



The pitfalls of implementing Host Community Compensation: A power balance perspective



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ABSTRACT

Siting national infrastructure is a challenge for planning institutions due to recurrent low public acceptance and opposition by civil society. The use of Host community compensation (HCC) presents a possible solution for this challenge. HCC is compensation that a developer provides to a community in return for the siting of infrastructure. Yet, despite wide support for HCC, many such initiatives seem to fail. Those that do manage to have a good start in reaching an agreement suffer from neglected implementation. This study examines the factors that affect the willingness of stakeholders to suggest, accept and later implement the use of HCC. The study argues that HCC is a continual process which should be implemented against the backdrop of changing interests and power balances between stakeholders. The evolving power balance between stakeholders is argued to critically influence the acceptability of HCC and its implementation. By examining a 40-year-long case of HCC along the Israeli coast, the study suggests that the power balance fluctuates along the years as a function of external variables such as resource scarcity and internal factors such as stakeholders' cohesion, leadership and skills. Different power balance settings yield different settings of willingness to offer, accept or implement HCC, each with its own HCC institutional design. However, once HCC is formed and designed, path dependency makes it much harder for civil society to repair a flawed HCC architecture.

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1. Introduction

The siting of LULU (locally unwanted land uses) facilities often produces a serious conflict of interests between citizens and civil society and the state (Schaffer Boudet and Ortolano, 2010; Schively, 2007). On the one hand, LULU infrastructures, such as landfills, power plants and prisons, are necessary to provide common goods, but on the other hand, they are often considered nuisances for nearby residents (Kunreuther and Kleindorfer, 1987). Indeed, low public acceptance of LULU infrastructure often results in public disruption of the LULU planning and building process (Bacow and Milkey, 1982), an outcome that has been acknowledged as detrimental to the economy.

A common way of increasing public acceptance to host LULU facilities is Host Community Compensation (HCC). As defined by Jenkins et al. (2004), HCC is compensation that an entrepreneur provides to a community that opposes the siting of a proposed LULU facility within its jurisdiction.

Yet, despite the wide support for HCC, many such initiatives seem to fail due to rejection by the public (e.g., Dolnick, 2009).

Those that do manage to have a good start in reaching an agreement suffer from neglected implementation and maintenance arrangements. The perspective of time unfolds many unsuccessful HCC processes, impoverished in their later phases of implementation and maintenance (Wolf-Powers, 2010; Gross, 2007).

This deviation between ideal and real may result from lack of knowledge on the factors that encourage public acceptance of HCC (Aldrich, 2008; Wolverton, 2002).

This study argues that the HCC process is not a one shot policy instrument, but a continual process under which an accepted HCC has to be implemented against the backdrop of changing interests and power balances between stakeholders. The evolving power balance between stakeholders critically influences the acceptability of HCC and its implementation.

The study focuses on an Israeli case study, in which Israel is characterized by a low rate of LULU public acceptance, dense population and strong national infrastructure needs. These characteristics create an extreme environment for HCC, which can help shed light on the process tracing of HCC. Hence, using the terminology of George and Bennett (2005), our case study may be used as a “critical test case” or “challenging test case” for identifying the pitfalls of HCC adoption and implementation.

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2. HCC architecture

This section describes some of the dimensions attributed to the HCC institutional design. The first dimension of HCC is its *material character*: either monetary or public goods compensation. Monetary compensation may take the form of rebates or tax credits. Public goods compensation may include public facilities (e.g., hospitals) or services (e.g., bigger budget for education) from which the host community could benefit.

The second dimension is the *legal motivation* for compensation. Under this dimension, compensation is either motivated by legislation or is simply a voluntary act aimed at softening the effect of a LULU infrastructure. Voluntary compensation may result from a developer's attempt to mollify the siting approval process based on a feeling of moral obligation or simply as a matter of efficiency (Aitken, 2010; Himmelberger et al., 1991).

The third dimension is the *timing* of compensation: compensation may be given before the siting of the facility (ex-ante) or after the facility has been built (ex-post). The purpose of ex-ante compensation could be redistributive, as a way to compensate those harmed by the facility by those profiting from it, or strategic, as a way to compensate residents so as to increase their willingness to accept the siting. In contrast, ex-post compensation may help to recover from losses caused by accidents (Gregory et al., 1991).

The fourth dimension is the *term* in which compensation is provided. Short term compensation usually does not include the compensator's accountability for any maintenance or management tasks derived from the nature of the compensation. In contrast, long term compensation binds the compensator to the maintenance and management tasks mentioned.

Another important trait, which defines the HCC scenario and stakeholders, concerns the parties receiving compensation and the parties providing funding for the compensation. The receiving party is the host community, which can typically be defined as the residents, property owners or the host community as a whole. The party providing funding for the compensation most often is a private developer or the state (Ter Mors et al., 2012).

The next section addresses the contrasting explanations in the literature for a community's willingness to accept HCC and the state's willingness to offer HCC.

3. What we know on willingness to offer and accept/reject HCC

The first explanation for compensation acceptability stems from the observation that communities are more willing to accept public goods compensation than monetary compensation. This observation is supported by Frey et al. (1996) through two different mechanisms: the bribe effect and the crowding out of public spirit effect.

The bribe effect relates to the negative moral feeling people experience when offered a proposal which they interpret as a bribe, which often prevents them from accepting the proposal. Indeed various studies show that HCC is often construed as a bribe (Aitken, 2010). The crowding out of public spirit effect relates to situations where citizens receive financial reward for performing an act out of civic duty that they would have undertaken in any case. Receiving the reward blocks the citizens' altruistic feeling of performing their civic duty.

A second explanation offered in the literature is the suggested risk perception of a LULU facility. Jenkins-Smith and Kunreuther (2001) suggest that communities will be more willing to accept compensation when they deal with LULU facilities that pose a lower risk than with LULU facilities that pose a higher risk. If the compen-

sation is conveyed with risk mitigation measures, the chance that the community will accept the LULU increases.

The difference between an expanded LULU site and a new LULU site offers an additional explanation for changing rates of compensation acceptance. For example, by examining four cases of siting waste disposal infrastructure in Ireland, Ferreira and Gallagher (2010) show that the willingness to accept compensation is higher in cases of expansion of an existing site than in cases of new sites.

A fourth explanation for compensation acceptability is the institutional setting in which the HCC negotiations take place. In relation to the state's role in the design of institutions, Chiou et al. (2011) find that the mere existence of government regulation creates a sound negotiation process, which consequently increases the level of public acceptance of compensation. However, Kim (2012) determines that mandatory negotiations and poorly-designed negotiation processes result in lower acceptance rates of compensation, as such institutional design often creates feelings of unfairness and distrust among stakeholders.

4. What is missing

Although the literature on HCC is vast, most of the recent studies revolve around stated preferences (e.g., Terwel and Ter Mors, 2015; Kojo and Richardson, 2014), while neglecting revealed preferences, i.e., empirical research and confirmation of the factors thought to affect HCC (Ter Mors et al., 2012). As such, it is difficult to predict the acceptance of HCC and its subsequent implementation. This gap is especially apparent in the domain of HCC implementation and maintenance, as identified in the community benefits agreements (CBA) literature (Wolf-Powers, 2010). Current studies deal mainly with the HCC negotiation mechanism (e.g., Chiou et al., 2011; Ter Mors et al., 2012), while ignoring the implementation and maintenance processes that occur after the HCC negotiation phase. This gap intensifies when we take into account the vast literature on implementation in the field of urban planning (e.g., Talen, 1996; Berke et al., 2006), which has not been integrated in any of the HCC literature. Thus, current research relates to HCC as a "snapshot" phenomenon, without widening the scope and identifying the richer temporal dimension of HCC. This temporal dimension, as opposed to "snapshot" observations, is crucial to the understanding of political policy issues, as identified by Pierson (2004).

Another shortcoming is the oversight of the private sector in the HCC literature. Although several studies make the distinction between the state and the private developer as compensators (Hamilton, 1993; Himmelberger et al., 1991), the role of the private sector in offering and implementing HCC is missing. This omission is surprising, since in reality, massive infrastructure often requires private sector financing, as evidenced in public-private partnerships (PPP) (Angelides and Xenidis, 2009).

Finally, rigorous analysis of the effect of the power variable is lacking. The power of different stakeholders has already been suggested to affect the outcome of HCC scenarios (e.g., Jenkins et al., 2004; Himmelberger et al., 1991). These studies often point at the deficient power of the state as one possible explanation for the HCC phenomena. However, they do not attach importance to the balance between the different powers.

The next section provides a rudimentary model for the willingness to offer, reject or implement HCC. It situates the power balance between key stakeholders as the main variable.

5. power balance perspective for HCC

This study argues that the willingness to offer, reject or implement HCC is influenced by the power balance between key

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