

Dutch politicians' attitudes towards Cost-Benefit Analysis



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ABSTRACT

In this study Dutch politicians were interviewed to derive their attitudes towards the use of Cost-Benefit Analysis (CBA) in the appraisal of transport projects. Dutch politicians' attitudes towards CBA are positive on the condition that CBAs are carried out in an impartial way. According to politicians CBA improves the planning process, serves as a countervailing power and produces a structured list of all the positive and negative effects of a project, amongst other things. Politicians criticize the use of CBA for killing political debates. Politicians were also asked to mention any solutions that they feel would improve their attitude towards CBA. Solutions suggested by politicians predominantly focus on: 1) ensuring that all effects that are covered in the CBA are scrutinized in an impartial way; 2) increasing the awareness and recognition of the elements of the political trade-off that are not covered by a CBA to diminish the probability that politicians will use CBA to kill a political debate.

1. Introduction

Cost-Benefit Analysis (CBA) is a commonly applied economic appraisal tool to support the decision-making process for transport projects in OECD countries (e.g. Eliasson and Lundberg, 2012). In many Western countries it is obligatory to assess a transport project using a CBA when a project needs (co)funding from the National Government (Mackie et al., 2014). As a result of this widespread application, CBA is a popular topic in academic literature. Amongst other things, the literature examines substantive improvements of the CBA (e.g. Mackie and Preston, 1998; Mouter et al., 2013a). Moreover, several researchers have studied the relation between the results of CBA studies and political decisions using quantitative analyses (e.g. Annema et al., 2016; Eliasson et al., 2015; Fridstrøm and Elvik, 1997; Nellthorp and Mackie, 2000; Odeck, 1996, 2010). The broad picture is that these studies show that there is no significant statistical relation between the monetized effect estimations in CBA studies and political decisions. Furthermore, several studies have analyzed how politicians use CBA by interviewing politicians (Mouter, 2016; Nyborg, 1998; Sager and Ravlum, 2005; Sager and Sørensen, 2011). These qualitative studies conclude that CBA is at best one of the factors that influences politicians' judgments. Politicians interviewed in the studies of Nyborg (1998) and Mouter (2016) stated that it was more likely that they would use CBA as ammunition in discussions with other politicians than as an input for their desirability judgment of transport projects. Sager and Ravlum (2005) argue that the institutionalization of CBA can have a symbolic value for politicians, since the search for and

processing of information may itself send out signals that will enhance the status of the political body. Sager and Sørensen (2011) observe that the main function of CBA – and analytic planning input in general – is to legitimize the Norwegian Transport Plan and the political process related to it. Politicians must be able to show the public that the output of expert analysis was available to them when they made their decisions, so it can be credibly stated – should the need arise – that expert advice was considered as part of the policy-making (Sager and Sørensen, 2011). Sager (2016) outlines a variety of procedural characteristics and political mechanisms that might explain the lack of correlation between CBA results and politicians' investment decisions.

Academics have different attitudes towards the role of CBA in the decision-making process. Some scholars advocate that politicians should assign a considerable weight to CBA in their decisions (e.g. Boardman et al., 2010; Eliasson et al., 2015; Graham, 2007; Sunstein, 2002), whereas other scholars perceive CBA as an instrument which should not be used because it is fundamentally flawed (e.g. Ackerman and Heinzerling, 2004; Frank, 2000; Kelman, 1981; Sagoff, 1988). Sen (2000, p. 931) illustrates this controversy within academia as follows: *“the discipline of cost-benefit analysis—if discipline it is—has fearless champions as well as resolute detractors. It is, partly, a battle of giants, for there are heavyweight intellectuals on both sides.”* In contrast to the abundant literature in which academics point out why they support or antagonize CBA, there is relatively little empirical knowledge of the attitudes of politicians – the end users of CBA – towards the merits of applying CBA in practice. A notable exception is Nyborg (1998) who analyzed the attitudes of 16 Norwegian Members

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of Parliament towards CBA. Nyborg concludes that politicians' attitudes towards CBA varied along the left-right political axis, with politicians to the left being the most skeptical. Since the data analyzed by Nyborg (1998) was gathered twenty years ago in one country (Norway) and politicians' attitudes may differ depending on, amongst others things, the country and the period of time being considered, a study of politicians' attitudes in a different context is a valuable addition to existing literature.

Hence, the present article analyzes the positive and negative attitudes of politicians towards CBA in another context – this being the Netherlands – by interviewing 26 politicians who served as Member of Parliament (MP), minister or undersecretary in the period 2003–2014 and 10 top-level civil servants who worked for ministers and/or undersecretaries in the period 2003–2014. In their interviews, politicians were also asked to suggest any solutions which would make a positive change to their attitude.

Knowledge of politicians' attitudes towards CBA can be useful for both academics/practitioners who support CBA and academics/practitioners who antagonize CBA. Policy makers and academics supporting CBA can use this knowledge for a better alignment of CBA with the needs of the end users (politicians), by thinking of solutions which can iron out the negative attitudes and positively influence the positive attitudes for instance. Policy makers and academics antagonizing CBA can use knowledge about politicians' attitudes towards CBA for designing an ex ante evaluation instrument which can replace CBA. It is plausible to assume that end users will (only) consider exchanging CBA for an alternative evaluation instrument when the alternative instrument outperforms CBA in terms of the perceived positive and negative features. In general, the results of the present study can contribute to a systematic dialogue between politicians and planners/researchers with the purpose of matching the information demand of the former group with the information supply of the latter (Sager and Ravlum, 2005).

The remainder of this paper is organized as follows: Section 2 briefly describes the position of CBA in the Dutch planning process for infrastructure projects. Section 3 presents the survey design of the study. Sections 4 and 5 present the results. Section 6 provides conclusions and discusses the key results.

2. The position of Cost-Benefit Analysis in the Dutch planning process

This section provides the reader with the context of the position of CBA in the planning and decision-making process for infrastructure projects in the Netherlands (Fig. 1). This enables readers who are not familiar with the Dutch planning process to put the results of this study into the right perspective. The first phase of the Dutch planning process for spatial-infrastructure projects in which the National Government is involved is the 'initiative phase' (Mouter, 2016). In this phase, the minister and the undersecretary of transport (from now on: 'executives') discuss which challenges should be tackled with regional politicians from (five) regions. If the minister and the regional politicians agree that a challenge is of major importance, they mutually agree that a project should proceed to the second phase, which is the 'MIRT-exploration' (also called 'the explorative phase'), through establishing a 'start-decision' (Ministry of Infrastructure and the Environment, 2010, 2011). The 'MIRT-exploration' consists of three sub phases. Firstly, an action plan for the MIRT-exploration is established and the project team of civil servants starts with the problem analysis. Secondly, the problem analysis is completed and solutions are generated by the project team. The project team is expected to involve stakeholders and citizens in both the problem analysis and the design of the solutions. Next, the minister selects three potentially favorable alternatives in consultation with the regional politicians. Thirdly, it is mandatory to analyze the three potentially favorable alternatives using a CBA. However, a positive net present

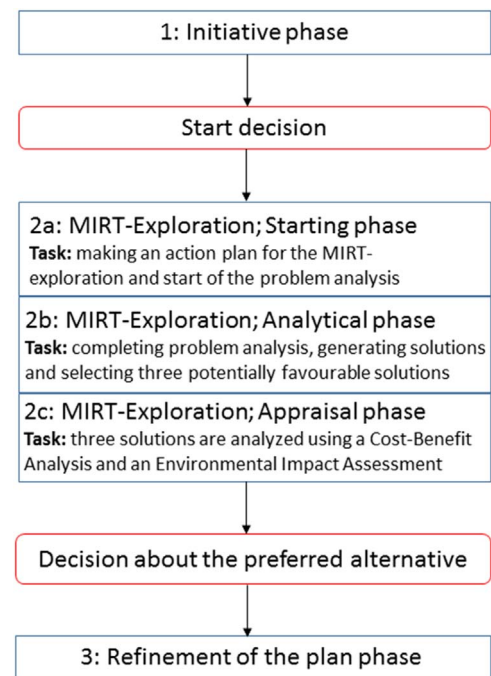


Fig. 1. The phases of the planning and decision-making process for infrastructure projects in the Netherlands.

value is not a formal requirement for approved funding (Mouter, 2014).

In the Netherlands, the extent to which the mandatory CBAs have followed the standardized Guidelines (Romijn and Renes, 2013) is verified by institutes that are part of, or are affiliated with, the Ministry of Infrastructure and the Environment and in some cases by the Netherlands Bureau for Economic Policy Analysis (Mouter, 2014). One requirement set by the standardized Guidelines is that the effects of infrastructure projects are always estimated for two scenarios in a CBA, these being a conservative and an optimistic scenario (in terms of economic growth, demographic growth and traffic growth) in order to communicate the uncertainty of effect estimations to the readers of the CBA report.

Informed by the CBA (and other studies), executives select one 'preferred alternative'. This decision is deliberated with the Minister of Finance. Moreover, it is obligatory to announce this decision to Parliament and to disclose the CBA and other reports underpinning this decision to Parliament. It is also possible that the executives decide that none of the three potentially favorable solutions should be selected as the 'preferred alternative', for instance, because none of the alternatives has a reasonable CBA score. In this case, the executives can ask proponents of the project (mostly regional politicians) to go back to the drawing board and to resubmit an alternative with a better CBA score. When Parliament ratifies the executives' preferred alternative decision, the project is included in the National Program for Transport Projects (MIRT) and enters the so-called 'refinement of the plan phase'. Since Members of Parliament (MPs) can select a different solution than the executives or make a 'no go' decision, they are an important actor in the decision-making process for infrastructure projects. Moreover, Parliament can change priorities in the National Program for Transport Infrastructure and demand that executives should reserve money for a project. Every year there are two debates in which the executives have to defend their preferred alternative decisions in Parliament.

Mouter et al. (2013b) conclude that civil servants sometimes use CBA at an early stage of the Dutch planning process to assess and optimize project initiatives. These CBAs are not mandatory and are not included in the Dutch Planning Guidelines (Ministry of Infrastructure

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