

Cost-benefit analysis in Norway

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Norway



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Our vision:

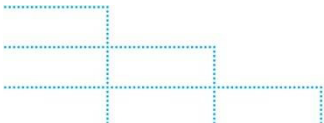
Efficient use of resources in the central government

Main objectives:

- Suitable common solutions in the central government
- Good management in the different governmental bodies

Secondary objectives:

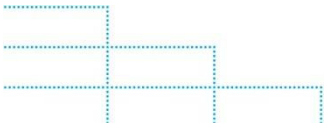
- Our expertise represents the best practice within management and social cost benefit analysis
- Our shared services are correct, in time and useful
- Our services provides synergies and economies of scale
- Our internal management are an example for others to follow



There are driving forces for increased focus on cost benefit analyses in Norway

Public expenditure occupies an important place in the economy

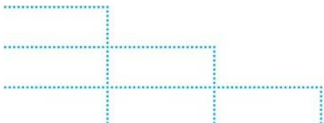
- Increased expectations from users, voters, tax payers for more and better public services
- The government must produce its services cost efficient
- The government must make use of the potential in digitalization



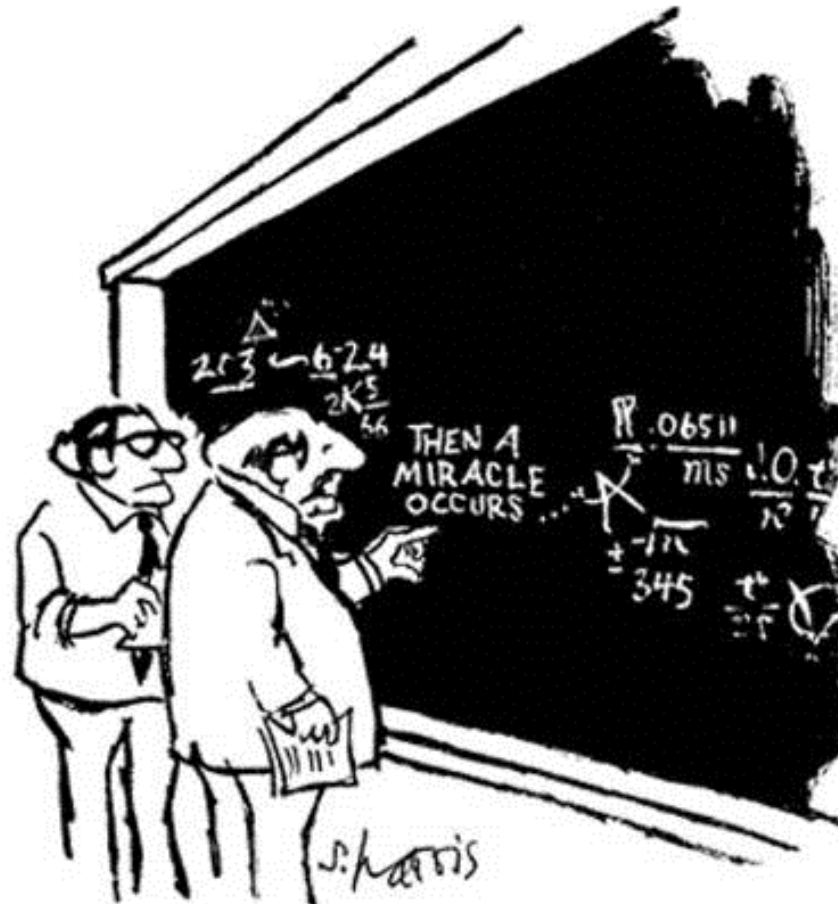
But it is performed too few cost benefit analyses

Some possible causes:

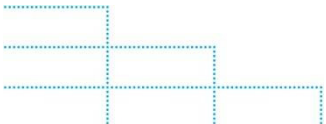
- Lack of/vague regulatory requirements
 - Focus on cost benefit analyses of large investment projects
- Lack of internal requirements
 - Development subject-politics
 - Attention by decision makers on the importance of a solid basis for decision making
- Varying capacity and competence by decision makers and practitioners in cost benefit analysis
- Lack of quality assurance of the RIAs and CBAs performed



And for quite a few cost benefit analyses feels like this....



"I think you should be more explicit here in step two."



I bare 7 av 194 utredninger som Regjeringen har lagt frem, er det regnet på hva forslaget vil koste samfunnet.

Foreslår endringer, bryr seg ikke om prisen

REGJERINGEN

MARI ERLANDSEN

Samtidig er departementene lite interesserte i å lære seg å regne ut de økonomiske konsekvensene.

For å gjøre staten flinkere til å styre pengebruken ble Direktoratet for økonomistyring (DFO) opprettet i 2004. 370 ansatte skulle sørge for effektiv ressursbruk for å frigjøre midler til andre viktige ting.

Men de fleste statsrådene og deres medarbeidere har vist liten interesse for å delta på kurs for å lære å regne ut hva tiltakene de bestemmer seg for vil koste samfunnet.

I 2011 var det bare 14 personer i hele sentralforvaltningen som meldte seg på introduksjonskurs, og bare 12 meldte seg på fordypningskurs. Bare 2 av 17 departementer benyttet seg av muligheten til tilpassede kurs. I samme periode tilbød finansminister Sigbjørn Johnsen (Ap) eksperter i DFO tilsammen 42 kurs – med mer enn 1200 deltagere. Det viser tall Aftenposten har fått.

– Departementene er ansvarlige for at statlige midler brukes effektivt, så vi skulle gjerne sett at flere herfra deltok på våre kurs. Samfunnsøkonomiske analyser er det viktigste verktøyet for å ta gode beslutninger, men vi ser at de gjennomføres lite og at kvaliteten er varierende, sier Marianne Andreassen, direktør i DFO.

Kan for lite
I en rapport fra Direktoratet for forvaltning og IKT (Difi) innrømmer byråkrater selv at kun få høringsaker er godt nok utredet.

– Departementene mangler ekspertisen som de økonomiske analysene krever. De mangler også kompetanse til å avgjøre når oppgaven med kostnadsberegning må settes ut til

Bakgrunn

Rødgrønt hemmelighold

Dobbelt så mange hemmelige notater under de rødgrønne



Aftenposten skrev i går om at hemmelighold fører til at kvaliteten på Regjeringens utredninger ikke er god nok.

- Aftenposten skrev i går om at bruken av de strengt fortrolige regjeringensnotatene, R-notatene, har fordoblet seg under de rødgrønne.
- Det gjør at tiltak ikke utredes godt nok og forblir en hemmelighet for Regjeringen, har bestemt seg for hva de ønsker å gjennomføre.
- Konsekvensen er at Stortinget vedtar en rekke saker uten at det foreligger nok opplysninger – selv om Grunnloven pålegger den enkelte statsråd en sterk plikt til å opplyse.

andre, sier Margaret Hagevik, seniorrådgiver i Difi.

Informantene i undersøkelsen forklarer selv koalisjonsregjeringen som en årsak til at utredningene ikke er gode nok. Når Regjeringen har bestemt seg for en løsning i R-notatene, vurderes ofte en samfunnsøkonomisk analyse med alternativer som irrelevant, ifølge rapporten.

Etter at Aftenposten påklaget flere av departementenes beslutning om å nekte innsyn i antallet R-notater, har Arbeidsdepartementet (AD) og Justisdepartementet (JD) snudd og gitt fra seg opplysningene.

Tallene fra JD viser en økning under de rødgrønne mens AD kun brakte et totaltall.

Foreslår ikke å spare

Det er statsråd Rigmor Aasrude (Ap) Fornyttings- og administrasjonsdepartementet (FAD) som har ansvaret for å passe på at Regjeringens regelverk rundt utredninger følges. De bestilte Difi-rapporten, som går langt i å kritisere statens egne utredninger:

► I bare 7 av 194 utredninger ble det gjort en samfunnsøkonomisk analyse eller andre kostnadsanalyse.

► Bare fire tallfester konsekvensene, og ofte ekamulleres kostnadene gjennom «retoriske grep».

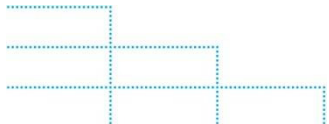
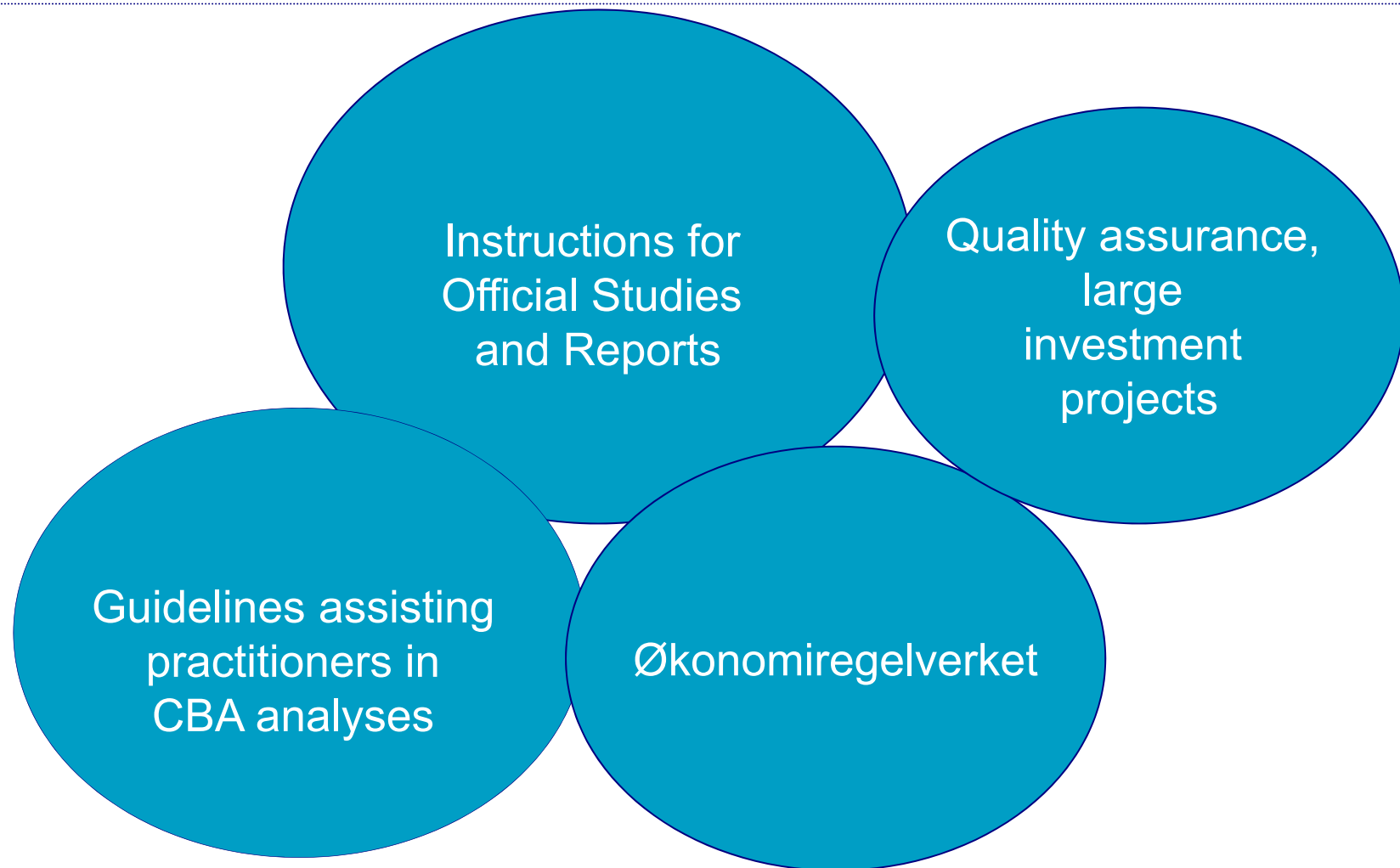
► Fire av fem utredninger og NOU-er inneholder bare tiltak som innebærer økte kostnader – selv om de er forpliktet til å foreslå «minst ett forslag som ikke innebærer økt pengebruk. En lignende rapport fra 2003 viser at mangelen på samfunnsøkonomiske analyser har vært et vedvarende problem i norsk forvaltning. Mens andre OECD-land er blitt flinkere til å gjennomføre, følge opp og kontrollere arbeidet med lov- og regelverk har ikke Norge hatt den samme positive utviklingen. Riksrevisjonen vurderer risikoen for at kvaliteten på utredninger er for dårlig som så høy at de har satt i gang en større forvaltningsrevisjon som skal komme til våren.

FAD hadde ikke anledning til å kommentere saken i går.

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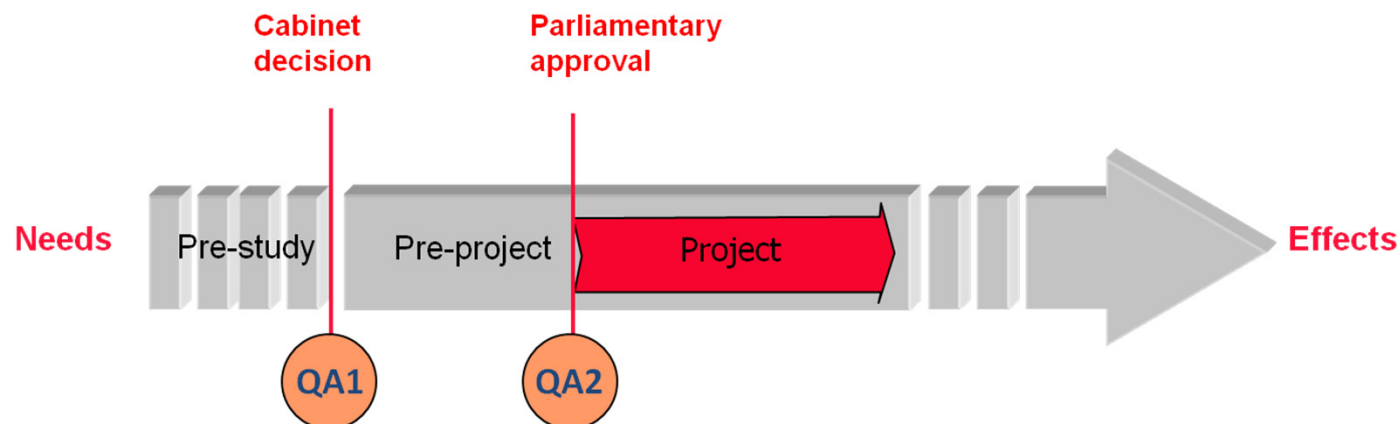
“The ministries are responsible for effective use of public funds... CBA is the most important tool for good decisions, but we observe that it is performed too few analyses and that the quality is varying”

Marianne Andreassen,
director Norwegian Government Agency for
Financial Management



Quality assurance, large investment projects

- 2004: QA1 – Quality assurance of choice of concept before Cabinet decision to start a pre-project
- Compulsory cost benefit analysis
- Mainly used in the large investment sectors:
 - Transport
 - Defence
 - Large building projects
 - ICT



Instructions for Official Studies and Reports, RIAs

- Economic-administrative consequences should be analyzed
 - Reforms
 - Regulations
 - Other measures
- The duty to perform such analyses is delegated to each individual governmental body

OECD, 2012:

- Well developed involvement of externals
- Encompasses a lot of impacts
- Not a effective quality assurance mechanism put in place

Instructions for Official Studies and Reports

Instructions concerning consequence assessment, submissions and review procedures in connection with official studies, regulations, propositions and reports to the Storting.

Laid down by Royal Decree of 24th June 2005.

FOREWORD

The purpose of these instructions is to ensure the proper preparation and administration of all work relating to official reforms, amendments to regulations and other measures. They shall contribute to ensuring cooperation and coordination in administrative procedures, high quality of the studies and an effective process of communication between the body submitting the matter and consultative bodies. These provisions are especially intended to ensure that financial, administrative and other significant consequences of reforms and measures are clarified. This is important in order to evaluate the cost to the government and the nation, and to prepare for the implementation of reforms in the best possible way.

The Instructions achieve this purpose in the following way:

- they make it mandatory to study financial, administrative and other significant consequences,
- they prescribe rules for the procedure to be followed in the preparatory stages of reforms and other measures, stressing the need for these preparations to be initiated and carried out within a realistic financial framework. The Instructions specify the institutions to which matters are to be submitted before and during the work process, and
- they contain provisions to ensure that the institution responsible for the matter assesses all relevant and significant consequences, and that the bodies affected and the general public are included in the decision-making process before a decision is made.

These Instructions are intended for use by ministries and their subordinate agencies and apply to all work on official studies, regulations, reforms and measures, as well as reports and propositions to the Storting. The Instructions form part of the Government's internal provisions and deviation may only be allowed pursuant to a special resolution, cf. subsection 1.3 of the Instructions.

These Instructions are not exhaustive when it comes to the mandatory submission of matters to the government administration. Separate circulars detail the provisions in some areas regarding the mandatory submission of matters to various ministries, often before the matter is circulated for general review.

Some ministries have issued guidelines for consequence assessment in their respective areas.

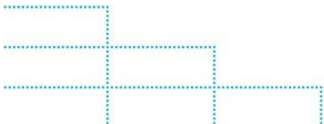
The Instructions do not regulate the submission of matters to the Government.



The quality of the performed analyzes is varying

- One alternative
- Qualitative, not quantitative or monetized effects
- Lack of systematic treatment of non-monetized effects
- When effects are monetized; use of different values between sectors
- Lack of uncertainty analyses and risk reducing measures
- Lack of explicit assumptions and data

Inadequate analyses can be more misleading than guiding



Transport sector: National Transport Plan

- The aim of the National Transport Plan is to:
 - provide a super ordinate and technical basis on which to make decisions
 - ensure an effective use of resources and strengthen the interaction between the various modes of transport
- Prepared by the transport authorities, including Avinor
- The plan is then going through a political treatment

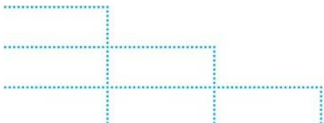


EFFECTS OF THE PRIORITIES

Seen as a whole, the net socioeconomic benefit is negative in the base plan alternative as well as if funding is increased by 45 per cent. For railway projects, the negative net benefit is NOK 18 billion or NOK 38 billion respectively, and for road projects NOK 13 billion or NOK 16 billion respectively. These estimates are fraught with great uncertainty

Energy sector

- Regulator: Norwegian Water Resources and Energy Directorate
 - In licencing, the energy authorities performs a socio economic assessment of the energy project
- System operator: Statnett
 - Historically, Statnett has had an investment level of about NOK 500 million. This will be increased to NOK 5-6 billion a year.
 - Statnett performs CBAs as basis for decision making

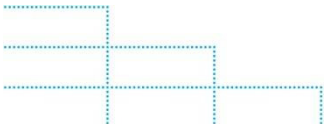


Example: Extracts from consequence matrix, grid investment Building Norway – about grid developments Meld. St. 14 (2011–2012)

	Investerings- kostnad	Ferdig- stilling	Forsynings- sikkerhet	Miljø
Null-alternativet (konsesjonsgitt trasé)	1 100 mill	2012	Akseptabel Oppfyllelse av N-1 for BKK-snittet	Dårlig: Betydelig miljøinngrep, med tre kryssinger av sidearmer til Hardangerfjorden
Sjøkabel	Merkost 3 400 mill	+ 5 år	Like god Venting betyr lite dersom realisering innen 2017	Bedre: Ingen synlige master og linjer mellom Sima og Norheimsund men nye naturinngrep ved ilandføring av kabel. Ingen forbedring for Kvam hvis ilandføring i Norheimsund
Reservekraftverk og spenningsoppgrade- ring Sauda-Aurland	Merkost 2-3 000 mill	+ 6-8 år	Svakere Oppfyllelse av N-1 når ferdigstilt, men gir utfordringer i oppgraderings- perioden	Bedre: Bruker store deler av opprinnelig trasé, men større master, nye krav til nærføring og parallell drift i byggeperioden gir miljøutfordring



- The Norwegian Medicines Agency
 - Administers the regulation regarding benefits for the coverage of expenses for essential drugs (Reimbursement regulations)
 - The reimbursement application must contain cost-effectiveness analysis of the medicine
- Norwegian Council for Quality Improvement and Priority Setting in Health Care
 - Advisory body
 - Secure a comprehensive national approach to the work on quality and prioritisation
 - Provides analyses: Assessments of patient benefit, cost-effectiveness and total costs



Other sectors....

Varying and seems dependent on individuals

Some examples:

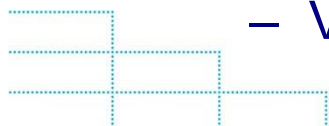
CBAs:

- Ministry of Local Government and Regional Development
 - CBA of high-speed broadband in the districts
- Agency for Public Management and eGovernment
 - CBA of alternatives for digital post from the authorities



Further development of sector specific issues in CBAs:

- Ministry of Children, Equality and Social Inclusion
 - Value of universal design
- The Norwegian Petroleum Directorate
 - Value of ecosystem services



But frequent examples

Bredbåndsutbygging i Nordland: 165.000 kroner per kunde



DYRT: I alle utbyggingene har man valgt å bygge ut fibernett. Dette er den dyreste måten å bygge ut bredbånd. Foto: Øyvind Engan

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Av [Stein Nervik](#)

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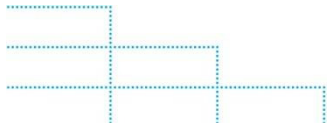
Hovedsaken nå

[Les hele saken](#)

I fire nordlandskommuner er det bygget bredbånd for 50 millioner kroner. Resultat: 303 nye kunder.

* annonse

Lei en fleksibel bybil



Possible ways forward

- There are driving forces for increased focus on cost benefit analyses in Norway, but there is still a potential for enhancing the
 - use of analysis
 - quality of the analyses
 - use of the results of analyses

Ways forward through:

- Improving the impact assessment methodology and CBA methodology
- Enhance the use of CBA as a basis for decision making
- Increasing the capacity and competence of the methodology
- OECD: quality assurance mechanism?

