



Concept Symposium 2016

Governing the Front-End of Major Projects

Updates on project governance in Norway



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In Norway the Cabinet decides on most major projects. As decision support reviews are produced at specific gateways by independent private consultants holding framework contracts with the Ministry of Finance. There are two intervention points:

- Quality Assurance 1 “QA 1” prior to the basic engineering phase. Review topic: The choice of concept. Prime ranking criterion: Net present value (benefits minus costs). Introduced in 2005.
- Quality assurance 2 “QA 2” after completion of the basic engineering phase and before budgetary appropriation. Review topics: Cost, risk, schedule and basis for management. Introduced in 2000.

There is a relatively high threshold value (750 mill. NOK).

A total of over 300 reviews have been made.

A major task for the Concept Research Program is to follow the projects through completion and the subsequent operation. The data thus produced form the basis for ex post evaluations. Evaluation of the concepts chosen at the QA 1 stage entail comparing costs with realized benefits produced during the operational period. As this lies many years ahead, ex post data for the QA 1 assured projects are scant.

For the QA 2 assured projects, data are available for 70 projects that are completed, including the termination report. An assessment of the final cost to budget issue for these projects will be presented.

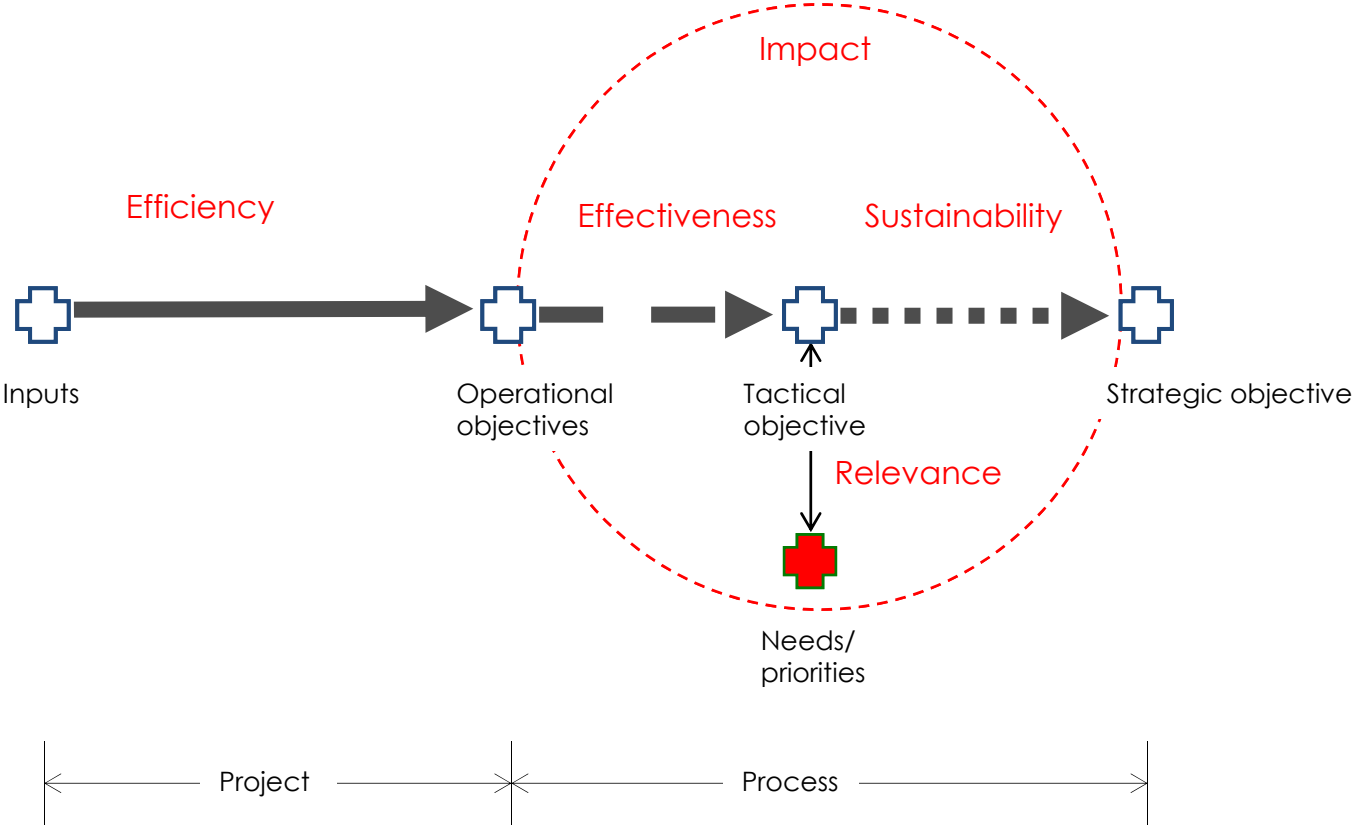
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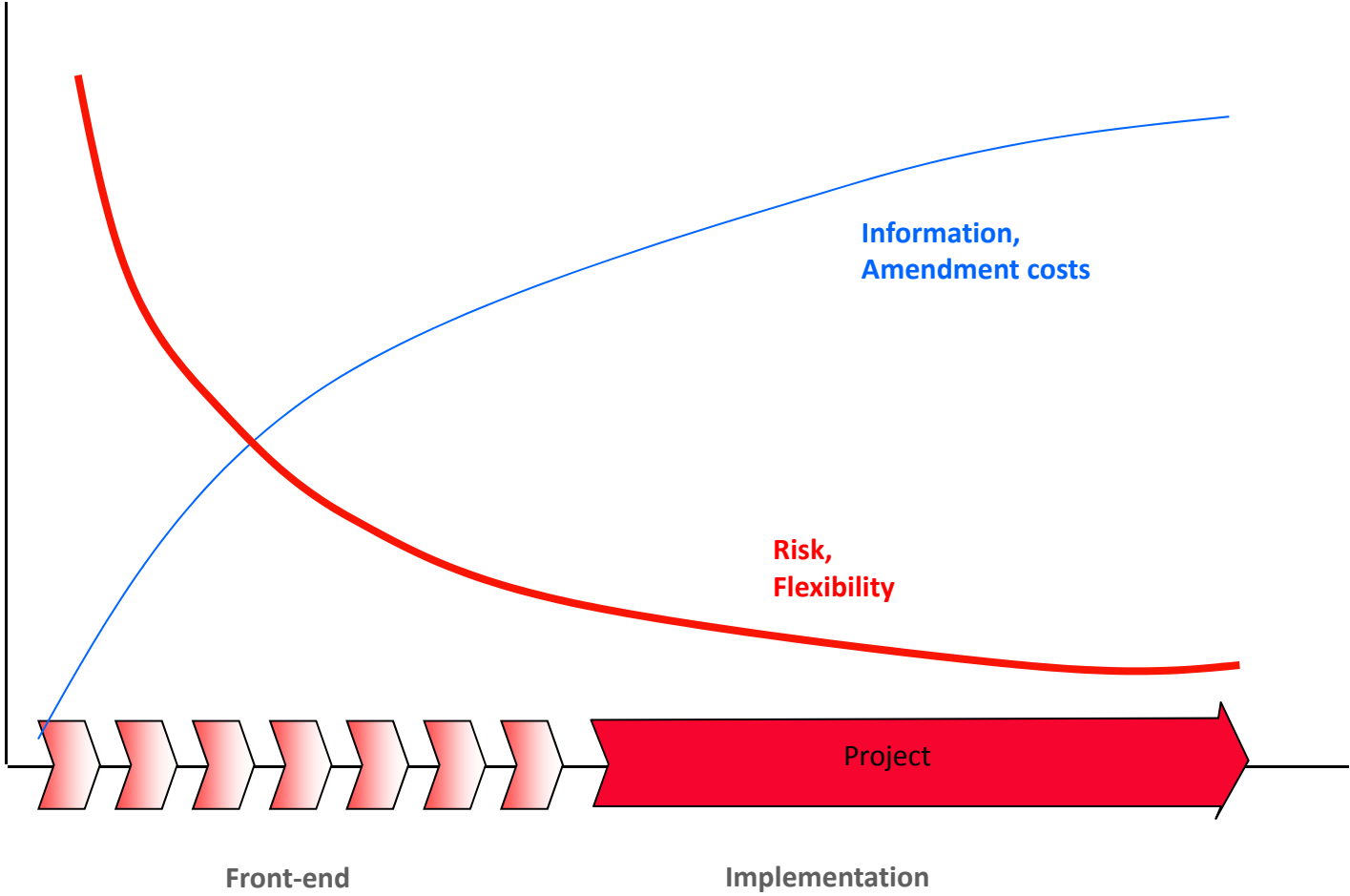
What is peculiar to the Norwegian case?

- Concentration on the initial project phases, when alternatives still exist and amendments can be made at reasonable cost
- Concentration on the bigger projects
- Extensive, in-depth reviews lasting several months
- Truly independent private sector reviewers
- Governance based on systems responsibility with the Ministry of Finance and go/no go decisions elevated to Cabinet level

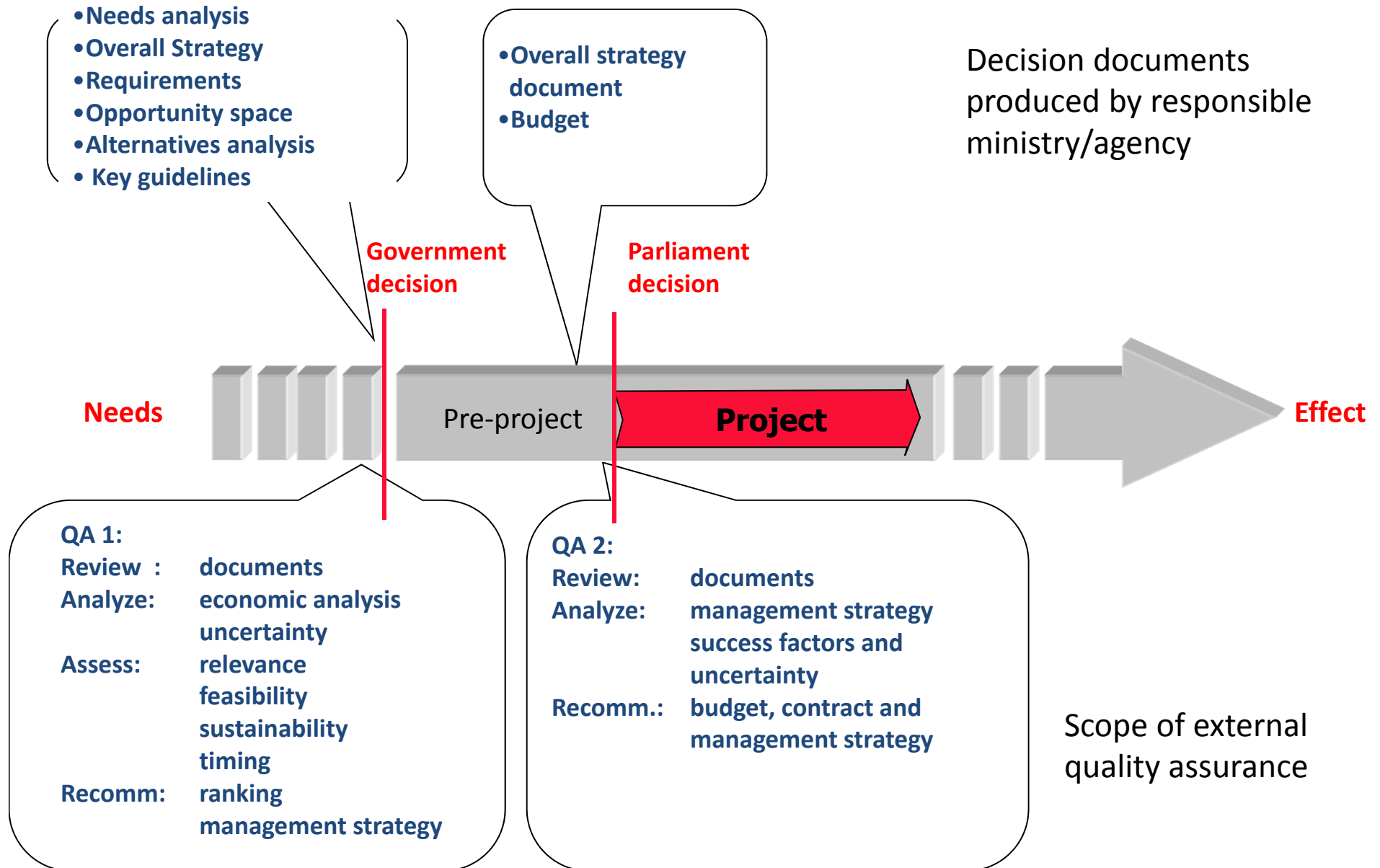
Five success criteria used to evaluate a project (OECD)

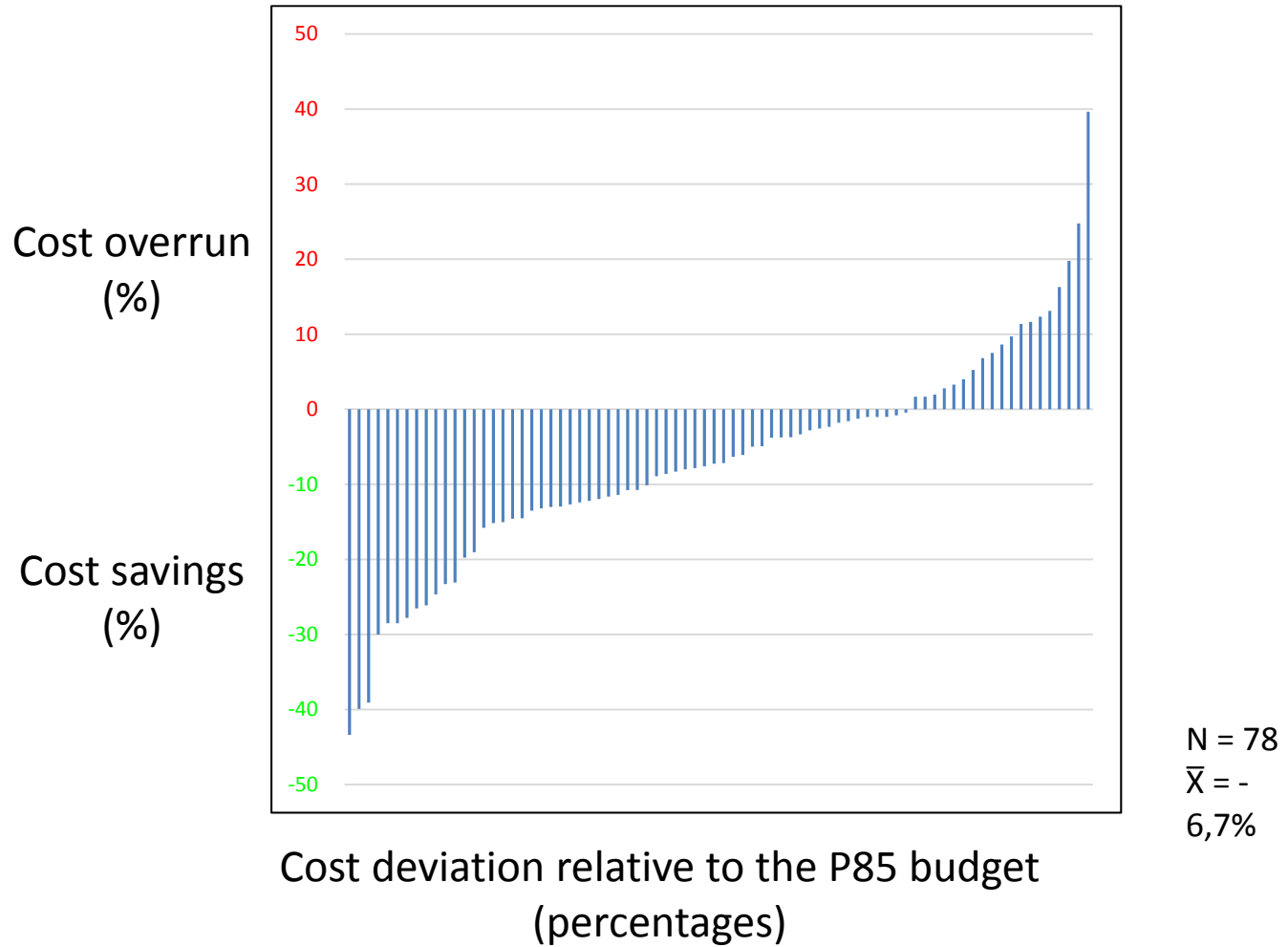


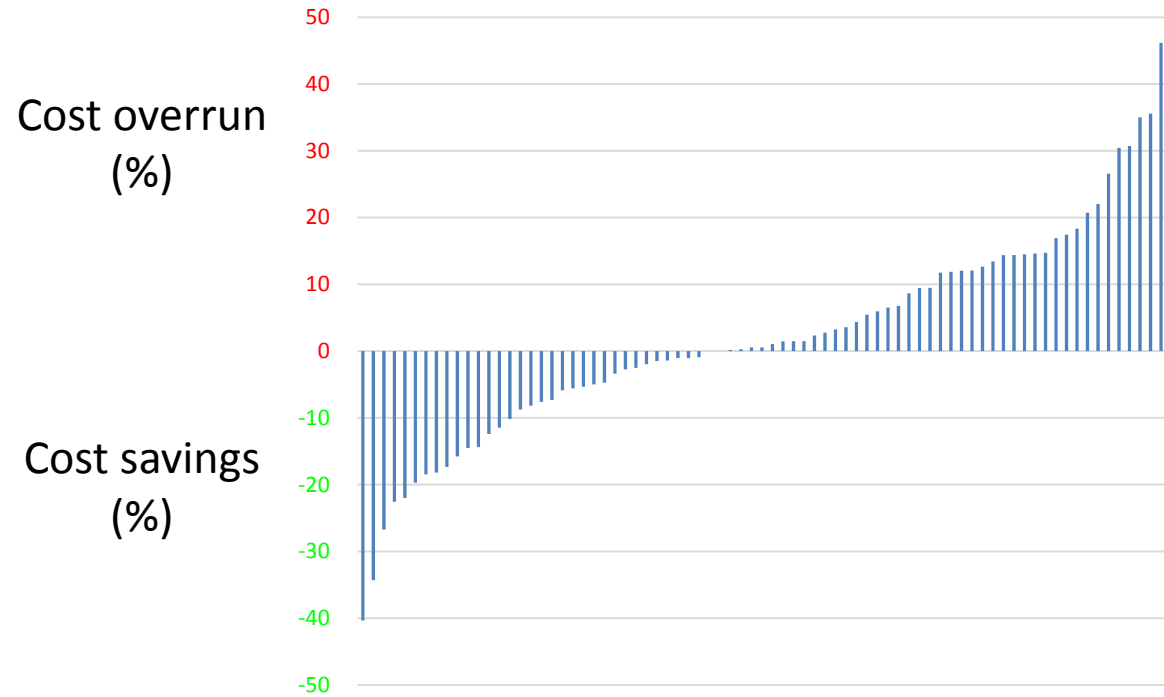
Risk and flexibility through the project life cycle



QA regime: scope and procedure



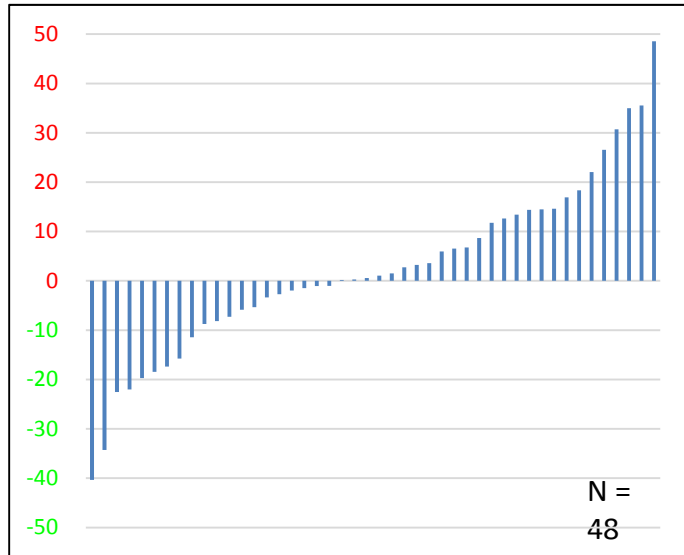




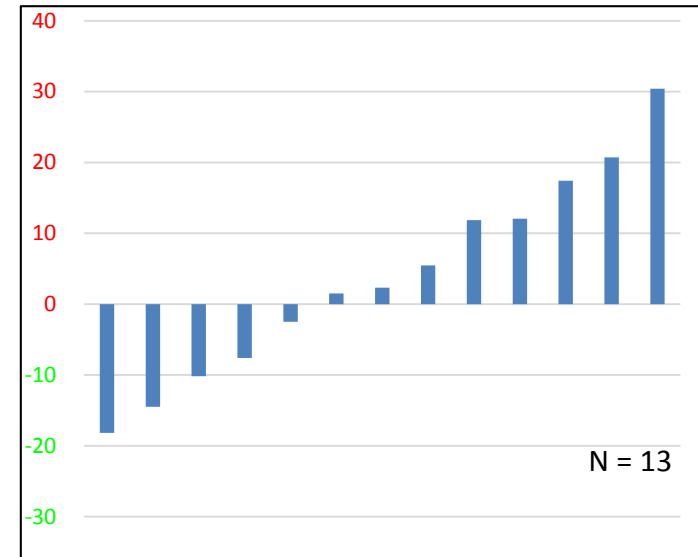
Cost deviation relative to P50 estimates
(percentages)

N = 78
 \bar{X} =
 +2,6%

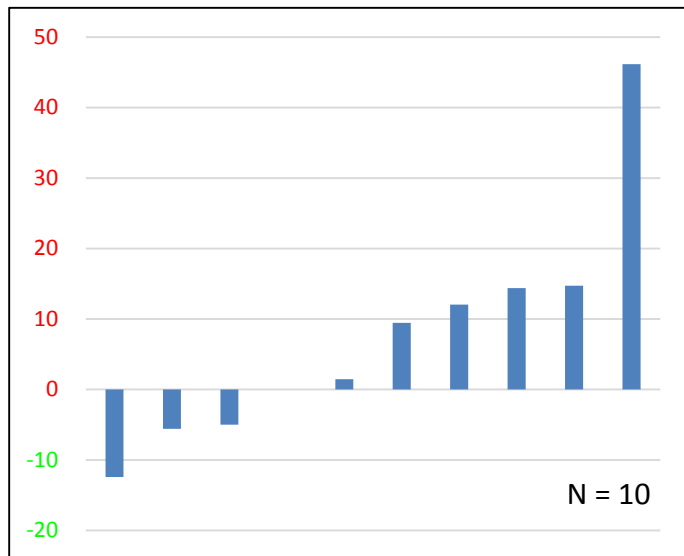
Transportation



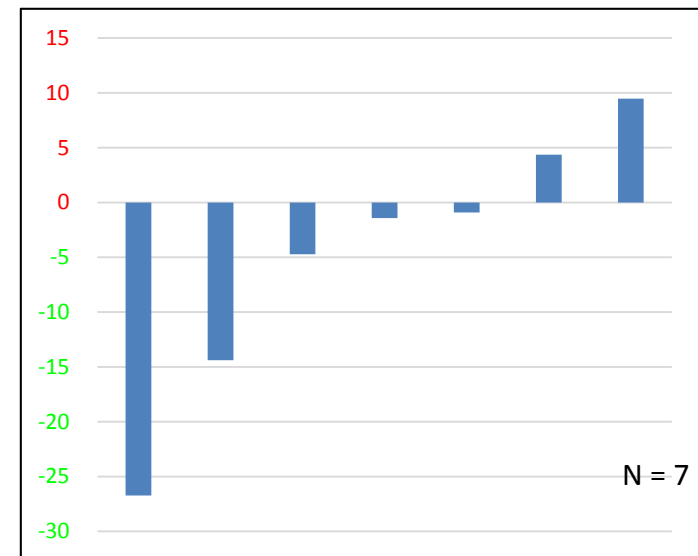
Construction



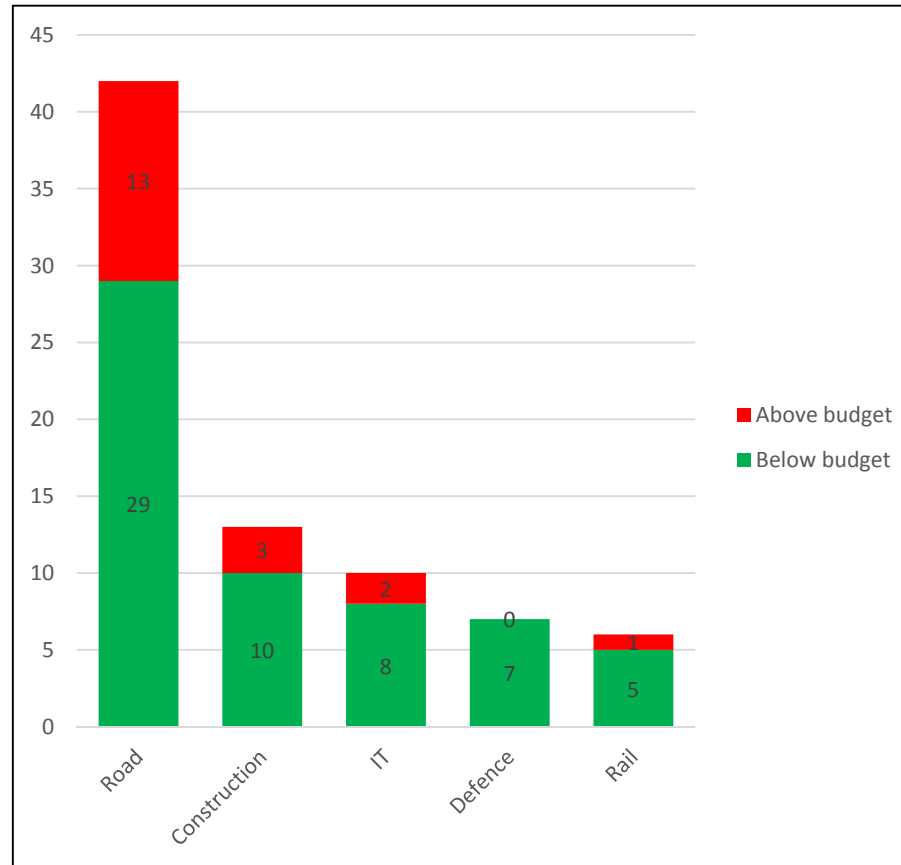
IT



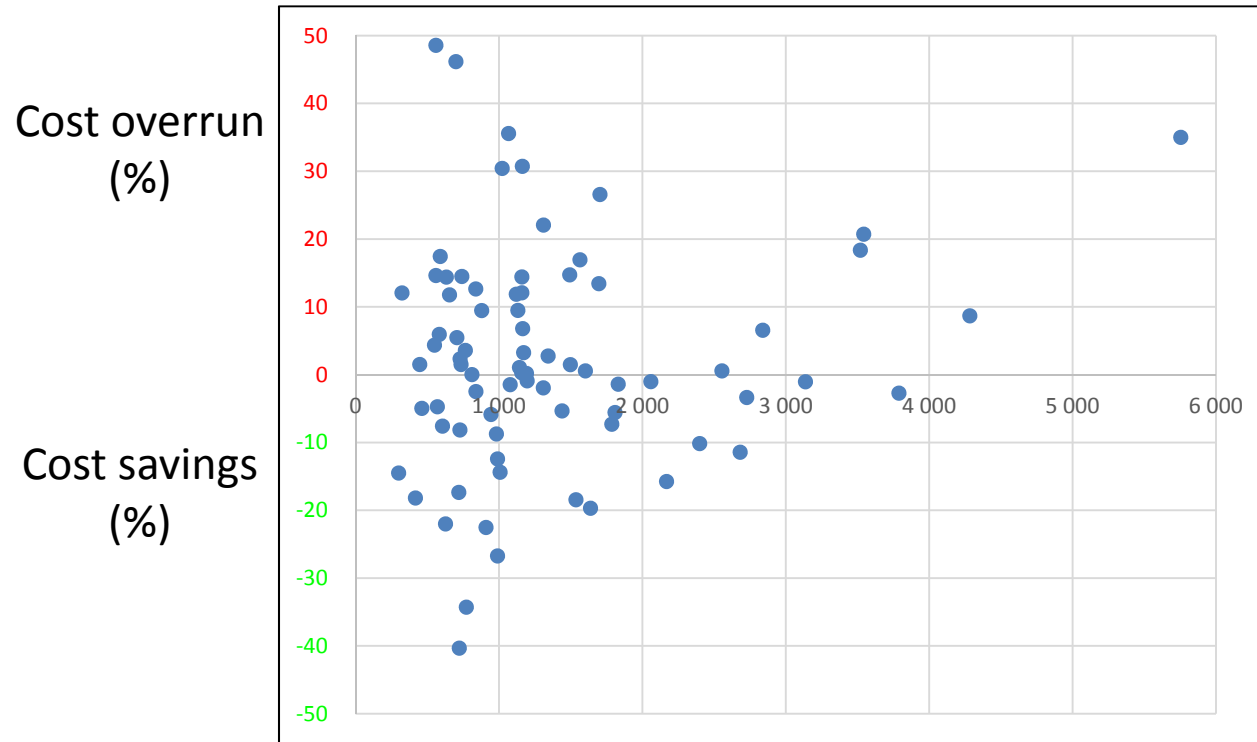
Defence



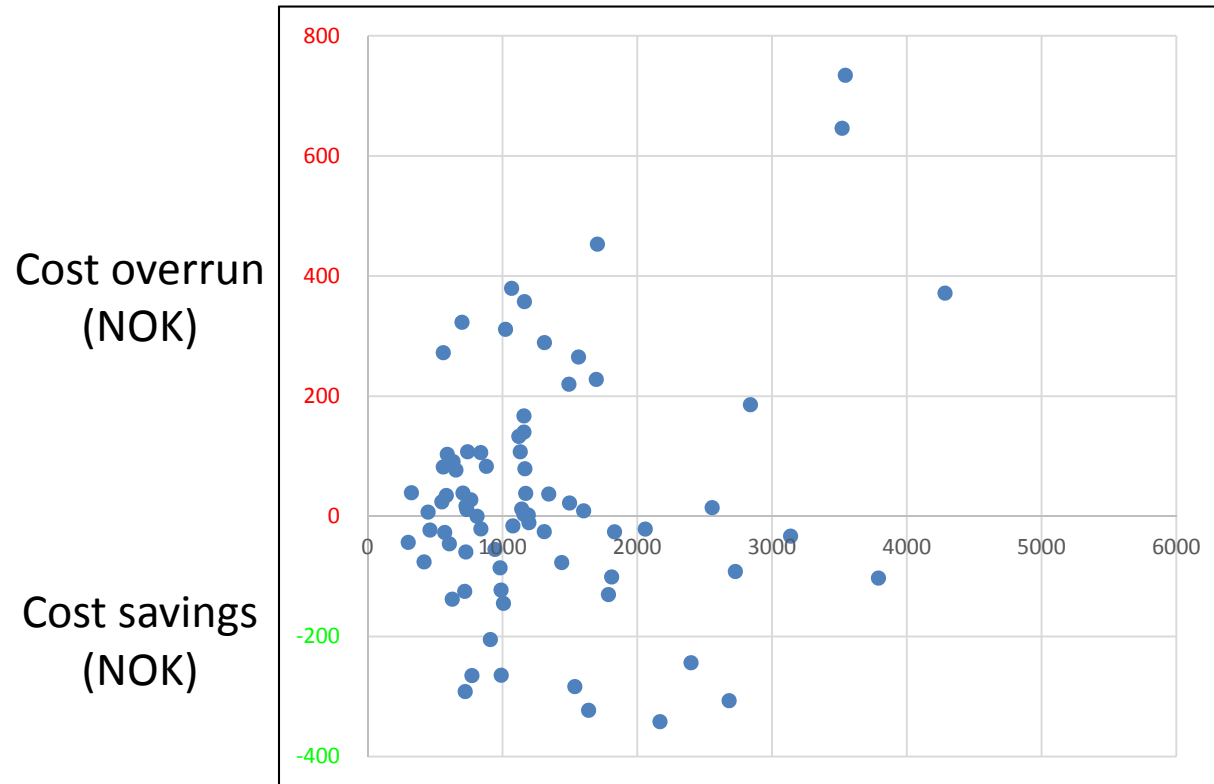
Cost deviation relative to P50 estimates in
four sectors



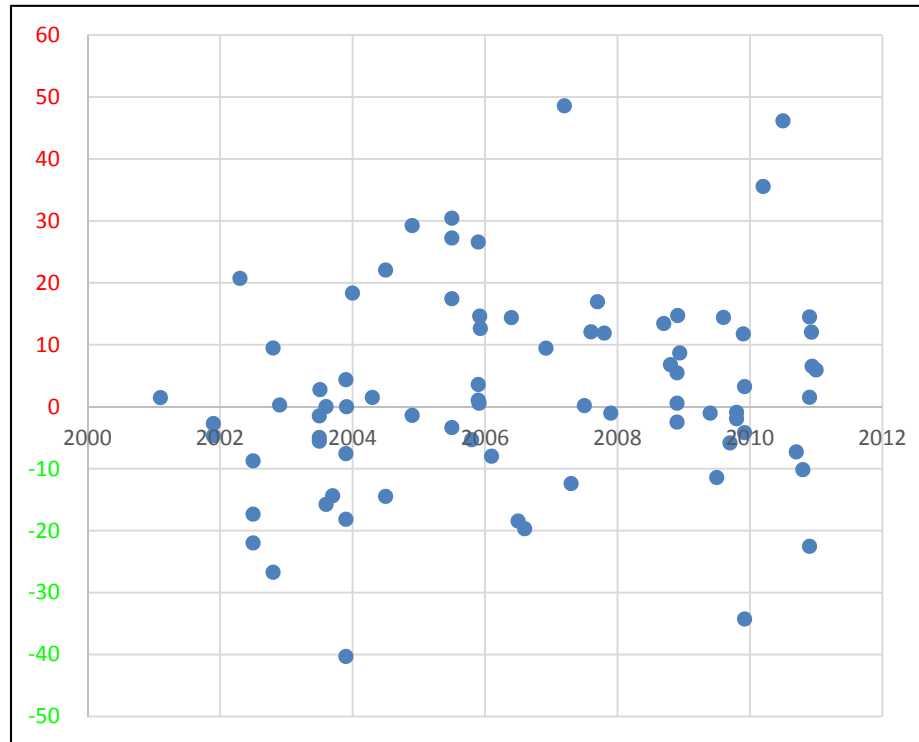
Number of projects with cost above/below the P85 budget in different sectors



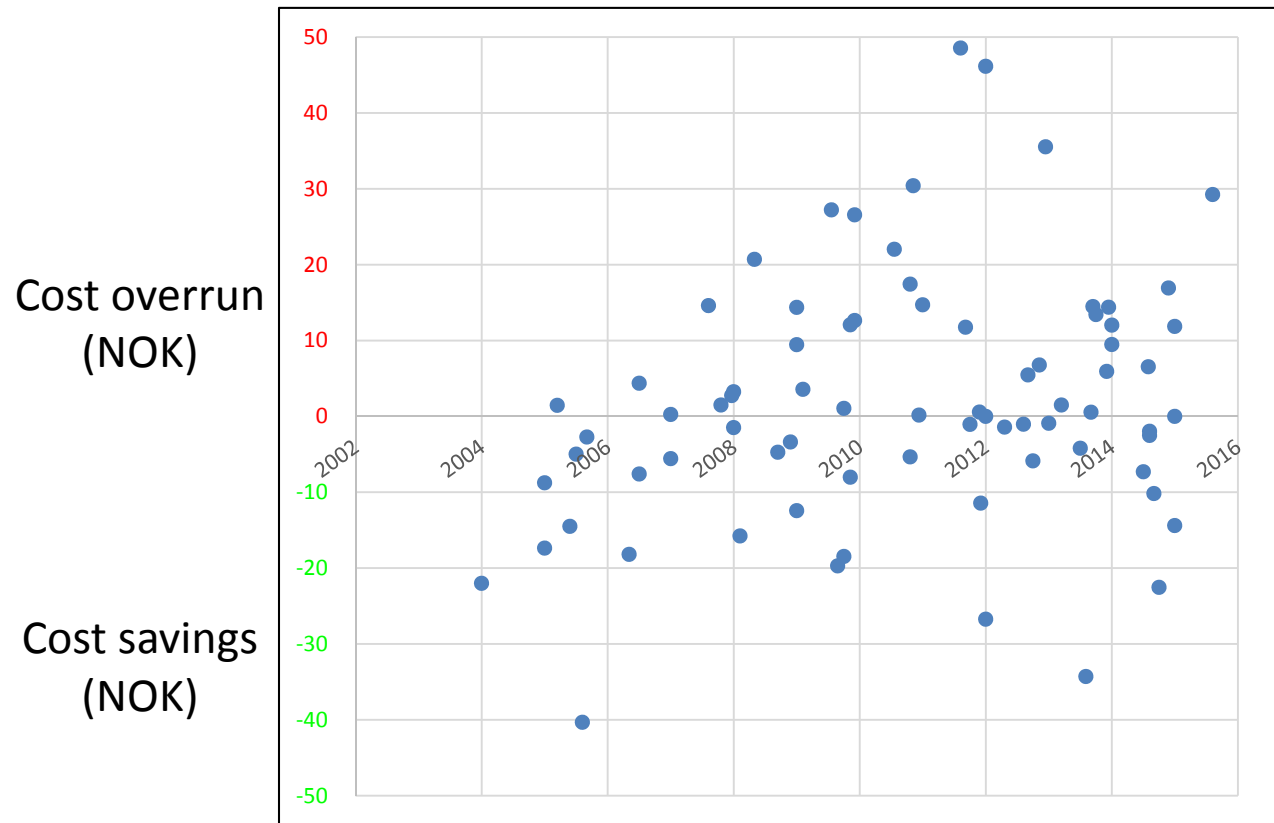
Cost deviation relative to the size of the P50 budget (percentages)



Cost deviation relative to the size of the P50 budget (million NOK)



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



Cost deviation relative to the P50 budget for projects finalized 2004-2016