



Concept Symposium 2018

Governing Megaprojects – Why, What and How

Updates on Project Governance in Norway

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 more than 350 reviews have been made and the first projects are now readily implemented and evaluated. This introduction will give some perspectives on the results achieved and how Norway work to improve project governance further, especially looking into how projects develop in the early planning period, how costs have increased between QA 1 and QA 2 and recent measures taken to improve focus on cost-effectiveness in this phase of project development.



Ingvild Melvær Hanssen

Chief Specialist
Ministry of Finance
Norway

The Concept Symposia on Project Governance

The Norwegian Ministry of Finance and the Concept Research Program hosts every second year a symposium on project Governance. Project governance, in brief, is concerned about investments and their outcome and long-term effects. In view of the problem at hand, the aim is to ensure that the best conceptual solution is chosen, that resources are used efficiently and anticipated effects realized. Resource persons from ministries, governmental agencies, academia, international organizations, and industry are invited. In order to facilitate professional exchange and direct communication between participants, the number of individuals is restricted. The aim is to initiate further international cooperation and research on important issues related to project governance.

<https://www.ntnu.edu/concept/concept-symposium>



Norwegian Ministry
of Finance

Updates on Project Governance in Norway

Ingvild Melvær Hanssen, chief specialist, Norwegian Ministry of Finance

Concept Symposium, 6. september 2018, Sola

New team – same Project Model

Organisational changes in the Ministry of Finance:

Section for Policy Analysis and Project Governance

Responsibilities:

- Quality Assurance scheme
- Cost-benefit analysis
- Appraisal guidelines for all type of measures
- Spending reviews

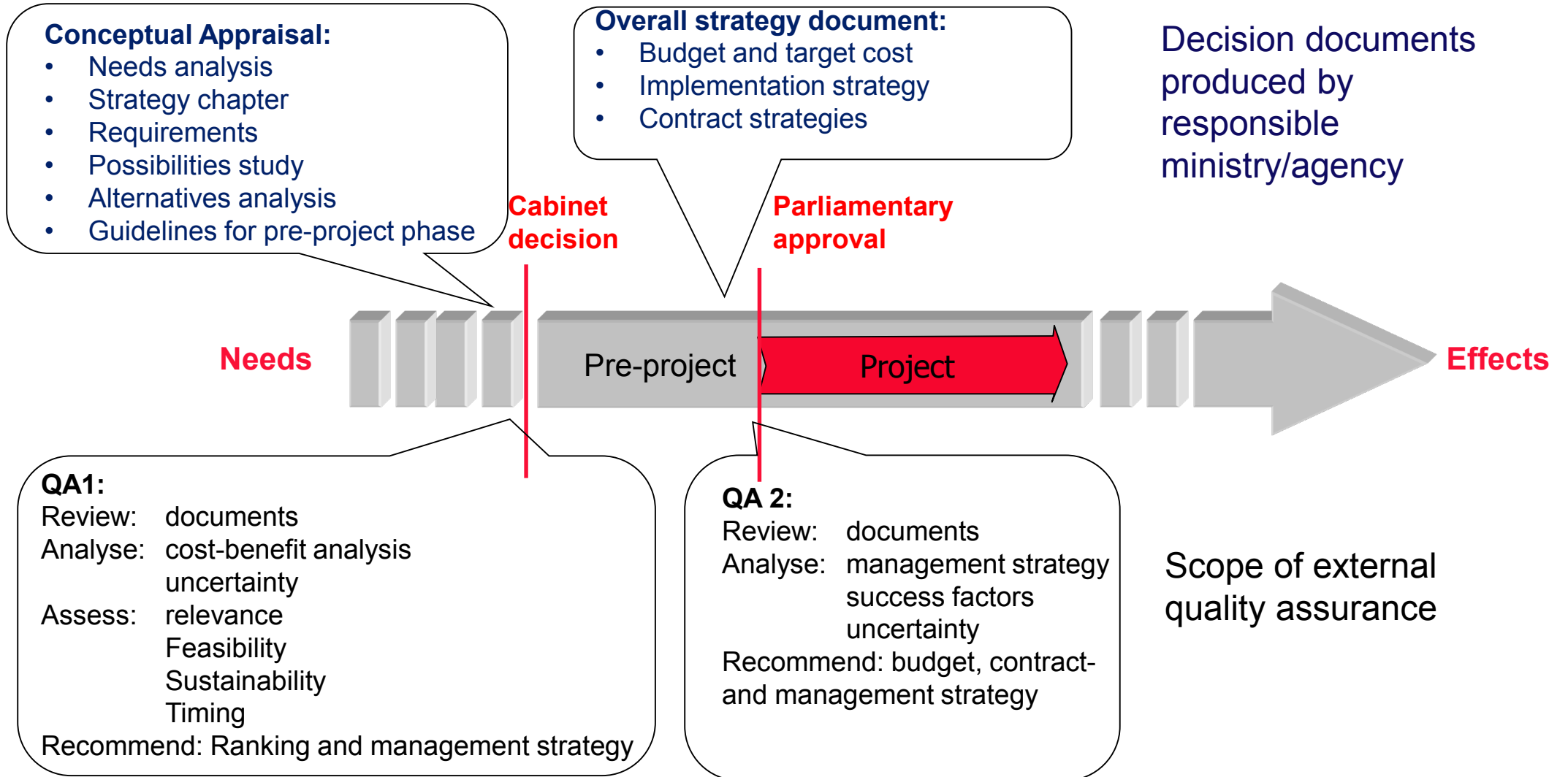
QA-team:

Elisabeth Krogh, Head of QA-team

Jonas Toxvig Sørensen

Ingvild Melvær Hanssen

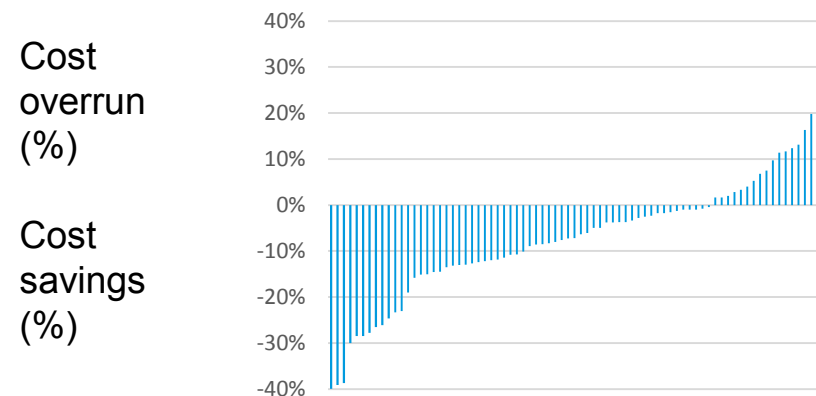
Quality assurance scheme



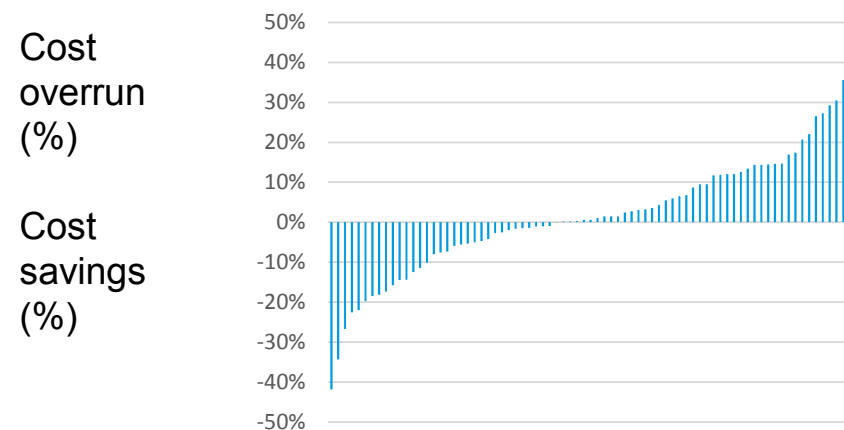
Improved results in the implementation period

- Regime started with QA2 in 2000 focusing on budget control and management in the implementation period
- Results from 84 projects where investment decision was taken between 2001 and 2012 show good cost control for the overall portfolio
- Continued delivery on cost and time require competence and political attention

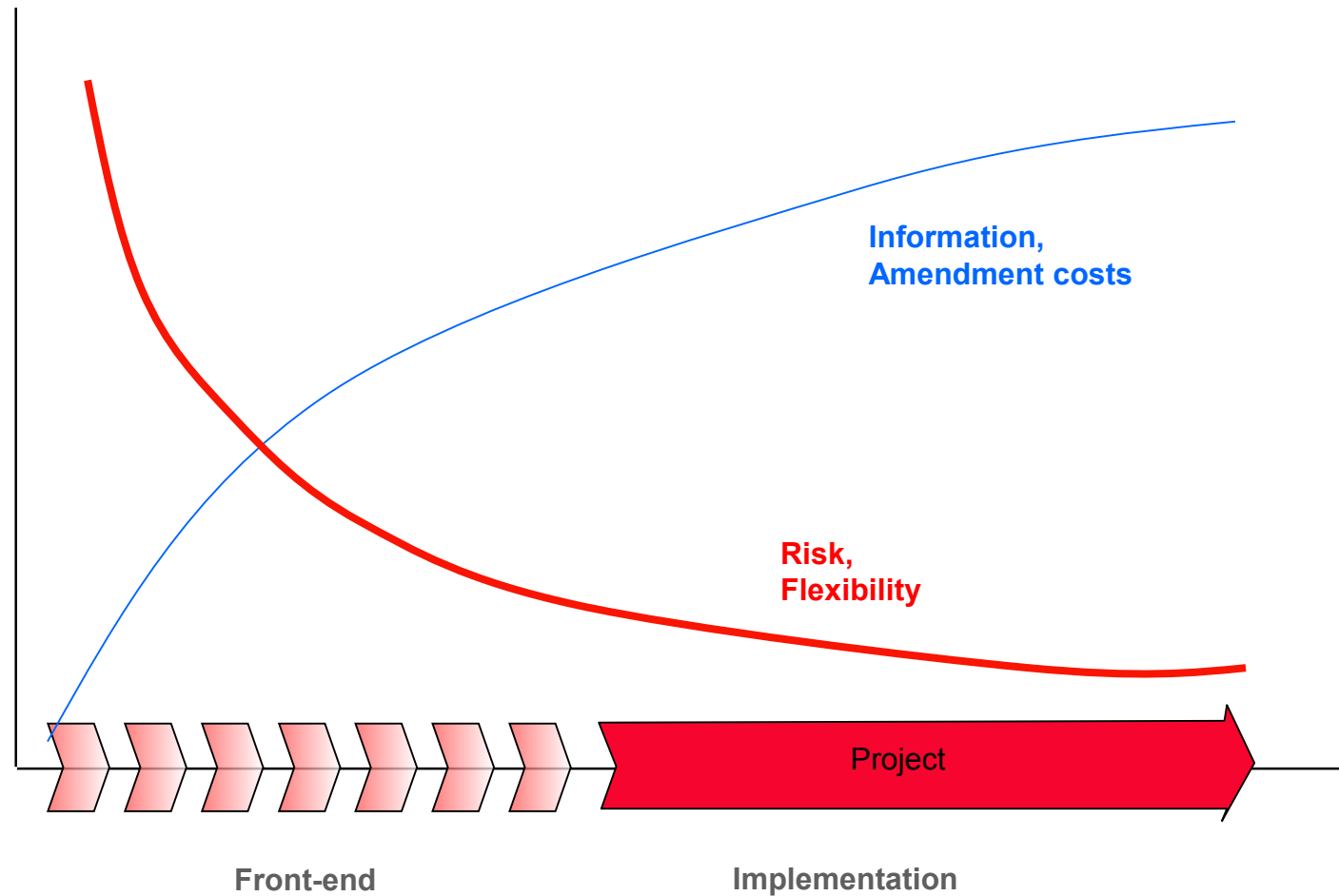
Cost deviation relative to the P85 budget



Cost deviation relative to the P50 estimates

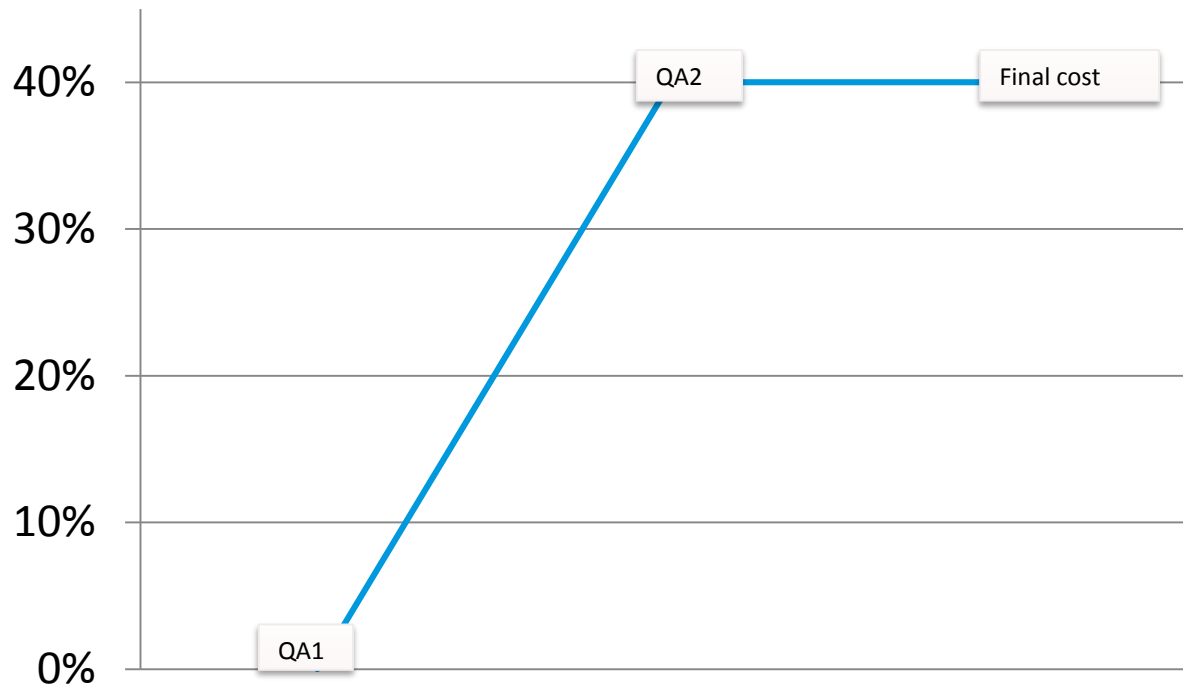


Risk and flexibility through the project life cycle



Challenge 1: Cost increase from QA1 to QA2

Change in project cost in different phases



- Concept (sept. 2016): Costs have increased with **40 pst.** in 14 projects from QA1 to QA2
- Menon (dec. 2015): Costs increased with **67 pst.** i 4 construction projects (buildings) from QA1 to QA2
- From the National Transport Plan for 2014-2023 to NTP 2018-2029: Cost increased with **42 pst.** for roads and **26 pst.** for railways

Why do cost increase?

- Under estimation in the Conceptual Appraisal / Q1
- New information
- Actual changes in the projects: bigger and better (“scope creep”)

Measures taken to improve cost control from QA1 to QA2

1. Improve quality of project appraisals before QA1:

Clarify requirements and objectives for the concepts:

Opportunity to conduct QA1 in two stages:

Step 1: Choice of concept

Step 2: Key guidelines for the pre-project phase

2. Improve management and cost control in the pre-project phase, from QA1 to QA2:

A budget target equal to P50 at QA1 measuring cost development between QA1 and QA2

Requirement to log changes in the project

Challenge 2:

Increased complexity and budget restraints

Increased complexity:

- Project management is becoming more complex
- Larger variety in implementation strategies
- Different types of projects, including ICT

Further development of project governance

- Keep focus on cost control and measures to reduce costs
- Better competence and guidance in project governance and management
- Continue the Concept research program
- How to keep optimizing a project, cost and benefits, through a whole life cycle?



Norwegian Ministry
of Finance

