Performance Management Plan (PMP) Toolkit

Module 2.4: Select and Refine Context Indicators

OVERVIEW

Context indicators measure conditions, such as economic, social, and political conditions, that have a potential bearing on strategy and project performance and implementation. Context indicators can measure assumptions, risks and game changers. This module provides guidance on key issues to consider when identifying and selecting context indicators.

TOOLS

- *Critical Assumptions/Risks Planning Tool – Blank*
- *Critical Assumptions/Risks Planning Tool – Example*

OVERVIEW OF CONTEXT INDICATORS

Context indicators measure conditions relevant to the performance of projects and programs, such as macro-economic, social, or political conditions and critical assumptions of the R/CDCS and Project LogFrames. Context indicators do not directly measure the results of USAID activities, but rather factors that are beyond the management control of the Mission that are important to the successful implementation of the project or strategy. Missions may want to identify indicators for the following:

- Country context (see Module 2.2)
- Critical assumptions (see ADS 203 Glossary)
- Game changers (see ADS 201.3.3.3)
- Risks (see ADS 201.3.3.3)

Both the Program Office (for Goal level results) and DO Teams/Technical Offices (for DO level results and below) may be involved in identifying relevant context indicators that should be tracked in the PMP. When developing the PMP, the Mission's PMP development team should identify any country conditions, assumptions, risks, and game changers included in the approved R/CDCS, discuss whether these are still applicable, and identify whether any new conditions, assumptions, and game changers should be tracked.

During the Project Design process, the project design team has the opportunity to refine assumptions and, subsequently, any context indicators that will be used to track those assumptions. For instance, during PMP development the DO team may have identified a context indicator such as "percentage of export earnings generated from livestock sales" in order to measure the overall health of the livestock market. During Project

> **Helpful Hint**
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> It is important to note that **context indicators**, unlike performance indicators, **do not require performance targets**. Context indicators are by definition outside of the Mission's manageable interest. However, baselines for context indicators are often useful in order to compare the condition or factor before USAID interventions are initiated to the condition or factor during implementation.

Design, the Project Design team may find that they are making certain key assumptions about the availability of livestock fodder. If the team determines that the continued availability of livestock fodder at current levels is important to achieving project sub-Purpose and Output results, then the team should consider whether a context indicator is needed. If there is little to no risk of a shortage of livestock fodder, then a context indicator is likely unnecessary. If changing political, industry, or environmental conditions have altered the market for livestock fodder, then there may be stronger rationale for a identifying a context indicator that measures the availability of livestock fodder.

Not all country conditions, assumptions, game-changers, and risks need to be tracked with context indicators. Missions should use discretion in identifying which factors are the most important to the successful realization of results. In identifying and defining context indicators, it is helpful to clearly identify the specific results potentially affected by the assumptions or conditions that the indicator is tracking. Each context indicator may have multiple and variable relationships with R/CDCS and Project results. For example, a critical assumption related to the passage of legislation that places additional tax onus on non-profit organizations may have particularly strong implications for the governance DO but may also have implications for the economic growth DO.

IDENTIFYING AND MEASURING CONTEXT INDICATORS

A visual print out of the R/CDCS Results Framework or Project LogFrame can be a good starting point for bringing teams together to discuss assumptions. The team should ask, "What assumptions are implicit in the Results Framework/Project LogFrame?" Assumptions can be both specific to the internal logic of the Results Framework/LogFrame (e.g. what is being assumed in linking certain inputs to outputs and outcomes?) and the external factors needed to support the realization of results (e.g. what is being assumed about the broader political/social/economic environment in which USAID is operating?).

The *Critical Assumptions/Risks Planning Tool* (see Annex 10) provides a tool to brainstorm and prioritize assumptions, game-changers, and risks. Some teams may find it helpful to have a facilitator, such as someone from the Program Office or an outside facilitator, conduct a brainstorming session around the identification of context indicators. Tools such as fishbone analysis can be used to probe further into specific assumptions and risks and their contributing factors, and may provide the team with additional ideas about the factors that they should consider monitoring with context indicators. Note that because critical assumptions and risks are not static, the Mission should review them during portfolio reviews and other learning opportunities to determine if they are still valid or whether there are any additional factors and conditions that should be potentially monitored.

Some context indicators measure change in a particular factor or condition over time and can be measured using data available from primary (e.g. USAID commissioned surveys) and secondary (e.g. World Bank, IMF) sources. Other context indicators are based on whether a critical assumption or risk takes place. These critical assumptions and risks can be measured using a binary indicator (e.g., Yes/No) or narrative-based rating scale (e.g. risk level of low, medium or high). Some context indicators may have thresholds (e.g., violence threshold "yellow") whereby if the measure is reached this would in turn trigger certain actions by the Mission and its stakeholders. For example, the Mission may determine that if a risk indicator for violence reaches "yellow," as determined by the host government, this would prompt USAID to conduct stakeholder meetings to determine whether activities should be curtailed in the affected region(s).

Table 8 provides examples of context indicators for assumptions, game-changers and risks.

Table 8: Examples of Context Indicators

Type	Definition	Situations for which a context indicator may be appropriate	Possible indicators
Country Context	Measure conditions relevant to the performance of the R/CDCS and projects, such as macroeconomic, social, and political conditions that are beyond the management control of the Mission and its partners.	Depending on the country, there are a number of context factors that the Mission may want to track. For example, in a country which is highly dependent on natural resource extraction, a decline in global commodity prices could change the country's macroeconomic context and have a direct bearing on the Mission's economic growth programming.	Global Commodity Prices (for relevant commodities), Export of Relevant Commodity as a Percent of GDP
Assumption	A general condition that must hold true in order to achieve the project or R/CDCS results. They are outside of the control or influence of USAID and its partners.	Every year flooding affects certain provinces; while USAID programming accounts for seasonal flooding, it assumes that flooding will remain contained to select provinces and not significantly deviate from levels observed over the past five years.	Peak Over Threshold (POT); Areal Flood Index (total inundated area); Data from the National Water Development Board (NWDB)
Game-Changer	A newly introduced element or factor that changes an existing context or project in a significant way. These are outside of the control of the USG and its partners.	Recently discovered natural oil and gas will have such volume that potential revenue generation is expected to have significant implications for growth, public service delivery and employment and introduce opportunities for rent-seeking behavior at all levels of society.	Annual Social Services budget as a percent of GNP; Annual Ministry of Petroleum budget as a percentage of GNP
Risk	A condition that could negatively influence program outcomes.	Large-scale ethnic conflict that could surpass the international community's capacity to manage or contain the conflict.	Percentage of population located in conflict areas; percentage of new international appeals for funding not fulfilled in 3 months; rating on violence threshold index (red, yellow, green)

COLLECTING AND DOCUMENTING CONTEXT INDICATOR DATA

Since the management burden on Missions to collect high-quality performance indicator is already high, it is recommended that the collection of context indicator data be relatively easy, quick, and feasible at a reasonable cost. Many context indicators are available from secondary sources (e.g. World Bank, IMF, U.N.)—often from a website—and are generally available free of charge. Other context indicators may be available from USAID partners, other USG sources, other donors, and the host government. Mission staff may want to assess whether to co-fund context data sources in order to ensure that the data is available when the Mission needs it (for example, just prior to a portfolio review), or in order to expand context indicator data collection to cover areas of interest to the Mission (for example, if the National Statistical Bureau only collects data from representative samples of the population, which does not include the USAID targeted population).

> **Helpful Hint**
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> Consider constructing a timeline graphic that covers the period of performance, and then identify any factors and conditions that may affect the achievement of results. Once these have been identified, the group then discusses and prioritizes factors and conditions based on criteria such as their likelihood of happening and the magnitude of their potential impact on the Mission's results. After prioritizing, the team should discuss potential measurement methods for any factors determined as being to important to track over the implementation period.

Common sources of context indicator data include:

- European Commission, i.e., Eurostat data
- United Nationals datasets, such as the Millennium Development Goals
- World Bank datasets, such as on Governance and "Doing Business"
- OECD, including environmental datasets
- Transparency International
- Freedom House International
- Human Rights Watch
- Amnesty International

- World Economic Forum (trade data)
- National statistical offices of the host government
- Bilateral donor datasets
- Regional organizations, such as the Organization for American States
- Academic organizations, both local and international
- Media organizations, such as The Economist
- Private-sector research firms, i.e., Gallup.

Many of these third-party context indicators are collected for USAID by the Economic Analysis and Data Services and are available on USAID's internal website.

The optional *Context Indicator Reference Sheet* (see Annex 14) can be used to document the definition and monitoring plan for each context indicator.

ENGAGING STAKEHOLDERS

When appropriate, the Mission should consider engaging with local thought leaders to identify relevant context indicators, help in determining measures and data collection methodologies, and provide their deep contextual knowledge and experience (see ADS 203.3.13). For example, consulting with the partner country government may be helpful in assessing economic conditions or other factors that may affect the Mission's achievements. This might also provide a forum for the host government to communicate economic indicators that have been prioritized in the National Development Policy, the National Poverty Reduction Strategy, or

other similar plans. Stakeholder engagement can also be helpful in analyzing and interpreting context indicator data.

SCENARIO ANALYSIS

An optional, though helpful, practice is to develop scenarios based on critical assumptions and programmatic risks. Scenarios can be especially useful in dynamic or fast-changing development contexts. Scenarios cover a range of possibilities about how a context may evolve in order to help a Mission better prepare for changing conditions. Scenarios take into account current uncertainties and should always be plausible predictions about how a context may unfold. Generally, it is helpful to develop a best (plausible) case scenario, a worst (plausible) case scenario, and 1-2 more moderate scenarios. For example, in a country undergoing a political transition, one scenario might focus on implications for current USAID programming in the context of a successful political transition, one might focus on programming implications if all identified risks come to fruition, and the other scenarios might consider a partially successful transition where some risks come to fruition. Scenario analysis can prompt critical thinking and further discussion about project design and planning decisions, additional context indicators that should be tracked, risk mitigation and contingency planning, and any evaluations, special studies, or assessments that are needed. Context indicators can also help a Mission to gauge which scenario their operating environment is most approximating.

SUMMARY

By now you should have an understanding of:

- Different types of context indicators

- How to identify appropriate context indicators

- Collecting and documenting context indicator data

- Engaging stakeholders in selecting and analyzing context indicators

- How scenario analysis can be used to assess and better understand the potential programmatic implications of assumptions, risks, and game changers

REFERENCES AND RESOURCES

ADS 201

ADS 203

Economic and Social Database, USAID Economic Analysis and Data Services