



Concept Symposium 2016

Governing the Front-End of Major Projects

Updates on project governance in six OECD countries



Knut Samset

Professor NTNU and Program Director
Concept Research Program
Norway

Governments in many countries are struggling with massive cost overruns and delays in major public sector investment projects. A number of international studies have put this problem under the spotlight, and several countries have introduced governance regimes for such projects.

This presentation compares the Norwegian scheme for quality assurance of major public projects, also referred to as the State Project Model, to similar schemes in five other OECD countries, i.e. Denmark, Sweden, the Netherlands, the UK and Canada (Quebec). The schemes have many features in common – all of them were introduced after the turn of the millennium and place governance responsibility at a high level in the political system. There are also a number of differences, for example with regard to who performs quality assurance, the delineation between technical matters and politics, as well as the scope of such schemes.

The presentation shows that Norway and the Nordic countries have opted for schemes that are fairly simple, with intervention points in the front-end phase only and not during implementation, unlike the other countries.

The 7th Concept symposium on project governance
Stavanger 7 – 9 September 2016

Governance schemes for major public investment projects

Knut Samset

Professor NTNU, director Concept

Governance versus management

Governance

processes that define expectations, grant power, and verify performance.

Enabling measures – to help realize expectations

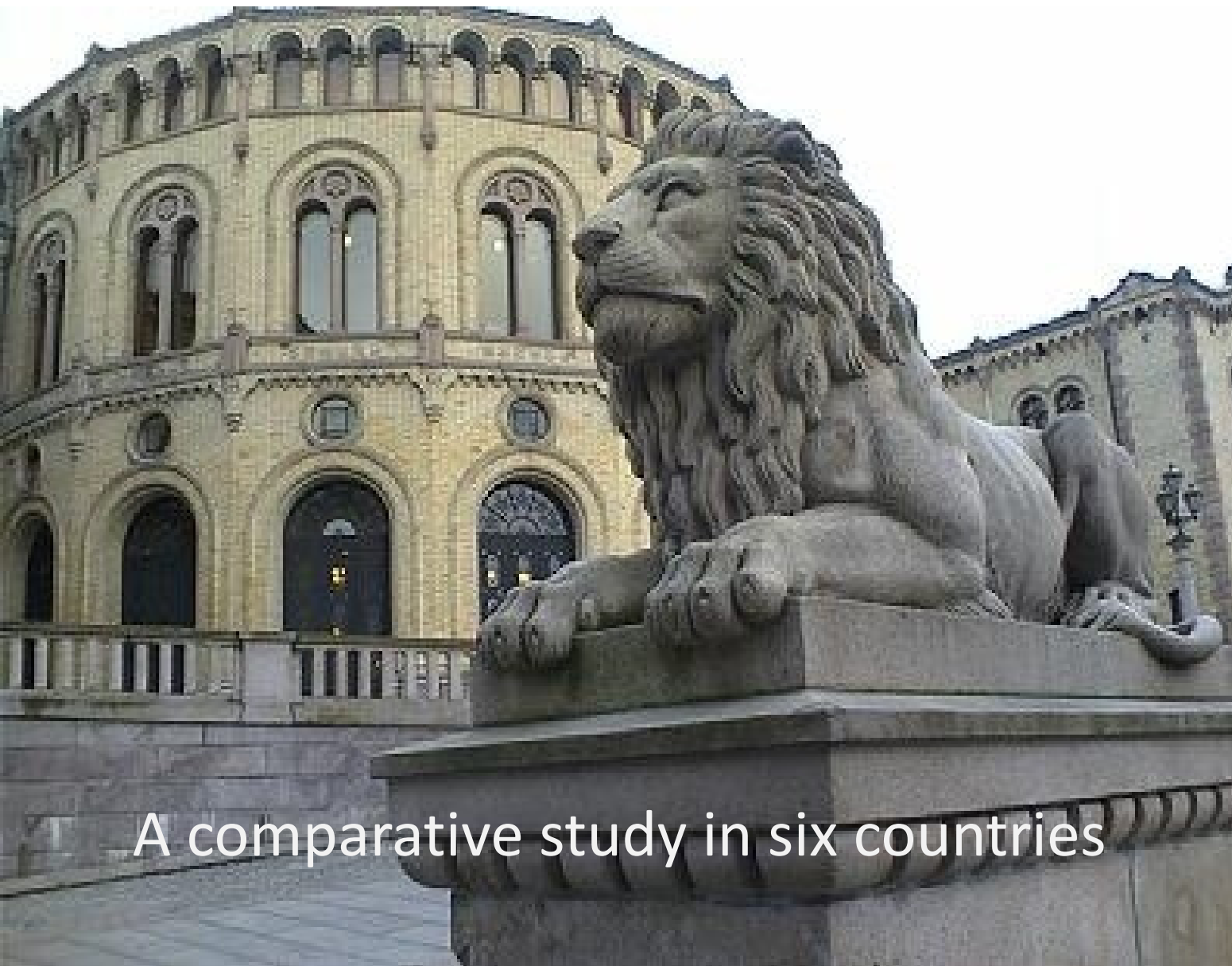
Regulatory measures – to avoid adverse effects

Project Governance

processes that need to exist for a successful project

Project Management

processes to organize and manage resources efficiently in terms of scope, time and cost.



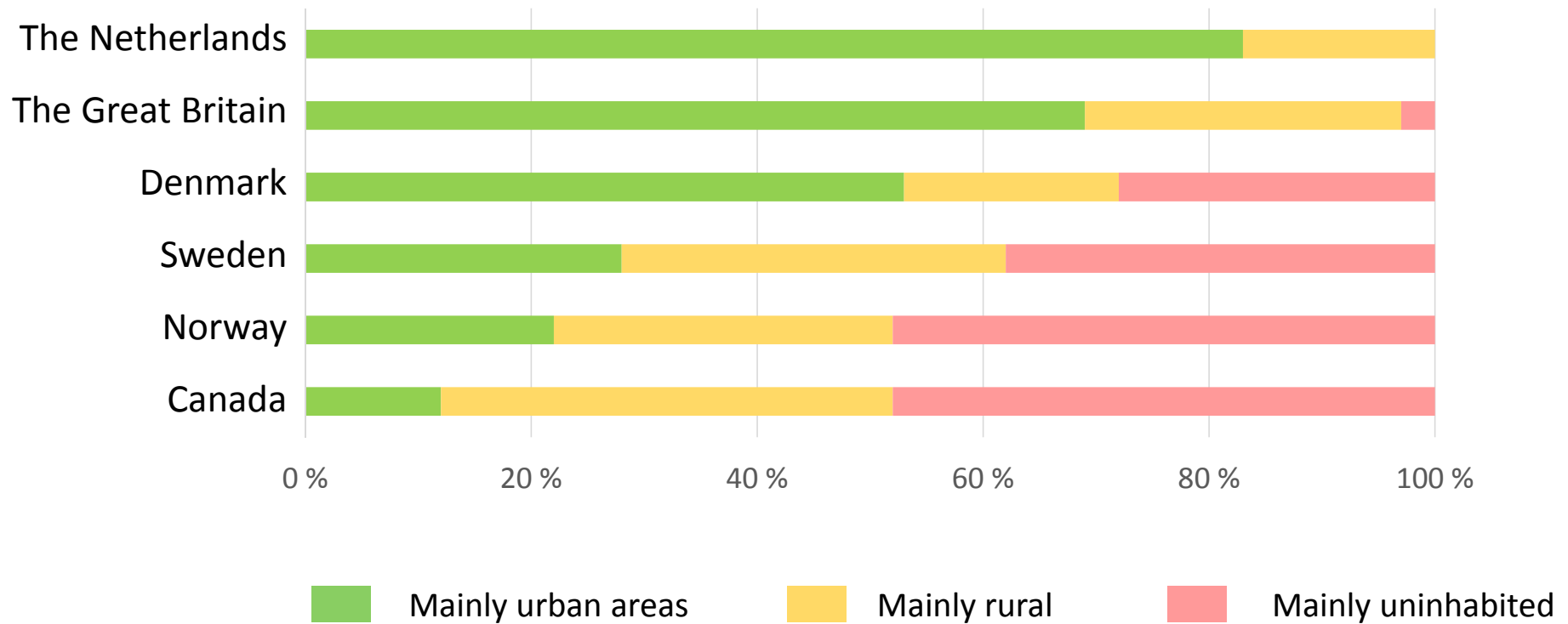
A comparative study in six countries

Governance
schemes for
major public
investment
projects

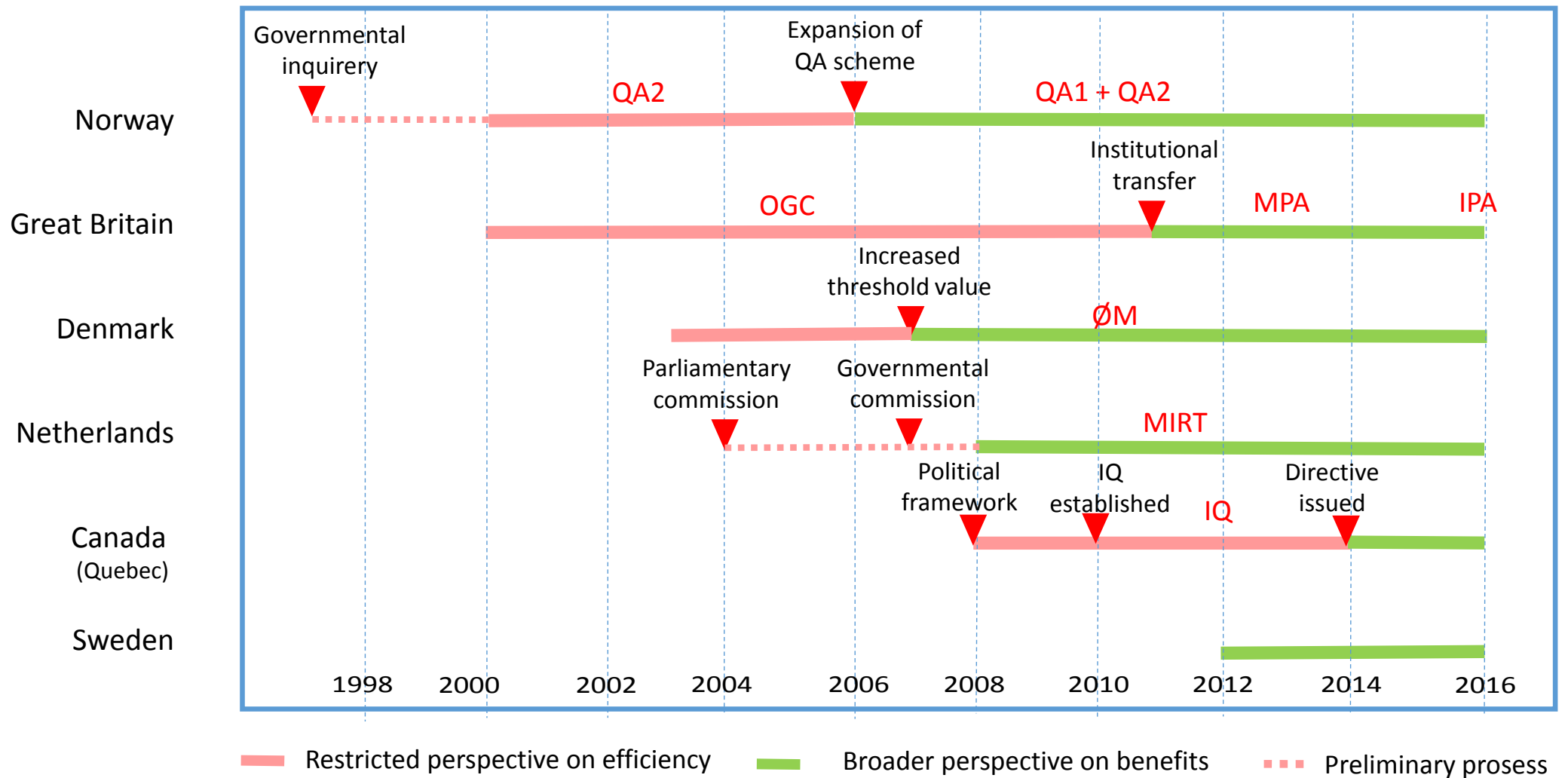
Country characteristics

	GNP/capita 2015	Topography	Climate	Population density (persons per Sq.km.)	Investments in roads 2011 USD/capita
The Netherlands	47000 (14)	+	+	407 (4)	136
The Great Britain	40000 (27)	+/-	+	262 (51)	86
Denmark	44000 (21)	+	+	131 (88)	190
Sweden	46000 (17)	-/+	-/+	22 (196)	200
Norway	670000 (6)	-	-	16 (206)	550
Canada	45000 (20)	-	-	4 (230)	420

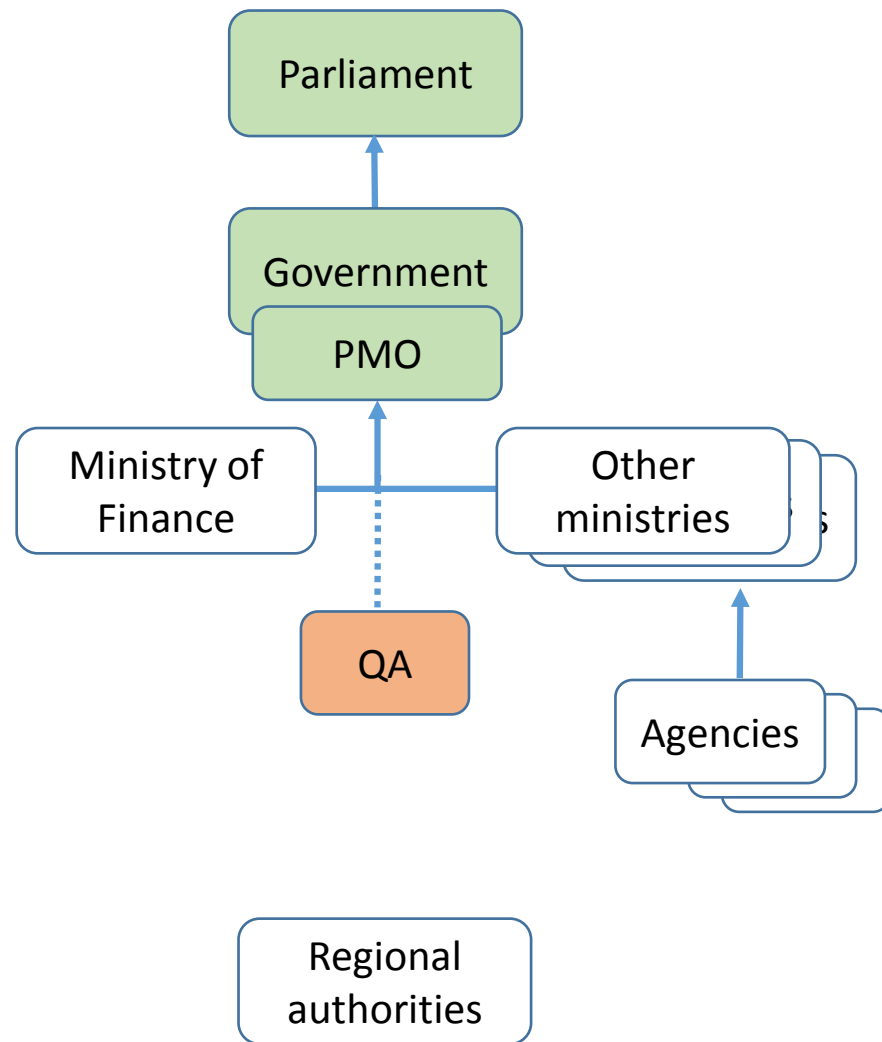
Country characteristics



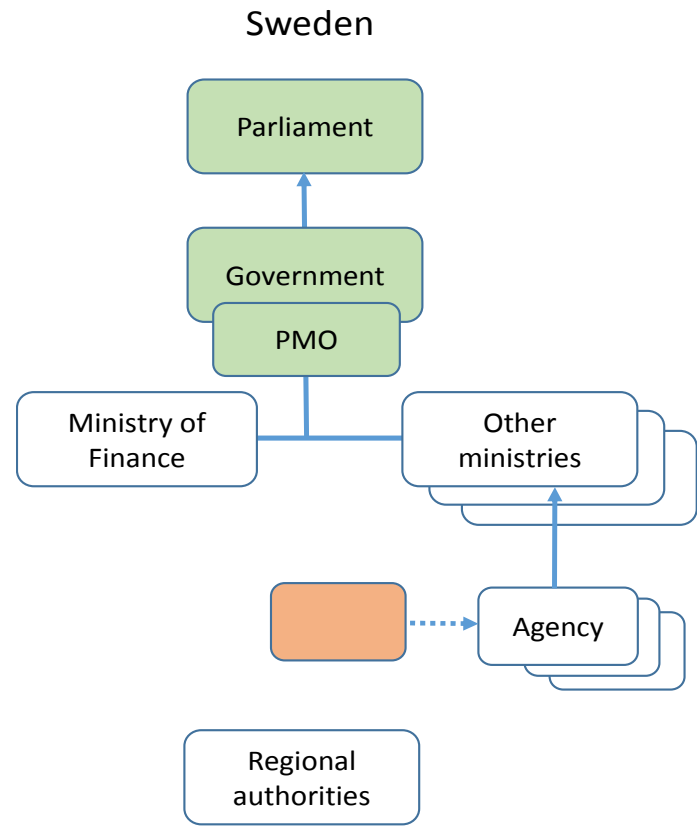
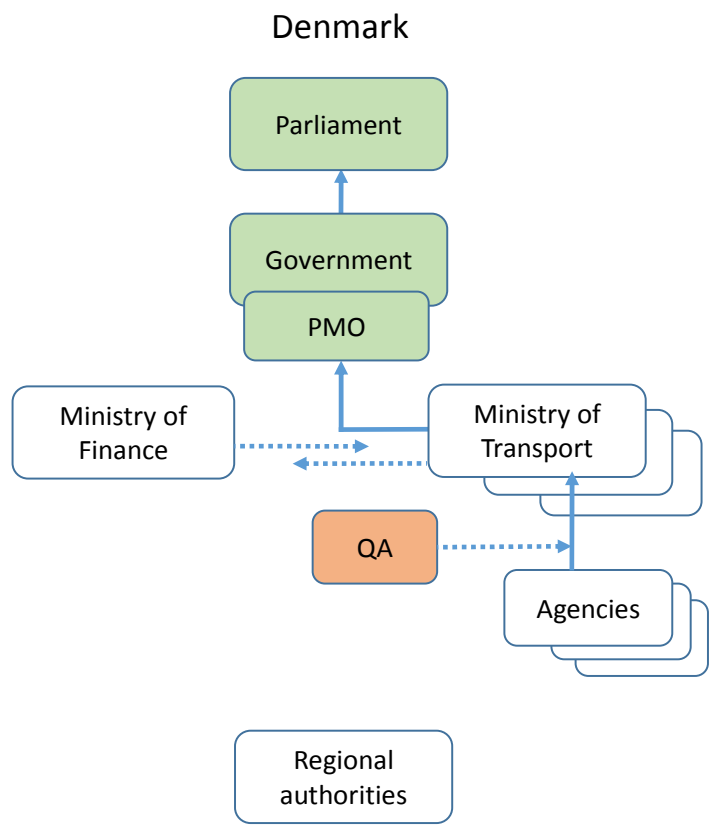
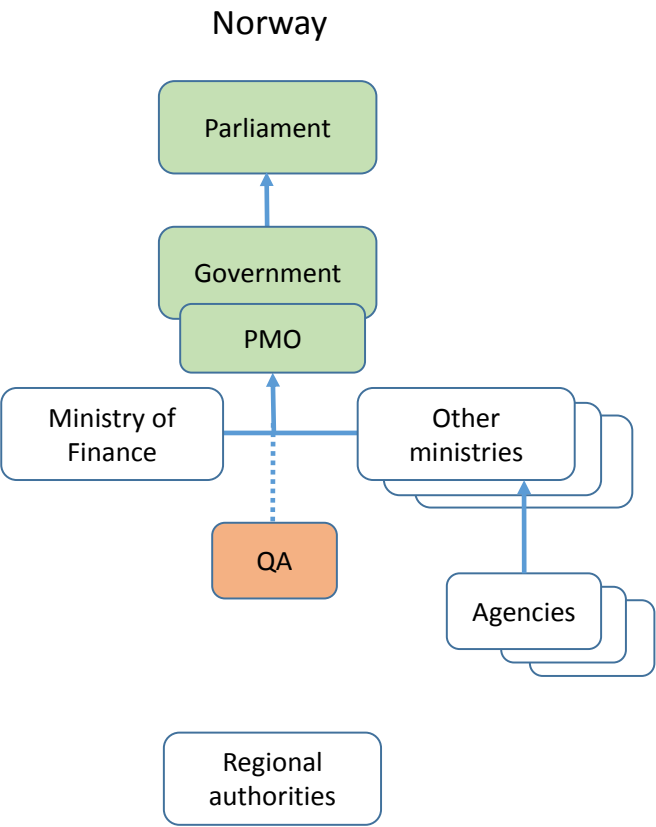
Governance schemes



Norway: The governance scheme

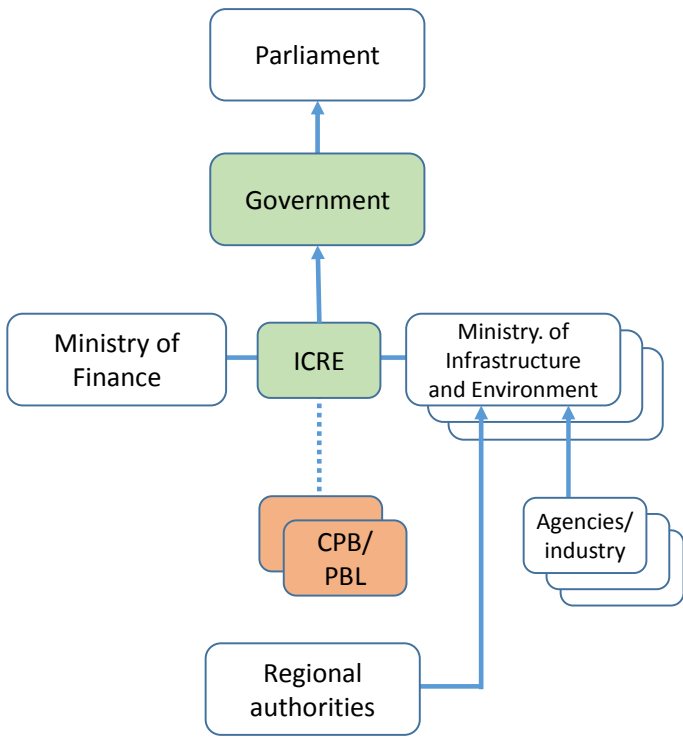


 Political appraisal or decision  Technical assesement or Quality assurance

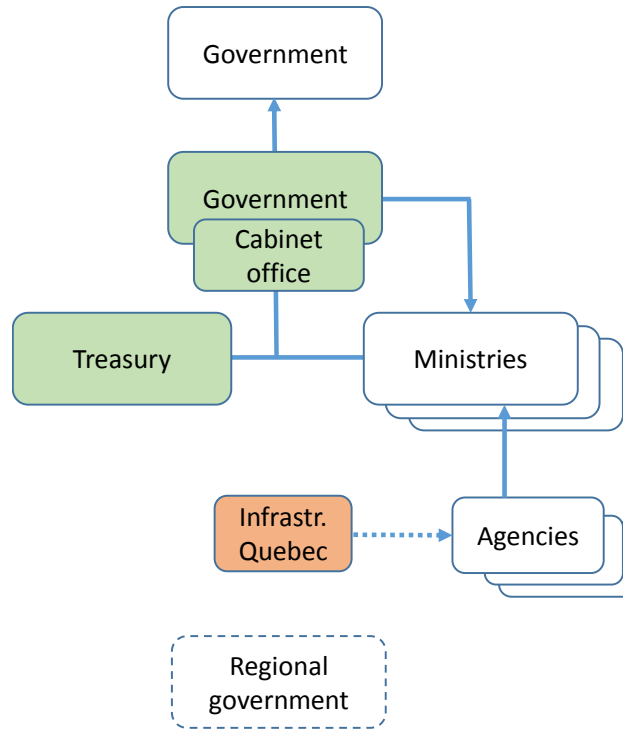


Political appraisal or decision
 Technical assesement or Quality assurance

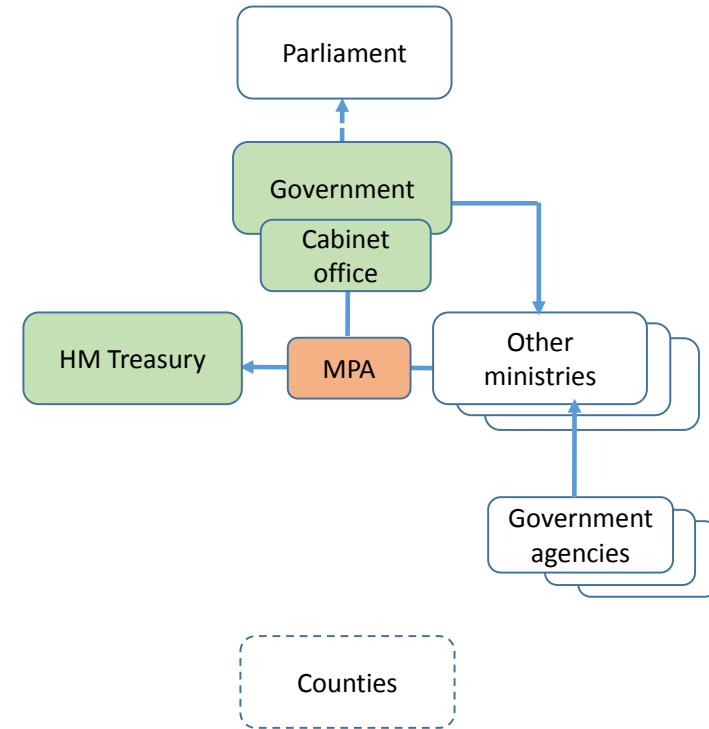
The Netherlands



Canada



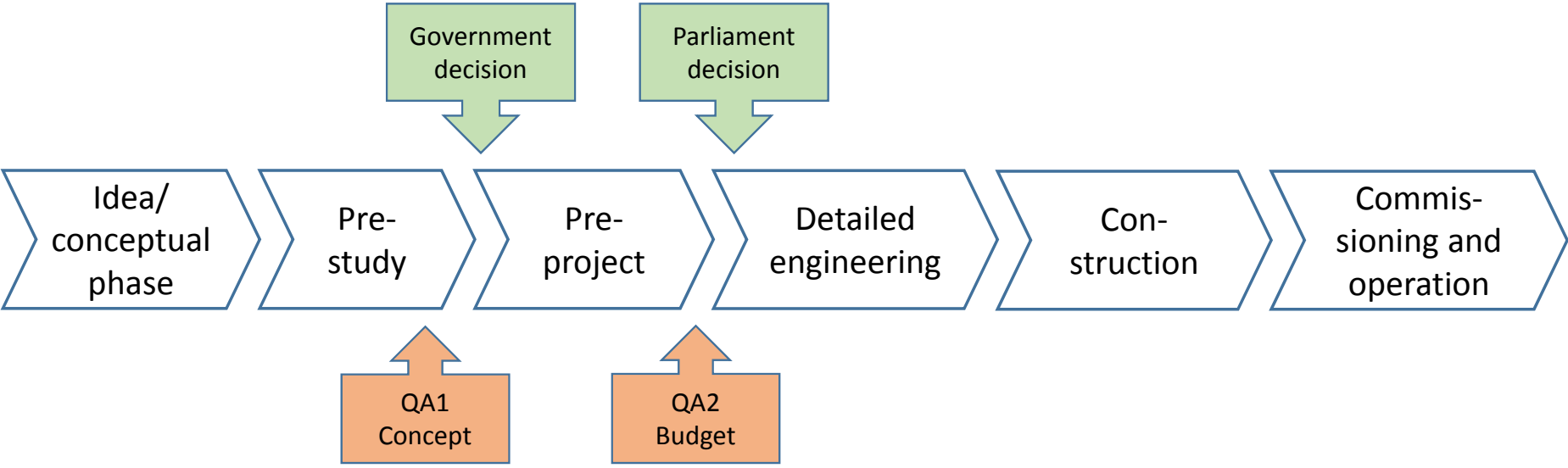
Great Britain



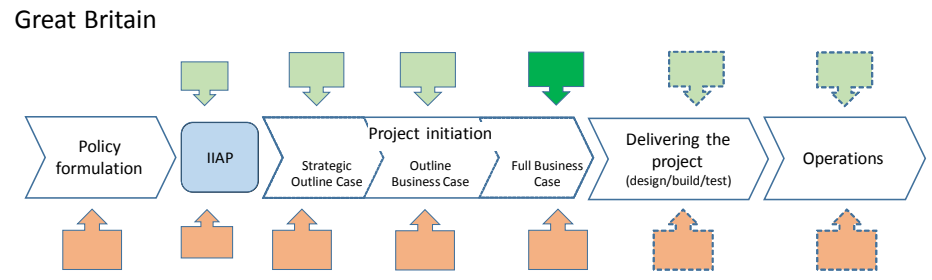
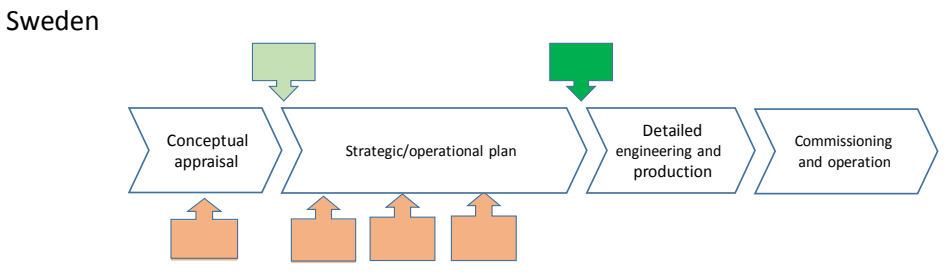
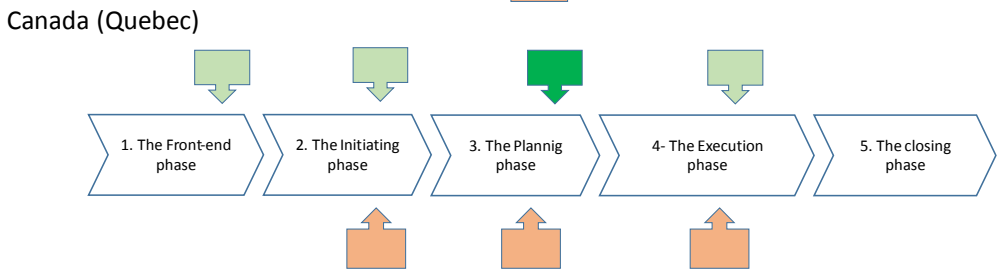
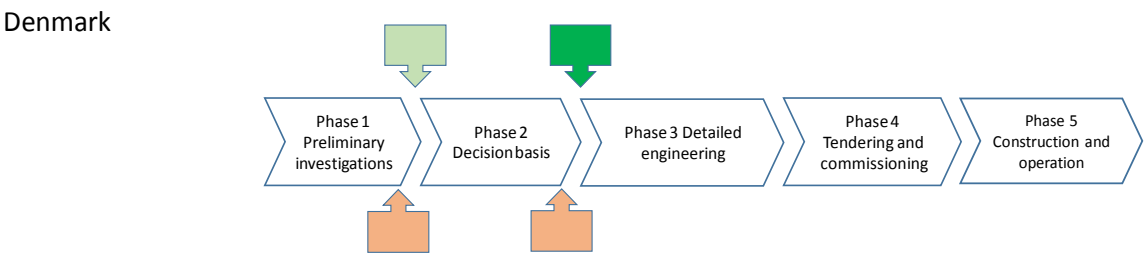
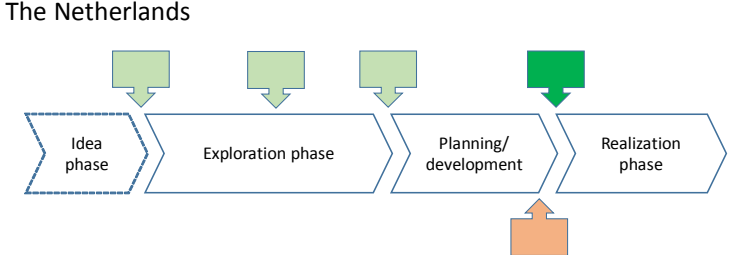
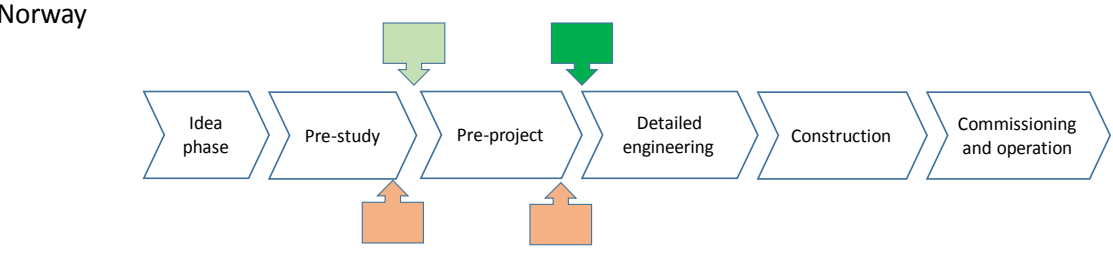
 Political appraisal or decision  Technical assesement or Quality assurance

Norway

The project model



 Political appraisal or decision  Technical assesement or Quality assurance



Political appraisal or decision
 Technical assesement or Quality assurance
 Final approval and budget

Criteria/Country	Norway	Denmark	Sweden	Netherlands	UK	Canada
Who initiates the QA process?	Ministry of Finance	Ministry of Transport	Agency	A designated government agency	A designated agency under the Cabinet Office	A designated government agency (SQI)
Who decides the choice of concept?	Government	Parliament	Agency or Government	A designated government agency	Treasury	Council of Ministers
Who determines the budget?	Parliament	Parliament	Agency or Government	Government	Treasury ⁸⁾	Government
Sectors included⁹⁾	All, with some exceptions ¹¹⁾	Transport sector	All sectors ¹⁰⁾	Infrastructure projects	All sectors ³⁾	Infrastructure projects
Threshold value)	MNOK 750	MDKK 250	No	No	Large projects ⁴⁾	MCAD 50
Who appraises the project?	Agency or ministry ⁶⁾	Agency	Agency and regional authority	Responsible government agency	Agency or ministry	A designated government agency
Who performs quality assurance?	External consultants	External consultants	A government agency, and internally	A designated government agency	Independent quality assurers ⁵⁾	A designated gov. agency (SQI and SCT)
Private co-funding	No	No	No, but may happen	For all in excess of EUR 60 billion	Desired, but no requirement ⁷⁾	To be considered, not required
Budgeted cost	P85 (normally)	Base estimate + 20%	In the portfolio		Estimate plus supplement	Estimate plus supplements
Target cost	P50 (normally)	Base estimate + 10%	Budget		Estimate plus supplement	Budget
Decision points	2	2	2	3	5	5
Advisory interventions	2	2	Ongoing	1	6	Ongoing

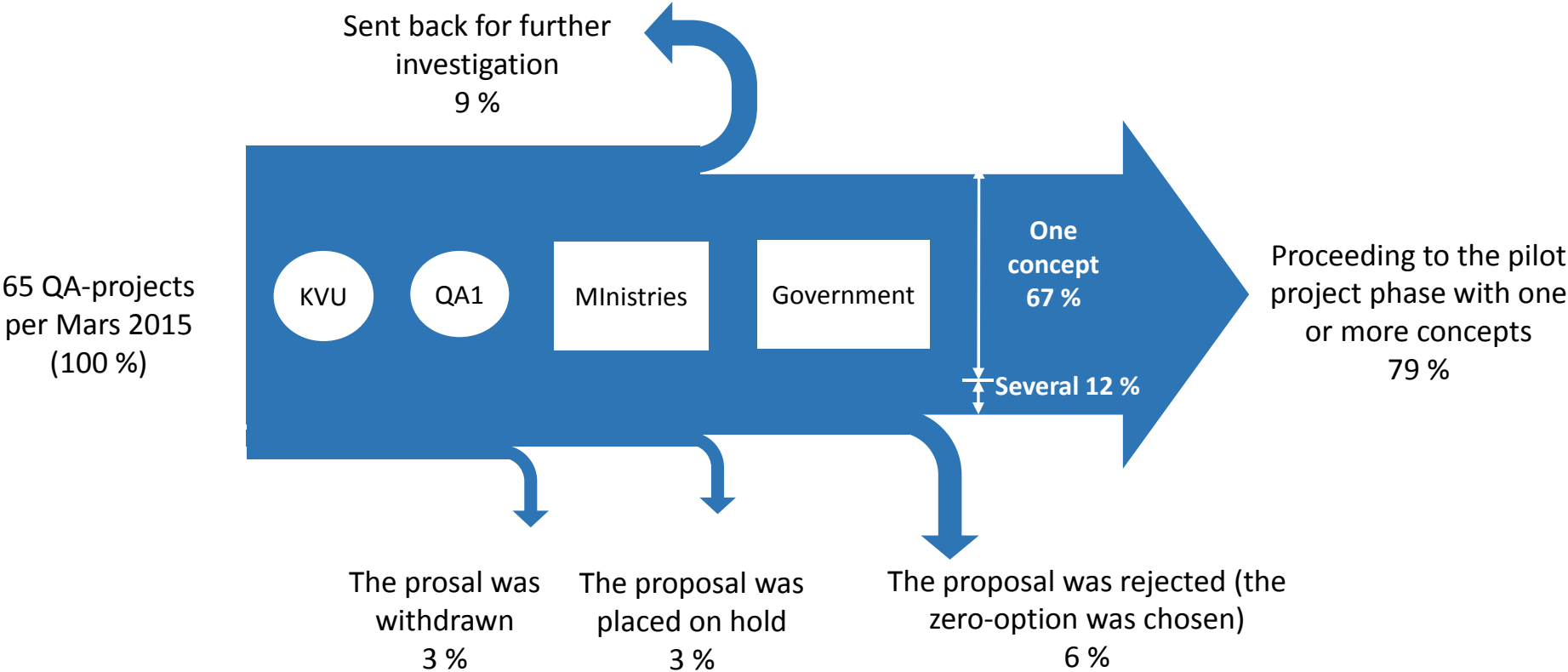
Norway:

Projects subjected to external QA since year 2000

Quality assurance	Number	Finalized	Cold be evaluated	Have been evaluated
Total number QA projects as per to day	232	89	30	16
of which have only been through QA2	168	89	30	16
Projects that have been through QA1	76	0	0	0
Projects that have been through both QA1 and QA2	15	0	0	0

Norway:

Projects subjected to external QA since year 2000

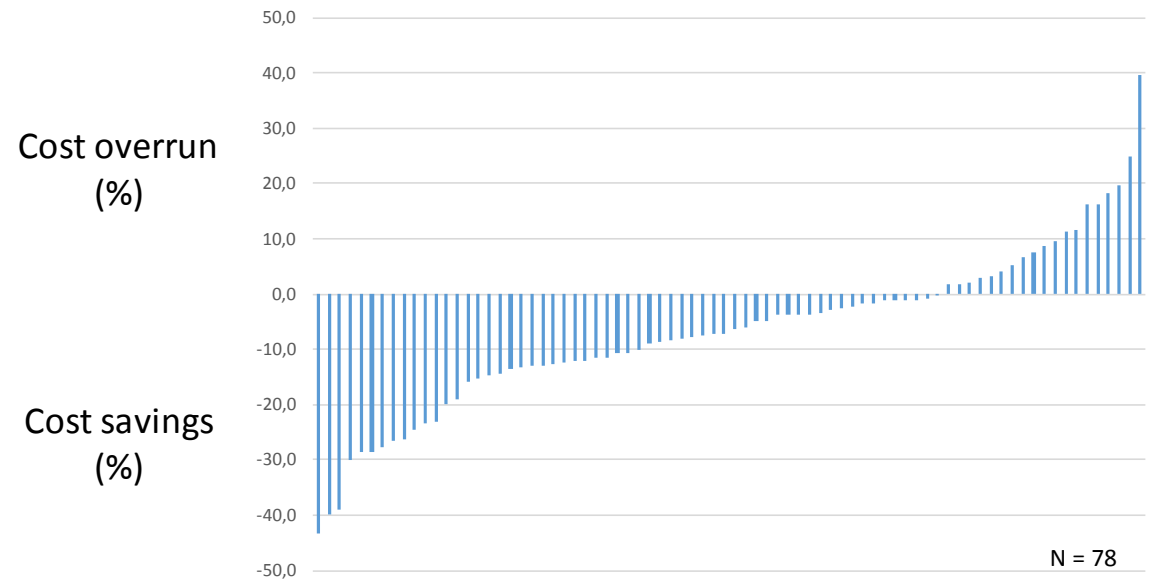


Norway:

Projects subjected to external QA since year 2000

Status as of September 2016:

- 63 projects or 80 per cent below budget
- Total net savings 6 per cent of the total investment
- Total savings 3 times higher than total overruns



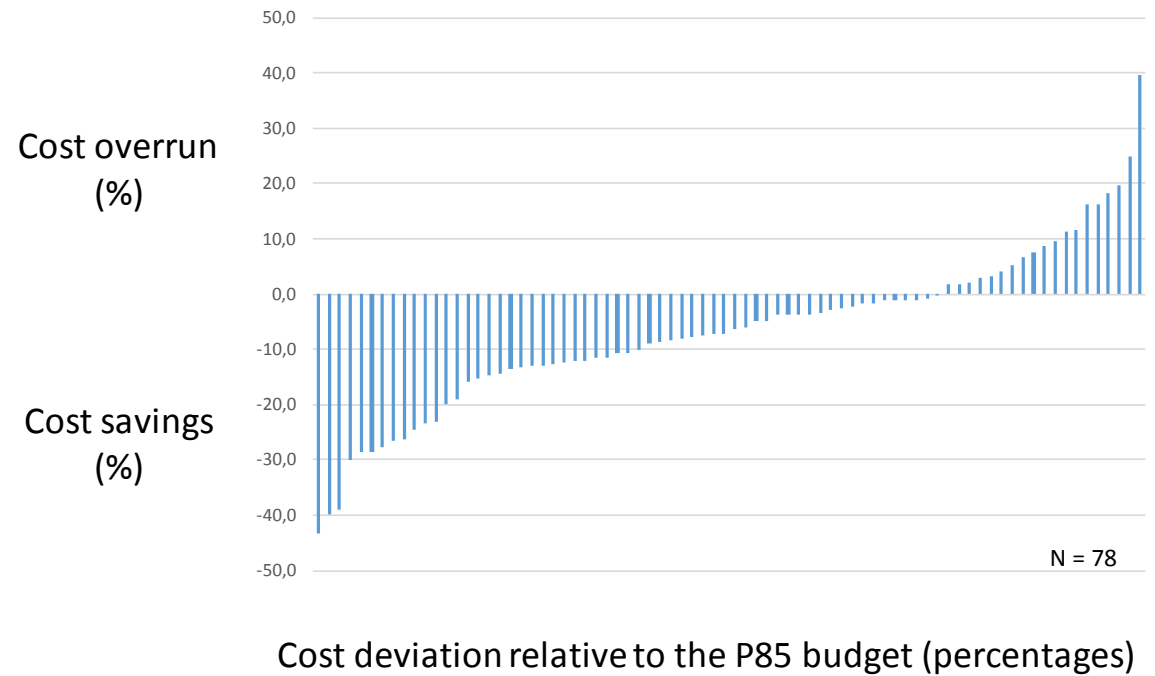
Cost deviation relative to the P85 budget (percentages)

Norway:

Projects subjected to external QA since year 2000

Characteristics of the scheme:

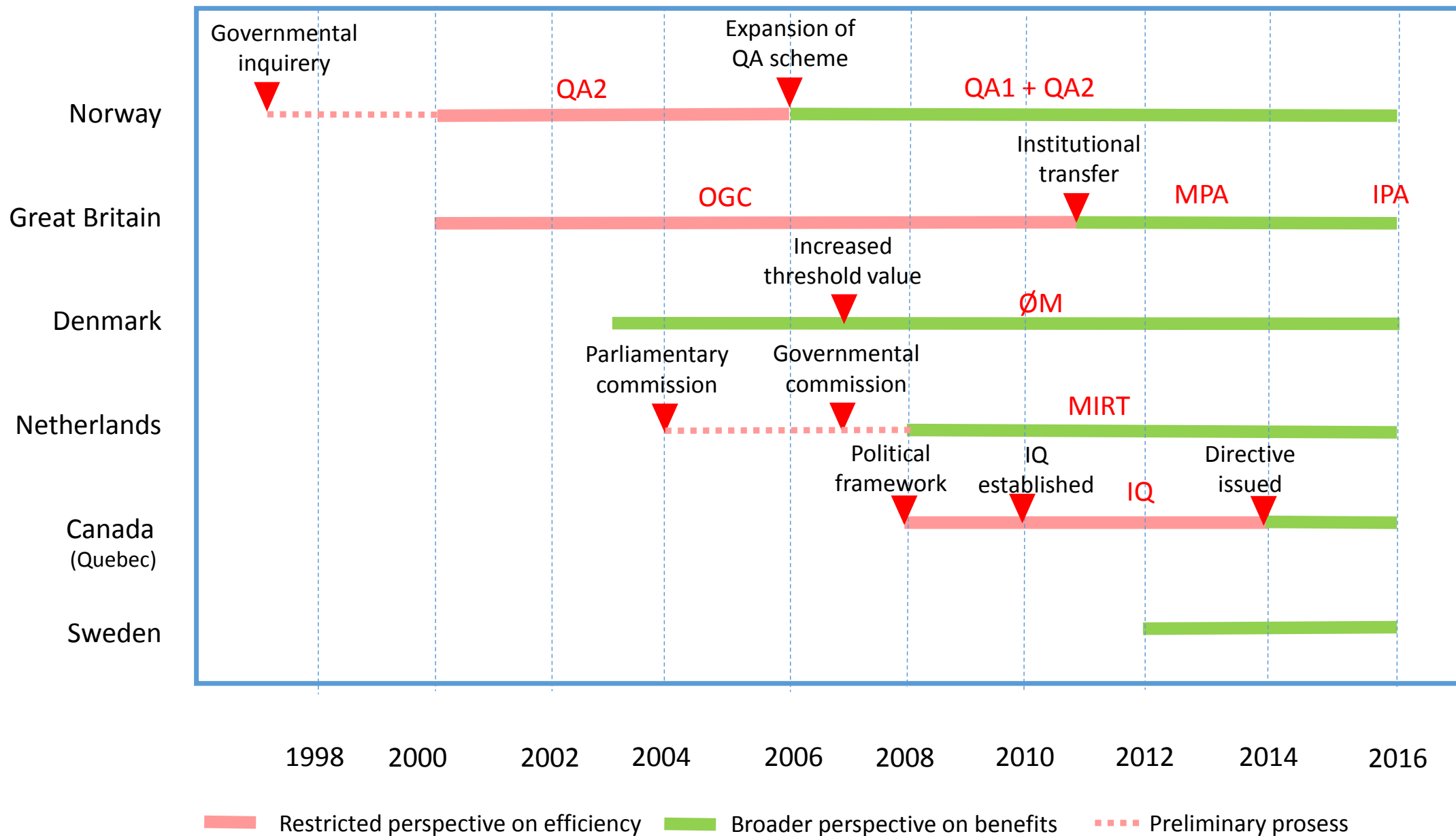
- Main intervention at a very early stage
- Truly independent private sector reviewers
- Extensive reviews lasting several months
- Top down. Main decisions elevated to Cabinet level

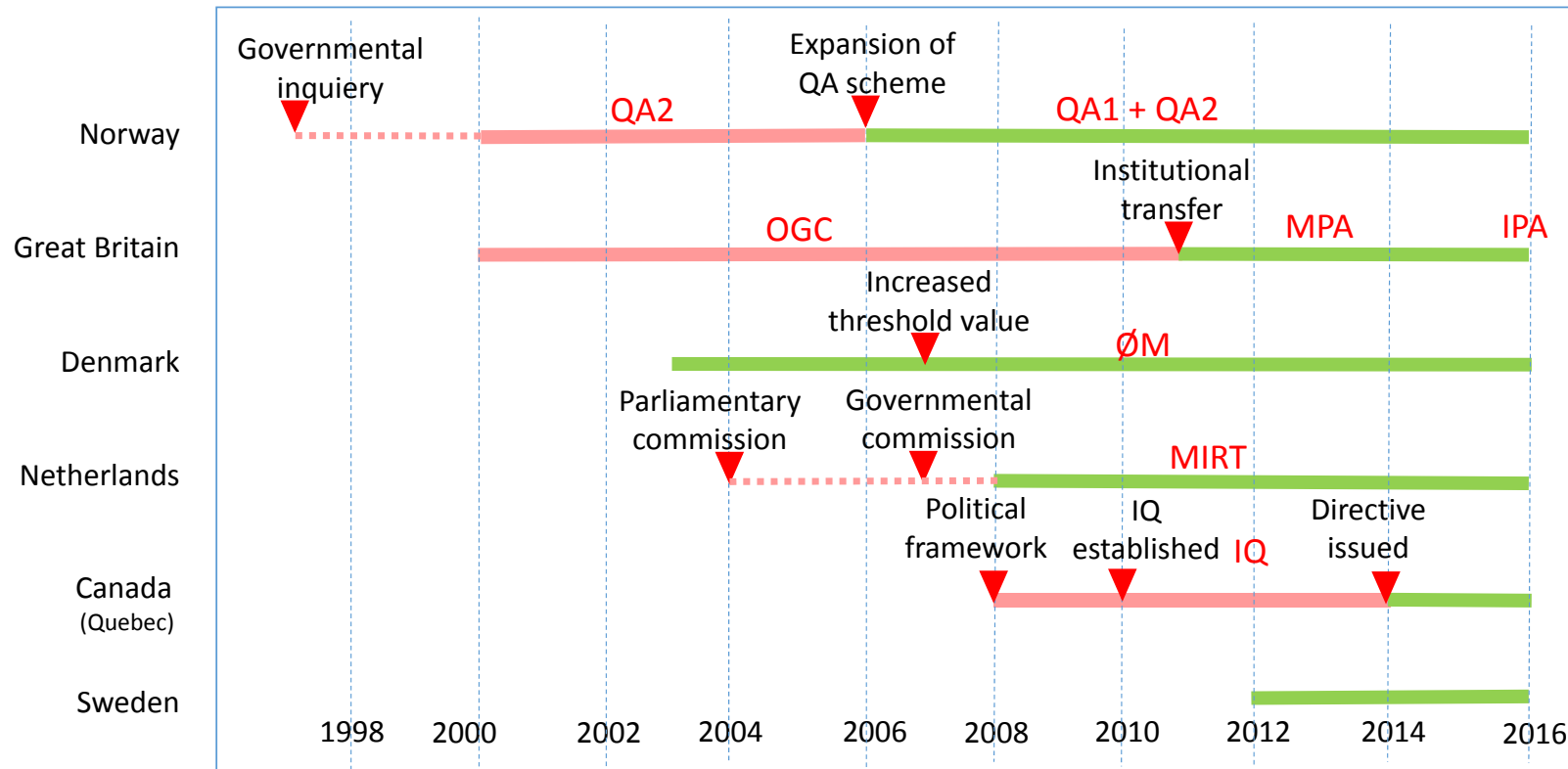




Thank you for your attention

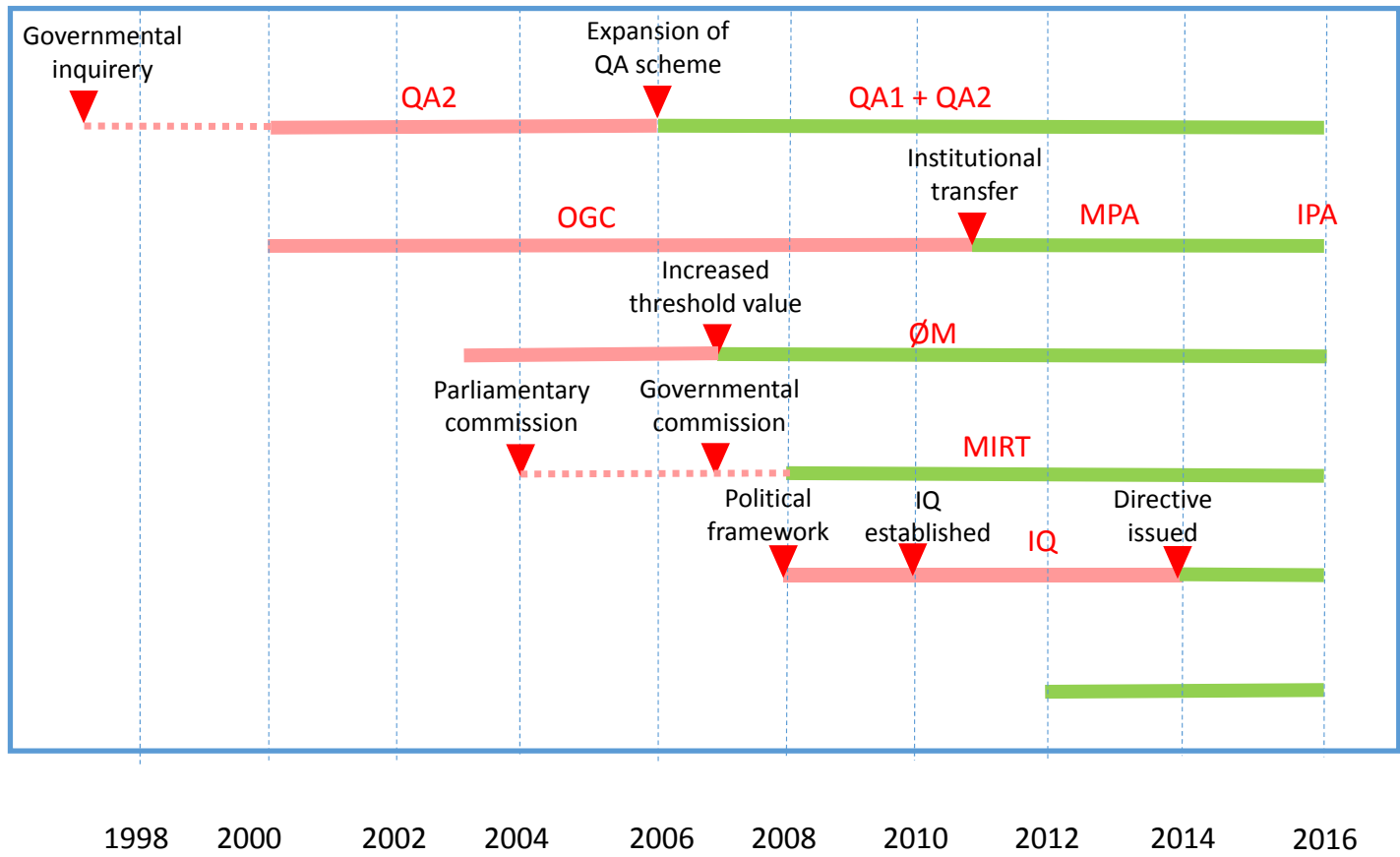






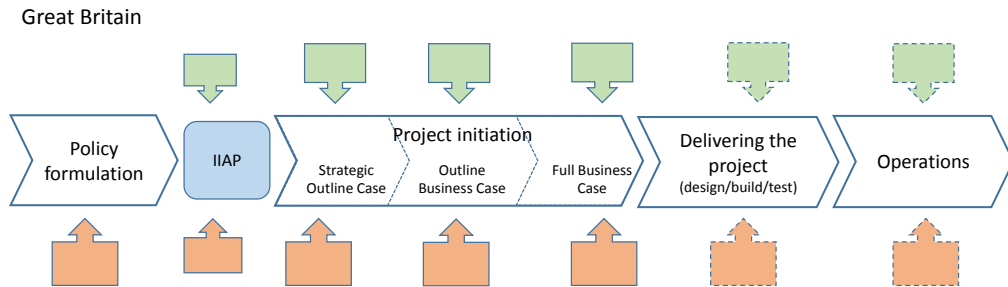
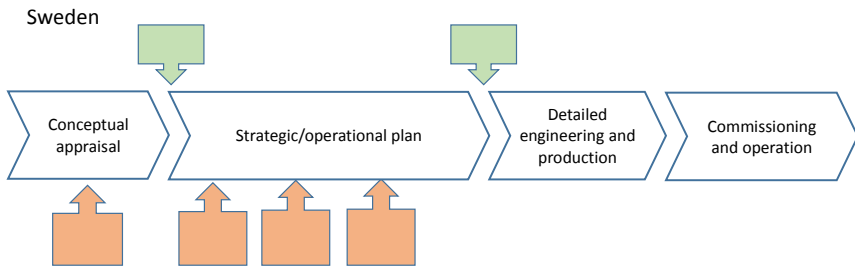
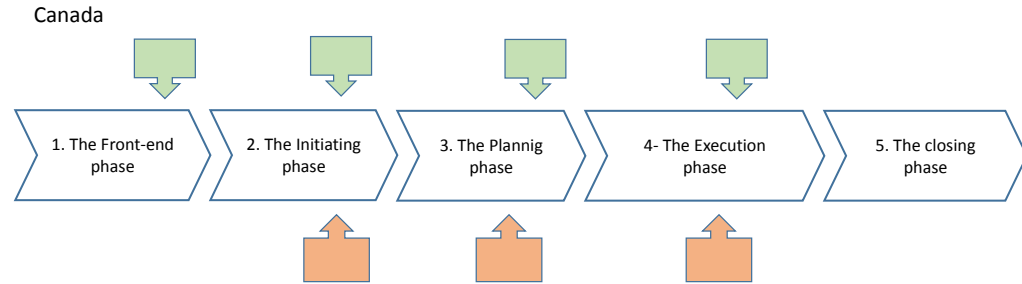
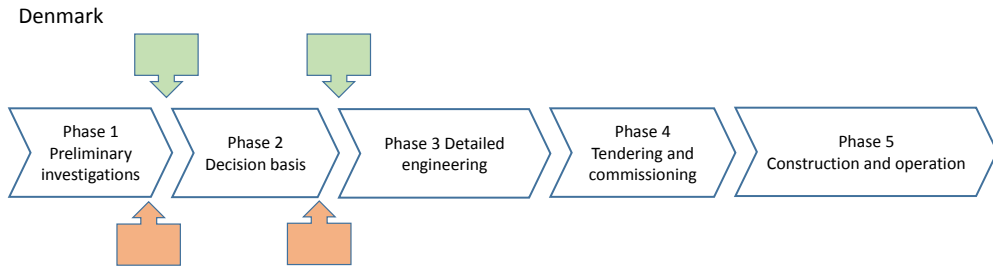
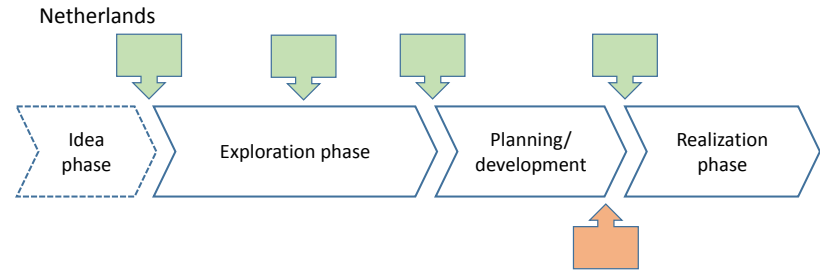
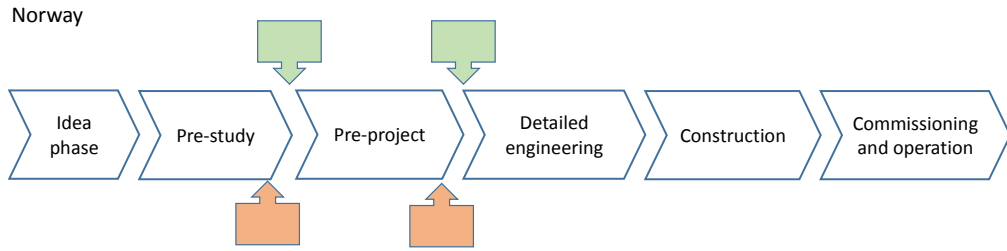
■ Restricted perspective on efficiency
 ■ Broader perspective on benefits
 ⋯ Preliminary process

- QA1 -- Quality assurance of conceptual alternatives
- QA2 -- Quality assurance of budget av strategic framework
- OGC – Office of Government Commerce
- MPA – Major Projects Authority
- IPA – Infrastructure and Projects Authority
- ØM – Economic Governance Framework
- MIRT – Multi-year Plan for Infrastructure Spatial Planning and Transport
- IO – Infrastructure Quebec



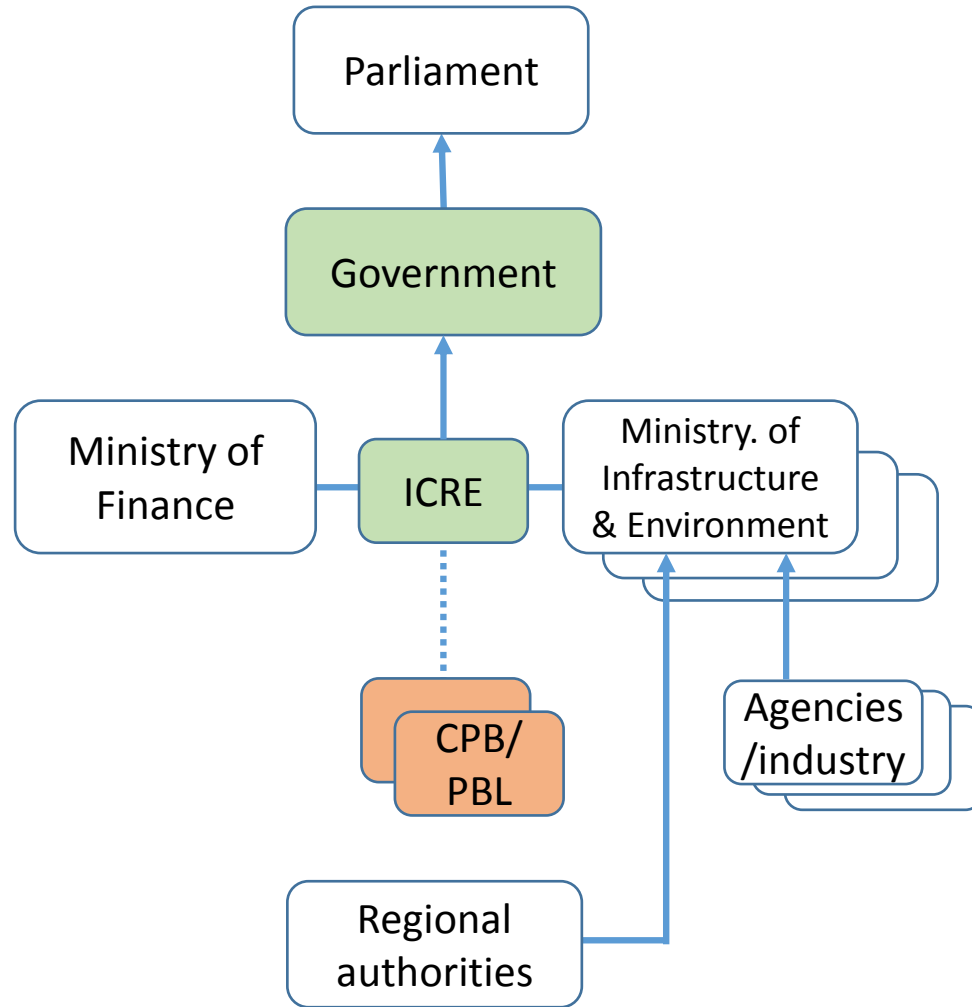
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 Political appraisal or decision
  Technical assesement or Quality assurance

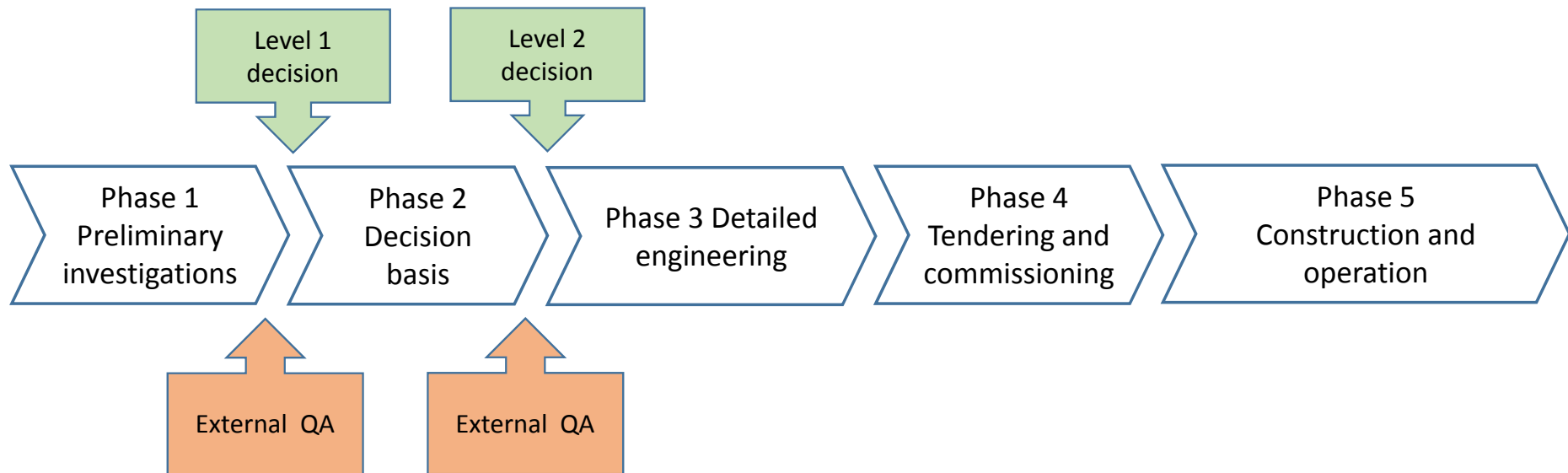
Denmark




 Political appraisal or decision

 Technical assesement or Quality assurance

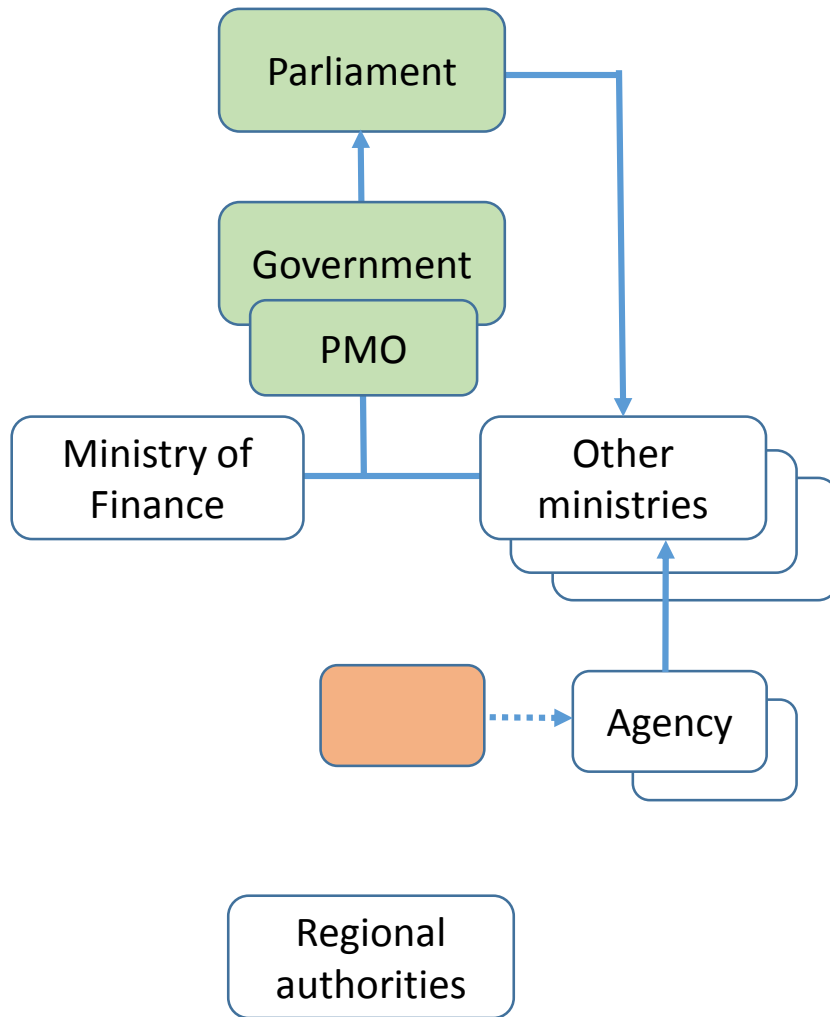
Denmark



 Political appraisal or decision

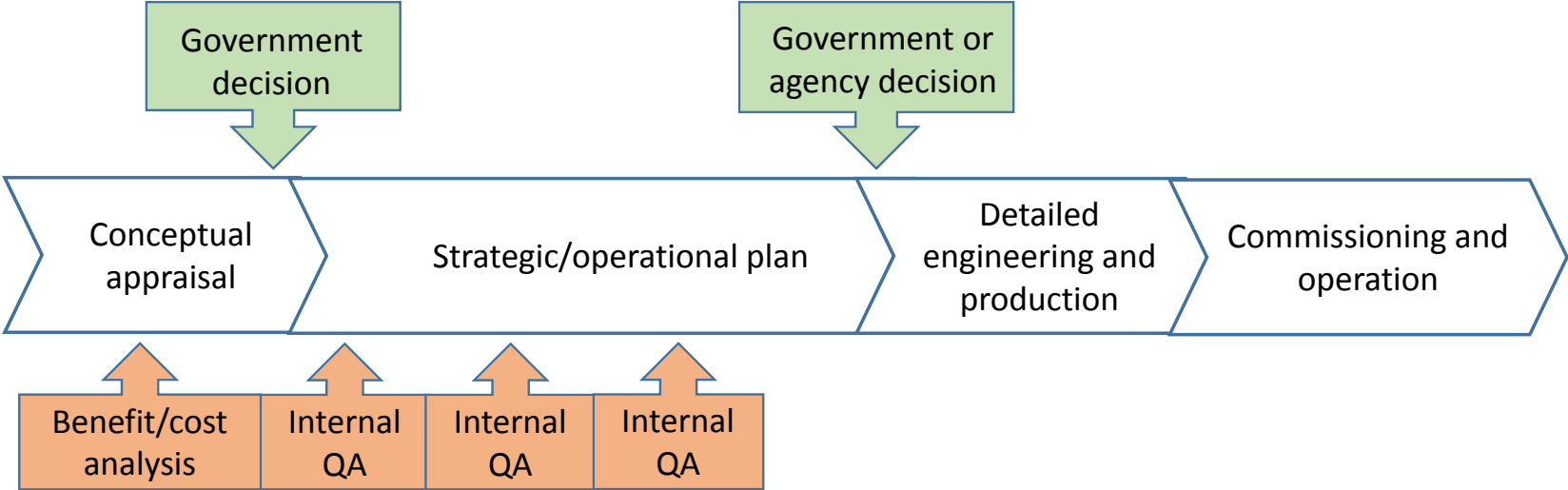
 Technical assesement or Quality assurance

Sweden



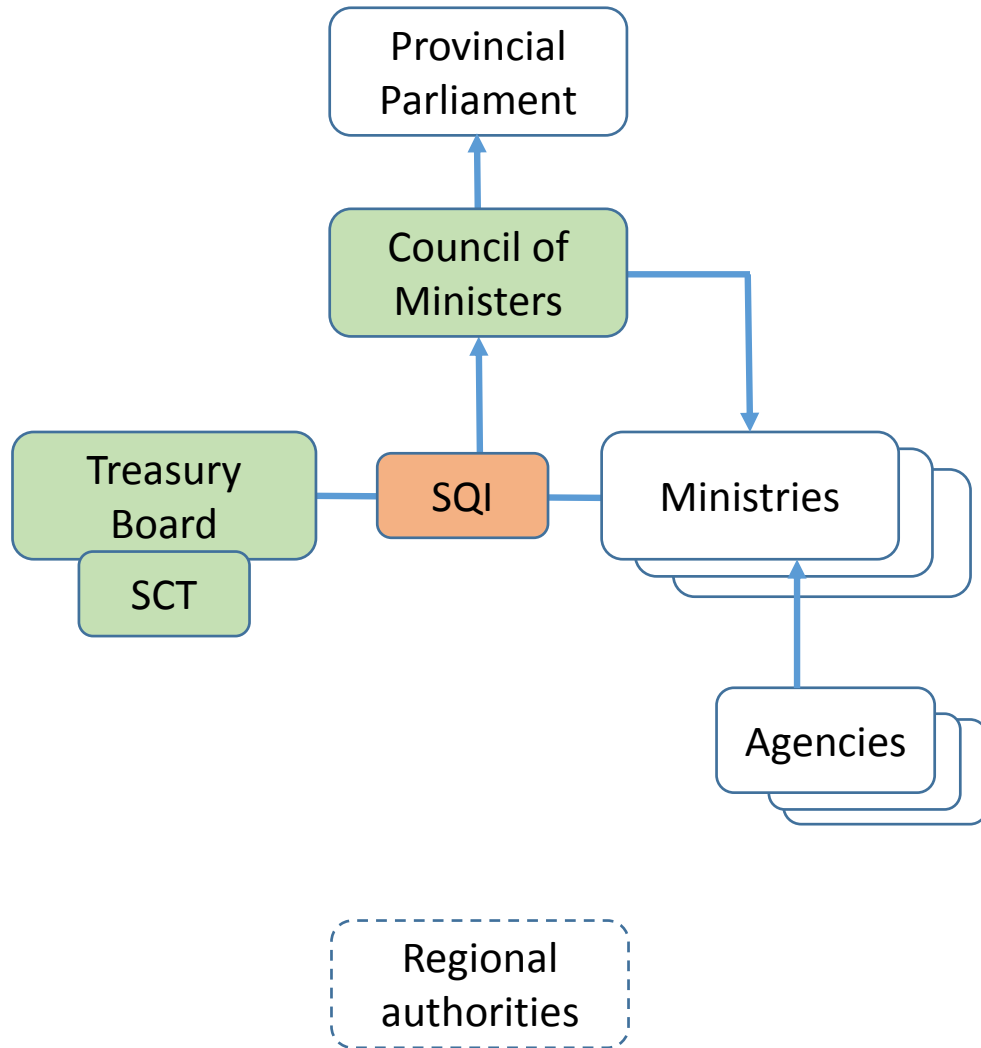
 Political appraisal or decision  Technical assesement or Quality assurance

Sweden



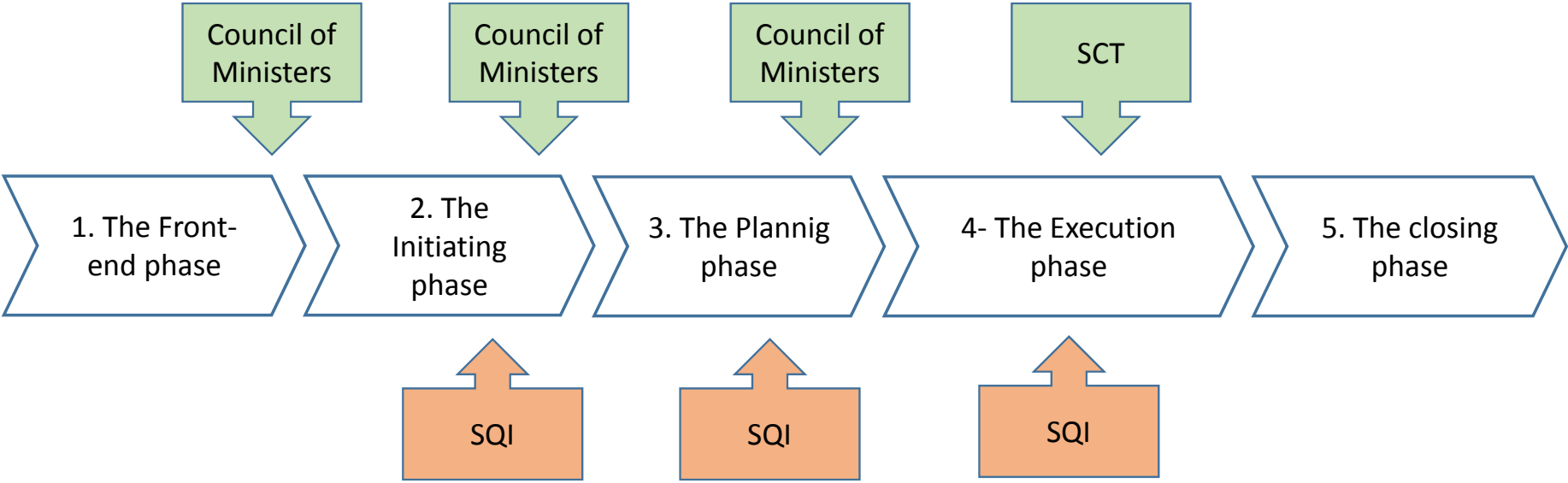
 Political appraisal or decision  Technical assesement or Quality assurance


Quebec




 Political appraisal or decision  Technical assesement or Quality assurance

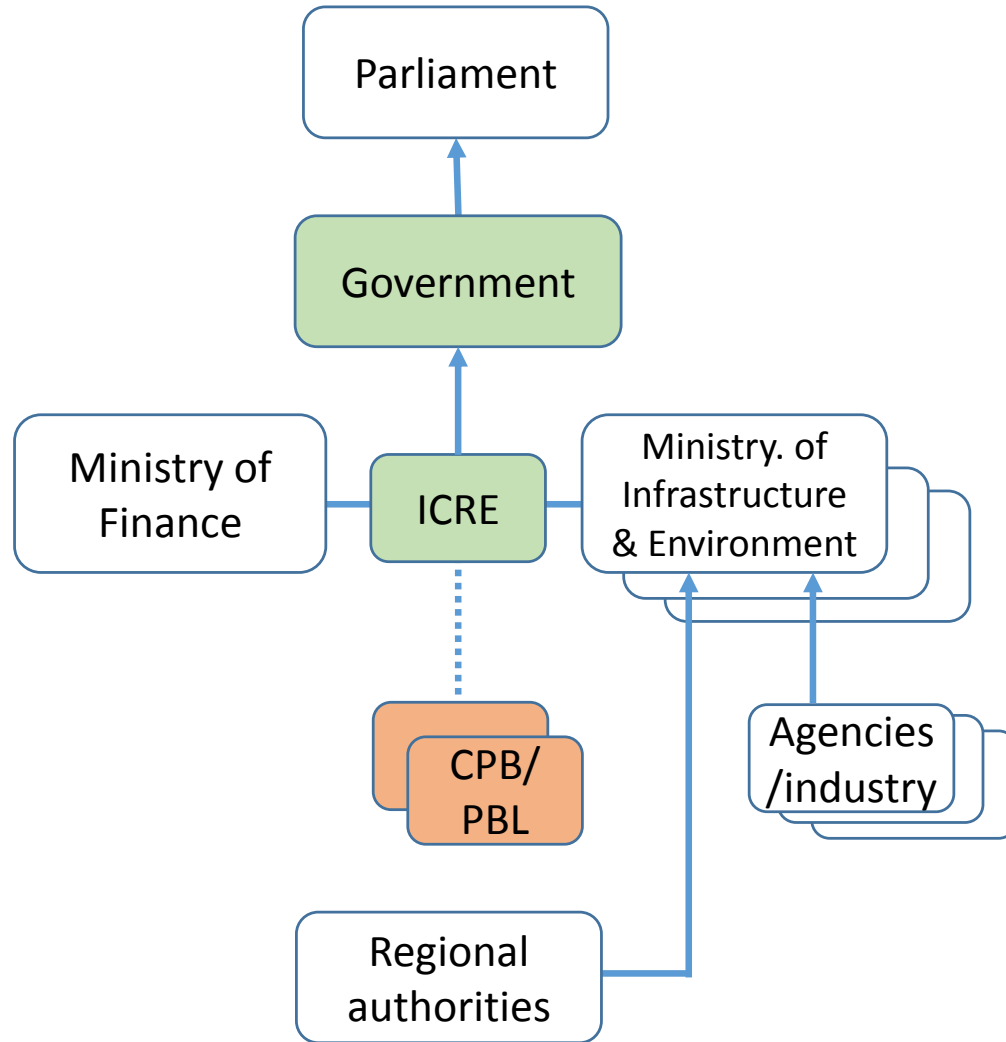
Quebec



 Political appraisal or decision

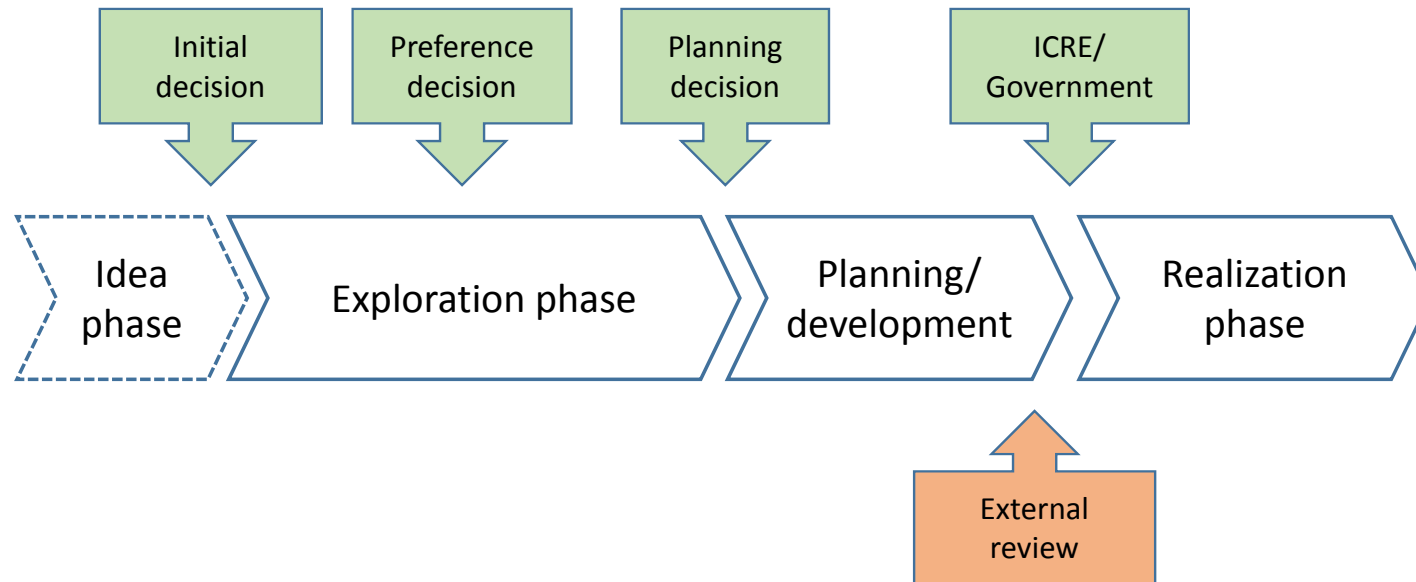
 Technical assesement or Quality assurance

Netherlands




 Political appraisal or decision  Technical assesement or Quality assurance

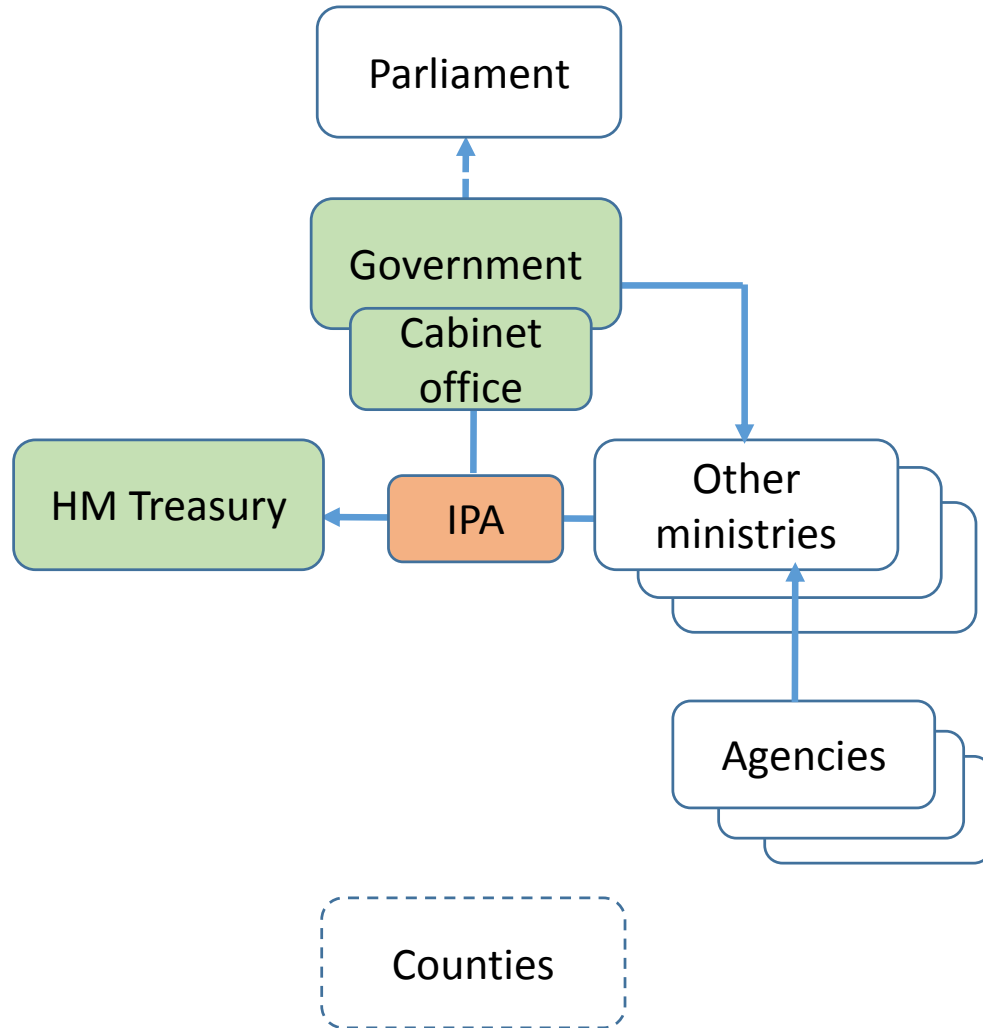
Netherlands



 Political appraisal or decision

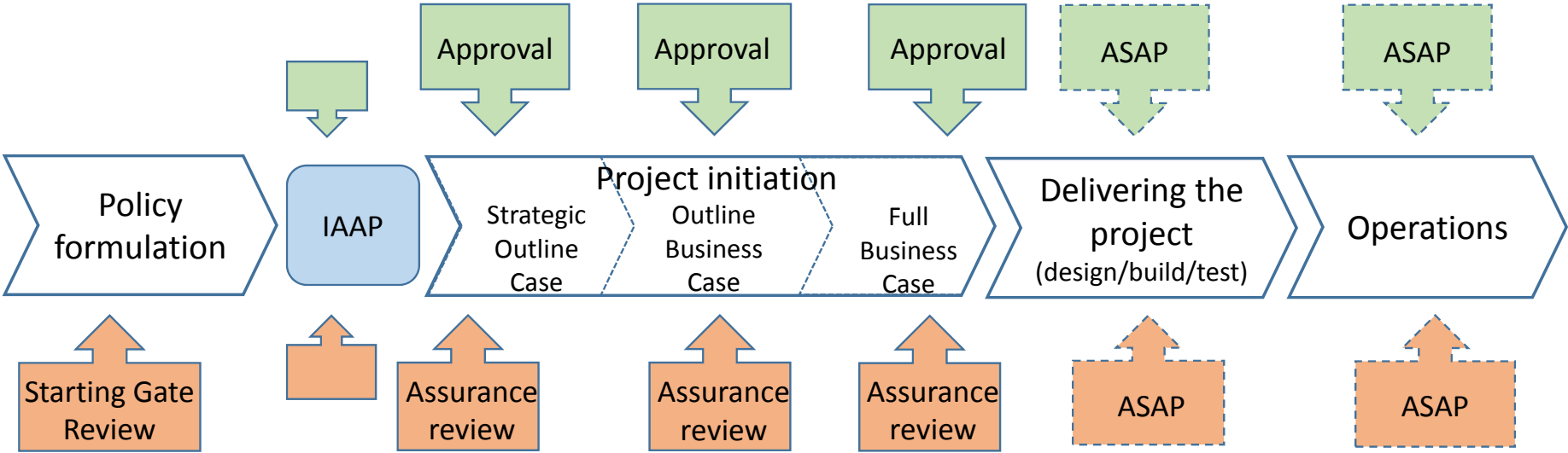
 Technical assesement or Quality assurance

Great Britain



 Political appraisal or decision  Technical assesement or Quality assurance

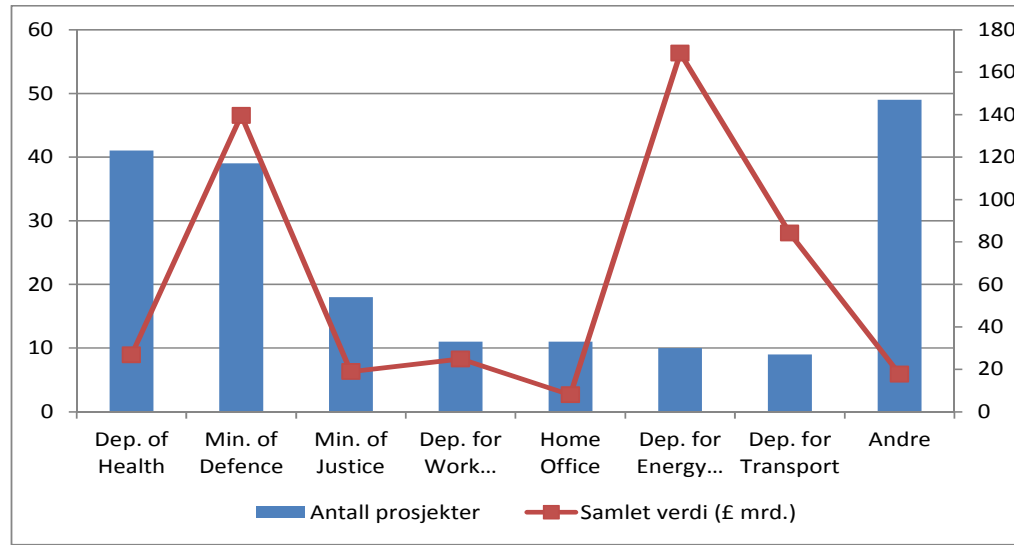
Great Britain



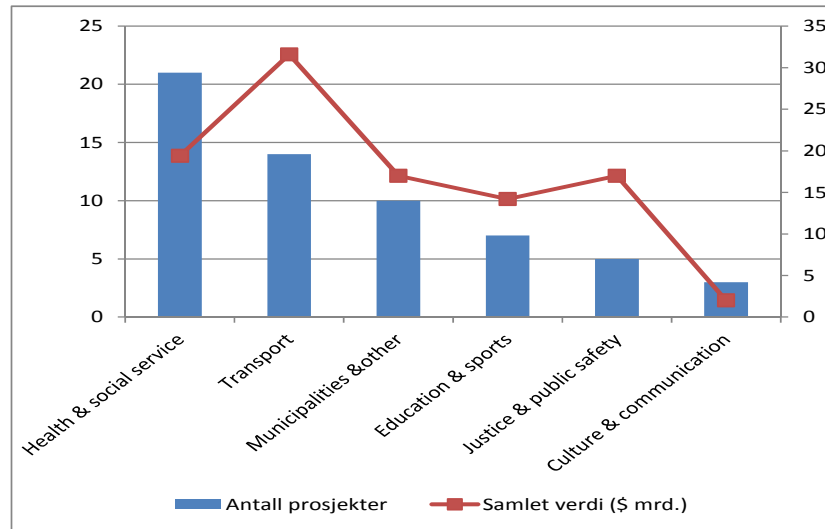
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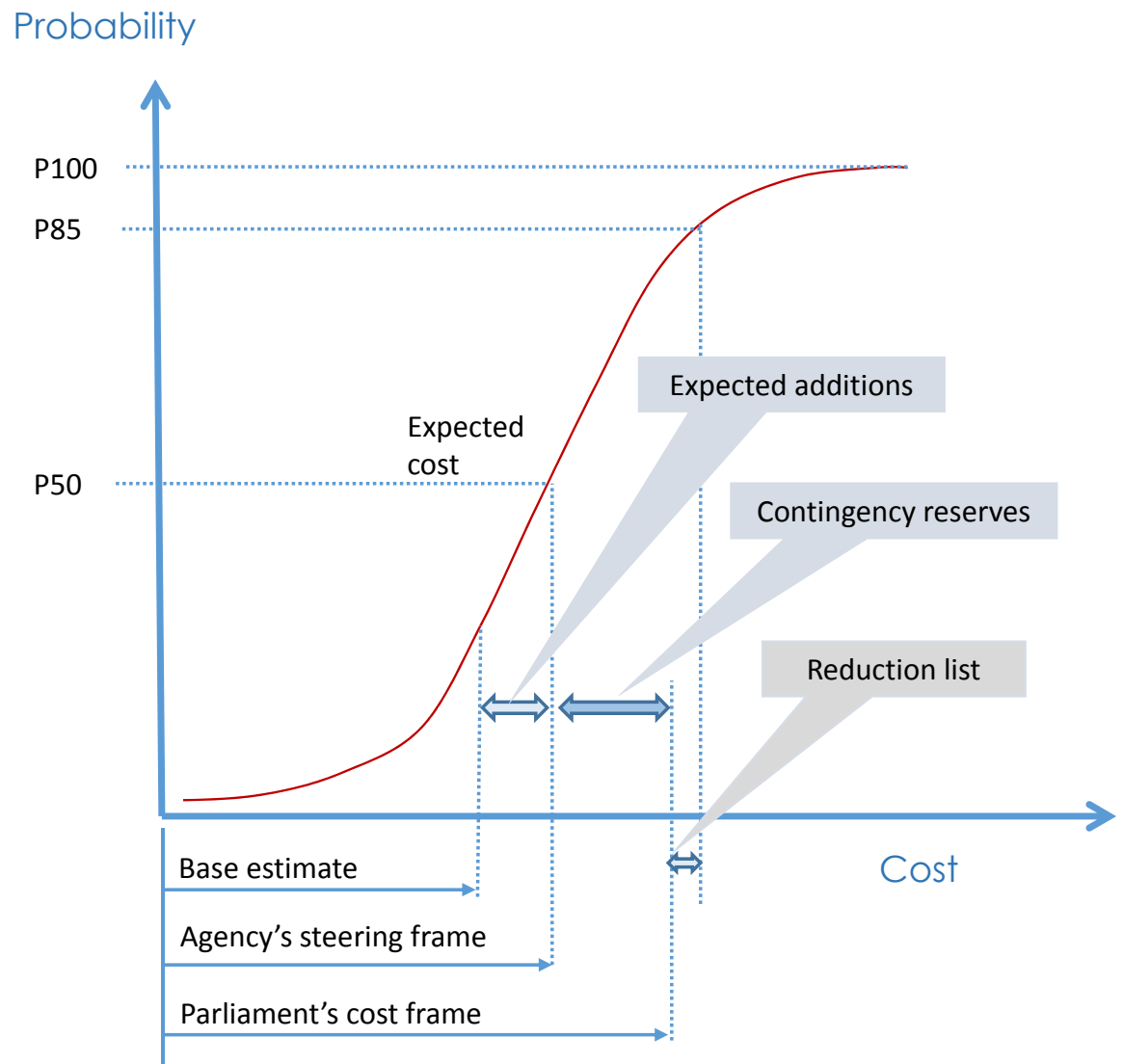
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Hvem initierer KS-prosessen	Finansdepartementet	Transportministeriet	Etat	En særskilt offentlig etat	Et eget regjeringsorgan	Minister i aktuelt dept.
Hvem avgjør konseptvalget	Regjering	Folketinget	Etat eller regjering	En særskilt offentlig etat	Finansdepartementet	Regjeringen
Hvem fastsetter budsjettet	Parlament	Folketinget	Etat eller regjering	Regjeringen	Finansdept. ⁸⁾	Regjeringen
Sektorer som omfattes ⁹⁾	Alle, med noen unntak ¹¹⁾	Transport-sektoren	Alle sektorer ¹⁰⁾	Infrastrukturprosjekter	Alle sektorer ³⁾	Infrastrukturprosjekter
Terskelverdi (Mill.)	NOK 750	DKK 250	Nei	Nei	Store prosjekter ⁴⁾	CAD 40
Hvem utreder prosjektet	Etat eller dept. ⁶⁾	Etat	Etat og regional myndighet	Ansvarlig offentlig etat	Etat eller dept.	Ansvarlig offentlig etat
Hvem kvalitetssikrer	Eksterne konsulenter	Eksterne konsulenter	En særskilt offentlig etat, og internt	En særskilt offentlig etat	Uavhengige kvalitetssikrere ⁵⁾	En særskilt offentlig etat
Privat medfinansiering	Nei	Nei	Nei, men kan forekomme	For alle over 60 mrd. EUR	Ønsket, men ikke et krav ⁷⁾	Ønsket, men ikke et krav
Kostnadsramme	P85 (normalt)	Basiskalkyle pluss 20% ²⁾	I porteføljen		Estimat pluss påslagsfaktor	Budsjett pluss 5% ¹⁾
Styringsramme	P50 (normalt)	Basiskalkyle pluss 10%	Budsjett		Estimat pluss påslagsfaktor	Budsjett
Beslutningspunkter	2	2	2	3	5	3
Rådgivende intervensjoner	2	2	Fortløpende	1	6	Fortløpende

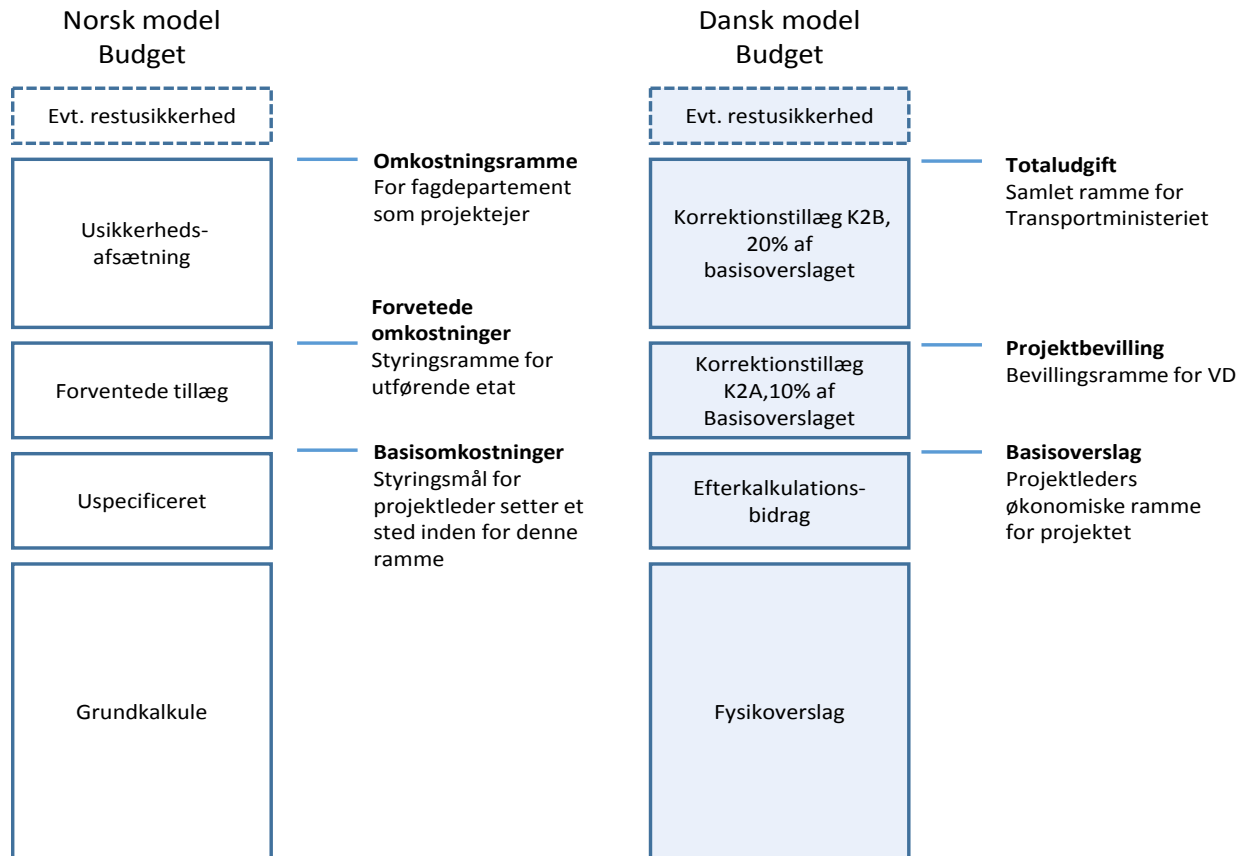
Storbritannia



Quebec







Anm. De enkelte tillæg er ikke nødvendigvis lige store i de to modeller

