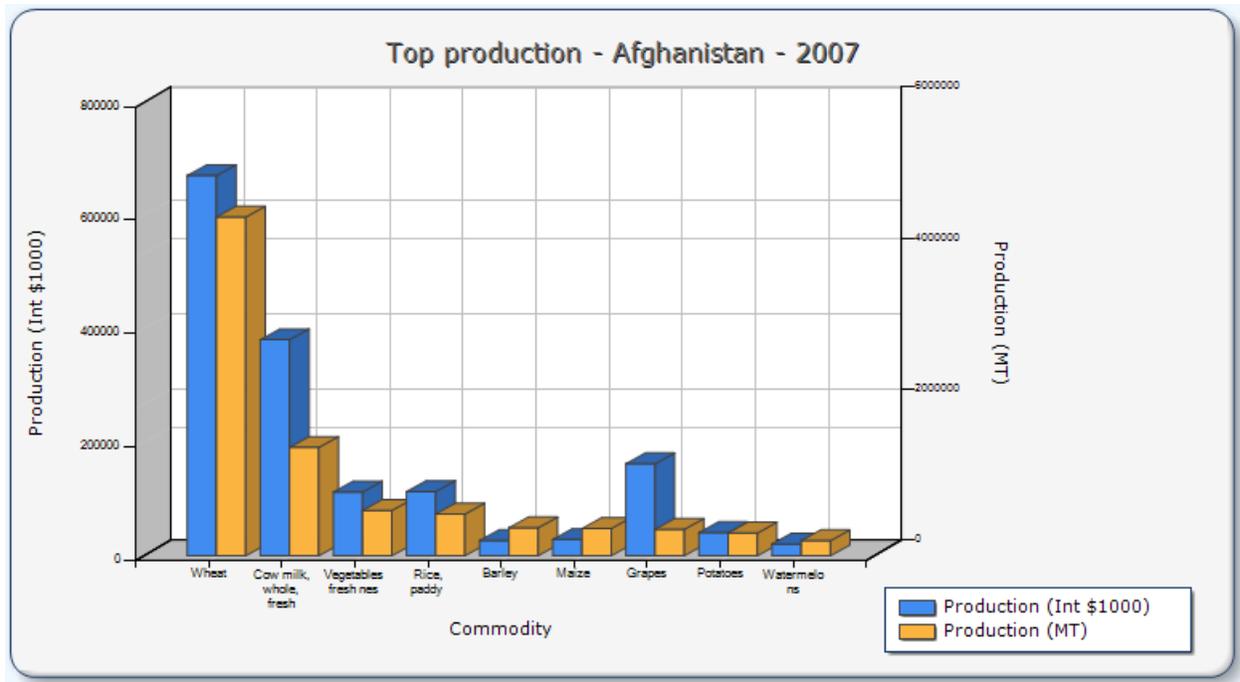


PAI 897  
Policy  
Analysis  
Notes

- Client orientation.
  - Make sure that you address the question that the client has posed.
    - Resist temptation to answer question that you find more interesting
    - Resist temptation to answer the question for which it is easier to get information
    - Help client think the question through if you think the way the question was posed misses the larger question they should be asking.
      - Clients sometimes focus on symptom rather than seeing the underlying problem.
      - Clients may not fully understand what they are asking you to do until you get going on the project and start laying out the pieces for them.
  - If there is uncertainty, answer in a way that reflects the uncertainty.
    - Resist urge to not answer a question that has ambiguity or uncertainty.
    - Provide ranges or alternative scenarios if possible.

- Reflect on where you get your numbers and your confidence in them.
  - Report ones that you are skeptical of the truth if you use them. “the vitality of mythical numbers”.



From FAOSTAT <http://faostat.fao.org/site/339/default.aspx>

- Problem Analysis
  - P1: Understanding the problem.
    - Assess the symptoms. What quantitative data do you have on the range of symptoms that are related to the problem in question. How does the problem identified manifest itself in reality and in

multiple dimensions, possibly beyond those identified by the client.

- They may have come with one of particular concern, you may need to identify other kinds of symptoms that are related to the one identified.
- Time trends may be useful.
- Drawing evidence from other cases may be possible. Geography and spatial variation are often helpful here.
- Frame the problem.
  - What in our general overview of government and market failure describes the problem. Why is the current situation suboptimal and by what criterion do you arrive at this evaluation?
- Model the problem.
  - What is the outcome variable / set of outcome variables of concern?
  - What are the logical variables that influence the outcome(s) and by what mechanism do they impact the outcome(s).
  - What is the policy relevant subset of these variables?
    - At the level of the client

- At other levels.
- P2: Choosing and explaining relevant goals and constraints.
  - What exactly are you trying to do with the policy? What is your goal /are your goals?
    - (Increased) efficiency is usually one of the goals.
    - What other goals (or goal categories) are to be given prominence?
      - Substantive goals like efficiency, equity, protecting rights, justice...?
      - Instrumental goals are conditions that may make it easier to reach substantive goals (politically feasible, deficit reducing, budget balancing,...)
        - Sometimes we can think of these are constraints as much as goals.
      - Set goals that are within reach of the client in terms of resources, reasonable staffing expectations, authority, legality...
    - It may not be in your interest to have your client lay these out in detail up front.
      - Part of your job is to lay out these goals and the tradoffs necessary to achieve one rather than another.

- The book identifies goals and tradeoffs as an output of analysis rather than an input.
  - It may be useful for the client to see what you come up with to contrast with their own goals and preferences.
  - Client management: they can keep changing the goals and drive you nuts.
  - Always keep in mind the original project description / terms of reference / scope of work.
    - Make sure in the end you address all the points raised in the TOR.
- Distinguish between goals (that reflect some normative objectives) and policies (the practical steps available to realize these goals).
  - Goal is kept abstract, policy is specific.
    - Goal is to reduce poverty
    - Policy could be a negative income tax, raising the minimum wage, direct employment by state government...
    - Identify the benefits that the policy will lead to in terms of the goal.

- Identify the costs that the policy will lead to in reaching the goal.
- P3: Selecting a solution method
  - *Ex ante* analysis is the format we are using. Before we implement, what is our best guess of what will be the outcome of alternative policies?
    - Contrast to *ex post* monitoring and evaluation / program evaluation. This is often used as the base of evidence on which to conduct policy analysis in other settings.
  - Approach one : formal cost benefit analysis
    - Identify and value benefits, identify and value costs.
    - Describe flows of costs and benefits over time.
    - Use discounting to state all values in present value terms.
    - Apply a test (Net present value, internal rate of return, benefit cost ratio)
  - Approach two: Qualitative cost benefit analysis.
    - Same concept as above, but when it is not practical to put a money value on some costs or benefits.
    - Identify them, but can't really assign a cash value.

- Express their existence and magnitude for comparison across policy alternatives.
- Approach three: Modified cost benefit analysis
  - Monetize another goal in addition to efficiency.
  - For example, how much is a reduction in inequality 'worth' in dollar terms?
  - Another approach is putting weights on different groups differently.
    - Assign more value to benefits for a target group for example.
    - Present weighted and unweighted results to allow comparison.
- Approach four: Cost effectiveness analysis
  - Fixed budget approach. For a given amount of money, how much of a non-monetary goal can we realize if we implement in an efficient fashion a given policy?
    - How much can we boost rural income without causing environmental damage with a \$5 million dollar budget?
    - For \$5 million dollars, what is the snow removal policy option that will provide the least traffic delay in our city?
  - Fixed effectiveness approach. For a given level of an outcome, what policy is the least

costly means of efficiently arriving at that outcome?

- If we want to reduce the headcount index of poverty by 10% in three years, what is the best way of doing this?
- Currently we provide weekly trash pickup service. What is the least cost means of disposing of this trash after it has been collected?
- This may not tell us whether the project in question is going to be a good use of societal resources as it is not a full cost benefit analysis.
- Approach five: multigoal analysis
  - Generally what we will be dealing with.
  - Challenge is to identify impact categories, and be consistent across policy alternatives in these categories.
  - It lends itself to the solution analysis considered next.
- SOLUTION ANALYSIS
  - Select impact categories for given goals
    - State in some kind of measurable and comparable variable
    - Can be multi-dimensional (goal is to improve water quality in a lake, impact categories are reduced algae blooms, reduction in bad odors,

increased water clarity, increase in native species, decrease in invasive species....)

○ Identify policy alternatives

- Look around at other places confronting similar issues. What evidence exists on what works and what does not work?
  - Reinventing the wheel
  - Reinventing the flat tire
- Look to the ‘generic policies’ identified in the text for this class of problem. What is in the standard toolkit as ways of dealing with this kind of issue?
  - See what is needed to adapt the ‘generic’ to the particular.
- One policy that is considered in the set of options analyzed should be ‘keep doing what we are doing’ to allow contrast.
  - Policy change is a counterfactual to what would have happened if we keep doing what we are doing now.
  - You need a baseline.
    - Contrast is with and without
    - Contrast is not before and after
- Don’t select a ‘champion’ up front. They should be logically defensible, reasonable alternatives that each could be the one selected.
  - Avoid creating a straw man argument

- We could have policy A, that leads to balanced budgets and fiscal health, or option B that leads our city into complete anarchy.
- Ensure the range of options is a real choice
  - We could tax at \$0.54, \$0.55, or \$0.56 per unit compared to \$0.50, \$5.00, and \$50.00.
- Make sure the alternatives have clear mutually exclusive definitions
  - If we add option A and option B and get option C we are not defining things right.
  - We want alternative ways of getting to a given set of goals as represented by the impact categories.
- Keep away from ‘kitchen sink’ proposals.
  - If one alternative can do it all when compared to the others, have you really fully defined the others or are you omitting a constraint on the kitchen sink one?
  - Underlying the policy alternatives is a set of tradeoffs.
- Be clear in the policy alternatives the specifics of what is being suggested. Who will do this action using what authority and

what mechanism, who is impacted, in what way, what will be needed to undertake these steps...Practical steps in the context of the client should be set out.

- Predict how alternatives will do in terms of goals and impact categories.
  - If possible, put a value on them in monetary terms.
  - If not, then try to assess relative direction (increase, decrease; improve, worsen;...) relative to the current policy or (sometimes) relative to the spectrum of alternatives being considered.
    - Sometimes a score is assigned (1-10) or a five point scale (greatly decrease, decrease, remain the same, increase, greatly increase)
    - You also may want to make this overall contrast and assessment for alternative ‘states of the world’ that can be best case, worst case, and so on.
      - Impact of policies on congestion in book
        - At high fuel price
        - At low fuel price
      - Uncertainty and ranges are OK.
- Valuing alternatives in terms of goals and their impact categories.
  - Again, monetization is an approach often taken.

- Sometimes being consistent across a row is more important and more defensible.
- Easy to measure things may be used more often than harder to measure things that are more closely related to the goal
  - Aid money allocated rather than development outcomes, body count rather than establishing political control in a war
- Evaluation: Comparing alternatives across incommensurable goals.
  - Sometimes we give points to different goals (50 points for equity, 25 for efficiency, 25 for environmental sustainability or what have you).
  - Then you can score.
  - But sometimes it is more transparent to keep things in the contrast (both increase income by 10% on average, while alternative A helps more people in poverty and alternative B helps 50% more people overall)
- Presenting recommendations
  - What do you believe your client should do
  - Why
  - How should they go about doing this.
    - Should flow from the analysis
      - Danger is to make ‘discovery’ near the end and the recommendations are

following a different logic than the analysis.

- Should emphasize both the advantages and disadvantages of what you are suggesting they do.
  - Fully explain the costs, benefits, risks, consequences.
- Identify clear set of instructions to the client on what they should do if they follow your advice.
- Communicating Analysis
  - Structuring interaction
    - Limit, but focused and comprehensive. A full draft, rather than asking questions as they come up is better.
    - When working on a team, a set of team questions to the client should be agreed on by the team before submitting.
  - Keeping the client's attention.
    - Executive summary
    - Table of contents
    - Clear headings in the text
    - Don't follow the 'murder mystery' model of presentation. Hit the findings up front.
    - Jargon to a minimum

- If it can be relegated to a footnote / endnote, then let it be.
- Active (We find that the cost is greater than the benefit) rather than passive (In our analysis, it was found that cost is greater than the benefit).
- Establish credibility
  - Cite sources
  - Identify ambiguities and uncertainties clearly
    - But don't get mired in them.
    - They know the limitations too
  - Identify which values are leading the assessment to come to a given outcome
    - And be prepared to argue the case for another outcome if the client stresses a different hierarchy of priorities; know all your alternatives equally well going into the presentation.
    - If you don't know an answer, mark it down, and get an answer to the client later. This is better than guessing unless you have some informed basis and note you are not sure in your answer.
    - Dress well!
    - Clear, clean slides

- Rehearse if possible
- Product belongs to the client; be sure you have approval before you share it out / post it.

**Table 14.2** Worksheet for Predicting Impacts of Alternative Policies for Dealing with Central Business District (CBD) Traffic Congestion

Goals	Impact Category	Alternatives		
		Current Policy	Double CBD Parking Fees	Create Express Bus Lane
Access to CBD	1. Number of rush-hour vehicles (per workday)	50,000	45,000–48,000	44,000–48,000
	2. Average rush-hour delay for vehicles (minutes)	12	6–10	14–18
	3. Number of commuter-bus riders (per workday)	30,000	31,000–33,000	32,000–36,000
	4. Average rush-hour delay for bus commuters (minutes)	12	6–10	2–4
Fiscal Health	1. Revenues from parking fees and bus fares in excess of current policy (millions of dollars per year)	0	13.00–20.80	–0.52 to –0.13
	2. Direct costs in excess of current policy (millions of dollars per year)	0	0.12	3.50
Citywide Social and Economic Well-Being	1. Change in CBD business activity	None	Slight decrease?	Slight increase?
	2. Change in profits of private parking firms (millions of dollars per year)	0	13.0	–1.6 to –0.09
	3. Parking congestion in nearby residential neighborhoods	Moderate	High	Moderate
Public Acceptability	Public acceptability	Diffuse complaints	Drivers and CBD business owners oppose	Drivers oppose; bus riders favor