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Costing and Analysis of Political Party Electoral Platforms (Manifestos)

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Introduction

As part of the Westminster Foundation for Democracy's (WFD) eight-part series on financial accountability, this brief covers the costing of political party electoral platforms (or manifestos).¹ This brief examines:

- why political party platforms are important in election campaigns;
- the benefits of costing or analysing political party electoral platforms;
- how common is it for political party platforms to be independently costed or analysed; and
- who is responsible for political party platform costing or analysis and whether this needs to be conducted by a state institution.

What are political party platforms and why are they important?

Political party platforms are a series of declared principles and policies designed to 'give voters a sense of what the candidates believe in, the issues they think are important, and how - if elected - they will address them'.²

As the Canada-based Institute for Fiscal Studies and Democracy (IFSD) points out: 'Platforms are an important communicative tool to voters. They are a statement by which parties assert their strengths and demonstrate their principles to their base supporters as well as to other voters. Voters tune in to platform statements as a way to infer the policy positions of candidates and parties'.³

What are the benefits of costing or analysing political party electoral platforms?

One practical and applicable definition of the term 'cost' is 'the monetary value of the resources (human, physical and financial) consumed to achieve a certain end'.⁴ Cost estimates need to be produced for infrastructure projects, to deliver a programme or service, or to develop and implement a new system. In countries with a programmatic political party system,⁵ where parties campaign on the basis of a platform, it can be beneficial for these platforms to be costed or analysed for the following reasons:

A) Better and more affordable public policy:

It is not unusual for opposition parties to make campaign promises in opposition that they realise are untenable when they form government. Providing all parties with the opportunity to cost their policy platforms in advance of an election can lead to better public policy. For example, the Australian Parliamentary Budget Office (PBO) and the Belgian Federal Planning Bureau (FPB) are willing to receive different iterations of the same policy for costing. This is also the case with UK-based Institute for Fiscal Studies (IFS), which is a non-governmental organisation (NGO).⁶ This practice allows parties to develop clearer and more feasible platforms for the election.⁷ When these parties form government, they are also in a better position to implement more practical policies from the outset.

1. The terms 'political party platforms' and 'political party manifestos' are used interchangeably.

2. Constitutional Rights Foundation. 'Political Parties Platforms'. Online at: <https://www.crf-usa.org/election-central/political-parties-platforms.html>

3. <https://ifsd.ca/en/blog/last-page-blog/assessment-party-platforms>

4. Government of Canada. 'Guide to Cost Estimating'. Treasury Board Secretariat. June 2019. Online at: <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=32600§ion=html>.

5. International Institute for Democracy and Electoral Assistance. 'Politics Meets Policies: The Emergence of Programmatic Political Parties', p. xii.

6. Interview with Carl Emmerson, Deputy Director, Institute for Fiscal Studies (UK). July 2020.

7. Parliament of Australia. '2010 Federal Election: A Brief History'. Parliamentary Library. Research Paper No. 8, 2011-12. March 2012.

Electoral promises that are not properly costed can also be an expensive mistake. Governments can suffer reputational damage from raising the price tag for an electoral promise after the election, and the pressure to proceed with an election promise despite a modified cost projection can result in significant overspending. See Box 1 for an example.

Box 1: Underestimating the cost of Auckland Light Rail

In 2017, several days prior to the calling of the general election, the Leader of the Opposition in New Zealand promised to construct a light rail link from downtown Auckland to the airport within a decade. This was the first policy announcement and campaign rally ahead of the 2017 general election, which the opposition won and subsequently formed government.⁸

In April 2019, the cost envelope for the 3.5 km long train line to Auckland Airport was revised from 3.4 billion (£1.76 billion) to 4.4 billion New Zealand Dollars (£2.27 billion).⁹

Blaming the previous government that costed the building of the link as an election promise, the transport minister stated that 'the re-costing exercise has shown that the last government did not set aside enough money for inflation and cost escalation'.¹⁰

The mayor of Auckland stated in a radio interview that approximately \$250 million of the additional cost would be owed to the need to 'future proof' the project. When asked what this meant he explained that passenger use of the tunnel was budgeted for 36,000 people when in fact new projections showed an increase in user demand and that user demand would be more likely at 54,000. The mayor suggested that nobody should argue with getting the project right the first time and contrasted it to the building of Harbour Bridge, which was built under capacity at four lanes and doubled to eight lanes three years later. 'You do it once and do it right... It's absolutely the right thing to do, I don't think anybody challenges that.'¹¹

The interviewer for the mayor had a follow-up question: why were the costs underestimated in the first place? The mayor stated that the costing was done 'before his time', and that insufficient funds were forecasted for contingencies, for which another \$200 million were added.¹²

The chief of the executive of Infrastructure New Zealand stated that 'what we're seeing here is a repeat of what happens globally when there is a very strong political pressure to enable projects to proceed in order to sell them through [sic] the costs are always underestimated - I wouldn't say deliberately but there is an optimism bias is built into these processes and we can see that's happened here'.¹³

8. <https://www.rnz.co.nz/news/political/418821/auckland-light-rail-project-off-the-rails>

9. <https://www.rnz.co.nz/news/national/387272/billion-dollar-increase-in-cost-of-auckland-s-city-rail-link>

10. <https://www.rnz.co.nz/news/national/387314/city-rail-link-cost-underestimate-tied-to-political-pressure-infrastructure-nz>

11. https://www.rnz.co.nz/audio/player?audio_id=2018691512

12. https://www.rnz.co.nz/audio/player?audio_id=2018691512

13. <https://www.rnz.co.nz/news/national/387314/city-rail-link-cost-underestimate-tied-to-political-pressure-infrastructure-nz>

B) Equal access to resources of the state:

One of the challenges associated with elections is that incumbent governments tend to have more resources at their disposal (albeit to varying degrees) - including the resources of the state administration - than opposition parties.

For example, in New Zealand, concerns have been expressed regarding uneven opposition access to policy costing. This has led to changes that will take place ahead of the 2020 election. To date, while the Treasury accommodates some requests for the costing of political party policies, 'whether for party-political purposes or for government purposes, at any time, including during the lead-up to an election', these requests can only be approved by the Minister of Finance or a Minister responsible for a portfolio. These requests are considered on a 'case-by-case basis', taking into account such factors as the source of the costing request.¹⁴ For the 2020 election, political parties will be 'able to approach the Treasury directly for this service to be carried out'. In the long-term, this responsibility will likely be transferred to the newly-created PBO, which one party leader in New Zealand stated 'should enhance New Zealand's democratic framework by levelling the playing field, meaning that political parties have access to the same resources to give the public consistent and independent information.'¹⁵ The political party leader stated that: 'having an independent PBO (which is expected to be in place after the 2020 election) should lift the quality of debate about the ideas being put forward by political parties. The PBO will help cut through the noise to deliver New Zealanders unbiased information during election campaigns.'¹⁶

How common is the costing of political party platforms?

The systematic costing of political party election platforms by a single institution is still a relatively rare phenomenon. This may be owed to the fact that governments may be reluctant to give up their advantageous access to costing services. In the absence of a single institution providing costing services, political parties need to find their own experts to cost their party platforms. This could lead to concerns about the neutrality of the individuals or organisations conducting the analysis. For example, 'one party could have used a friendly think-tank for its projections while another could have relied on a former high-ranking Department of Finance official'.¹⁷ Furthermore, having cost estimates provided by different parties could allow for 'differences in accounting style that could make apples-to-apples comparisons between parties difficult'.¹⁸ The public benefits from an 'apples to apples' comparison.

Where a single institution is providing costing services, the function tends to be housed in either an IFI or in the Treasury (or Ministry of Finance).¹⁹ Both scenarios are addressed below. See Figure 1 for the full list of institutions conducting costing of political party platforms:

14. <https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/planning/costing-political-party-policies>

15. <https://www.interest.co.nz/news/101286/new-treasury-team-be-established-cost-political-parties-policies-lead-2020-election>

16. <https://www.instituteforgovernment.org.uk/publications/pre-election-policy-costing-mechanisms-australia>

17. <https://election.ctvnews.ca/pbo-costing-what-it-is-and-why-you-re-hearing-about-it-now-1.4597625>

18. <https://election.ctvnews.ca/pbo-costing-what-it-is-and-why-you-re-hearing-about-it-now-1.4597625>

19. The Canadian Parliamentary Budget Office received an additional £293,500 to perform costing services during the 2019 federal general election. See Office of the Parliamentary Budget Officer. 'Budgetary Request. New Office of the Parliamentary Budget Officer'. November 2017.

1. Independent fiscal institutions.²⁰

- In the OECD's 2018 survey of its member state IFIs, only four of the 36-member state IFIs responded that they are currently conducting this type of analysis. These institutions comprise PBOs from Australia, Austria and Canada as well as the Netherlands Bureau for Economic Policy Analysis (CPB).²¹
- However, since the publication of the OECD survey, the Latvian Fiscal Discipline Council (the Council) conducted its first election platform costing during the national elections in October 2018. According to a presentation made by the Chairman of the Council, 'Political parties have (historically) been coming up with unrealistic promises and assumptions in their pre-election programmes and debate'.²² The Council invited the political parties to participate in a survey on fiscal discipline in order to 'assess the impact of political initiatives on budget expenditures and revenues' as well as the national debt.²³ Results were published nationally.

2. Treasury (or Ministry of Finance):

- The Australian Departments of Finance and the National Treasury both continue to conduct election platform costing, with Finance costing for policies that 'affect outlays and expenses and non-taxation revenue' and the Treasury costing for taxation revenue and taxation expenditure.²⁴
- In Ireland, the Department of Finance analyses the costs for political party policies during specific stages of the budget cycle, including: in advance of the annual budget, in the lead up to a general election, and during negotiations to form a government following an election. Requests are submitted anonymously - the officials conducting the costing are not aware of which political party has made the submission.²⁵
- The Belgian FPB has also begun to analyse the costs for electoral platforms.²⁶ Legislation was passed in May 2014 requiring each political party represented in the House of Representatives or a regional parliament or local assembly to have its list of campaign priorities tallied. Political parties that are not represented in the House of Representatives or in a regional parliament or local assembly have the option to request that its list of priorities be analysed. Parties are to transmit their list of priorities to the Federal Planning Bureau at the latest 100 days before an election. The CPB then transmits the analysis of the costs back to the political parties. The parties then have the option to consult with the Bureau to adapt their proposals. The total cost is then published at the latest 15 days before the election. Confidentiality is required until that point.

20. IFIs include both PBOs and fiscal councils. More information on IFIs, including the distinction between PBOs and fiscal councils, is provided in the WFD brief entitled 'Strengthening the role of Parliament in the Budget Process: the role of Parliamentary Budget Offices' (Brief number 5 in the eight-part series on financial accountability), published October 2020.

21. OECD Fiscal Council Database. Mandate and Function Tab, column 'H', 'Role in costing election platforms'. <http://www.oecd.org/gov/budgeting/OECD-Independent-Fiscal-Institutions-Database.xlsx>.

22. https://ec.europa.eu/info/sites/info/files/costing-election-manifestos-latvia-netherlands-kalsone-platais-veldhuizen_en.pdf

23. <https://fiscalcouncil.lv/news/fiscal-council-in-the-survey-political-parties-show-a-responsible-attitude-towards-the-public-finances>

24. The Parliament of the Commonwealth of Australia. 'Review of the Operations of the Parliamentary Budget Office'. Report 446. Joint Committee of Public Accounts and Audit. November 2014, p. 41.

25. <https://www.instituteforgovernment.org.uk/blog/show-me-money-costing-party-policies-advance-election>

26. The FPB is an 'independent public agency. It draws up studies and projections on economic, social and environmental policy issues and on the integration of these policies within a context of sustainable development'. See <https://www.plan.be/aboutus/laws.php?lang=en>.

Table 1: List of state institutions conducting electoral platform costing

Country	Institution	First electoral platform costing	Findings made public?
Austria	Parliamentary Budget Office	TBC	Y
Australia	Parliamentary Budget Office	2012	N
Australia	Department of Finance and National Treasury	1988	Y
Belgium	Federal Planning Bureau	2014	N
Canada	Parliamentary Budget Office	2017	Y
Ireland	Department of Finance		N
Latvia	Fiscal Discipline Council	2018	Y
The Netherlands	Bureau for Economic Policy Analysis (CPB)	1986	Y ²⁷

Does costing need to be conducted by a state institution?

Not necessarily. Two NGOs performing this function were identified in Canada and the UK. In the UK, the IFS has produced analyses of major political party manifestos since (at least) 1997. Analyses have included selected costings of measures from the main parties, where IFS had the in-house expertise to do so. In 2019 however, given the ambitious nature of the Labour Party manifesto and the limited campaign promises stated in the Conservative Party manifesto, IFS chose to focus on the likelihood that the Conservative and Labour manifestos, which the parties had costed themselves, would be implemented as stated if one of the parties formed government.²⁸ IFS also published an analysis of the implications of the Conservative, Labour Party and Liberal Democratic Party manifestos on public finances, including the prospects for economic growth and implications for net public debt. The analysis also identified and costed Conservative and Labour Party promises that were not costed by the two parties.²⁹

In Canada, IFSD, based at the University of Ottawa and headed by a former Parliamentary Budget Officer, assessed the overall fiscal credibility of the political party platforms, rather than conducting costing of individual measures contained in the political party platforms.³⁰ The following principles were used:

- realistic and credible economic and fiscal assumptions;
- responsible fiscal management; and
- transparency.

The criteria to evaluate each of these principles are spelled out in Table 2, below.

27. The FPB publishes a detailed analysis of all parties' manifestos, with ratings on a wide array of indicators, around one month before polling day.

28. Institute for Fiscal Studies. 'Don't Expect Those Carefully Costed Manifesto Promises to Become Reality'. 9 December 2019. Online at: <https://www.ifs.org.uk/election/2019/article/don-t-expect-those-carefully-costed-manifesto-promises-to-become-reality>.

29. See for example Institute for Fiscal Studies. 'The outlook for the public finances: the Conservative, Labour and Liberal Democrat manifestos compared'. December 2019. Online at: https://www.ifs.org.uk/uploads/Manifesto-analysis-Public-finances-general%20election-2019_V2.pdf.

30. As noted above, the Canadian PBO is responsible for the costing of individual initiatives.

Table 2: Principles and criteria for fiscal credibility assessment

Principle	Criteria
1. Realistic and credible economic and fiscal assumptions	1.1 Platform uses the latest PBO baseline and fiscal forecast.
	1.2 Platform articulates economic challenges.
	1.3 Platform articulates fiscal challenges.
2. Responsible fiscal management	2.1 Platform commitments are consistent with a defensible medium-term fiscal strategy and framework.
	2.2 Platform's commitments maintain long-term fiscal sustainability.
	2.3 The fiscal planning framework contains adequate provisions (prudence) for fiscal risks, economic risks and unforeseen events.
3. Transparency	3.1 Platform provides economic and fiscal forecasts for five years with details on key indicators, which incorporate the proposed policy measures.
	3.2 Platform provides sufficient detail on the proposed measures.
	3.3 Platform provides a clear implementation plan for key policy measures.

For an NGO to perform this function, it is important to comprehend not only the technical aspects of costing but also to have an understanding of major policy domains, such as health and education. This requires personnel with the right technical expertise and relevant specialisations. An NGO would also need to have public credibility so that its findings are carried by the media and accepted by the political parties.³¹ Access to funding is also important. The IFSD does not charge for its services. Likewise, the UK-based IFS performs its manifesto analysis with a grant from a private charitable foundation. In 2019, the resources required for the IFS to perform its analysis comprised approximately twenty individuals, at varying levels of effort. This included finance experts as well as sectoral experts in such fields as education and health.

Both NGOs issued 'report card'-style assessments of the political party campaign platforms. For example, in the 2017 UK election, a senior IFS official was quoted as stating that: 'the shame of the two big parties' manifestos is that neither sets out an honest set of choices.'³² In the case of IFSD, in the Canadian 2019 general election, IFSD's fiscal credibility assessment of one of the political parties resulted in a failing grade. IFSD's analysis concluded that the 'platform costing (of the party in question) presents ambitious policy commitments without the requisite economic fiscal planning and transparency'.³³

In contrast, state institutions such as IFIs tend to tread more cautiously and confine their activities to costing in order to avoid the perception that they are entering into the realm of politics or choosing sides. They tend to be governed by clear communication protocols and procedures to dispel the perception that their independence has been compromised and avoid any perceptions of politicisation.

31. Interview with Sahir Khan, Executive Vice President, IFSD. June 30, 2020.

32. The Telegraph. 'IFS: Neither Conservatives Nor Labour Being Honest about Economic Consequences of Their Manifestos'. 26 May 2017. Online at: <https://www.telegraph.co.uk/news/2017/05/26/tory-plan-balance-budget-mid-2020s-could-require-tax-rises/>

33. Institute for Fiscal Studies and Democracy. Blog. 'IFSD Fiscal Credibility Assessment : Green Party of Canada Platform 2019 Costing'. September 25, 2019. Online at: <https://www.ifsd.ca/en/blog/last-page-blog/green-2019-platform>.

Conclusion

The costing of party platforms provides the electorate with policy options that are based on reliable cost estimates. The costing process can only work effectively, however, if there is trust in the institution performing the costing analysis.

Costing political party electoral platforms can foster the creation of practical policy positions among competing political parties. It also levels the playing field between opposition parties and government, contributing to a more robust democratic context. Some institutions, such as the Australian PBO and the Belgian Federal Planning Bureau, are willing to receive different iterations of the same policy for costing, thereby providing political parties with an opportunity to think through and improve their policy proposals before releasing them. The UK-based IFS also conducts such consultations on an informal basis, primarily for opposition parties.³⁴

The costing of political party election platforms is still relatively rare and appears to be confined to a number of OECD countries. While the majority of these costing operations are housed in IFIs, there are some examples of the Treasury or Ministry of Finance housing this function. Two examples of NGOs conducting this function were also cited in this brief. While IFIs tend to adhere to strict communication protocols with political parties and confine their service to putting a price tag on election policy campaign platforms, both the UK and Canadian NGOs issued 'report card'-style assessments of the political party campaign platforms.

34. Interview with Carl Emmerson, Deputy Director, Institute for Fiscal Studies (UK). July 2020.

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