



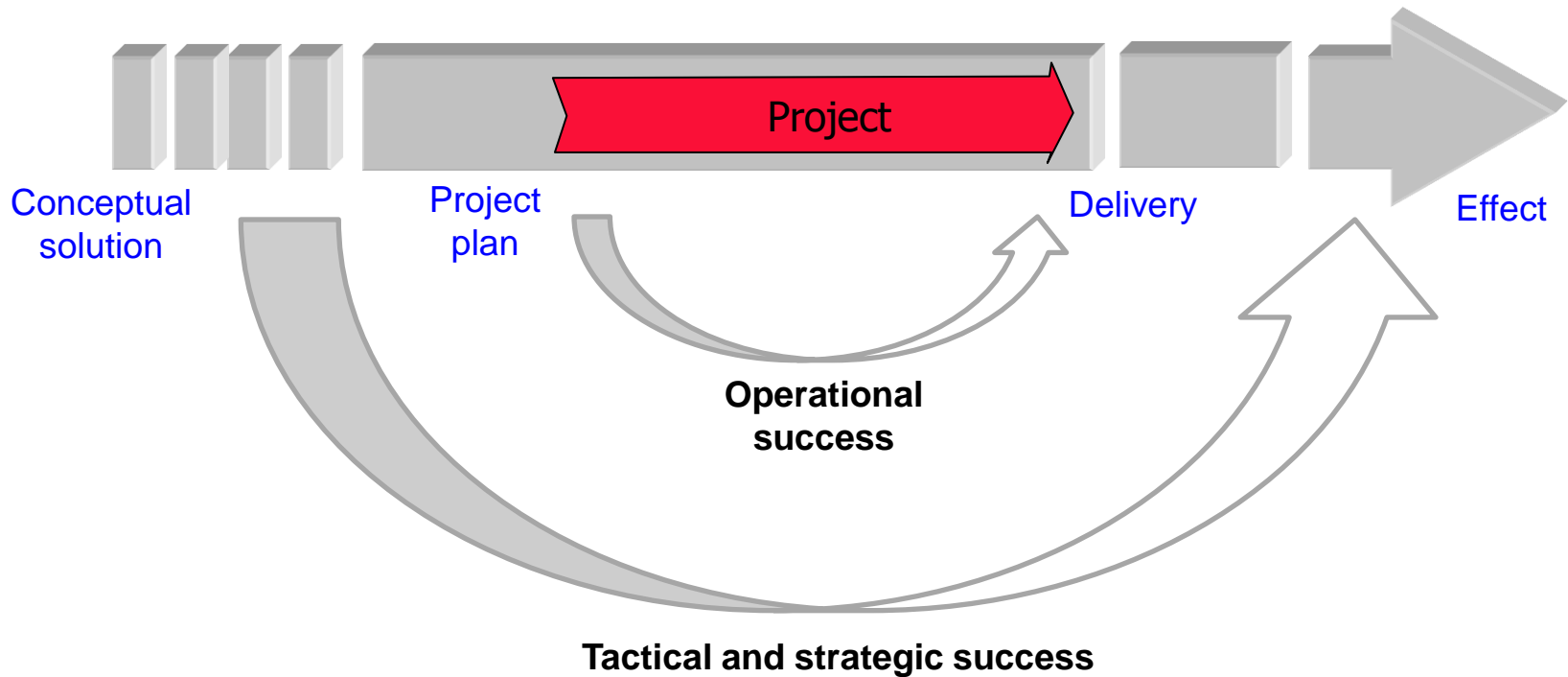
The Norwegian governance scheme for major public investment projects

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Public project failure

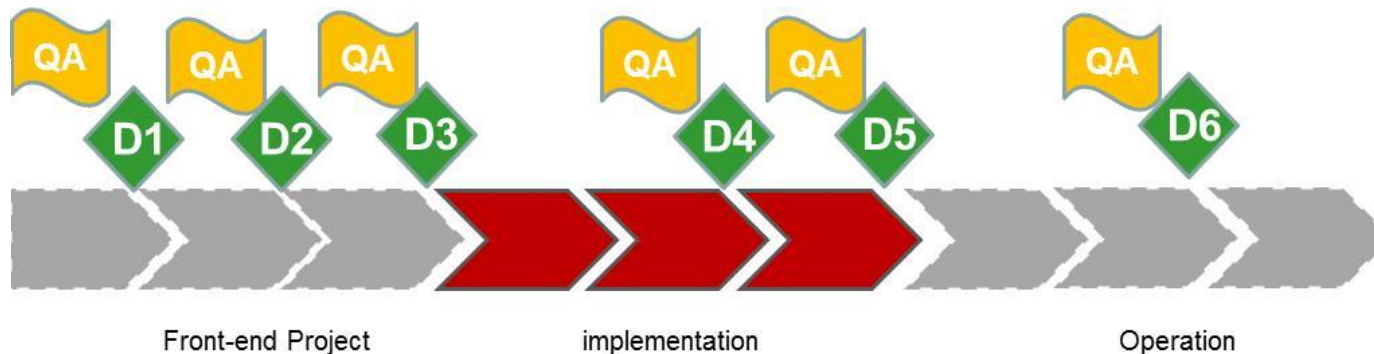
- Cost overruns, delays, benefits not realized, hidden agendas, etc.
- Especially cost overruns have been a common problem across countries and over time. Well documented in the literature
 - e.g. Morris and Hough, 1991, MacDonald, 2002, Flyvbjerg et al., 2003.
- Norwegian study (background for the scheme)
 - Berg et al., 1999
- Common explanations
 - technical
 - cognitive
 - Political/strategic

Measuring Project Success

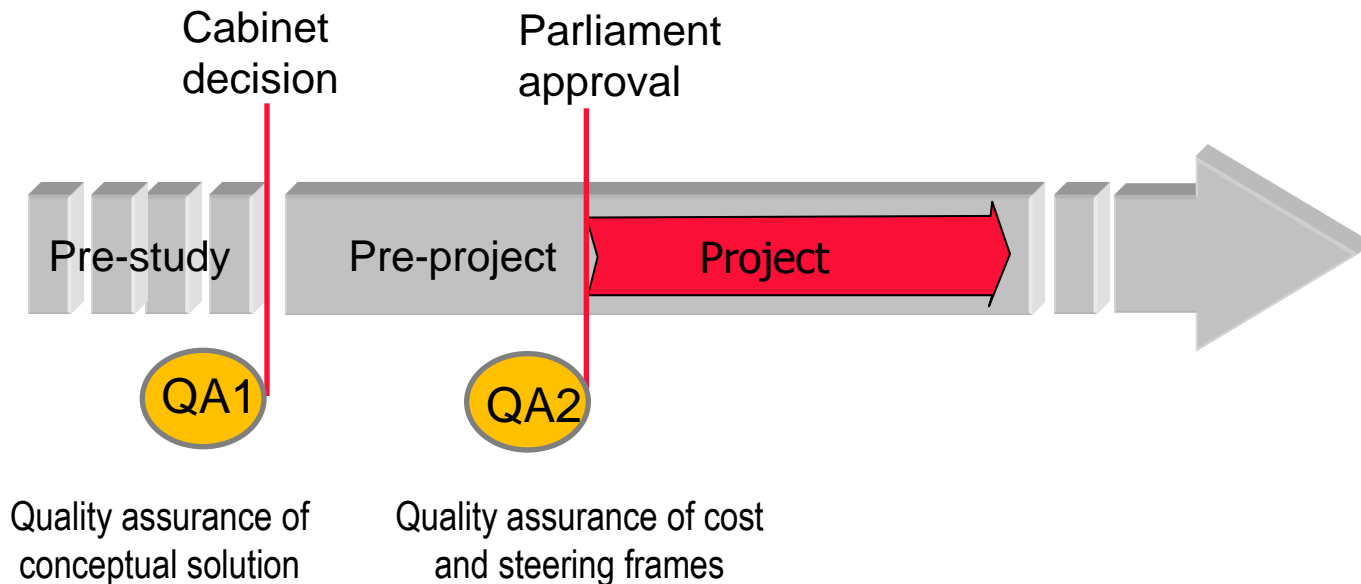


Project governance

- “The term ”project governance” refers to the processes, systems and regulations that society (the financing party) must have in place to ensure that projects are successful” (Samset and Volden, 2013)
- Minimum requirements for a project governance scheme (Haanæs et al., 2006)
 - Clearly defined project phases
 - Clearly defined decision points
 - Quality assured basis for the decisions
 - Simplicity
 - A certain standardization and common terminology



Project Governance in Norway



- The Quality Assurance scheme introduced in year 2000/2005 applies to major public projects (> 750 mill. NOK)

Conceptual Appraisal Document CAD

- Needs analysis
- Project goals and requirements
- Possibility study
- Cost-Benefit Analysis

- Overall project management document (steering document)
- Complete cost estimate
- Analysis of alternative contract strategies

Documentation to be produced by Ministry/ agency responsible for the project



QA1

- Review the documentation, check for consistency and exploitation of opportunities
- Independent uncertainty analysis and CBA

QA2

- Review the documentation
- Independent uncertainty analysis
- Give recommendations regarding cost frame and steering frame

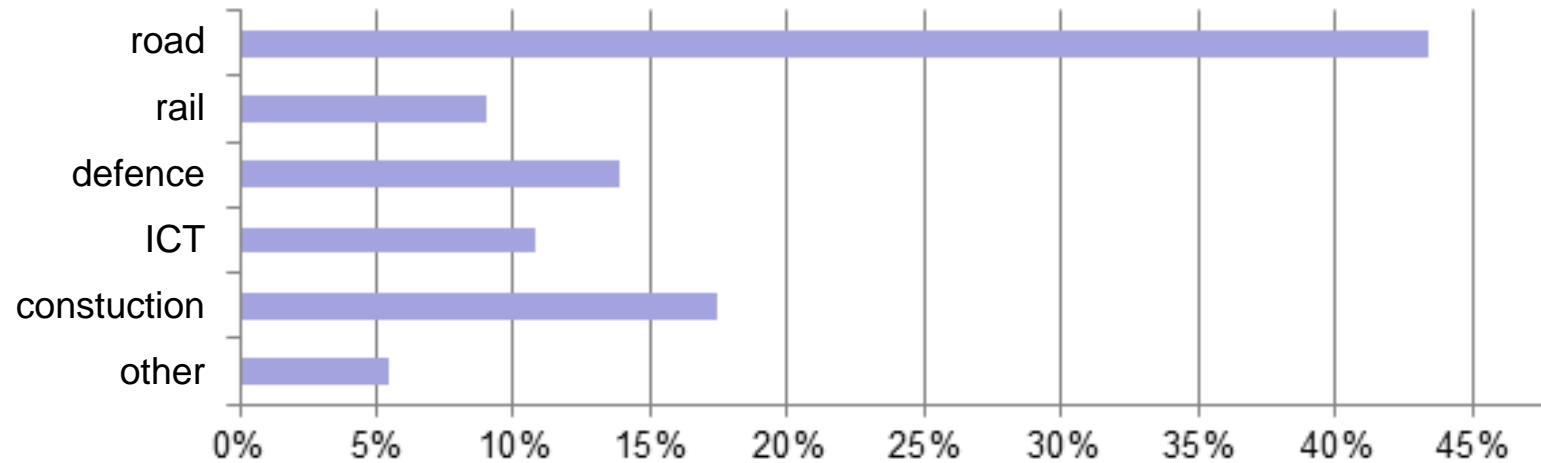
The content of the QA



Projects subjected to external quality assurance

| | Number of projects | Hereof completed |
|---|--------------------|------------------|
| Number of projects subjected to QA1 (2005-2015) | 76 | 0 |
| Number of projects subjected to QA2 (2000-2015) | 183 | 89 |
| Number of projects subjected to QA1 <u>and</u> QA2 (2005-2015) | 15 | 0 |
| Total number of reviews | 232 | 89 |

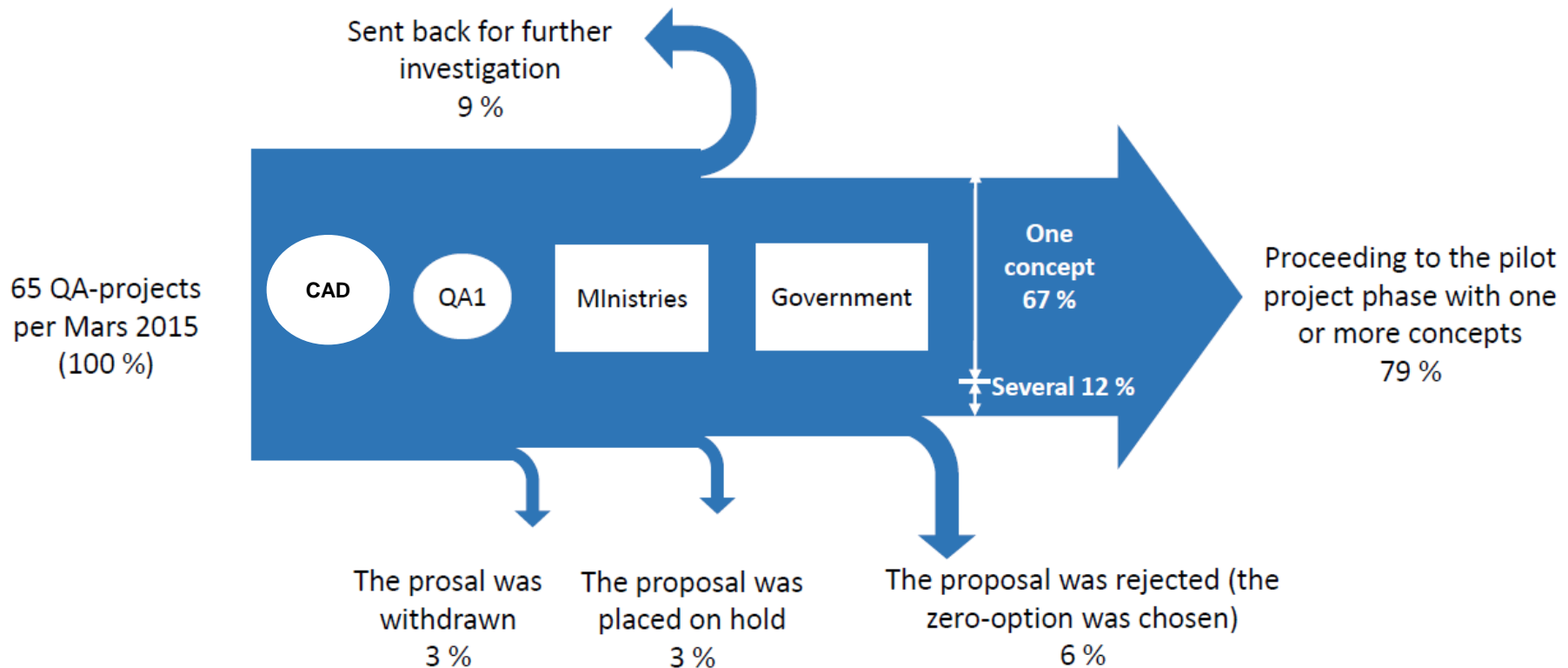
Projects subjected to external quality assurance



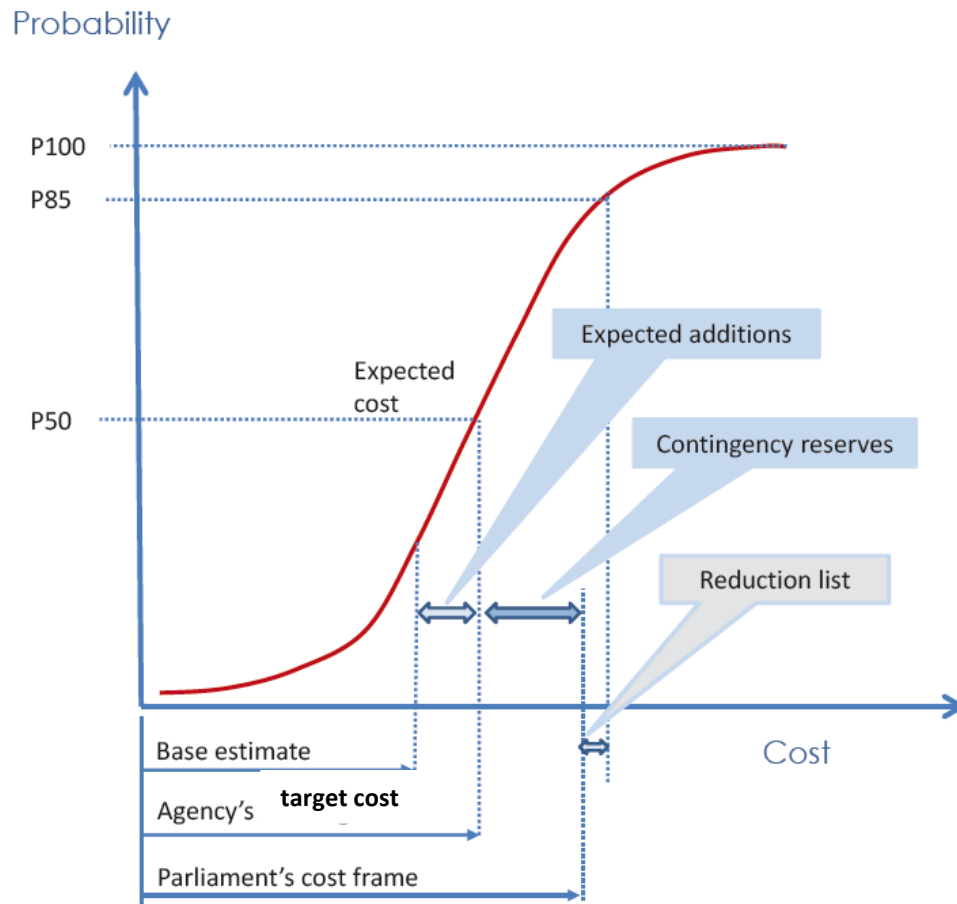
Lessons regarding QA1

- The evaluation of effects is years ahead.
- CAD/QA1 has led to a more systematic approach to early project assessment.
- The quality of the analyses have improved steadily over time
- A shift from bottom-up process guided by local stakeholders, to more power to the administration and Cabinet
- However, not many projects are rejected, despite low profitability, and when recommendations from an authority and the QA conflict, the Cabinet more often follows the agency.

Lessons regarding QA1



Lessons regarding QA2



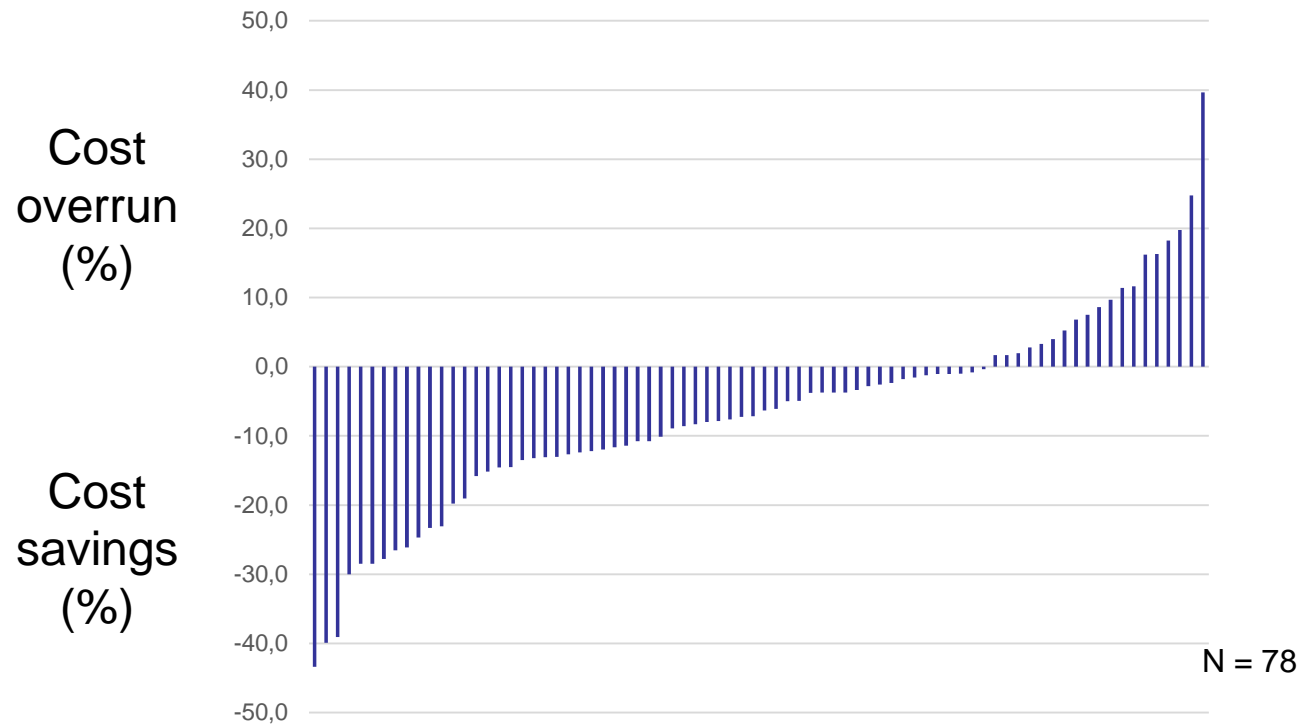
The reviewers' recommended cost frames are based on stochastic estimation techniques.

Cost frame – P85

Target cost – P50

Lessons regarding QA2

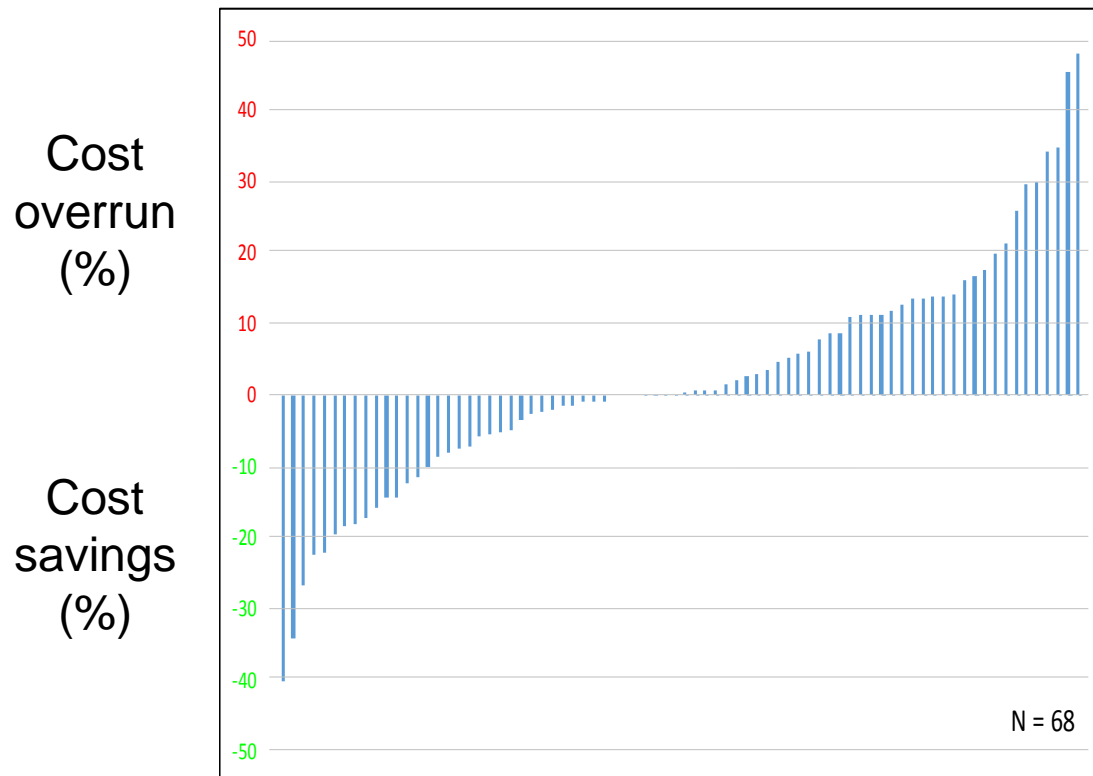
Cost deviation relative to the P85 budget (percentages)



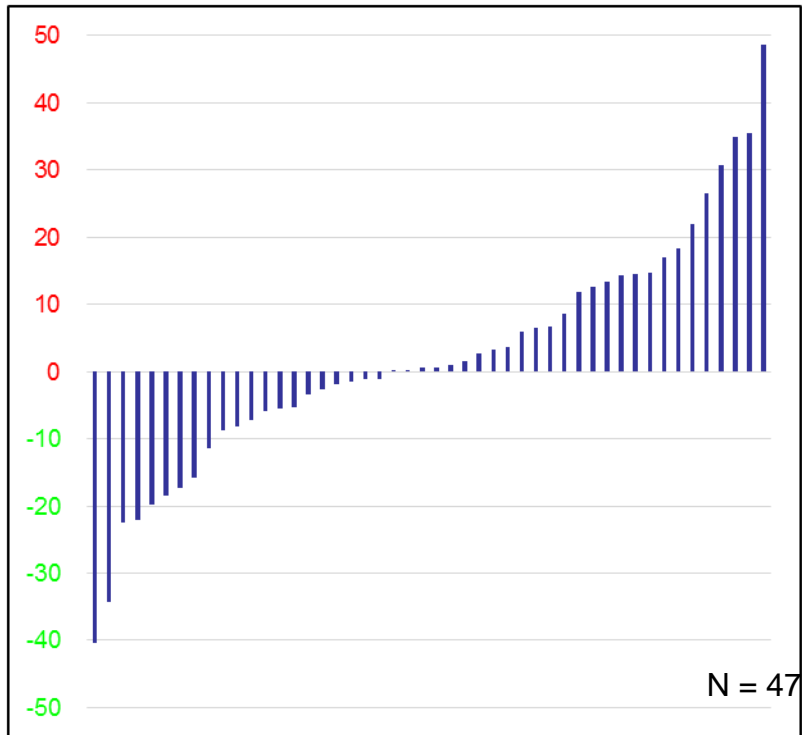
- 17 cost overruns and the rest, about 80 % with cost savings.
- The total net savings amount to 6 % of the total investments.

Lessons regarding QA2

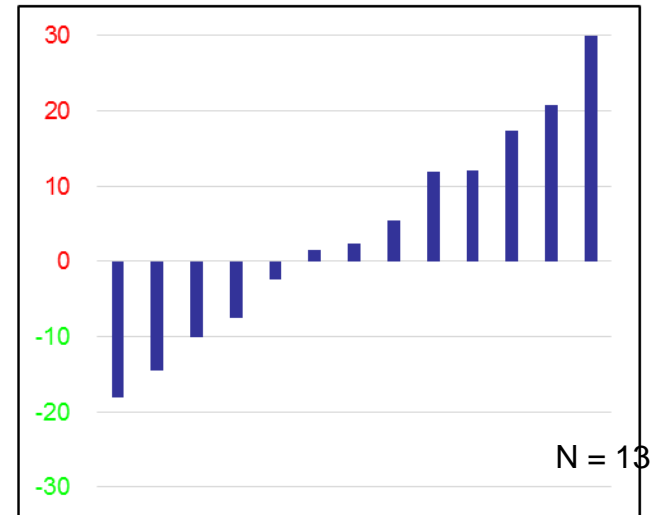
Cost deviation relative to P50 estimates (percentages)



Transportation

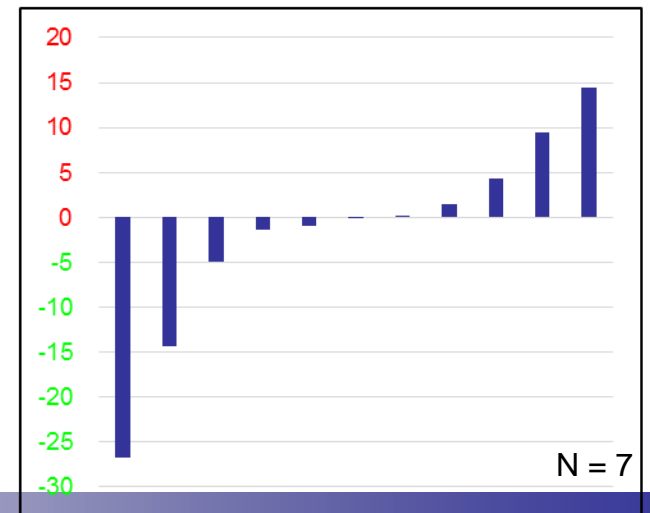


Construction



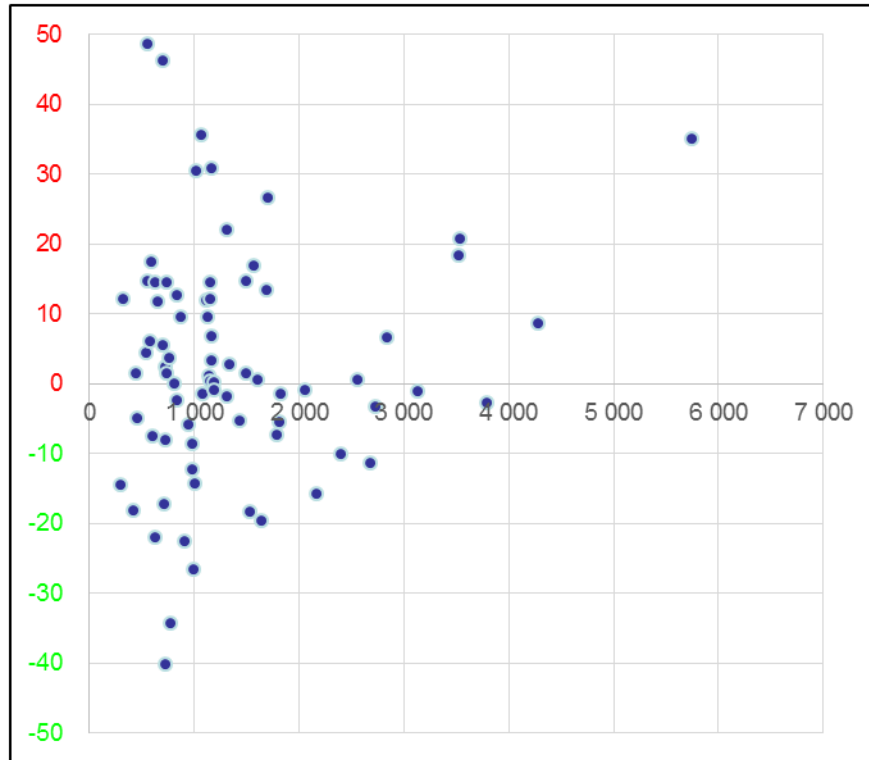
Cost deviation relative to P50 estimates in three sectors

Defence

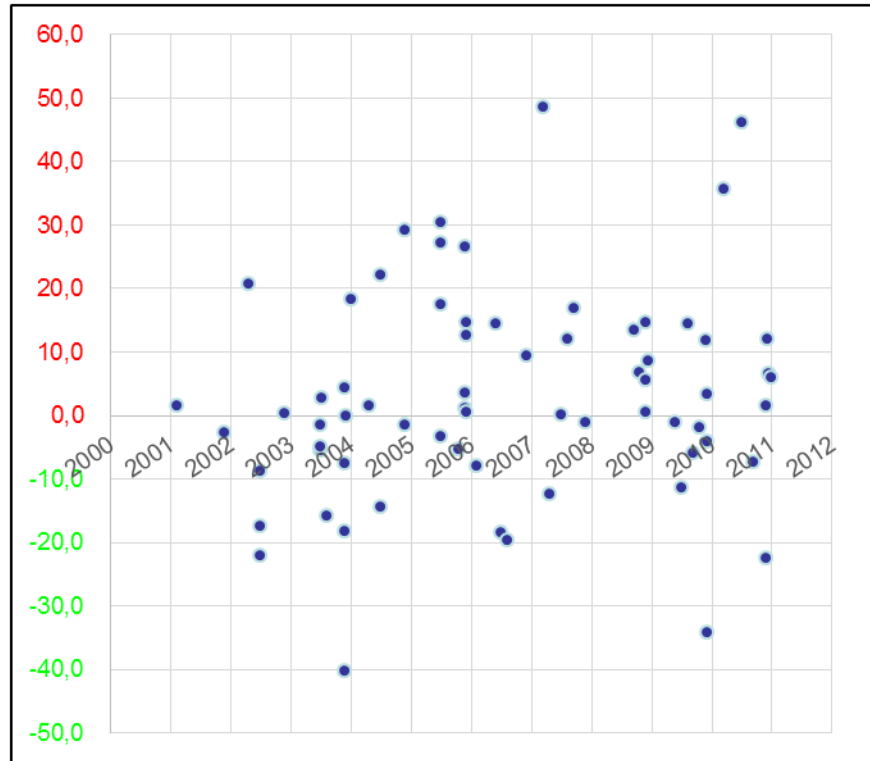


Cost
overrun
(%)

Cost
savings
(%)



Cost deviation relative to the size of the P50
budget (percentages)



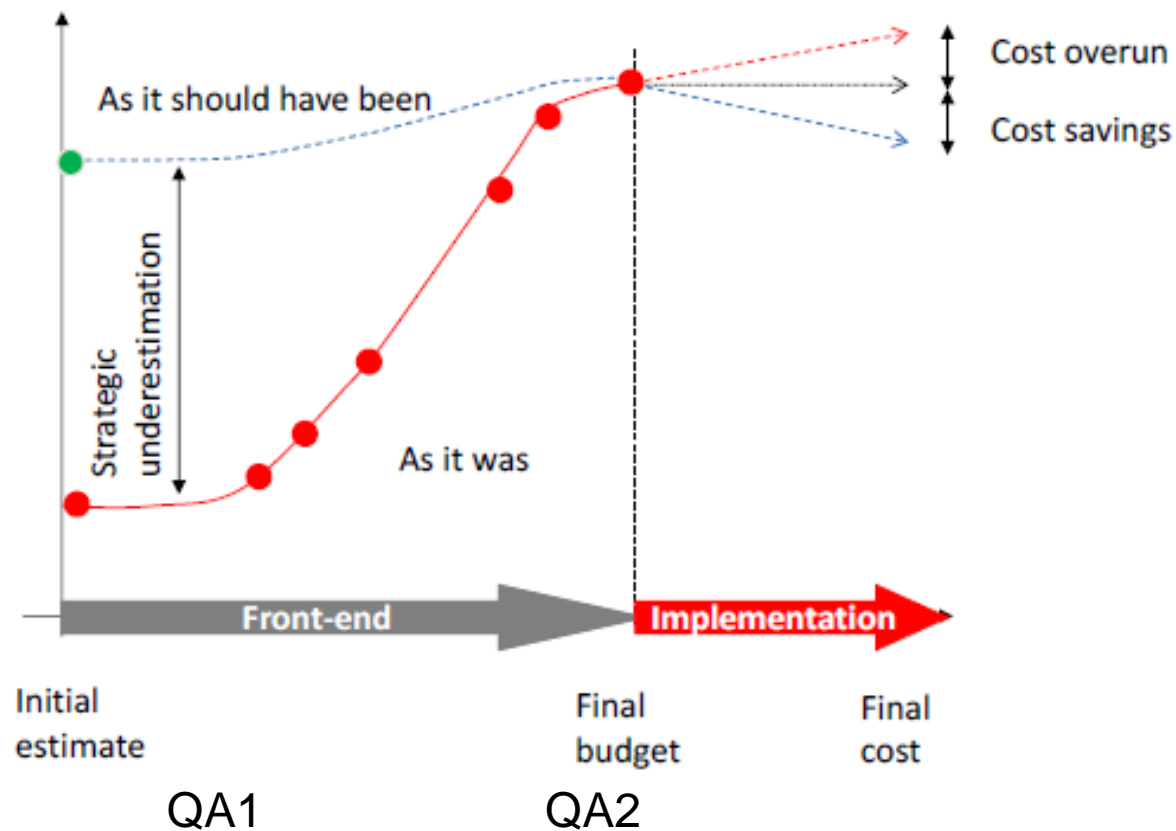
Cost deviation relative to the P50 budget for projects approved by Parliament 2001 - 2011

Spin-offs and broader benefits of the scheme

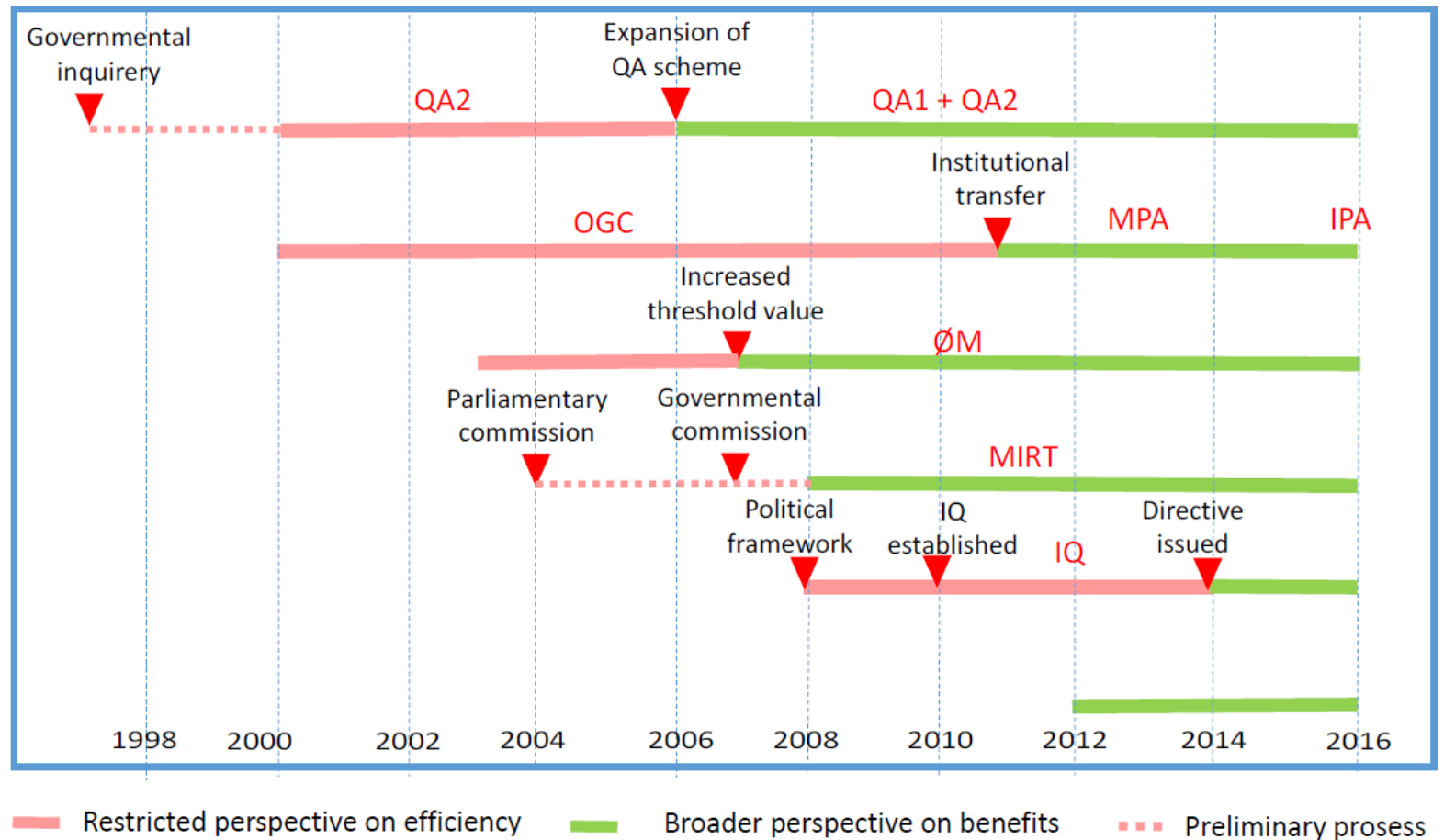
- Ministries and agencies spend more resources in the front-end and invest in competence.
- Some agencies exempted from the QA regime have voluntarily introduced variants of it.
 - Health sector investments
 - Electricity transmission line projects
 - Investments at municipal level
 - Other countries are inspired by the Norwegian scheme
- Extensive research and education in the area of project governance at university level.

A remaining challenge...

- Cost creep between QA1 and QA2



Other countries with similar schemes



Conclusions

- After QA2 was introduced, 80 % of public projects are completed within budget. Operational project success is definitely improved.
- No QA1 projects have yet been completed. Its effect on tactical and strategic performance therefore remains to be seen



Thank you for your attention

www.ntnu.no/concept

References

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