

## Module on Policy Analysis and Policy Options Analysis

### Slide 3: What are Policy Analysis and Policy Options Analysis?

Policy Analysis and Policy Options Analysis are related methodologies designed to evaluate either existing or potential policies in terms of their ability (or potential ability) to achieve the stated policy goals. Whereas traditional academic research tries to uncover relationships between a range of variables and has, as its goal, the advancement of knowledge, these two types of policy analysis focus more concretely on variables that are likely to influence a given policy and affect its outcome. The goal of both forms of policy analysis is to solve concrete policy problems rather than to exclusively focus on the furtherance of knowledge.

### Slide 4: Policy Analysis versus Policy Options Analysis

These two variants of policy research and analysis are similar in that both focus on policy but they differ in terms of their goals and point of departure. Policy Analysis focuses on understanding an existing policy, analyzing its strengths and weaknesses and recommending changes. Consequently, this involves an in-depth description and analysis of an existing policy with a mind to improving that policy (policies themselves may have flaws in their design from day one or current realities may make it necessary to reassess and revise what was otherwise a highly successful policy when it was introduced).

Policy Options Analysis, on the other hand, begins with the assumption that an existing policy is unworkable, flawed, irrelevant or all of the above and hence sets out to start anew trying to solve the basic policy problem that the inadequate existing policy attempted to address. Policy Options Analysis therefore focuses, not on improving and revising the existing policy but rather on positing and analyzing two or more alternatives to the existing policy and determining which alternative is most viable (via the creation of a metric based on variables such as cost-effectiveness, political/organizational acceptability, legal barriers, etc.).

To use a simple analogy, the choice of whether to employ Policy Analysis or Policy Options Analysis is rather like deciding whether to fix your used car because it no longer runs well or to trade it in for a new model (in which case you would need to look at a number of new models available on the market and determine which is best).

### Slide 5: The Policy Analysis and Policy Options Analysis “Skill Set”

Policy analysts need to master four sets of skills:

1. Synthesizing Information – policy analysts must be able to gather, organize and communicate information. Analysts need to be able to quickly understand the nature of problems and the range of possible solutions.

2. Determining Cost and Benefit Calculus – policy analysts must be able to attach a cost/benefit value (whether quantitative, qualitative or both) to courses of action or approach designed to improve existing policies or to considering policy alternatives and weighting the comparative advantages and disadvantages of each option.
3. Data Gathering and Analysis – policy analysts need to be able to obtain and manipulate data in a manner that makes it useful in helping to determine the costs and benefits of ways and means of improving existing policies or selecting alternative policy options.
4. Implementation Issues – policy analysts need to have an understanding of the political, organizational, budgetary and legal environments that form the superstructure within which a given policy may need to be implemented. Policies or policy changes that cannot be implemented due to these constraints are clearly not useful and consequently the analyst must be able to evaluate the feasibility of implementing a given policy and factor this in to the evaluation of alternative policies. Moreover, a good analyst will also develop strategies for implementing his/her preferred policy (or modification of a policy) that take into account these environments and leverage these factors. One of the most effective ways of accounting for implementation challenges is through Forward Mapping – the specification of a chain of behaviors that link a policy with the desired outcomes. This can be done through the mapping out of scenarios that will help test the analysts assumptions and help make it clear as to who needs to do what when.

#### Slide 6: Preconceived Policy Ideas

While policy analysts in government and the private sector may sometimes feel pressured to provide data and arguments in order to justify an already predetermined policy course (something that is sometimes known as “cooking the results”), policy analysis and policy options analysis in the academic setting requires maintaining an open mind and trying to mitigate preconceptions. While it is perfectly natural and, in point of fact, desirable for the policy analyst to have some preconceptions as to the preferred course of action (a.k.a. his/her hypothesis), the academic policy analyst must try and fairly evaluate the benefits of a suggested improvement in existing policy or the tradeoffs in the various policy options in order to reach a conclusion as to which modification of policy or new policy course is preferable.

#### Slide 7: Evaluating Policy Options

Any policy will involve a range of variables. These can include things such as: monetary cost, personnel requirements, technological infrastructure, equipment needs, facilities, legal needs, institutional frameworks, political support and the like.

The first step in conducting a policy analysis of an existing policy with a mind towards improving it or with evaluating alternative policy options is to isolate those variables. This enables the analyst to create a common metric with which to evaluate all policy alternatives. A proposed policy modification or new policy must not only provide an adequate answer to all the challenges raised by the different variables but must also specify a plausible chain of behaviors that will make the proposed policy modification of new policy implementable. Thus a policy that does not take into account limits on funding, personnel, infrastructure, physical plant and legal and institutional barriers and develops strategies to cope with these, cannot be seen as a feasible alternative.

#### Slide 8: Approaches to Policy Analysis

There are five basic approaches to policy analysis: formal cost-benefit analysis, qualitative cost-benefit analysis, modified cost-benefit analysis, cost-effectiveness analysis and the most common type of policy analysis, multi-goal policy analysis.

1. Formal cost-benefit analysis: this approach should be used if efficiency is the primary goal. This type of analysis reduces all the impacts of a proposed policy modification or alternative policy to monetary cost. Impacts are thus measured in dollars (or Euros or Yen). Of course, it is difficult to quantify everything in terms of monetary values. For example, we could look at policy options relating to the government obtaining information about the public and break these down into monetary considerations (monetary costs for deploying X number of CCTV cameras, monetary costs for software and computer hardware that allows sifting of email communications, etc.) but how do we provide a sticker price for the value of privacy?
2. Qualitative cost-benefit analysis: this approach, like the monetary cost-benefit analysis, begins by looking at potential impacts of policy modifications or new policies. However, unlike the monetary cost-benefit analysis, the qualitative cost-benefit analysis attempts to assign values to qualitative factors such as ethics, political acceptability and the like.
3. Modified cost-benefits analysis: this approach involves scoring qualitative and monetary goals separately – the argument being that budgetary efficiency, for example, cannot be measured against political acceptability because these monetary and qualitative variables exist on different plains. In other words, since policies rarely seek to achieve efficiency as an exclusive goal, other policy goals need to be taken into account alongside considerations of efficiency. Each set of goals is thus weighted against similar quantitative or qualitative goals. This does not, however, absolve the analyst of the need to then make a determination as to the relative importance of the various policy goals.
4. Cost effectiveness analysis: this approach is best used when both efficiency and another policy goal can be quantified but where the other goal cannot be monetized. Cost effectiveness analysis can be approached in two ways: either via

the Fixed Budget Approach (in which a given level of expenditures is chosen and the policy alternative that provides the largest benefits for this fixed sum is chosen) or via the Fixed Effectiveness Approach (in which a given level of benefit is specified and then the policy alternative that achieves that level of benefit at the lowest cost is chosen). Unlike cost-benefit analysis, which assesses whether any of the alternatives are worth pursuing and how the various alternatives should be ranked, a cost-effectiveness analysis cannot tell the analyst whether a given policy modification or alternative policy is worth pursuing. It can however, assist the analyst in determining which policy alternative will be most efficient in achieving a given goal once a decision has been made to try and achieve that goal.

5. Multi-goal policy analysis: this approach is most commonly used in policy analysis and policy options analysis because it is designed to deal with situations in which there are multiple possible policy goals and one or more of these cannot be quantified.

#### Slide 9: The Multi-Goal Policy Analysis or Policy Options Analysis

Performing this type of policy analysis requires five steps:

- a. Selecting impact categories for the relevant goals.
- b. Generating a clear set of policy alternatives (ideally these would be mutually exclusive, but that is rarely possible) in the case of policy options analysis or laying out the goals for the existing policy in the case of policy analysis.
- c. Predicting the impact that a modification of the policy would have in terms of achieving the relevant goals (for policy analysis) or predicting the impact that each policy alternative would have in terms of achieving the relevant goals in the case of policy options analysis.
- d. Valuing the predicted impacts (quantitatively, qualitatively and/or monetarily) or modifications to the existing policy (policy analysis) or of different policy options (policy options analysis).
- e. Evaluating the suggested policy modification (policy analysis) or the policy alternatives (policy options analysis) against the weighted goals and making a determination as to the best policy alternative.

#### Slide 10: Coping with Uncertainty

The complexity of most public policy issues guarantees that policy analysts will never be able to approach what at least appears to be the accuracy and rigor of some other forms of scientific inquiry. The capturing of variables affecting policy, the weighing of the impacts of these variables on policy, the weighing of factors affecting the preference for one policy over another are all intellectual exercises relying on limited information and subject to bias in the interpretation of data, the weighing of options for policy modification or for entirely new policies, and every other step in the process. The

uncertainty inherent in this process is unavoidable. The important thing for the analyst to keep in mind is that he/she should be up-front and explicit with respect to the ambiguities and provide a rationale for each choice made in the construction of the alternatives, measurement tool and every other step in the process. Making the assumptions that form the bedrock for the analysis clear to the reader may open the analyst to criticisms and arguments over the assumptions made, but a critique will never be able to argue that the analyst lacks credibility or has done a poor job of analyzing policies based on the initial assumptions posited in the analysis. In the final analysis, this is the most that an analyst can hope for in the convoluted and ambiguous world of policy analysis.

Slide 11: Materials adapted from David L. Weimer and Aidan R. Vining, *Policy Analysis: Concepts and Practice*. Fourth Edition. Upper Saddle River, NJ: Pearson-Prentice Hall, 2005.