (sometimes included as part of the PMP and sometimes maintained separately to facilitate easier data analysis).
- Data Analysis (systems and processes set up to process data and consider its implications).
- Evaluations.
- Data Quality Assessments.
- Mission Management Processes, including portfolio reviews and other project-management functions.

## RECOMMENDED CONTENT

The following summarizes a recommended outline for the PMP. Organizing the PMP in this manner provides context, ensures a linkage to other management processes, and assists in operationalizing the performance management system. The sections described below are intended to be brief and concise.

### INTRODUCTION OR OVERVIEW

Describe very briefly how the PMP was developed. It is also helpful to provide a summary of how the Mission organizes its performance management system. This section may also summarize the Mission's process for reviewing and updating the PMP.

## THE RESULTS FRAMEWORK

The PMP should include a graphic representation of the Results Framework and corresponding indicators. This provides an overall picture of the program and how it will be monitored.

## MANAGING THE AO FOR RESULTS

This section describes how the PMP links to other management processes, including evaluation and portfolio (or other) reviews.

### Evaluation and Other Studies

Both monitoring and evaluation are essential elements for building effective, evidence-based systems. While performance monitoring systems show *what* is happening (for example, whether sales of target firms are increasing), evaluations can better explore *why* (see TIPS 11: Introduction to Evaluation at USAID).

USAID policies require the AO team to conduct at least one evaluation during the life of each AO (ADS 203.3.6.1) to understand progress (or lack thereof). As indicators are selected, the team should also consider what broader issues or questions are likely to require evaluation. The AO team might identify an evaluation agenda as part of the PMP development process. Also, if an impact evaluation is anticipated (including experimental or quasi-experimental designs), the PMP must be set up with that in mind at the outset (see TIPS 19: Impact Evaluation).

## THE PERFORMANCE INDICATOR REFERENCE SHEET (PIRS)

There is no required format for the PMP; however, USAID has developed a template that can be used or adapted as necessary called the Performance Indicator

Reference Sheet (PIRS)[1]. The PIRS captures all the required elements of the PMP.

## THE PERFORMANCE MANAGEMENT TASK SCHEDULE

The performance management task schedule provides a summary of all the performance management tasks that the AO team will undertake. It often takes the form of a matrix that outlines the responsible manager and is designed to facilitate the implementation of the data collection process.

## ANNEXES

Annexes may include any additional information that facilitates data collection. For example, they might include additional detail as to how an indicator is calculated or an actual tool for data collection (e.g., a worksheet to demonstrate how qualitative data are collected).

## REQUIRED ELEMENTS OF THE PMP

The key to developing a good PMP is to include as much detail as possible to ensure that anyone who uses it clearly understands (a) what is being measured, (b) the data collection methodology, (c) the tasks and schedule associated with each indicator, and (d) how data will be analyzed.

## 1. PRECISE DEFINITION

Each performance indicator requires a detailed definition; the lack of a detailed definition is one of the most common problems that contribute to a lack of objectivity and reliability (see TIPS 6: Selecting Performance

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[1] This template is designed to facilitate the development of the PMP at the program level. At the project level, other tools may be used. For example, project level M&E plans often take the form of matrices.

Indicators and TIPS 12: Data Quality Standards for further detail). As an illustration, consider the following example:

**Indicator:** Number of small enterprises receiving loans from the private banking system.

Using this example, how are small enterprises defined, e.g., all enterprises with 20 or fewer employees, or those with 50 or 100? What types of institutions are considered part of the private banking sector, e.g., credit unions or government-private sector joint-venture financial institutions?

The definition should be detailed enough to ensure that if various people at different times would be given the task of collecting data for a certain indicator, they would collect identical data.

## 2. UNIT OF MEASURE

The unit of measure reflects precisely how change will be calculated (e.g., by percent, dollars, or individuals). An indicator on the value of exports might be otherwise well-defined, but it is also important to know whether the value will be measured in current or constant terms, and in U.S. dollars or local currency.

## 3. DATA DISAGGREGATION

Data may be disaggregated in numerous ways, including gender, age, location, target organization, or some other dimension, in order to determine how development programs affect different cohorts. Disaggregated data help track whether or not specific groups participate in and benefit from activities. USAID policies (ADS 203.3.4.3) require that all performance management systems and evaluations at the AO and project levels include gender sensitive indicators and sex-disaggregated data if the activities or their anticipated results involve or affect women and men differently. If

so, this difference would be an important factor in managing for sustainable program impact.

## 4. RATIONALE

A rationale briefly describes why the indicator was selected and how it will be useful for management. The process of selecting indicators is often based on considering trade-offs. That is, the optimal indicator may not be the most cost-effective. By clearly documenting the rationale for the indicator, an outsider is better able to understand the decisions underlying the selection process. This is helpful when new staff arrive, as well as for auditing purposes.

## 5. RESPONSIBLE OFFICE/ INDIVIDUAL

For each performance indicator, it is important to identify the specific person and office responsible for collecting, analyzing, and reporting the data.

## 6. DATA SOURCE

Identify the data source for each performance indicator. The source is the entity from which the data are obtained. Data sources may include government departments, international organizations, other donors, NGOs, private firms, USAID offices, contractors, or activity implementing agencies. Be as specific about the source as possible so the same source can be used over time. Switching data sources for the same indicator can lead to inconsistencies and misinterpretations, and should thus be avoided. For example, switching from estimates of infant mortality rates based on national sample surveys to estimates based on hospital registration statistics can lead to false impressions of change.

## 7. FREQUENCY AND TIMING

The frequency and timing for data collection should be based on how often data are needed for management purposes, cost, and the pace of change anticipated. Data are most commonly reported on a quarterly, semi-annual, or annual basis. In some cases, data are reported less frequently. For example, fertility rate data from sample surveys may only be collected every few years, whereas data on contraceptive distributions and sales from clinics' record systems may be gathered every quarter.

## 8. BUDGET IMPLICATIONS

This section notes relevant budget issues, if applicable. Managers are responsible for including sufficient funding and personnel for performance management work. As a very general guideline, USAID policy suggests that five to ten percent of program resources should be allocated for performance management.

If adequate data are already available from secondary sources, costs may be minimal. In many cases, indicators will be integrated into project level management systems. On the other hand, if primary data must be collected, costs will vary depending on scope, method, and frequency of data collection. Sample surveys may cost more than $100,000, whereas rapid appraisal methods can be conducted for much less.

Investments in data should be cost-effective and consummate with the importance of the data to the program. For example, it makes sense to invest more money in data that are fundamental to understanding a program's impact in high-priority areas. For more peripheral program elements, lower-cost or second-best options may be perfectly appropriate.

## 9. DATA COLLECTION METHOD

This section describes exactly how the data will be collected, including the tools or methods to facilitate data collection. The key is to provide sufficient detail on the data collection or calculation method to enable it to be replicated consistently over time. In order to ensure objectivity, describe or include the:

- Techniques or instruments for acquiring data. It is often useful to include copies of the tool used to collect the data in the annex of the PMP (e.g., structured questionnaires, direct observation forms, templates, etc.) where possible.
- Sampling techniques for selecting cases (random sampling or purposive sampling).

## 10. METHOD OF DATA ACQUISITION

This simply refers to how USAID will obtain the data. In some cases, USAID itself collects the data from a particular source, while in other cases, a project may report the data to USAID.

## 11. DATA QUALITY ASSESSMENT PROCEDURES

This section can be used to note how data quality will be assessed (see TIPS 12: Data Quality Standards and TIPS 18: Conducting Data Quality Assessments).

## 12. DATA LIMITATIONS AND ACTIONS TO ADDRESS THOSE LIMITATIONS

In this section, describe any known issues with data quality and plans to address those limitations.

**Example:** Percentage of citizens that are satisfied with municipal services.

One limitation to consider in analyzing these data is that external factors, other than USAID program performance, often affect perceptions. This can be addressed by complementing public opinion data with other indicators. For example, the PMP may include measures for the quality, timeliness, or cost of municipal services, in addition to public opinion to

facilitate better analysis of performance.

The important point is that the team understands and is transparent about the strengths and weaknesses of these data. Audits often focus on whether AO teams understand the limitations of the data they use. For more in-depth information on data quality issues, consult TIPS 12: Data Quality Standards.

## 13. DATA ANALYSIS ISSUES

It is useful to consider in advance, how performance data for individual indicators or groups of related indicators will be analyzed. The following summarizes some common approaches for analyzing data:

*Comparing disaggregated data*. For indicators with disaggregated data, plan how it will be reported, compared, and analyzed.

*Comparing current performance against multiple criteria*. For each indicator, plan how actual performance data will be compared with (a) past performance, (b) planned or targeted performance (for example, what additional information is needed to understand why targets are either unmet or surpassed?), or (c) other relevant benchmarks (see also TIPS 8: Baselines and Targets).

*Analyzing relationships among performance indicators*. Plan how internal analyses of performance data can be used to better understand interrelationships. For example, how will a set of indicators (if there is more than one) or a particular AO or IR be analyzed to reveal progress? What if only some of the indicators reveal progress? How will cause-effect relationships among AOs and IRs within a results framework be analyzed?

*Analyzing cost-effectiveness*. The Government and Performance Results Act (GPRA) encourages managers to plan for using performance data to systematically compare alternative program approaches in terms of costs as well as results, where possible.

## 14. DATA USE

Once data analysis is complete, the next step is to consider how data will be used and effectively presented to inform decision-making.

*External reviews, reports, and briefings*. Plan for reporting and disseminating performance information to key external audiences, including host-government counterparts, collaborating NGOs and other partners, donors, customer groups, and other stakeholders. Some data may be integrated with the Mission's communications strategy. Communication techniques may include reports, oral briefings, videotapes, memos, or newspaper articles.

*Influencing management decisions*. The ultimate aim of performance monitoring systems is to promote evidence-based decision making. To the extent possible, plan in advance what management processes should be influenced by performance information. For example, portfolio reviews, budget discussions, quarterly report briefings from implementing partners, evaluation designs/scopes of work, office retreats, management contracts, and personnel appraisals often benefit from this type of information.

*Effective presentation of data*. Decision-makers require data to be presented in a way that communicates key points effectively. Identify the key themes that emerge from the data analysis process, and then identify the best way to convey those points. In some cases, it is best to present the data in simple sentence form. Other times visual graphics, such as pie charts or graphs, are more effective. Consider the following questions:

- Is there a trend over time?
- What kind of action is suggested as a result of the data?
- What are the main contributing factors? Does the graphic convey the highest priorities?

## 15. BASELINES AND TARGETS

Baselines and targets are generally included in a table at the bottom of the Performance Indicator Reference sheet, in a separate table, or both. We recommend consolidating baseline and target data in one table to facilitate easier data analysis and planning and to avoid potential data-entry errors.

## WHAT IS THE PROCESS FOR DEVELOPING A PMP?

The following describes a series of steps commonly used to develop a PMP. In practice, however, some of these steps are more iterative in nature.

### STEP 1. ASSEMBLE THE TEAM

The AO team leads the PMP development process. Using a team-based approach helps facilitate a shared sense of ownership among those who use the PMP and increases the likelihood that the PMP will be used effectively. The team generally consists of the AO team or, if the team is large, may be broken into subgroups. Consider whether M&E expertise is needed and how that expertise will be accessed. M&E experts can be useful in helping the team focus on critical issues or solve problems (e.g., how to develop an indicator to reflect the quality of a process).

## STEP 2. DEVELOP A WORKPLAN

Establish and confirm the process for developing the PMP for the Mission or Office. Also identify:

- The major tasks to be completed.
- The schedule.
- The responsible person. For example, who will draft the PMP and incorporate comments? When, how, and from whom will you obtain input for the PMP?

## STEP 3. HOLD PMP WORKING SESSIONS

The objective of the first round of PMP working sessions is to identify a set of indicators that are necessary and sufficient for each result in the results framework. The product of these sessions is a results framework with a draft set of indicators for the AO and each IR.

### Review the Results Framework

Clearly understand and define key terms. For example, if one result is "improved institutional capacity for delivering goods and services," specifically define improved capacity in terms of what is required and expected. What goods and services will be produced? As the team defines these terms, potential measures begin to emerge.

### Develop Indicators

This process begins with brainstorming ideas. The first question for the team to consider is "What data are useful for management purposes?" What data would indicate that the result is being achieved?

### Select Indicators for the AO and Supporting IRs

Refer to USAID's criteria for assistance in the selection of indicators (see TIPS 6: Selecting Performance Indicators). Among the points are:

- Clearly understand the rationale for the indicator. This should be recorded in the PMP.
- Develop a clear and precise definition for the indicator.
- Identify the data source.
- Consider potential data quality issues. Identify how those issues can be addressed.

## STEP 4. VET THE INDICATORS

In planning the PMP development process, the team should consider how, when, and who to engage in the development of the plan. In some cases, key partners may be involved in the first round of PMP development sessions. Another approach is to develop a preliminary set of indicators for the results framework and share them for comment with key partners. Either way, involving others in the process is critical to (a) creating buy-in for reporting, (b) ensuring a clear understanding of the larger objectives being sought, (c) streamlining systems, and (d) improving data quality.

The team may find that, by making some minor adjustments, USAID's system can be better aligned with the needs of the partner government or target populations. Implementing partners are often able to provide a realistic perspective on the practicality of data and/or identify potential issues in their collection.

## STEP 5. HOLD A SECOND ROUND OF PMP WORKING SESSIONS

Once feedback from partners is obtained, the team should hold another set of working sessions to process the comments. How will the team respond to key points? What adjustments are necessary?

This also provides a good opportunity to review the system as a whole. Are the main program areas adequately covered? Are there any opportunities for streamlining?

## STEP 6. DRAFT THE PMP

Once there is a general consensus on the "right" set of indicators to be used, the team can move to the next level of detail. Table 1, below, provides an example of a format.

## STEP 7. ESTABLISH BASELINES AND TARGETS

Baselines and targets should be established once the indicators are finalized. If it is not yet possible to complete baselines and targets (for example, if baseline data have to be collected in order to establish targets), note how and when they will be obtained in the PMP.

As the team identifies baseline and targets, minor adjustments may be made in terms of how the indicator is expressed. For example, some targets are easier to express in terms of a percentage of completion or percentage of increase rather than in absolute numbers (e.g., from $2.6 million to $5.4 million). For more detailed information on how to set baselines and targets, see TIPS 8: Baselines and Targets.

## STEP 8. USE THE PMP

In order to use the PMP effectively, it is critical to share relevant parts with any entities that report into USAID's system For example, the team should share the PIRS with implementing partners who are responsible for reporting data to USAID.

One best practice is for the AO team to review data against the results framework with key partners for internal management purposes. This provides an opportunity to focus on the program-level progress. Optimally, these reviews occur semi-annually, just prior to portfolio reviews.

**Table 1: Example of a Performance Indicator Reference Sheet**

| PERFORMANCE INDICATOR REFERENCE SHEET |
|---|

| **AO:** Increased Private Sector Led Growth |
|---|
| **Intermediate Result 1.3.2:** Increased Fiscal Sustainability in Target Municipalities |
| 1.   The value of own-source revenues in the municipal budget |
| **Is this indicator used for reporting?**  No |

| DESCRIPTION |
|---|

**Precise Definition(s):**      The value of own-source revenues for each target municipality is defined as the amount (or value) of all budget revenues, excluding donor budget support.  Non donor budget support includes revenues from the central government, the public sector and the private sector.

| **Unit of Measure:**  Euros | **Disaggregated by:**  1) Category (property taxes, fees, fines) and 2) target municipality |
|---|---|

**Rationale:**    Increases in budget revenues generated by non-donor sources are critical to ensuring that municipalities are able to provide services on a sustainable basis.  In particular, the team will track the share of property taxes, which is expected to increase (as opposed to fees and fines).

| PLAN FOR DATA ACQUISITION BY USAID |
|---|

| **Responsible Individual/Office:** Jane Doe, EG Office | **Data Source:**  The Ministry of Finance and Economy |
|---|---|
| **Frequency and Timing:**  Annual | **Budget Implications (if relevant):**  Data available from existing MFE systems and integrated into the project, so costs are low. |

**Data collection method:**  Municipalities submit their final budget to the Ministry of Finance and Economy.  The implementing partner will obtain the data from the Ministry of Finance and Economy (MFE) central system on an annual basis.

**Method of data acquisition by USAID:**  The Economy and Sustainability Project will provide the data to USAID through the project's annual report.   Annual.

| DATA QUALITY ISSUES |
|---|

**Data Quality Assessment Procedures:**  Preliminary data quality issues were assessed during PMP development, dated 1/15/10.

**Key Data Quality Limitations (if any) and Actions Planned to Address Those Limitations.**   The key data quality issue is to ensure that budgets are consistently and accurately gathered from the municipal level to the Ministry.    The project will be training municipalities to ensure that systems and processes exist at the municipal level to accurately report budgets to the Ministry and to ensure understanding of the central system.  The implementers will periodically spot check the budget at the municipal level to determine whether the numbers coming from the central system are accurate.

| PLAN FOR DATA ANALYSIS, REVIEW, & REPORTING |
|---|

**Data Analysis Issues:** The team expects that property taxes will be the key driver of revenues as opposed to fees and fines.  This needs to be analyzed and tracked.

**Data Use:**  The AO team will review and analyze data just prior to portfolio reviews.  Data will be reported during portfolio reviews in the fall.

| OTHER NOTES |
|---|

**Notes on Baselines/Targets:**  Baseline should be set just prior to the initiation of project activities.  Targets should be set in consultation with the implementer.   The Democracy and Governance (DG) team will work with the Economic Growth EG team in some (but not all) target municipalities.  When targets are set, the team should consider whether the effect on targets for those municipalities receiving both EG and DG assistance vs. those that are only receiving EG assistance.

**Other Notes:** The DG program works only in target municipalities, but these data are reported for all municipalities.