

Front-End Project Governance: As a Critical Success Factor for Developing Successful Public Investment Projects

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Abstract. Front-end project governance has gained increased recognition as a framework for effective decision-making in the process of selecting the right project concept alternative. In this regard, some industrialized countries have established formal front-end project governance systems in order to improve the quality of information provided for decision-makers and to make sure that the usefulness and the long term impacts of projects are checked at the front-end. This paper provides a compressive overview of our understanding of the front-end project governance system and demonstrates the front-end project governance systems of the Netherlands and Norway. The paper also discusses front-end project governance system as a critical must-have feature for the successful development of public investment projects.

Keywords: Critical Success Factor, Project Governance, Project Success, Public Investment Project

1. Introduction

The preparation of public investment projects presents many practical challenges: the planning process is unstructured and undirected; problems are often defined narrowly; the public participation is very low; the political commitment is low or limited, fundamental discussion about the usefulness and the long term effects of projects is lacking, and the decision-making process is unclear [1]. Similarly [2] gives several examples of front-end systematic flaws and decision-making pitfalls that affects the success of public investment projects. These include, under estimating project costs and over estimating project benefits, existence of contested information and misinformation, a general tendency to jump to premature conclusions and lack of clear go/no-go decision gates. A study conducted by the UK Office of Government Commerce (OGC) indicated decision-making failure as one of the top causes for the low success rate of projects. Referring the OGC findings, [3] expressed the above challenges as facets of ineffective project governance and recommends the implementation of effective project governance system for effective and efficient project decision-making and to position projects for success.

From the public perspective, success is implementing useful projects that have sustainable positive impacts in the years ahead [4, 5]. This means, a public investment project is successful if the social welfare of the society is increased by implementing the project, the environmental impacts of the project are minimum and the net economic value of the project is positive. The need for ensuring project success or the need to ensure the relevance and sustainability of public investment projects at the projects' preparation stage has challenged the traditional decision-making and the project development processes. Understanding the nature of these challenges and putting in place the most effective form of governance in response has emerged as a new paradigm for developing successful public investment projects. In this regard, some industrialized countries have changed their planning and decision-making procedure of public investment projects. They have established formal front-end project governance systems in order to provide the right information to decision-makers. This paper aims to discuss front-end project governance system as a critical success factor for developing successful public investment projects. It begins with discussing front-end project governance system. Then the second part elaborates the success of public investment projects and finally it presents front-end project governance system as a success factor for developing successful public investment projects.

2. Front-End Project Governance System

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Project governance is “the decision-making framework that guides the development of a project and within which the critical project decisions are made” [3]. The front-end project governance system extends from the project initiative until a decision on the preferential solution. Within a properly designed front-end project governance system, the relation of the project with the whole development policy of the government will be identified; the real problem and why an activity initiative is selected will be analyzed; stakeholders will be informed and allowed to be involved, and cost-benefit analysis will be conducted in a better way. Analysis of what the people and the politicians want will be done. Moreover, there will be an investigation to check whether the proposed project is really possible. Finally, the availability of the fund will be checked, and if the fund is available, then the study will end up with a recommendation for detail project study.

Effective front-end project governance system can be organized as a staged-gated process to scrutinize project initiatives and to deliver the right information to the decision makers. The right information is delivered to the decision makers at critical decision points based on the results of investigations. At these critical decision points decisions will be made on the legitimacy of the project, priorities, alternatives and others. On the other hand, according to [3], inefficient project governance system often leads to project failures. Hence, establishing an effective governance framework is a significant factor in order to reach high quality, functional projects that are useful and sustainable.

[6] indicates that some industrialized countries have implemented front-end project governance systems to ensure the success of major public investment projects. For instance, the Norwegian quality assurance (QA) system is designed to embrace a decision-making system and process that the government needs to secure successful investments [7]. The UK OGC gateway is designed as a stage-gated process to examine projects and programs at a key decision points in their life. Similarly, the Dutch Ministry of Infrastructure and the Environment has designed project assessment and implementation procedure, MIRT (Multi-year Program for Infrastructure, Spatial Planning and Transport) to deal with how project proposals are submitted, assessed, prioritized and selected. The objective of the MIRT process is to improve the success of infrastructure projects in the Netherlands. These are efforts to look ahead project initiatives and to provide assurance that projects could progress successfully to the next stage. As an illustration the MIRT front-end planning process is presented as shown in Figure 1.

In the MIRT project planning process, the front-end phase starts with a process of discussion and negotiations in which problems and proposals will be discussed between the national government, regions, local authorities and municipalities. Then the discussion will be followed by an intake decision (MIRT 1). By (MIRT 1) decision, the participants recognize the presence of a problem and give permission for the investigation of the problem and possible solutions [8]. In the MIRT front-end project study, there are four phases (starting, analytical, evaluation and decision phases). In the starting phase, problems will be analyzed in detail, in the analytical phase, a qualitative comparison between relevant alternatives will be conducted using sieve 1. Then the first three alternatives will be identified and allowed to proceed to the next stage. In the evaluation phase, the three alternative solutions will be evaluated carefully step by step through sieve 2. At this stage, general quantitative analysis of impacts of the selected three alternatives will be conducted. After comparing the results of the three alternatives, one alternative will be selected as a preferential solution. The front-end project study phase ends by making a clear and committed political decision (MIRT 2) on the selected preferential solution. [8] describes (MIRT 2) as a decision by which the Ministry explains what it wants to achieve. The decision (MIRT 2) ensures that the preferential solution can meet legal, environmental and financial requirements by allocating sufficient means (capacity and budget) for the subsequent project stages. The decision (MIRT 2) is made based on the information from MIRT 1 and based on the results of the investigations at different phases of the front-end project study. In these phases, strategic environmental assessment (SEA), focused impact assessment, cost benefit analysis (CBA), standardized rules of thumb, and feedbacks from the broad participation of stakeholders (the public, market parties, and government agencies) are used as criteria for evaluation of alternative solutions.

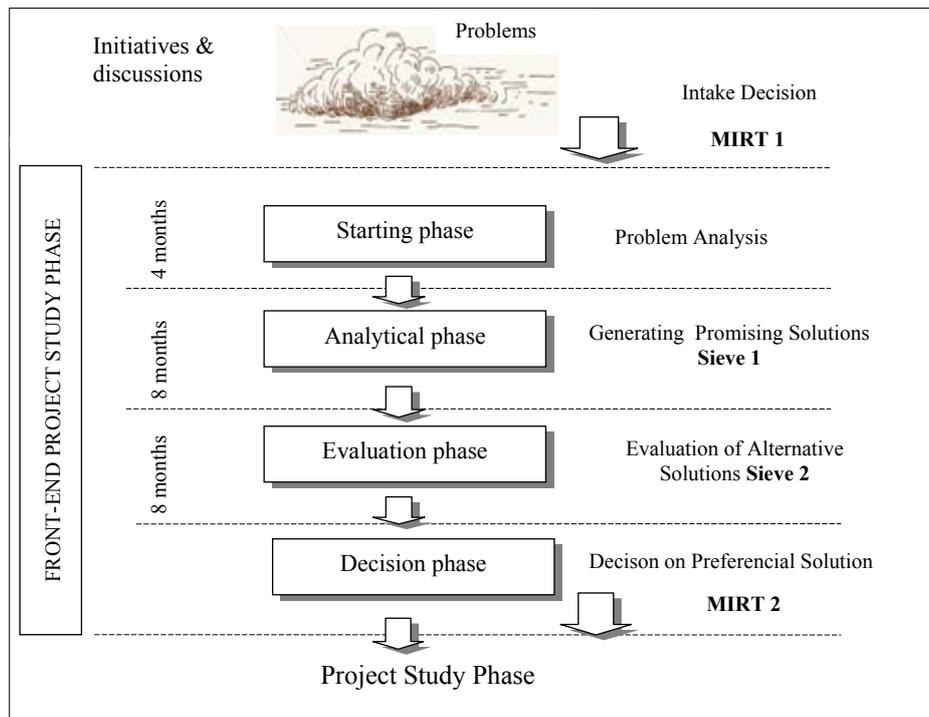


Fig. 1. The MIRT front-end process [9]

3. The Success of Public Investment Projects

Traditionally, success is evaluated based on the delivery of projects on triple constraints (time, within budget, and to specification). However, the traditional metaphor of a triangle of time, cost and quality holds good only up to a point. Hence [4] explains project success as performance relative to ambition in terms of the operational, tactical, and strategic objectives of projects. OECD (Organization for Economic Cooperation and Development) has recommended efficiency, effectiveness, impact, relevance, and sustainability as a measure of project success [10]. [5] defines success as any perceived benefit from a given party position and perspective. These interpretations of success indicate that success is a wide, multifaceted and context dependent concept. From the owner's perspective, success is part of a large process. The degree to which the project objectives are achieved, client acceptance and the long term effects of a project are important success criteria. Therefore, we could say the success of a public investment project results from choosing a relevant alternative that has sustainable positive impacts in the long term perspective [4].

A project is relevant if its objectives correspond to the needs and priorities of the owners, the intended users and the affected parties [4]. The broad participation of stakeholders, a broad scope of alternatives and clear prioritizing procedures are important criteria to ensure the relevance of public investment projects [1]. On the other hand, sustainability is the measure of the long term positive impacts of a project [4]. The need for ensuring the relevance and sustainability of projects at the front-end and the demand for sustainable development in the recent years has challenged the traditional project planning and decision-making processes and procedures. More effort is needed at the front-end project preparation and selection stage. This has influenced several countries to change their project preparation and decision-making processes and procedures. Understanding the nature of these challenges and putting in place the most effective forms of project governance system is being considered as an important success factor for developing public investment projects. In this regard, there have been different efforts in different countries that are initiated to ensure the success of public investment projects. For instance, in the MIRT process, there is a shift of attention to the front-end phase of projects [1]. The following improvements are observed in the Dutch (MIRT) process,

- Open and participatory project planning procedure
- Democratic decision-making culture in the political arena
- A combination of top-down project initiative and bottom-up interactive activities

- Negotiations between stakeholders
- Tendency towards long term planning and programmatic approach
- Staged-gated filtering of project proposals and decision-making

Similarly,

- The establishment of a mandatory quality assurance system,
- Stage-gated decision procedure to decide on (priorities, alternative solutions, uncertainties, cost benefit analysis) and
- Better investigation on the environmental impacts and social values of a project proposal are significant improvements in the Norwegian project governance system.

4. Front-End Project Governance as a Critical Success Factor

Critical success factors are factors that are essential for successful targets to be reached and maintained. Critical success factors are one of the few areas where things must go right for the successful accomplishment of objectives. In the case of public investment projects, these factors could serve as a primary integrating mechanism between strategies and the channeling of resources and executive attention [11]. Particularly, identifying and use of such critical success factors in the front-end project selection, preparation and decision-making stages of public investment projects will have a significant contribution for the success of projects. In this regard, the investigation of Klakegg [5] in England and Norway, and Shiferaw in the Netherlands indicated a trend towards establishing a formal front-end project governance system to improve the efficiency of decision-making and the success of public investment projects. In these countries, front-end project governance system is considered as one of a few things that must function effectively to ensure success in public investment projects. The Dutch MIRT project governance system is organized as a mandatory institutional arrangement to ensure that problems are analyzed, alternatives are screened and prioritized, public opinions are included, and the right information is made available for the decision-makers. Similarly, the Norwegian quality assurance regime introduced two key decision points and employed independent quality assurance consultants to check the quality of information that are used as decision basis. The following front-end requirements are identified from the Dutch and Norway project governance systems which are set to ensure the relevance and sustainability of public investment projects. The requirements are important criteria that would help decision makers to weigh up competing interests and use judgment to arrive a right decision in their effort to implement successful projects.

- Is there a real problem to initiate a project?
- Are the objectives of a project proposal consistent with the policy direction of the country?
- Is it possible to achieve the objectives of the project?
- Is the project proposed according to the needs and priorities of the public?
- What are the possible impacts of the proposed project?
- Will the welfare of the society be improved by implementing the project?
- What are the alternatives?
- Does the cost-benefit analysis consider social, environmental and economic perspectives of the project?
- Can the program or project be better designed to achieve the intended outcomes?

A project proposal that fails to meet these and other similar front-end requirements is supposed be rejected or returned for improvement. Only project proposals that could meet these and other similar front-end requirements will proceed for further development - project study. Within such properly designed front-end project governance systems, planners are supposed to shape successful public projects according to the pre-defined procedures and decision-makers are expected to make democratic decision based on the information provided through the governance system. Generally, as Millner and Lessard [12] describes, the success of a project is shaped through the established front-end governance system.

5. Conclusion

From the above discussion, it is possible to understand that effective front-end project governance positions a project for success and ineffective front-end project governance may lead projects to failure. Therefore, it is reasonable to conclude that effective front-end project governance system is a critical must-have feature for the successful development of public investment projects. Some industrialized countries have considered front-end project governance system as an input to their general governance system to improve the success of public investment projects and for sustainable development. In this regard, there are indications of success. This implies that, front-end project governance system is a critical success factor and it is important to implement some form of front-end project governance system at the top governance level to ensure the successful development of public investment projects.

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