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in public agencies and line
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English summary

Large public investment projects need to be governed, not least due to their size and complexity. The term project governance refers to the responsibility of the financing party, or the project owner, to ensure that the right projects are selected and that they turn out successful in all relevant perspectives. Measures should be taken to ensure cost compliance, accountability, transparency and, not least, relevance to users and the broader society.

Project governance is still a relatively recent and unexplored subject in extant literature compared with project management. However, there are some clear recommendations. First and foremost, the general project framework should be clarified in the form of a project model with defined project phases, defined roles, decision points, and a quality-assured basis for decisions. Some phases and decisions are more critical than others: the front-end stages are normally particularly crucial to projects' success, and key decisions in these phases should therefore be elevated to the highest political and administrative level. Agencies with many projects should establish a common project model applicable to all their projects, but one that is scalable and flexible enough to avoid unnecessary requirements and processes for small or uncomplicated projects.

The Norwegian Ministry of Finance, ultimately on behalf of the Government as project owner, requires external quality assurance of the decision base at two decision points in the early phase of all the largest public projects across sectors. This is an example of project governance from an overall society perspective, i.e. at the highest political and administrative national level. A number of other countries have introduced similar schemes (see Concept Report No. 47).

About this study

In this study, we explore what happens at the levels below the highest political and administrative national level, i.e. at the line ministry and government agency levels. In principle, both levels are involved in governing major projects taking place at the agency level: Firstly, project governance is part of the agency's (or public enterprise's) corporate governance, with the chief executive officer or the board of directors being the owner of all projects. Secondly, project governance is also part of the line ministry's management of its government agencies, and thus the line minister is ultimately also a project owner.

In this study, we examine how selected line ministries, government agencies, and public enterprises govern their investment projects. Specifically, we explore the use of project models and the project owner's role at various levels. The study comprises eight line ministries and eight government agencies/public enterprises, which together cover the following sectors:

- Transport (road and rail)
- Defence
- Building construction projects
- Major ICT projects
- Power line investments.

We have collected and studied written documentation of the schemes and held interviews with more than 30 key employees involved in major projects in the ministries and agencies. The main results are summarized below.

Project models

All of the studied government agencies and public enterprises have established project models for the projects under their responsibility. The models are quite similar, typically including 5–6 project phases and decision points. Most of the models have been introduced fairly recently (since the turn of the millennium) and it is our clear impression that the focus on project models and project governance within the agencies has increased considerably in recent years.

The project models define the various roles in the projects, and the associated responsibilities and competence requirements. All of the agencies have defined the project owner role, but there are variations when it comes to the content of the role and who holds the position. There are also variations when it comes to the amount of time and resources spent by project owners on follow-up activities. Some agencies have defined an additional role called 'project responsible' or 'local project owner', which is positioned between the project owner and the project manager. The position holder conducts the day-to-day governance activities on behalf of the project owner, but in practice often takes a rather narrow view on project implementation, cost compliance, and support for the project manager. More seriously, in many cases, neither a project responsible nor a project owner is appointed until after the choice of project concept has been made and the project is ready to be planned in more detail. In such cases, the person defined as project

owner has no role in the very early phases of the project, when attention is directed towards value-for-money and strategic alignment.

Various forms of steering committees and advisory groups are widely used in the studied sectors. In some cases, these may include representatives of the line ministry, but they are mainly consultative bodies that give their advice to the project owner positioned in the agency.

The agencies have different threshold levels for deciding when stricter and more formalized procedures are to be followed, including quality assurance (internal or external) of decision documents and elevation of decisions to higher levels. Quality assurance is in most cases internal to the organization but external to the project. Small projects beneath certain threshold levels are allowed to follow simpler procedures. The threshold levels are rarely absolute and are often practised in a fairly flexible way.

The early phase and the ministries as project owners

The earliest project phase from initiation and towards the choice of project concept is often referred to as the strategic or political phase. Many of the interviewees talked about this phase as 'lying outside the project', and we observe that it is implemented less in project models than the other phases. The line ministries are naturally often heavily involved in this phase, but not necessarily in a systematic manner. In some cases, the project idea may be initiated by the line ministry itself (particularly in the case of ICT projects), whereas in other cases there is a mutual understanding that the agency can start a process on their own to assess the need for an investment project.

Only one of the ministries, the Ministry of Defence, has established a separate project model (named PRINSIX) that defines when and how the ministry should be involved in each phase, including the early phases. The ministry explicitly defines itself as project owner and requires the underlying agency to present the project documentation to the ministry at all decision points for formal approval. The project cannot enter the next phase until this approval is given, which includes approval of the initial project idea and approval of the choice of conceptual solution.

Major ICT projects are often characterized by the strong involvement of the line ministries, also in the implementation phases. This is probably for historical reasons, as there have been many negative experiences, such as cost overruns and lack of user benefits in ICT projects. However, the ministries take an informal role, focusing on receiving early information rather than acting as project owners. More generally, the line ministries seem to follow up individual projects as they see

necessary, as part of the general management of the government agencies, as part of long-term sectoral planning, and – when necessary – in separate meetings.

The two public enterprises in the study are responsible for prioritizing, planning, and implementing their projects without instructions from the ministry that owns them. However, the ministry may affect decisions implicitly in various ways, such as through the corporate statutes and objectives, by issuing regulations, and through licensing procedures. The Ministry of Petroleum and Energy has established a formal quality assurance requirement concerning the choice of concept for the largest power line investments. This is to ensure that political perspectives are included at an early stage, before a comprehensive planning process to obtain a license is started. There is no similar scheme applying to major investments in aviation (e.g. airport expansions), for which a license from the Ministry of Transport is required.

Conclusion

An important finding from this study is that in Norway project governance has improved in recent years in government agencies and to some extent in line ministries. The introduction of the Ministry of Finance's quality assurance scheme in the year 2000 is assumed to be a contributing factor. Project models with clear project phases, roles and decision points, and a quality-assured basis for decisions, have been introduced in all of the sectors we have studied. Awareness and competence in the area of project governance as well as project management is increasing.

The earliest conceptual phase, when a strategic perspective is needed, is formalized to a lesser extent than the more detailed project planning and implementation phases. This includes the involvement of line ministries. A ministry should not be involved in all individual projects performed by its underlying government agencies, but it should be clear about when and how it does get involved. This is particularly important in cases when a ministry is commissioning an investment project from an agency under another ministry, on behalf of its own agency (such as the Ministry of Education commissioning a new building from Statsbygg, the agency responsible for construction and property affairs, on behalf of a university).

We have found some indications that the formalized project owner role, which is typically located at the agency level, does not always have the strategic perspective that it should. This is in line with a previous Norwegian study (Olsson and Berg-Johansen, 2015) which found that the project owner role is often delegated to individuals or groups on a low administrative level, where the focus is on delivery and project support rather than value for money, benefits realization, and portfolio considerations. This type of 'local project owner role' may definitely be useful, but

should come in addition to the strategically oriented project owner role, which is normally recommended in the literature.

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Forskningsprogrammet Concept skal utvikle kunnskap som sikrer bedre ressursutnyttning og effekt av store, statlige investeringer. Programmet driver følgeforskning knyttet til de største statlige investeringsprosjektene over en rekke år. En skal trekke erfaringer fra disse som kan bedre utformingen og kvalitetssikringen av nye investeringsprosjekter før de settes i gang.

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