Recent Practices
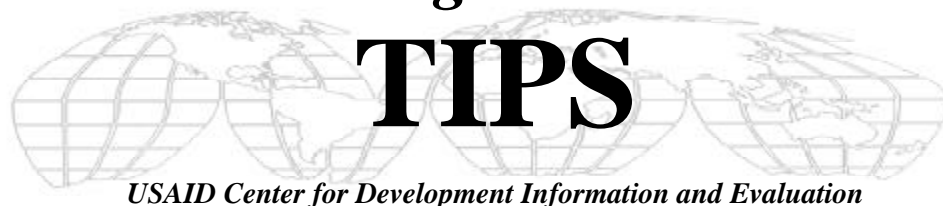# *In Monitoring and Evaluation*
TIPS

USAID Center for Development Information and Evaluation

MONITORING THE POLICY REFORM PROCESS

An Elusive Process

The policy reform process is often complex. It can involve many stakeholders with a range of perspectives and desires, as well as implementers who bring their individual styles and approaches to each reform effort. Measuring performance is equally challenging, as the policy reform process—as a whole—typically is not easily quantified, tracked, or monitored. Not only are reform processes difficult to capture, but also the evolving environment in which they are being carried out makes the reforms themselves more elusive. The sociocultural, political, and economic context of individual countries makes it difficult to take "snapshots" of a reform process at particular points in time.

The discussion and examples in this paper are organized around the issues and challenges that USAID's development professionals and their clients/partners face when designing and implementing systems to monitor the policy reform process. These include

1. **The Importance of Policy Reform in USAID Assistance**

2. **Monitoring Systems: Tools for Achieving Policy Reform**

3. **Characteristics of Good Monitoring Systems**

4. **Identifying 'Milestone Events' in the Policy Reform Process**

5. **Approaches to Monitoring Policy-Reform**

6. **Other Issues Related to Monitoring Policy Reform**

7. **Summary: Practical Tips for a Busy USAID Manager**

Recent Practices in Monitoring and Evaluation Tips explores a range of issues and discusses current experience and practices within USAID to help staff manage for results. Each paper covers a monitoring and evaluation topic in depth, complementing the shorter how-to guides that make up the bulk of the *Tips* series. *Tips* contains no new Agency policy or essential procedures. Rather, the *Tips* series provides guidelines, advice, and suggestions to USAID managers on how to effectively plan and conduct performance monitoring and evaluation activities.

1. The Importance of Policy Reform In USAID Assistance

Promoting policy reforms is an important tool in USAID's overall development assistance kit. Experience in every sector has shown that gains realized from providing training, institutional capacity building, and direct resources are either enhanced or hindered by the policies, regulations, and administrative practices in that sector. When policies and regulations foster equitable opportunities and sustainable economic growth, they play an important part in creating an environment where development can flourish. Because of that, USAID programs in agriculture, health and population, natural resource management, education, private sector growth, and democracy and governance around the world have paid serious attention to the policy and regulatory environment that governs those sectors.

2. Monitoring Systems: Tools For Achieving Policy Reform

While the importance of good policies is unquestionable, implementing them effectively is often difficult. More specifically, although adopting policy reforms is important in the overall reform process, real change does not occur until policies are carried out. Given the nature of politics, actual implementation of key reforms is often a lengthy multistage process. Monitoring that process is important to keeping implementation on track and also can yield insights on the effectiveness of the strategy used to prompt the reform. In addition, information from a well-designed monitoring system can promote vigorous discussion on the reform process among stakeholders. When development of a monitoring system includes discussing the status of the policy process with participating representatives from parliament, implementing ministries and institutions, and key stakeholder groups within the country, that process itself encourages ownership and support of the policy, increasing the likelihood that the effort will be sustained. Addition-

> **This *Tips* was prepared by Patricia Vondal, of Management Systems International for CDIE.**

ally, such participation demonstrates USAID's sensitivity to partner relationships and acknowledges a larger, more responsible role for partners in the process of reforming internal policies.

The data from a policy reform monitoring system can also be used to report on "milestones of progress" to USAID/Washington and other stakeholders in the reforms. Thus, a well-crafted monitoring system is important for both managing and reporting on the reform process.

3. Characteristics of Good Monitoring Systems

What does a well-crafted monitoring system look like? A monitoring system that adequately tracks, and thus effectively supports, the policy reform process usually includes many of , if not all, the following characteristics:

- Provides a user-friendly means of understanding the current status of the relevant policy

- Follows the reform process through completion of policy implementation

- Is cost-effective for the operating unit

- Describes in detail the stages or events used for rating progress (when this method is used)

- Describes in detail the methodology or process used for rating the current stage of the reform

- Defines key terms , such as "operational," "fully functioning," or "fully implemented"

- Specifies which policies are most critical to the strategic objective when more than one or two reform objectives are being pursued

- Provides a rationale for how future performance targets are set

- Includes policy reform stakeholders as partners in reviewing the process of adoption and implementation and in setting future performance targets

4. Identifying 'Milestone Events' In the Policy-Reform Process

USAID managers currently use several approaches to monitor policy reform. In each approach, a useful first step is identifying the specific "milestone events" in the policy reform process in a given country. That helps develop an effective monitoring system by letting managers know what to watch for. This section gives some examples of milestone events, divided into two general categories: 1) policy formation and adoption and 2) policy implementation.

The following discussion pays equal attention to identifying milestone events for both policy formation and policy implementation. The implementation section also reviews some of the complexities of the implementation process. Managers should consider these issues before designing a monitoring system. The actual sequence and relative importance of the milestone event will vary, depending on political and other factors in a given country or sector.

Policy Formation and Adoption

A number of events occur during policy formation and adoption, beginning with identification of a problem. The following are examples of milestones that often occur during this process, although not necessarily in this order:

- Advocacy groups form to address an identified problem

- They conduct a formal assessment of the problem

- Key stakeholders discuss the problem and possible solutions

- Groups develop specific policy proposals to address the problem

- Public debate is held on the proposed policy

- Groups present a policy proposal to representatives of the relevant government body (legislature or executive branch ministry or office)

- Government, proposal authors, and other key stakeholder groups discuss the policy proposal

- Legislation or executive order supporting the policy is drafted and introduced

- Legislation or executive order is debated

- Policy is adopted through legislation, regulation, decree, or executive order

In countries with relatively open government and a well-developed civil society, stakeholder groups usually discuss a prospective policy extensively before adopting it. Even in countries without a well-developed or tolerated civil society or with a relatively closed official decision-making process, adoption of a new policy is often a multiphased process (in these cases, adoption may happen more quickly). In either case, however, adopting a policy reform depends on its political significance and complexity, as well as the level of political support the policy enjoys. Monitoring this process and the discussions among stakeholder groups provides an understanding of where a specific policy proposal is headed and the chances of its adoption within a given time frame.

Policy Implementation

COMPLEXITIES OF POLICY IMPLEMENTATION

Before presenting some common milestones in the policy implementation process, we will discuss some of the issues that arise during implementation. The actual implementation of a reform following its adoption by host-country institutions is often long and complicated.[*] Some policy or regulatory reform efforts are relatively simple, in terms of both the degree of political support needed for a specific policy change and the administrative complexity required to implement it. An example is eliminating certain export or import regulations, which can be done relatively quickly with fairly immediate economic effects.

In contrast, policies having to do with privatization, decentralization, public sector downsizing, or legal reform may take a long time to mobilize political support from the public and key stakeholder groups in

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[*]This brief discussion on policy implementation issues is drawn from "Policy Implementation: The Organizational Challenge" (Crosby 1996) and "Policy Characteristics Analysis" (Gustafson and Ingle 1992).

the country. In such cases it may also take a long time to develop and pass necessary legislation, to coordinate among the multiple ministries and organizations responsible for implementation, to reorganize work responsibilities and authorities, and to acquire the requisite technical competency.

The payoffs for carrying out such policies may seem remote or uncertain, and there may be backsliding in the willingness to fully implement them. Certain groups that benefit from the status quo may actively oppose reforms and try to halt the process. Further complicating the process, the organization charged with carrying out a given policy is often different from the one that has adopted the policy through legislative or executive action. The implementing organization may lack the necessary funds, authority, skills, or experience to carry out the new policy. Finally, the leadership of the government, ministry, or implementing organization may change during the implementation process. That can affect the political will for policy reform. Clearly, carrying out reforms is complex, and the process has the potential to undermine or limit the eventual effectiveness of those reforms.

POLICY IMPLEMENTATION MILESTONES

The complexities discussed above reveal a number of common milestones in the implementation process. These events undergird a monitoring system that can closely track where a policy is in the implementation process, highlighting problems or opportunities that may allow managers to take actions enhancing the chances of effectively implementing a given reform. Milestones that occur in the process of implementing a reform adopted by executive order or legislation include the following:

- Developing ownership and support of the policy within various levels of government and civil society through dialog, lobbying, and public discussion

- Developing a detailed policy implementation plan

- Achieving political compromises among stakeholder groups that stand to lose power or resources from implementing the new policy

- Allocating and disbursing enough financial resources to implement the policy

- Carrying out organizational changes needed for policy reform implementation

- Increasing technical and managerial capacity when needed

- Enforcing the new policy effectively and appropriately

These events rarely occur in sequential order. For example, dialog between stakeholders may have to be ongoing. Legislation may have to be redrafted if it is incomplete, ineffectual, or unacceptable to some key stakeholder groups. Advocacy groups may need to continue lobbying for a given reform throughout the process. Monitoring systems should be flexible enough to accommodate the iterative nature of policy reform.

USAID PROGRAMS

The support of USAID missions in carrying out policy reforms can go only so far. Host governments and groups within the society must develop ownership of the new policy for it to succeed. USAID's support for the implementation process usually takes the form of

- Providing and supporting forums for policy discussions among the country's stakeholders

- Providing a forum for joint monitoring of the policy reform process by the country's key stakeholders, including the mission team and other involved donors

- Providing technical assistance to support any organizational changes or to help boost technical and managerial capacity, which may be needed to carry out the policy reform

Given both the bounds of USAID policy reform efforts and the complexity of the policy reform process, two points stand out. First, although Agency interventions may only address specific points in the policy reform process, any monitoring system that a USAID mission develops should enable managers to track all critical

steps of policy formation, adoption, and implementation. It may make sense for missions to pay particular attention to those areas of the reform process most directly affected by USAID programs, for both management and reporting purposes. Ignoring other steps in the process, though, will greatly limit the utility of such USAID-specific information.

The second point relates to the nonsequential nature of policy reform. Because some of the milestone "events" listed above either occur repeatedly or function more as processes than events, policy reform monitoring systems should build in periodic checks on the status of these events where appropriate. For example, missions may want to design their monitoring systems to note the first time a given milestone event occurs *and* to track whether and to what extent the "event" continues. This type of system gives managers a more detailed and realistic picture of the policy reform process.

5. Approaches to Monitoring Policy Reform

This section outlines several different approaches to monitoring policy reform and gives examples to illustrate how specific missions have applied these approaches in the field. The discussion also summarizes the pros and cons of each method. We have categorized the approaches as follows: 1) simple quantitative approaches, 2) composite approaches (using some combination of qualitative and quantitative methods), and 3) descriptive approaches. Operating units and teams should carefully consider cost and practicality when reviewing these approaches.

Before discussing the specific approaches, we highlight two particularly challenging issues for monitoring the performance of USAID-supported policy reform efforts. Note that methods from categories 2 and 3 above tend to be most effective in addressing these issues.

■ *Monitoring and reporting milestone events.* In most cases, important events must occur en route to actual policy implementation. These critical milestones do not easily lend themselves to quantitative monitoring and reporting without loss of information about noteworthy achievements and their significance.

■ *Setting targets.** Political issues and organizational capacity are key factors in determining how long it takes to carry out a reform, yet these factors are outside the manageable interests of USAID and key policy stakeholders in the country, and difficult to predict as well. This presents challenges when monitoring teams try to set targets related to when and to what extent a reform will be implemented.

As these issues indicate, USAID teams and managers must balance a number of considerations, both when they develop their policy monitoring systems and when they define performance targets. Keep this in mind when assessing the following approaches.

Simple Quantitative Approaches

This section discusses three approaches for monitoring and reporting on progress in policy reform efforts:

■ Monitoring the number of policy reforms achieved in a given year

■ Using simple indices to report on the percentage of the entire policy agenda achieved

■ Using a binary approach (yes/no) to state whether each policy reform has been achieved†

NUMERIC APPROACH

Using a purely quantitative approach is a common way of showing the progress of a USAID-supported policy agenda. Typically the Agency promotes a list of reforms during a three-year period, and each year it records the *number of reforms* that have been successfully completed. Usually an accompanying narrative

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*The specific issue of setting targets is addressed in more detail later in this paper. The examples shown here do not provide information on how targets were set. Using the highlighted approaches makes it easier for monitoring teams to think through target setting more realistically.

†Although this approach is not quantitative, it shares many of the same features.

provides information on which reforms were completed that year, as well as additional background information.

☞ **Pros**

- A simple way of reporting on a reform agenda. Does not require much time from busy managers.

- Fairly objective, as long as criteria for determining when a reform is "successfully completed" are tightly defined.

☞ **Cons**

- Does not tell development partners or reviewers anything about gains made in a given year with respect to policy reforms that have progressed but are not completed. This is important because reform implementation may be a multiyear process.

- Provides no information about important achievements attained during implementation (or passed in the first place) that may be noteworthy for developing organizational capacity, ownership, civil society, and democratic governments.

- Gives no indication about the importance of the reforms relative to one another.

- Is not a comprehensive monitoring system that can give detailed information to help manage the reform process or spur discussions with policy stakeholders in the country. Requires a separate, more extensive system for these uses in-country.

USE OF SIMPLE INDICES
TO TRACK COMPLETED POLICY REFORMS

Some missions use simple indices to track *completed* policy reforms. The term "indices" refers to aggregate measures of completed policy reforms. This is the most basic approach to aggregating policy reform for a sector or a subsector. These types of indices are useful when a set of reforms is seen as important for creating a more effective or equitable policy environment to support growth of a particular sector. These indices generally feature quantitative reporting mechanisms; for example, the *percentage of the*

reform agenda achieved is frequently reported. In creating simple progress indices on reform agendas, some missions have also *weighted* each reform according to its importance for realizing the strategic objective. When this is done, it is important to explain the weighting rationale and the methodology used to rate the current status of the reform. The index should be user-friendly to the reader.

☞ **Pros**

- Monitors and reports on the status of the policy reform agenda as a whole, assuming the combined effect of implementing each of the policies has a cumulative effect on the sector's performance.

- Used with a weighting scheme, reflects each reform's relative importance.

- A relatively simple means of reporting that requires little time.

☞ **Cons**

- Provides no information to reviewers and other development partners on the status of each policy reform effort. By aggregating all the policy reforms into one measure, the details on specific reforms are lost, which tends to obscure actual progress.

- Indexing *completed* policy reforms does not allow a team to monitor progress en route to full implementation. To monitor such milestones along the way, a separate monitoring system covering each relevant policy would be needed.

Box 1 gives an example of the basic structure of a simple index.[*] Though this example includes scoring elements indicative of composite approaches to monitoring policy reform, its framework is consistent with a simple index.

This example outlines five elements of an improved policy, legal, and regulatory environment to be

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[*]Examples are not provided for the numeric and binary methods discussed in this section. Because of the simplicity of these methods, it was felt that examples would add little value.

Box 1. A Simple Policy Index

In this example, USAID/Indonesia uses a 100-point index to measure government and industry progress in adopting policies and procedures that reduce environmental damage and promote environmentally sound energy supply and use.

Indicator description: This indicator uses a 100-point index to provide a qualitative measure of overall progress in establishing a regulatory environment that includes compatibility with renewable energy and energy efficiency. The index will track the achievement of milestones in regulatory policy development and implementation. Each individual policy will be rated in terms of potential and realized impact in the Indonesian energy sector. The points given reflect the significance of the activity in achieving the needed regulatory environment. Partial credit, or partial points, will be granted also. For example, 10 of the total 15 points will be considered "achieved" if the Transmission/Transfer Pricing Framework is under review in the Ministry of Mines and Energy by the end of the Indonesian fiscal year. Full credit of 15 points will be granted once the framework is implemented. Points awarded for each activity, if fully implemented by ministry, are identified below:

Year	Planned	Actual
1996–97 (B)	N/A	0
1997–98	25	N/A
1998–99	50	
1999–2000	70	
2000–01	80	
2001–02	90	
2002–03	95	
2003 (T)	100	

➢ Technical assistance in drafting the Transmission/Transfer Pricing Framework —15 points
➢ Technical assistance in drafting the Grid Access Code—15 points
➢ Technical assistance in drafting a Regulatory Framework—50 points
➢ Technical and human resources development assistance that leads to the establishment of a regulatory body within MME—10 points
➢ Technical assistance in developing Rules or Procedures that will assist MME in implementing the country's global climate change commitments in the energy sector—10 points

Comments: SO4 expects the 1997–98 target for this indicator to be met, although final performance data will not be available until 31 March 1998. The status of milestone accomplishments, as scored by the index point system as of September 1997, is indicated below:

➢ Technical assistance in drafting the Transmission/Transfer Pricing Framework—September 1997 status: draft framework under review by MME and PLN—10 points

➢ Technical assistance in drafting the Grid Access Code—September 1997 status: draft code is under review by MME and PLN—10 points

An Indonesian government meeting to initiate implementation of the pricing framework and grid code is scheduled for late February; this meeting will confirm full achievement of the 1997–98 target for this indicator.

tracked. The weights accorded each element/reform reflect its "significance . . . in achieving the needed regulatory environment." The index is based on 100 points; thus the "score" of the index at any point in time reflects the percentage of the mission's reform agenda achieved. The discussion under "Indicator Description" refers to a partial-credit scoring approach, which is more consistent with a composite monitoring approach. However, the index is based on the full implementation of a predefined set of reforms, consistent with a simple index.

The sample index in box 1 should provide managers, partners, and reviewers with a good sense of the progress being made toward a policy and regulatory environment that will facilitate "environmentally sound energy supply and use." But this strength—the ability to reflect the policy and regulatory framework for the energy sector as a whole—is also a weakness of this index, specifically, and of this approach, more generally. That is, the overall index number does not provide information on which reforms have been implemented or on how much progress has been made on specific reforms not yet fully implemented. One

additional point worth noting with regard to this example is that each element of the index has been weighted. Any such weighting should be based on careful analysis.

BINARY APPROACH

The use of a binary approach entails listing each of the policy reform efforts being pursued, and recording either yes or no—depending on whether the reform has been implemented—for each reform on the list on an annual basis. This approach has the same drawbacks as the quantitative approaches described above.

☞ **Pros**

■ Simple, requires little time.

■ Provides additional information beyond simply reporting on the number of policies reformed in a given year, such as which specific reforms have or have not been implemented.

☞ **Cons**

■ Same as those listed under the two approaches above.

■ These purely quantitative or binary methods of monitoring and reporting on policy reform performance are improved if accompanied by qualitative explanations and descriptions. If using these methods, missions should supplement them with information on the relative importance of the reforms being supported or pursued, milestones achieved or setbacks experienced during the year on a given reform, and how the various reforms relate to each other. Missions using these methods for reporting purposes may wish to develop a more comprehensive and informative monitoring system to track each of the relevant policy reforms.

Composite Approaches: Combining Quantitative/Qualitative Approaches

Another commonly used approach to monitor the policy reform process is based on constructing more complex indices. These indices are frequently, but not necessarily, based on phases or stages identified as

milestone events and are expressed numerically. Each phase or stage in the reform process is assigned a number or value. A specific reform's rating is based on an assessment of the reform's current phase or stage. There are a number of ways to do this, but in all cases, missions should provide a detailed explanation to define each stage in a given index and to describe the related scoring scale. This information is necessary because complex indices, if not thoughtfully considered and well documented, can be imprecise and subjective.

Developing clear delineation for each of the broad phases or stages listed in an index will increase the index's effectiveness. Specifically, what kinds of discrete criteria or elements must be met to ascertain progress of the policy reform process? This information not only helps individuals using the monitoring system to more accurately judge a reform's status from year to year, but also allows a more objective assessment of whether a particular phase has been reached.

Developing a detailed explanation of the scoring scale is essential for comparing progress with consistency over time and increasing inter-rater reliability in judging the status of the policy process. Specifically, what does each numeric score mean? Does each number denote a stage or phase that has been reached, or does it indicate progress within a particular phase or the number of stages or phases that have been passed through in a given time period? This information enhances both the comparability and objectivity of the monitoring instruments.

Another important consideration is *who* is involved in the process. Frequently USAID staff and direct partners conduct the rating. Arguably, a rating system will be more effective if they review progress with a group of the policy stakeholders during joint monitoring sessions. Going one step further, involving members from a participatory monitoring group in defining the phases of an index and its associated scoring scale will boost confidence and understanding in the instrument's use and create a sense of joint ownership of the monitoring system. Another method involving host-country participation is to engage a panel of experts to review and rate the current status of the policy process. Whatever means are used, all parties involved in rating the current status of the policy

process must understand the scoring scale completely, and they must agree on its use *each time* the parties are convened to monitor and rate progress.

☞**Pros**

■ Provides a more comprehensive and informative monitoring system for strategically managing the policy reform process.

■ Can be used effectively both to manage the reform process in-country and to meet various Agency reporting requirements. Provides sufficient information for field managers, USAID/Washington reviewers, and other stakeholders to understand the current status of each reform being pursued. As relates to reporting, this point holds as long as aggregate index numbers are supported with relevant detailed information. There is less need to create an additional, separate system that policy stakeholders in-country can use.

■ When policy stakeholders are involved in the rating process, they often understand and appreciate better what is happening with specific reforms. This type of discussion often promotes more commitment to the reform and generates ideas about how to move the process along.

☞**Cons**

■ If generic phases or stages are used to describe the current status of the reform process, they risk being too broadly stated and can obscure the significance of what is actually happening with a particular policy.

■ Stakeholders who are invited to rate the current status of a policy can easily misapply the rating system from year to year.

■ Critics can easily question the credibility of the rating system employed.

EXAMPLES OF COMPOSITE APPROACHES

Here are three examples of composite approaches (indices including quantitative and qualitative elements) that missions have used, along with details describing their scoring scales.

Measuring stages of the legal reform process (box 4). The rating is based on either the stage completed or number of stages completed in a given year. The example provides specific details for each stage of a legal reform being monitored. No weighting is assigned to the stages, as each is considered equally important.

Monitoring policy reform by reporting on key phases of the process completed (box 3). Details are provided on the scoring scale. Rating is based on the percentage of the phases completed, and each phase is assigned a different weight according to its importance in the process.

Rating movement in policy reform through steps (box 4). The index is based on a scoring scale denoting forward, backward, or no movement. A panel of outside experts judges movement for each reform.

These examples represent good use of indices and rating scales allowing for thoughtful combination of quantitative and qualitative monitoring and reporting that can be used with partners. Without going into great detail, they provide the means to track, manage, and report on the performance of a reform effort. The first two examples follow the reform effort through to actual implementation.

The stages described in box 2 are specific to the legislative part of the reform process. For each stage, the example lists concrete steps from which a mission, its partners, and reviewers could derive detailed criteria to determine whether a stage has been reached. This helps ensure a degree of objectivity when judging a reform's status. Unless legal reform is being promoted, missions may wish not to report in such detail for the legislative activities involved in reforming other types of policies. The idea here, of course, is to clearly define stages meaningful to the policy being pursued and the concrete steps involved in reaching each stage.

The example in box 2 also provides some detail on the implementation phase of the reform process. Stage 7, labeled "implementing actions are taken," gives examples that might be used to clearly define the implementation phase(s). These examples include events and processes such as executive agencies passing operating regulations, information dissemi-

Box 2. Measuring Stages of the Legal Reform Process

This example presents a milestone scale for measuring legal reform. Legal reform can take a long time to achieve, so breaking down the process into milestone events, or stages, is helpful for showing progress. The methodology can be used in any sector for any type of reform, but the description of the stages will probably differ.

Stage 1. Interested groups propose that legislation is needed on a particular issue.
Stakeholders, public-interest groups, think tanks, key donors, and others press for new legislation, such as by sharing relevant legislation and models from other countries, soliciting press coverage, sponsoring public forums or hearings, scheduling meetings with government officials and elected officials, and publishing papers. Stakeholders may form networks or coalitions to advocate.

Stage 2. Issue is introduced in the relevant legislative committee or ministry.
The issue is raised, discussions are held, studies/research are conducted, and hearings conducted by committee.

Stage 3. Legislation is drafted by relevant committee or ministry.
If drafted by the ministry, it is submitted to the legislature.

Stage 4. The legislature debates the legislation.
Might include additional committee hearings, or consideration of alternative model laws, projecting likely impact of various provisions, and broad participation from delegates and stakeholders representing different factions and parties. This stage might take some time, if revised versions are needed before passage.

Stage 5. Legislation is passed by full approval process needed in legislature.

Stage 6. The executive branch approves the legislation (where necessary).

Stage 7. Implementing actions are taken.
These could include executive agencies passing operating regulations, information being disseminated to citizens about the new law, and administering agencies being informed and provided with technical assistance to fill any new role required by the law.

Stage 8. No immediate need identified for amendments to the law.
This shows that the law was well crafted and lawmakers believe that, given time, it will have its intended effect.

Source: Handbook of Democracy and Governance Program Indicators. The Center for Democracy and Governance in USAID's Global Bureau (August 1998).

Note: This is somewhat simpler than the method presented under example 3, in that weights are not assigned each stage. It assumes each stage is equally necessary. However, when using this methodology in other sectors, the description of stages may be different, and weighting could be applied if there is a reason to assign differential importance to each stage.

Scoring method: Performance is reported by presenting the highest stage (milestone) passed during that year. If processes are not sequential, the score could be the number of stages completed during that year. In that case, information on *which* stages have been completed should be presented in addition to the *number* of stages. Missions set performance targets by proposing what stage will be achieved in the coming years for each reform being promoted.

nated to citizens about the new law, and administering agencies being informed and provided with technical assistance to fill any new role required by the law. Stage 8 shows that the early signs of implementation are good, suggesting that the legislation is having the intended effect. (Refer to the previous section of this paper for examples of additional milestone events to report during the policy implementation process.)

The example in box 3 provides a generic description of the phases that most policies pass through en route to final implementation. This approach provides a simple and efficient way for missions to monitor and report on the progress of reform efforts, but the events are broadly stated and sometimes combine more than one key event. For example, the fourth phase, "adoption through decree, regulation, legislation, or creation of an implementing team, unit, office, or organiza-

Box 3. Monitoring Policy Reform by Reporting On Key Phases of the Process Completed

USAID/Morocco has developed a system of measuring progress on the reform agenda in terms of percentage achieved in five phases, with different weights assigned to each phase as follows:

Key Phases	Weight Assigned
1. Identification and analysis of the problem	10%
2. Elaboration of proposed interventions to address the problem	10%
3. Dialog, lobbying, public discussion, validation of the proposal	20%
4. Adoption through decree, regulation, legislation, or creation of an implementing team, unit, office, or organization	20%
5. Implementation or enforcement through concrete action	40%

Note: Implementation of the reform is assigned the greatest weight. The mission uses this mode of reporting on the reform agenda for all its strategic objectives.

Scoring method: The progress on each reform is scored separately according to which phases have been reached that year, and then the scores are added up. For example, if a reform passed stages 1, 2, and 3, it would be scored as 40 percent. The mission sets performance targets according to what phases it believes will be achieved under a given reform in future years. In USAID/Morocco, the score for each reform is summarized into an average score of all reforms being pursued under that strategic objective as an overall measure of progress on its policy reform agenda for a given sector.

Box 4. Rating Movement in Policy Reform Through Steps

USAID/Egypt has devised a method for measuring the rate of progress in policy reforms by assigning points to steps made forward or backward in the process.

Policies	January Results 7/1/94–12/31/94	July Results 1/1/95–6/30/95	January Results 7/1/95–12/31/95	Status
A. Foreign exchange market rate system	2.00	1.40	1.72	Forward at a slow pace
B. Interest rate and monitory policies	2.33	3.00	3.72	Some movement forward at a quicker rate
C. Fiscal Reform				Quicker, especially deficit, movement forward
Overall	0.36	1.32	3.72	
Fiscal deficit	2.33	2.80	3.22	
Taxes	0.50	0.60	0.29	Slower minor forward movement
Expenditures	0.50	0.60	0.38	

Scoring scale: 10 represents at least one major or significant step forward; 9 to 7, important movement forward; 6 to 4, some movement forward; 3 to 1, a little movement forward; zero, no movement or no progress; –1 to –3, little backward movement; –4 to –6, some backward movement; –7 to –9, serious backward movement; and –10, at least one major or significant backward step. For each reform, the scoring is accompanied by narrative text that provides details on the nature of forward or backward movement.

Note: This scoring scale is unique, in that it does not presume that movement in the policy reform process will only be forward. However, no score denotes full implementation of a given policy. This means that it is difficult or impossible to determine where the reform process is on a continuum. Examples of this kind of continuum include identification to implementation of a reform, or movement from a poor policy framework to a supportive one.

Scoring method: Every six months USAID/Egypt invites the "distinguished members of the Amun Oracle Panel" to score and comment on the Egyptian government's progress in achieving major policy reforms and to project key economic variables. The mission notes that the reader should be aware that these scores of progress and projections are subjective and that there are no "correct" estimates as such.

tion," combines several important steps that are not equivalent and do not necessarily occur at the same time. There may be a lag of one year before an implementing team or organization is created, and another year before a concrete action denoting actual implementation occurs (phase 5 in the scale). In these cases, it might be useful to break up the phases into additional concrete steps. It would also be helpful to complement this succinct method of measuring progress by describing in narrative form what has happened during the relevant time period on the most critical reforms.

It is noteworthy that in this example USAID/Morocco has given the greatest weight to the implementation phase of the reform process. This not only points to the importance of policy implementation in the overall process of policy reform, but also highlights the importance of including policy implementation within a policy reform monitoring framework.

The example in box 4 does not describe specific phases or stages. It differs from the other two examples by monitoring, instead, the direction and rate of movement of the reform process. Details as to whether a policy has been debated publicly, adopted, or implemented are found only in the narrative section, not in the scoring scale. Note that a panel of expert judges conducts the rating. The utility of this system is predicated on a detailed description and examples of what constitutes "a significant step forward," "an important movement forward," and "some movement forward." Without such detail, judges would find this rating system confusing and subjective.

The preceding set of three examples highlights two points related to monitoring policy reform. First, when developing a "comprehensive policy monitoring system," it is necessary to describe in detail the stages a reform must pass through as it moves to final implementation. Second, policy reform without effective implementation is of little value; therefore, policy monitoring systems should, in most cases, reflect the implementation phase of the overall reform process.

Descriptive Approaches

The Agency is increasingly accepting mission use of descriptive and qualitative methods to monitor and report on the progress of policy reform efforts. Managers understand that progress in adopting and implementing policy reforms is frequently not readily quantifiable. Even quantitative methods using stages, weighting systems, and rating scales must be accompanied by significant narrative to describe the stages and explain rating systems and their significance. When using descriptive and qualitative methods it is important to clearly define in advance the key events in the reform process and the planned results and then monitor their achievement. This permits a relatively objective comparison of *planned* with *actual* results throughout the performance period.

☞**Pros**

■ Provides information specific to each policy reform effort, in terms of both the institutions involved and the events that must occur given the reform's political context.

■ Gives a level of detail in the monitoring system that can be used as a management and discussion tool.

■ Offers enough information for reviewers and other stakeholders to understand the current status of a given policy reform effort.

☞**Cons**

■ May reduce objectivity in monitoring and related performance reporting and make the comparison of planned with actual results more difficult.

■ May reduce comparability in monitoring performance over time; that is, the information used to assess performance in one year may be different from information used to assess performance the next year.

■ Risks providing too much detail, which can obscure events' significance

Box 5. Monitoring Policy Through Describing and Forecasting Specific Events

In this example, USAID/Mozambique provides a brief description of key events that lead to implementation of the reforms it is promoting. This method is used to report on targeted reforms under each of the mission's strategic objectives.

Policy Area	FY95 Baseline	FY96	FY97	FY98	FY99
Financial sector reform, bank privatization, and market access to foreign exchange	**Actual** Commercial and central bank functions split in 1993; by 1995, several private commercial banks open; nonbank institutions legally engage in forex transactions at market rates	**Planned** Sale of BCM to private buyers, with government shares < 49% **Actual** completed July 1996	**Planned** Sale of BPD to private buyers, with government shares < 49%; conduct assessment of legal/regulatory obstacles to rural and micro financial services. **Actual** BPD privatized; analyses and dialog (government Republic of Mozambique, private sector, NGOs, donors) begun	**Planned** Establish legal framework (including supervision regulations) for private and member-owned nonbank financial institutions to mobilize savings and make loans	**Planned** At least one nonbank financial institution established

Note: This set of related reforms does not use generic steps in tracking progress. The events they describe for each year are specific to the particular reform. The last planned performance target in FY99 is a key event that proves implementation of the reforms.
Scoring method: To set targets, the mission SO team has identified three events that denote progress for efforts to promote these reforms on an annual basis. The team describes the extent to which the event has actually occurred.
Further observations: The fact that the policy area includes multiple areas (of multiple reforms) creates some confusion over what this indicator points to, in terms of planned results. Additionally, what is reported on in baseline and out-years, planned and actual, varies substantially. This points to the problem of comparing planned and actual results objectively.

■ Lacks the quantification that some performance reviewers expect.

The examples that follow demonstrate useful descriptive methods:

Monitoring policy through describing and forecasting specific key events (box 5). This monitoring system consists of identifying the key events that denote progress in the reform process on an annual basis.

Monitoring policy with brief status descriptors and definitions (box 6). This method consists of forecasting the status of the reform process annually. Similar to the Egyptian example, the status descriptors are keyed to the specific policy pursued.

In the example (box 5), it is difficult to assess if the fiscal year 1997 planned target was fully achieved—the 1997 actual is unclear about the "assessment of legal and regulatory obstacles" and is not very

Box 6. Monitoring Policy With Brief Status Descriptors and Definitions

In this example, USAID/Indonesia is really reporting on the development of institutional capacity of a regulatory body in the Ministry of Health. It briefly describes the status of the capacity of the regulatory body and then provides a guide to define what constitutes achievement. This method can be applied to monitoring policies and to the status of capacity of a unit or organization.

A regulatory body is formally established in the Ministry of Health providing regulatory functions on a continual basis	Year	Planned	Actual
	1996 (baseline)	N/A	Nonfunctioning regulatory body
	1997	Regulatory body operational; guidelines developed	Regulatory guidelines revised; regulatory body operational at minimal level
	1998	Regulatory body and system fully functioning	

Comments: The regulatory unit was operational in 1997. 1) Written regulatory guidelines were revised by end-November 1997; 2) 15 plans have been licensed and 10 more are under review; 3) 4 out of 7 plans are reporting regulatory data regularly; and 4) verbal warnings have been issued to several plans not in compliance with regulations. The regulatory body will be fully functioning when it 1) routinely analyzes regulatory reports from all programs conducting quality assurance and risk profit-sharing activities; 2) documents degree of compliance, identifies deficiencies, and provides a time frame for corrective action; 3) applies penalties and sanctions for noncompliance; 4) periodically analyzes measures of quality assurance, rational drug use, cross-subsidization, and health impact; and 5) undertakes studies in risk-based pools and cross-subsidization.

Scoring method: To set targets, the status descriptor denoting progress is forecast each year. A short description of the current status that year provides actual performance.

informative. If more information cannot be provided in the performance reporting table, the comments section must explain why. Note that this case provides information through the implementation phase of the reform process. That is, the final performance step that the mission strategic objective team has established indicates it has successfully carried out financial sector reforms.

In box 6, the benefits of fully describing key concepts in descriptive monitoring approaches are evident. For example, "fully functioning" is well defined, allowing for relatively objective (future) comparison of planned to actual performance. Conversely, "operational" has not been well defined, making the judgment of performance much more subjective. Like the example in box 5, this example also tracks the reform process through implementation. The mission strategic objective team has clearly defined what it means to have successfully implemented a fully functioning regulatory body in the Ministry of Health.

CONSIDERATIONS HIGHLIGHTED BY BOXES 5 AND 6

The methods in boxes 5 and 6 require enough description for managers, reviewers, and interested stakeholders to understand and appreciate the current status of the reform process. At the same time, missions should keep in mind that too much detail can obscure the most important aspects of change. In other words, when creating a descriptive policy reform monitoring and reporting system, a balance must be struck as to the degree of detail provided. As with the approaches outlined earlier in this paper, use narrative when preparing reports (the R4) to explain particularly noteworthy events or why forecast progress has not been achieved.

Note that descriptive or qualitative approaches to monitoring policy reform need to be structured, or "systematic," to function effectively as ongoing monitoring systems. A descriptive system that fails to pay attention to the requirements of objectivity and

comparability over time may not provide managers with the information they need to judge performance and adjust strategy or operations.

A final important point: When setting descriptive targets, characterize, from year to year, the precise status of the reform to be achieved, or a milestone event that represents forward movement in the policy reform process. This permits relatively objective comparison of actual with planned results. Setting targets requires a great deal of thoughtful judgment, as the next section discusses.

6. Other Issues Related To Monitoring Policy Reform

In presenting some of the approaches used for monitoring USAID-supported policy reforms, we have touched on a number of related and important issues. They include 1) monitoring activities and results closely linked to policy reform, 2) tracking the (immediate) impact of policy reforms, and 3) setting performance targets for policy reform activities and intermediate results.

Monitoring Activities and Results Closely Linked to Policy Reform

Besides the actual adoption and implementation of policy reforms, missions may be keenly interested in related events and processes that require monitoring. For example, some missions have found it important, in their efforts to promote democracy and civil society development, to measure the degree of participation in the policy process. In such cases, missions may specify an intermediate result reflecting this objective. They may also see this issue as one that cuts across different areas of interest. In both cases, missions will almost certainly choose to monitor such participation.

A second illustration occurs in cases where missions want to promote the capacity of specific organizations to administer and monitor implementation of policy reforms (see box 6). Missions need to decide how closely they monitor and report on such processes and objectives. This decision will depend on several considerations:

■ The degree of support and assistance the mission provides to these aspects of the policy reform effort

■ The importance of these activities to achieving implementation of the reform, and the reform's contribution to achieving the strategic objective to which it is related

■ Other mission goals, such as developing democracy and civil society through broad participation in the policy process by a wide range of stakeholders in addition to government officials

Tracking the Impact of Policy Reforms

Once policy reforms are implemented, investigating their ultimate impact can often be complicated and expensive. Reforms usually have long-term and significant effects at the macrosectoral level; for example, the influence of fiscal policy reforms on a country's economic growth, or the effect on future fertility rates of educational policies promoting girls' school attendance through the sixth grade, or community-based forestry management policies on the health and biodiversity of tropical forests. It is often difficult, though, to isolate the actual effect of new policies on such objectives. Policy reforms, for example, are often meant to operate in conjunction with non-policy-oriented technical assistance activities and support. Further, the interaction of policy reforms with political events also greatly influences the eventual impact of such reforms. For these reasons and others, when monitoring the effects of policy reform, missions typically track the most immediate effects of the relevant reforms. Box 7 offers examples.

Setting Targets and Assessing Performance

Predicting year-to-year progress on the adoption and implementation of a given policy reform can be tricky. Unlike predicting progress in many other program areas, one cannot look at a trend line of past performance or rely on scientifically grounded assumptions to predict the rate of change from year to year, other conditions being equal. When thinking about projecting movement toward policy implementation, a number of country-specific factors will affect the reform effort and the speed with which it is carried

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Box 7. Monitoring the Immediate Effects of Policy Reform

The examples below present the immediate effects of the successful implementation of sample policy reforms and indicators that might be used to track them. The first column outlines specific policy reforms. Direct monitoring of these reforms would in most cases be conducted using one of the approaches discussed earlier in this paper. The second and third columns move beyond the specifics of policy adoption and implementation, outlining the most immediate consequences anticipated from the sample policy reforms. Some missions will choose to monitor both levels of information. Others will track only one—for example, looking only at the immediate effects of reforms rather than the reform process itself. Managers' needs should drive the decision of what to monitor. For example, if a strategic objective team has defined a result focusing on the steps of the reform process, the relevant indicators and monitoring system should be oriented accordingly. If the team has instead articulated a result that highlights the immediate effects of policy reform, the indicators should capture such impacts.

Policy Reform Implemented	Immediate Outcome Sought	Indicators Used to Measure Outcome
Privatization policy	Reduce government ownership of productive and service sector	■ Number of parastatals sold to private sector buyers ■ Number of formal parastatal operations now functioning as private businesses
Policies promoting girls' education	Increased girls' school attendance	■ Number of girls entering first grade ■ Number of girls entering seventh grade
Constraints to business registration reduced	Increased efficiency and openness of business registration process	■ Number of days required to register a business ■ Number of small and medium size enterprises registered
Export tariffs removed for agricultural products	Increased volume of agricultural exports	■ Volume and value of agricultural products exported

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out. Therefore, before setting policy reform performance targets, consider the following:

■ The degree of political support the policy has within the current government

■ The degree of political support the policy has with other groups and individuals affected by the reform

■ Resources available to lobby for or to block the reform

■ How much political power that probable "winners" and "losers" from the reform currently hold

■ The degree of political stability in the country

■ The degree of cooperation between political parties or factions within government responsible for passing legislation authorizing the reform

■ The availability of financial resources to implement the reform

■ The organizational capacity of those charged with implementing the reform

This list is not comprehensive but rather represents considerations that should be taken into account when assessing the rate of reform progress and the likelihood of success. An updated political assessment of the country and of the public and private institutions and organizations that will be involved in the reform process will help inform judgments.

Because political situations in any country are subject to rapid change, missions should state their critical assumptions about the timetable they propose for completing the reform effort. Frequently they won't precisely meet targets for policy reform objectives from year to year. Thus they should state the assump-

tions made at the beginning of the monitoring process to help them explain yearly performance.

The best way to set performance targets and to review performance is to cooperate with policy stakeholders from various constituent groups in the public and private sector. Given the political nature of reforms, host-country participation in this process will be vital for both identifying the stages through which a policy must proceed and for predicting the time required to reach each stage until implementation. The result will be a more realistic monitoring system relevant to the specific reforms undertaken. Convening such a group to help create the monitoring system and set targets will also help when the time comes to rate progress.

Additionally, a mission's or team's confidence in its policy reform monitoring system and performance assessment will increase if a representative group of in-country monitors and reviewers is involved. Finally, such participation will help sustain the policy reform effort beyond the scope or time frame of USAID collaboration. Missions' involvement with such groups, in the form of ad hoc task forces, forums, secretariats, temporary working groups, or councils, is increasingly common.

A well-constructed monitoring system can be used on an ongoing basis to direct discussion and examine delays and other problems impeding policy implementation, as well as for brainstorming on approaches to these problems. It can also stimulate feedback that will help managers assess strategies for introducing and implementing reforms, as well as the effect of those reforms on a country's critical sectors. When a monitoring system is used this way, it can foster host-country ownership of the reform process and its commitment to implementation, important goals that USAID supports and a pivotal element in ensuring that the reforms last.

7. Summary: Practical Tips For a Busy USAID Manager

This paper discusses in detail the benefits of well-designed monitoring systems for policy reform. It also presents various approaches USAID managers cur-

rently use in the field. We can draw several broad conclusions that should prove useful to managers.

1. **Monitoring policy reform often substantially contributes to the reform process itself;** that is, the benefits of monitoring policy reform are not necessarily limited to internal USAID management and reporting. The monitoring process can be a focal point or catalyst to keep the reform process on track ("what gets monitored gets done").

2. Regardless of the specific approach that managers decide to use to monitor policy reform, **it is helpful to first define a descriptive list of stages or milestone events in the reform process.** This disaggregates the policy reform process into "units" that are more easily understood and tracked. Even if the monitoring approach ultimately chosen does not incorporate discrete reform stages, this step will help managers better analyze the monitoring and evaluation information collected.

3. **Involve partners and other policy reform stakeholders in the design of policy monitoring systems** to take advantage of their unique perspectives, experience, and knowledge. Partners and stakeholders should in particular participate in the difficult task of setting policy reform targets.

4. **Select a monitoring approach that best reflects the needs and constraints of the operating unit, SO team, and host-country institutions.** For example, if a policy reform program addresses a broad range of policies covering an entire sector, it might be useful to develop an index that can present a measure of reform across the sector. It may happen that a policy reform program concentrates on completed and implemented reforms and pays little attention to the actual reform process (sometimes the case when policy reforms represent conditionalities for the release of a disbursement in a cash transfer). In such instances, a monitoring system based on detailed stages in the reform process may be inappropriate. While developing an approach, keep cost-effectiveness in mind.

5. **If a descriptive/qualitative monitoring approach is used, define planned results/targets in a detailed and comprehensive way**. This will permit a relatively objective comparison of planned with actual results throughout the performance period.

6. **If at all possible**, **include the implementation phase in any policy monitoring system.** Though the reform of policies, regulations, and procedures "on the books" is important, effective implementation is key to achieving results.

Although necessarily general (more detailed technical advice can be provided only within the context of specific country programs), these tips should be useful for USAID managers as they develop monitoring systems aimed at tracking policy reform.

This Recent Practices in Monitoring and Evaluation Tips *is intended to present some of the current practices USAID managers use to monitor policy reform. The purpose is not only to share this information and experience but also to engender discussion on new and existing best practices in monitoring policy change. If you have specific comments, questions or experiences—best practices— that you would like to share with us, please contact John Haecker,* PPC/CDIE/PME *(jhaecker@usaid.gov).*

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