

Concept

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Political Control, Local Rationality and Complex Coalitions

Focus on the front-end of large public
investment projects

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**Political Control, Local Rationality and Complex Coalitions.
Focus on the front-end of large public investment projects**

**Politisk styring, lokal rasjonalitet og komplekse koalisjoner
Tidligfaseprosessen i store offentlige investeringsprosjekter**

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Abstract

This report is based on a detailed review by two political scientists of 23 large Norwegian public investment projects. The focus is on the processes of analysis and decision-making that eventually result in the final decision to finance and implement these projects. The study provides interesting insight into the complexity and outcome of these processes, sometimes surprising. It concludes that in terms of analytic craftsmanship much is to be desired, while decision making, in terms of involvement and control of stakeholders, by and large is as could be expected in an advanced democratic society. Also, that the quality assurance scheme that applies to such investment projects has a relatively high legitimacy and is regarded by stakeholders to have some trait of professional and technical "objectivity".

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Summary

This report summarizes and analyzes the study of the early phase of 23 large public investment projects. In this study we have looked at the decision-making processes, which concluded in the decision to finance and implement these projects. They include eleven large transport infrastructure projects, of which two roads, two railroad projects, three bridges and submarine tunnels, which replace ferries and two other tunnels, as well as two building projects, which will serve the communication sector. There are five defense projects. The remaining seven projects include two culture buildings, one building for research, two hospitals and two sports projects. Nineteen of the projects are building and construction projects while four are procurement projects for the Defence.

For each project a report has been prepared, so that there are 23 project reports. Each of these consists of a factual descriptive part and a political science theoretical analysis of the decision-making process. The factual description of each project consists of a presentation of the project and a chronology of the early phase, cost estimates at different moments, presentation of stakeholders, and an assessment of the project in relation to certain concepts and issues. The political science decision-making analysis is based on the following concepts and decision logics:

- i) problems or needs;
- ii) solutions, alternatives or concepts;
- iii) scope or number of problems/needs and solutions/concepts (outcome space);
- iv) stakeholders in the decision-making process;
- v) decision logics.

Four decision logics are used:

- 1) instrumental,
- 2) institutional;
- 3) environmental; and
- 4) garbage can.

An effort is made to distinguish between characteristics of the analysis within a project on the one hand and the decision-making process on the other. Some of the main conclusions are presented below, see also Table 2.11:

Analysis

In the projects' decision-making processes a thorough problem analysis was undertaken for less than half of the projects, while for the remaining this analysis was either limited or insufficient. This may be the reason why the outcome space with regard to which problems one was facing and possible solutions, was limited in two thirds of the projects, while this was broad in the remaining projects. This may also explain why it was only in one third of the projects that a real assessment of alternative concepts and solutions was done. For the remaining two thirds of the projects there was only a limited consideration of alternatives in eleven projects and in four projects alternatives were not considered at all.

Long term benefits should be the most important criteria for the decision of a given project. It was only in a little more than half of the projects that a thorough benefit analysis had been undertaken, while for the remaining projects this was insufficient. For less than half of the projects there was an agreement on the goal, while for more than half of the projects there was disagreement about this.

Decisions

In one fourth of the projects decision logics have been simple while in four projects it has been characterized by loyalty or commitment to decisions that had been made earlier. The logic has been complex in eight projects and unclear or inconsistent in five.

At the same time many projects experienced unexpected surprises during the early phase. In more than half of the projects there have been considerable increases in the cost estimates. In one third of the projects unexpected resistance has been mobilized, and in more than one fourth of the projects the conditions changed during the early phase.

As a consequence of this we see that in more than half of the projects the priorities have changed in the course of the early phase. In more than half of the projects professional advice has been overruled by political priorities. There has been political bargaining in four projects. For seven it is claimed that the decision-making has not been adequately transparent.

In five cases the projects have involved decisions on investments which do not involve responsibilities for users or other project advocates. This implies what is known as perverted incentives which often result in solutions or choice of concepts where the benefit is not related to the costs.

Problem and definitions of solutions in relation to relevance

It may be that the most essential issue that is included in the assessment of individual projects is whether they appear to be *relevant* with regard to societal priorities, needs and markets.

Of the ten projects which appear as relevant, nine of these had a clear problem analysis at the initial stage. Of the thirteen that are considered as less relevant, there were only two projects that had a satisfactory problem analysis at the initial stage. This is a very strong signal that confirms what is generally accepted about the importance of thorough problem analysis.

Changes in the conditions for a project seems to be of importance for whether a project is relevant in relation to societal needs and market demand. In seven of the ten projects which are viewed as relevant, there is no expansion of the number of problems which are to be solved. However, in thirteen of the projects which are seen as less relevant, there are six projects where the number of problems has been increased in the early phase.

In the report a score has been given on the extent to which decision-making rationality has been decisive for the decisions in the early phase. Only five projects get the highest score, which says something about the complexity of the decision-making processes. Nevertheless, almost all these projects are considered as relevant. In comparison there are eleven projects which get a low score and of these only two projects are considered relevant. Again, this underscores the importance of good analysis as the basis for decisions.

Stakeholders and their influence with regard to relevance

There are clear differences between those projects which appear to be relevant and those which are considered less relevant, when it comes to stakeholders and their influence.

Not unexpectedly, the Government is an important actor in these major public investment projects, particularly projects which are considered as relevant and rational. The Government has been a central actor in seven of the ten projects which are considered relevant, while it has been a central actor in only two of the thirteen projects which are considered less relevant. Anchoring of a project at this high level therefore seems to be very important for the outcome.

It is equally evident that the professional decision-making institutions have been strongly involved in most of the projects. They appear to be the actors with the highest profile, often in interaction with those in

charge of implementation and political leadership at different levels. However, in this regard, there is no clear difference between whether a project is seen as relevant or not.

Generally, Parliament has played a less prominent role and been less influential in the preparation and decision-making process of these projects. Parliament has been constructive in bringing about solutions, as in the transport infrastructure projects, but it has played a more problematic role in some of the defense projects.

Coalitions between stakeholders seem to have played an important role in influencing the processes. They have played an important role in nine of the thirteen projects which are considered less relevant. This is so important that there seems to be a reason to look closer at to what extent strong coalitions may contribute to draw decisions in an undesirable direction. Examples of this are processes such as the MTBs, the frigates, the St. Olav Hospital in Trondheim (RiT 2000), Stad Ship tunnel and the Research Park at Svalbard. However, coalitions may also play a positive role, both with regard to identifying alternatives and to drive the process forward in a constructive manner, as one may see in projects such as E18 Bjørvika, Svinesund customs station, the Hardangerfjord Bridge and New Fighter Planes.

With regard to external actors they seem to have had little impact on the projects. To the extent that they have played an important role, this has been in projects that are less relevant and rational as for instance in some of the big defense projects. Given the limited amount of projects, one can only speculate on whether this means that they have influenced sensible decisions in a negative direction, but it seems that external actors in these projects have been more concerned with special interests than to keep the focus on the wholeness of the project.

One cannot neglect that some of the processes have been quite complex and influenced by coincidence, “local rationality”, and connecting or disconnecting of problems and solutions, which weakens the rationality. One example is the Opera house in Oslo, where it was seen as opportune in the initial phase to disconnect the point that this project would require a major road construction project, something which was first taken in when the Opera house project had been passed by Parliament.

A prudent conclusion seems to be that the analytical part of the decision-making processes overall was rather weak, while the participation of and control with the participating actors have been considerable in these projects, and where the outcome has been what one could expect in view of the formal rules for planning and presentation of large public projects. This may also to some extent explain why some projects have been less successful. From experience we know that a bad starting point may be adjusted through a successful decision-making process, even when the original idea was quite wrong. We also know that in many cases this does not happen. This study shows that there are many hurdles for any project. Democratic decision-making processes, particularly those which take long time, are complex and difficult to predict, and many will claim that this is a necessary part of democracy.

If this is taken as a premise, this study suggests that the biggest potential for improvement lies in strengthening the analytical process, not the least because this is something it is easiest to do something about in practice. At the same time key actors need to acknowledge that it is a problem that major projects are developed and planned in a haphazard and deficient manner, so that the conditions are not conducive to strengthen the analytical aspects. This is particularly challenging when this includes complex negotiating processes.

Some reflections

One important objective when the Quality Assurance (KS) system was introduced in 2000, and particularly with the expansion of this with the QA1 (KS1) in 2005, was to convert the decision-making process from being typically “bottom-up” and sector based to become more “top-down” and holistic. One may ask whether we have seen in this analysis of projects that the political control has increased. There does not seem to be a clear answer to this. On the one hand, one may say that the QA system itself, its anchoring in the Ministry of Finance and the QA1 (KS1), have forced the projects to go through

an ex-ante procedure with a considerable potential for control. On the other hand, it may be that the political role in the QA1 (KS1) is not very well defined, also because of the important role of expertise. Furthermore, the Government is not such a key actor in many of the projects and the Government does not come through with its views in many of the projects. This gives a potential to make the political role more explicit in the system, particularly with regard to the QA1 (KS1). But it is also a paradox that it is difficult to envisage that the complex political processes at different levels which take place in connection with large public projects may so easily be “disciplined” by the QA system.

Another main objective of the QA-system has been to improve the quality and effectiveness of the projects, and particularly through the involvement of external experts. The question is whether we in the analysis of the 23 projects in this study can say that one has succeeded. Generally speaking, there are indications in this direction. In many of the projects we see both increased realism with regard to project costs and increased consciousness about technical aspects. In the best cases the prequalified consulting firms follow the projects closely and guide them to better quality. But it is also a paradox that in thirteen of the projects there have been cost increases, some considerable, and that even with the consultants’ considerations, some projects still lack realism and have a weak organization.

Then, what about the legitimacy of the QA-system? It was established with resistance. Some of this skepticism, related to the strong role of the Ministry of Finance and that the system contributes to a prolongation of the early phase, still remains. At the same time one has to conclude that the system has a relatively high legitimacy. It seems that many actors who are involved in the processes find the system useful and that it has some trait of professional and technical “objectivity”.

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