

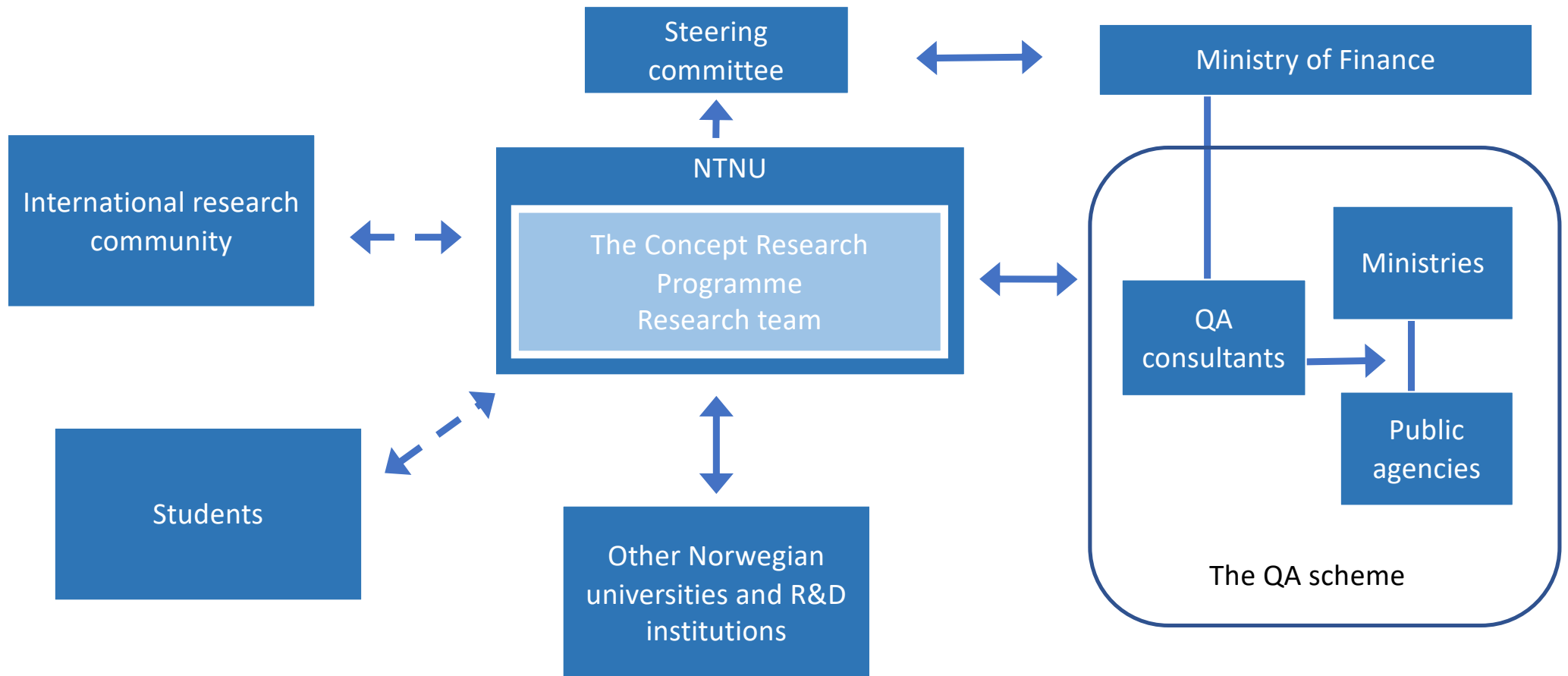
Research on Project Governance

An update

Concept International Symposium 22 September 2022

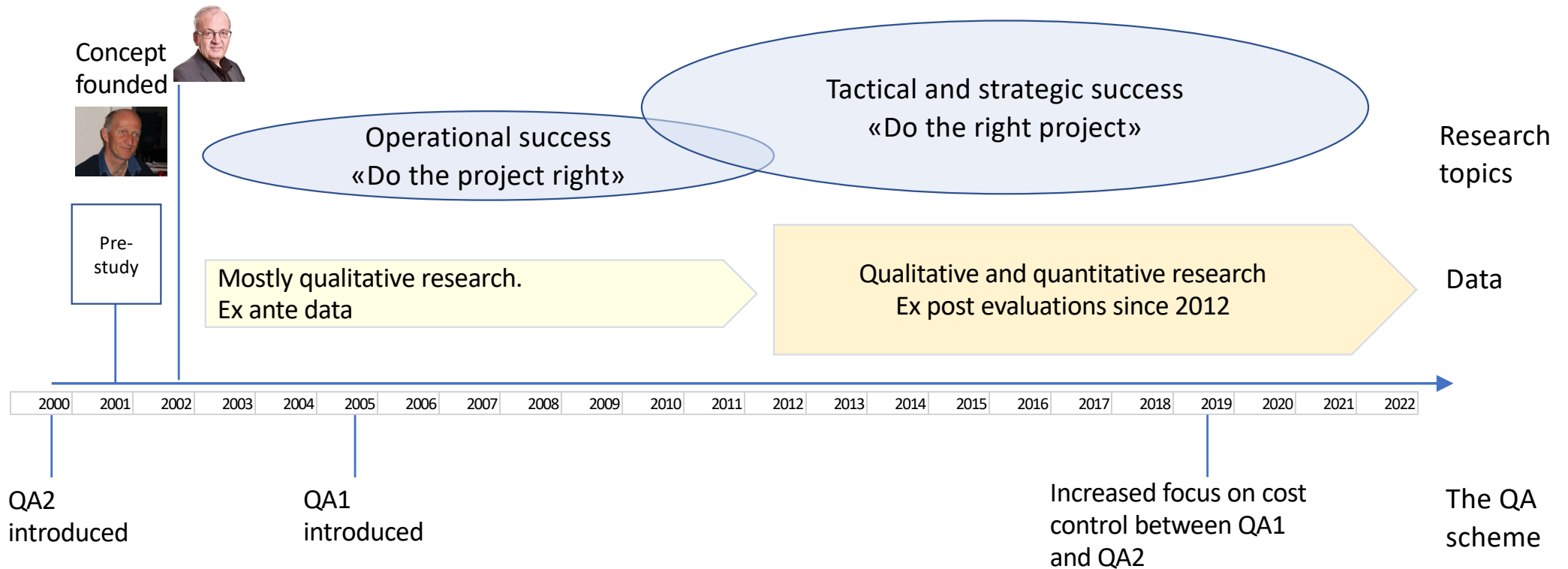
Gro Holst Volden, Programme Director
Concept Research Programme, NTNU

The Concept Research Programme



The Concept Research Programme

- 20 years of research on public project governance in Norway



Who we are – the research team



Gro Holst Volden,
Programme
Director



Morten Welde,
senior researcher



Atle Engebø,
researcher



Nils Olsson,
professor



Ole Jonny Klakegg,
professor



Anne S. A. Larsen
researcher

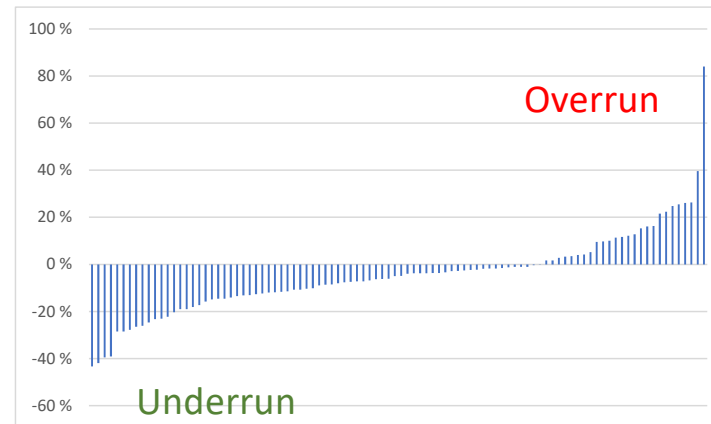
Core team

Group of associated researchers

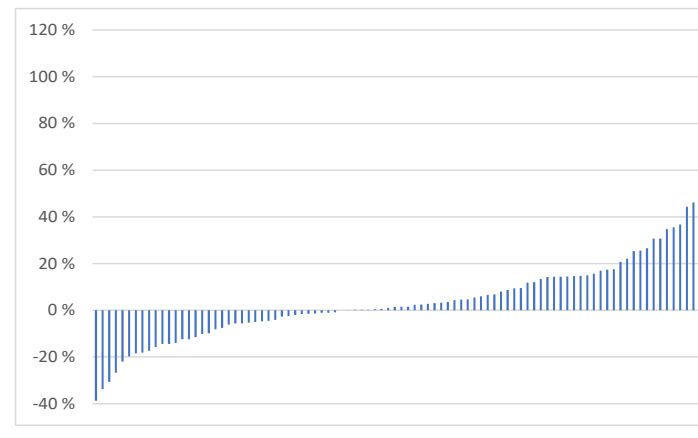
- Helene Berg, researcher and PhD candidate
- Ola Lædre, professor
- Ole Henning Nyhus, researcher
- Bjørn Otto Elvenes, associate professor
- Jan Alexander Langlo, associate prof.
- Nora Klungseth, associate professor
- Haavard Haaskjold, associate professor
- Håkon Finne, researcher
- Lone Lervåg, researcher
- Hallgrim Hjelmbrække, head of department
- Tor Nicolaisen, senior adviser
- Tore Sager, professor emeritus
- Knut Samset, professor emeritus

Some results from the QA scheme

- **Good cost control**
- Cost data for c. 100 completed projects
- On average, government projects have a small cost underrun
- But the trend is negative... (more overruns in recent years)



Deviance from budget
(P85)

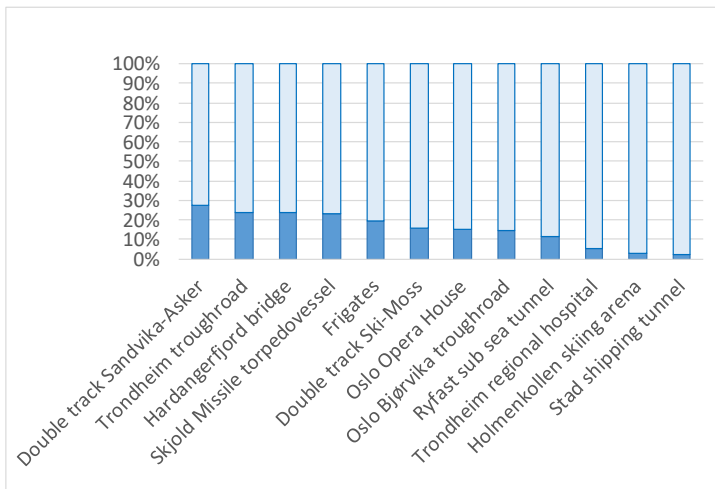


Deviance from target
cost (P50)

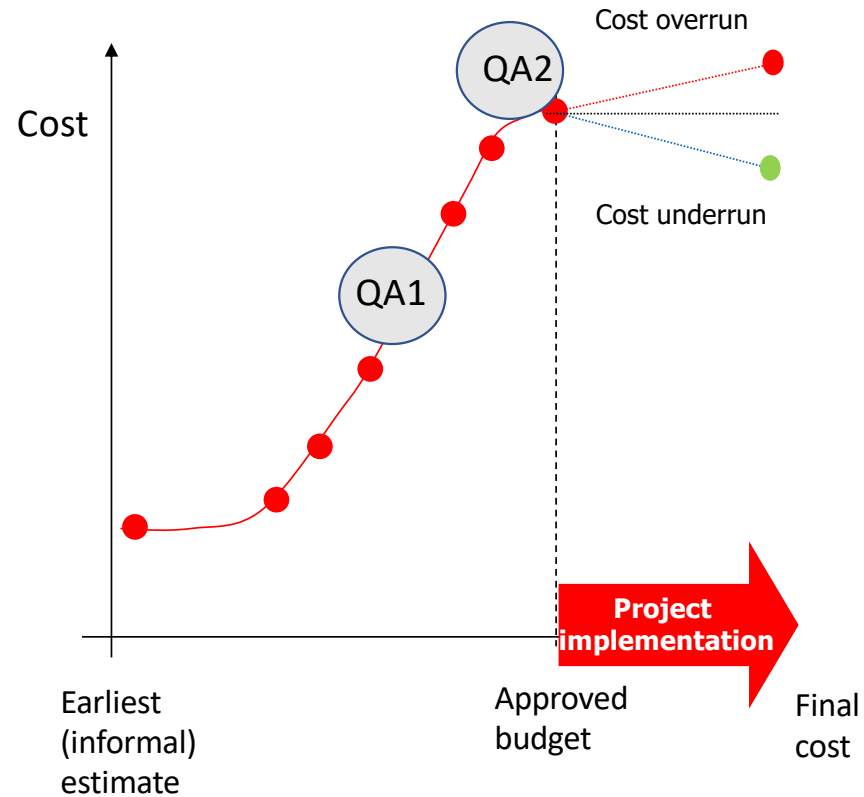
N=96, Welde and
Klakegg (2022)

Some results from the QA scheme

- Cost creep throughout the front-end phase is a challenge
 - 40% increase between QA1 and QA2
 - Earlier estimates even lower
- Salient question: **Would all these projects have been approved had the first cost estimate been realistic...**



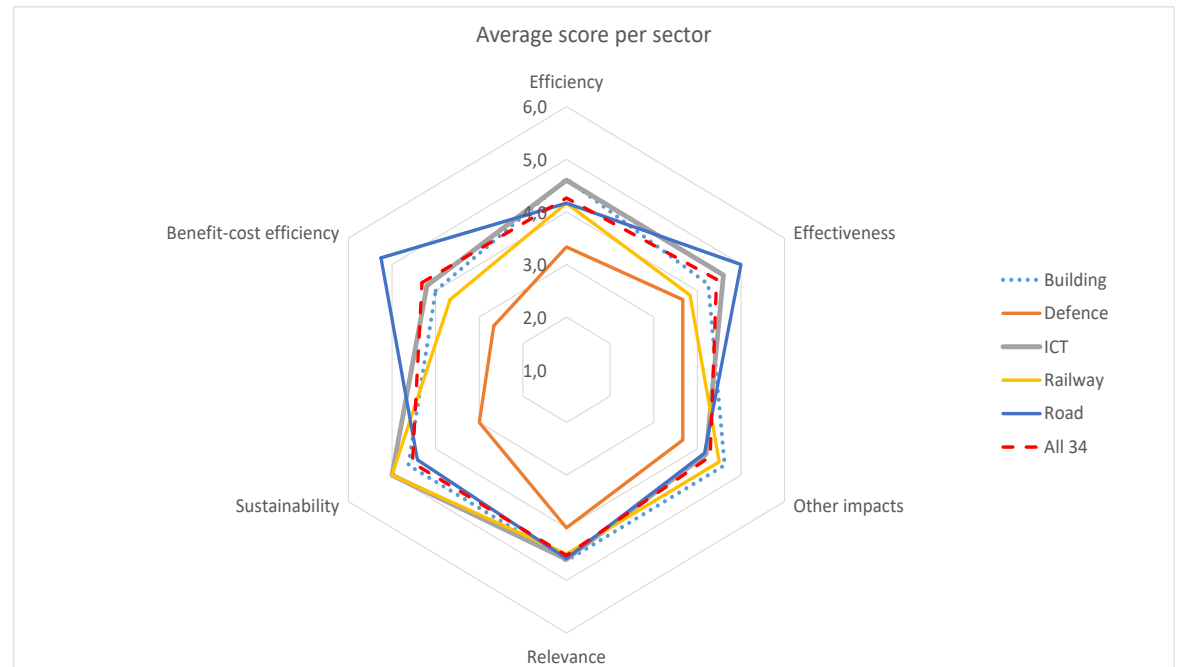
First estimate % of final estimate



Some results from the QA scheme

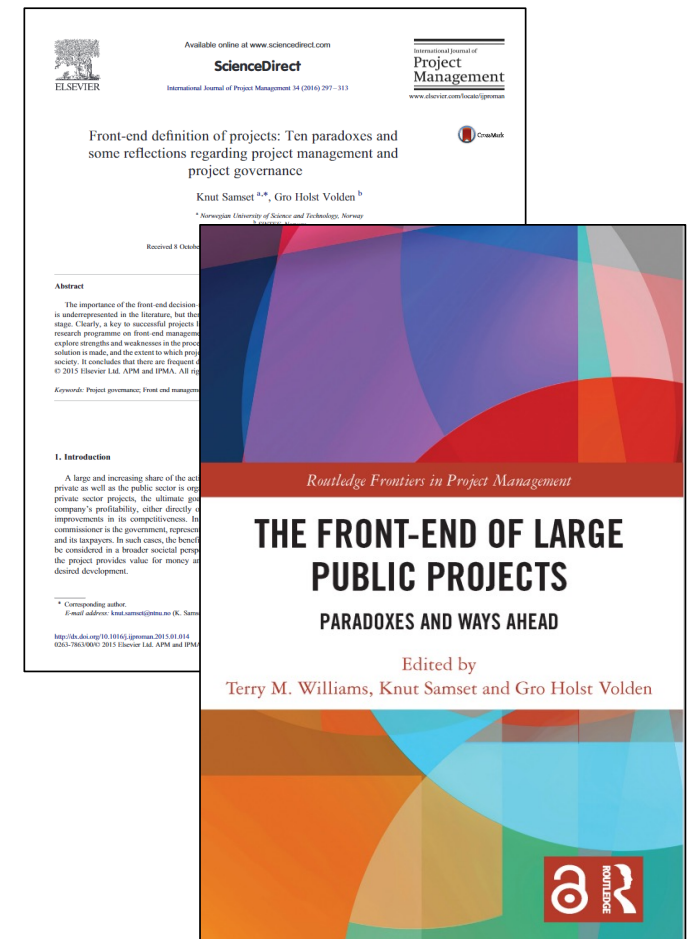
- Projects are evaluated +/- 5 years after they are completed
- A standardized evaluation framework with six criteria
- Full evaluation of 34 projects so far

Level of success	Evaluation criterion	Average score (scale 1 - 6)
Operational	Efficiency	4,3
Tactical	Effectiveness	4,4
Strategic	Other impacts	4,3
	Relevance	4,5
	Sustainability	4,5
	Benefit-cost efficiency	4,3



The ten paradoxes are still relevant....

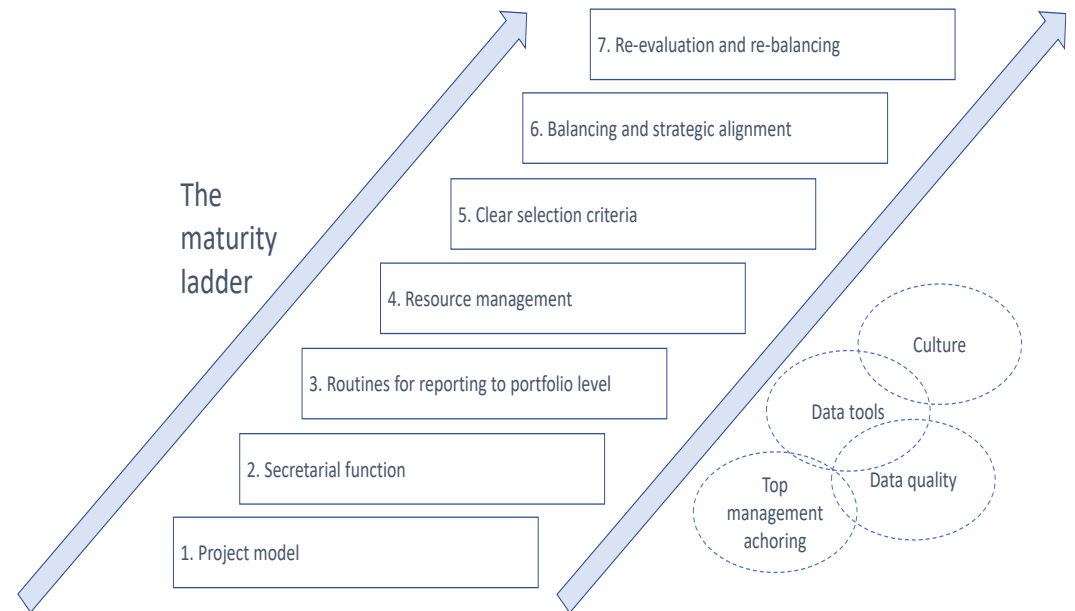
1. **Success** is measured in terms of tactical rather than strategic performance.
2. **Risk management** during implementation, much less up-front.
3. **Early information overflow.** Obscuring rather than clarifying
4. **The unexplored opportunity space** and path dependency.
5. **Strategic alignment** missing. Erroneous internal and external logic.
6. Focus is on the **detailed budget**, must less on realistic estimation up-front.
7. **Decision-makers' disregard of the CBA**
8. **"Predict and provide"** rather than explore alternative solutions.
9. **Perverse incentives.** No financial obligations for beneficiaries.
10. Long-term viability is the intention, but **decisions tend to be myopic.**



Some recent research topics

Project portfolio management is put on the agenda

- Considered important, but challenging
- Study of Norwegian experiences shows a more systematic approach to the delivery cycle than the definition cycle
- We identify a set of success factors and recommend «the maturity ladder» - a 7 step process for introducing portfolio management



References:

Concept report no. 65 by Bukkestein et al.

Optimizing the project throughout the pre-project phase

- How to reduce costs and increase benefits in the planning phase
- Case: E18 Dørdal-Grimstad
 - New state-owned enterprise with a mandate to put the CBA first (Nye Veier AS)
 - Ambitious goals for time, cost and NPV
 - Portfolio management of projects
 - Innovative measures
- Positive results in terms of time and cost
- However, the project remained negative value for money
- It is difficult to make a «wrong» project «right»



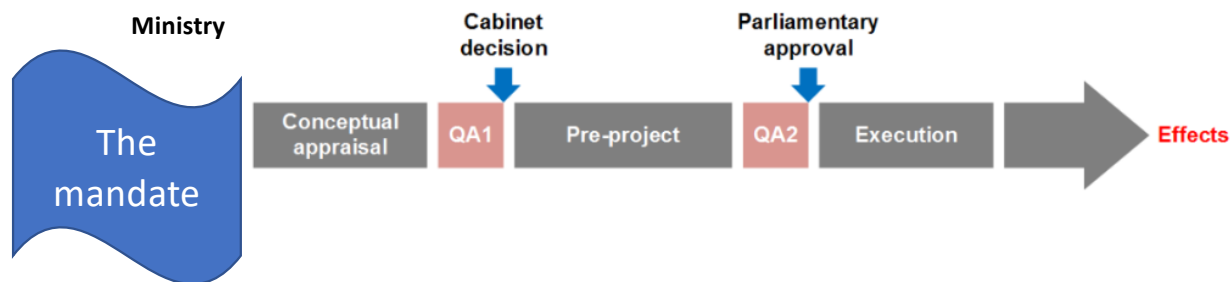
References:

Concept working paper, 2020, by Ramstad et al.

Welde & Volden, 2022, «Improving value for money...»,
Case Studies in Transport Policy 19, 1611-1619

The mandate for Conceptual Appraisal (CA)

- The CA is standardized – seven steps
- A review of mandates (terms of reference documents) revealed weaknesses
 - The solution was often “given”
- The mandate is essential for the opportunity space to be explored



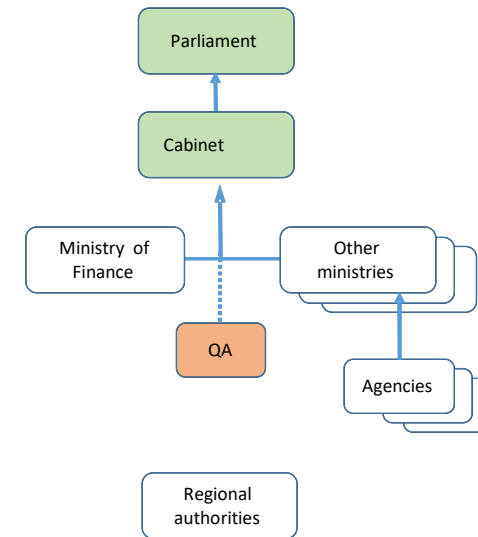
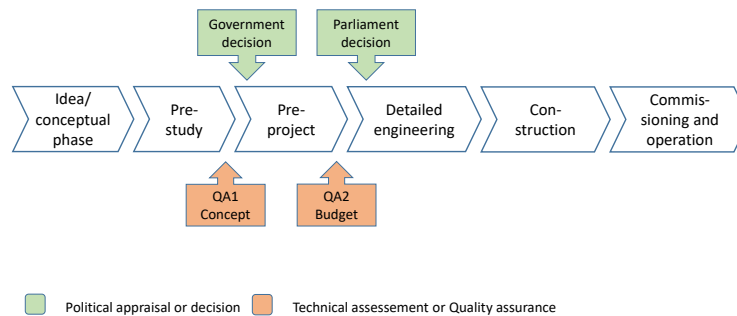
References:

Concept report no. 58 by Samset & Welde

Ongoing study about the no- and minimum-investment alternative

Project governance schemes

- Studies where the Norwegian QA scheme is compared with
 - Schemes in different countries
 - Schemes in different sectors
 - Schemes in public enterprises
 - Schemes on municipal level
- The Ministry of Finance's QA scheme has inspired others
- Much to be learned across countries, levels of government, public/private etc.



- Political appraisal or decision
- Technical assessment or Quality assurance

References:

Concept report no. 50 by Andersen et al.
 Concept report no. 47 by Samset et al.
 Concept report no. 45 by Welde et al.
 Working paper, 2019 by Volden & Andersen

The cost-benefit analysis – still room for improvement

- A review of CBAs showed incoherent practice in some areas:
 - The reference (no-investment) scenario
 - The service life of investments
 - Handling on non-monetized effects and distributional effects
- There is a need for clearer routines for how CBA assumptions are to be set, improved guidelines and more research
- Some of these topics have been followed up in separate Concept studies.



References:

Concept report no. 60 by Vennemo et al.

Concept report no. 67 by Tveter et al.

Working paper by Menon 62/2020

Wider benefits? Local economic impacts?

Session
6

- It is often argued that road projects have benefits beyond what is captured by the CBA
- Hardly any ex post studies
- We reviewed 10 road projects
 - Many had ambitious goals for local economic development
 - Few signs of such effects, and no project scored positively on all of the studied indicators
 - Hardly any impact of better roads in sparsely populated areas
- Wider impacts can also be negative

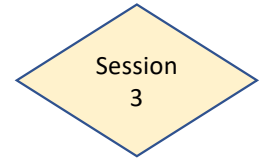


References:

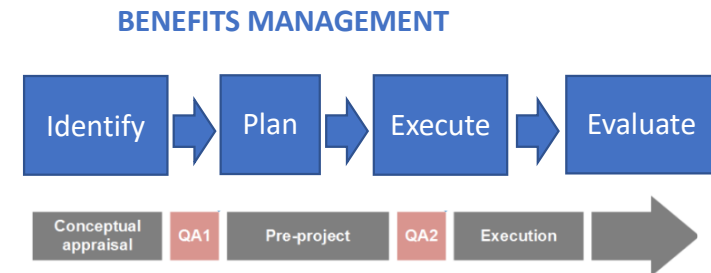
Concept report no. 62 by Welde et al.

Concept report no. 54 by Næss et al.

Benefits management – practice from digitalization projects



- Benefits management is still an immature area in the public sector
- Study of 23 ICT projects showed:
 - Projects were best at the first stages (identify, to some extent plan)
 - Effort drops throughout the project lifecycle
 - External and societal benefits get less attention
- We need better ways to measure non-monetized benefits



References:

Concept report no. 64 by Berg et al.

Working paper by Menon 62/2020

Early estimation methods (ongoing)

- Which methods are sufficient for providing realistic estimates despite a high degree of complexity and uncertainty?
- Key topics identified:



**Understanding
needs and
assumptions**



**Methods and
approaches**



Incentives



**Documentation,
benchmarking,
culture for sharing**



Terminology



Estimation process

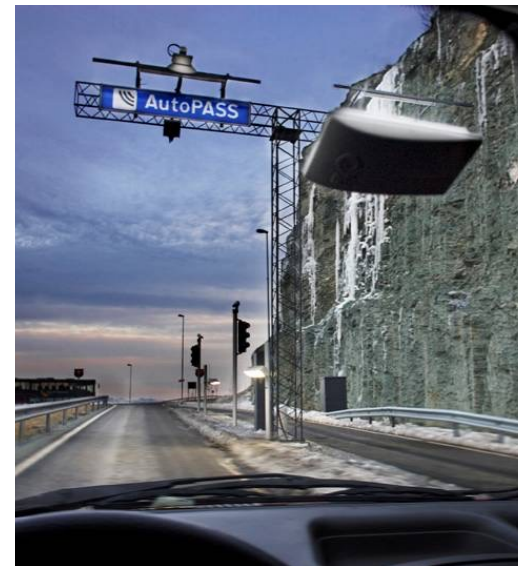
References:

Forthcoming report by Larsen et al.

Early indicators of value for money (ongoing)

Session
3

- The aim is to identify ex-ante indicators of projects with $NPV > 0$ that can be used in assessments of projects before a cost-benefit analysis is feasible.
- We use data from CBAs of more than 1000 road projects from Norway and Sweden
- Factors that may explain the probability of high value for money
 - High traffic levels
 - Small projects
 - Not funded by toll
 - Near city
 - Not in city
 - Sweden



References:

Forthcoming Concept report by Odeck et al.

Hammes et al., 2021, VTI working paper

Future priorities for the Concept programme

- Many under-researched topics
- The crucial role of evaluation
 - The link to improving the front-end of future projects
- Collaboration with other universities and R&D institutions in Norway and abroad
- We welcome your views and ideas



Thank you