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**Expert meeting on
Management of Large Public Sector IT Projects**

Paris, 26-27 October 2000

HAND OUT

DENMARK

1. GENERAL INSTITUTIONAL FRAMEWORK

1.1 POLICY

The Danish Government Administration consists of 20 ministries. The ministries are in many respects autonomous units headed by a minister responsible only to the Parliament. Most ministries have a small department serving the minister and a number of agencies responsible for specific tasks. The Budget is allocated by the Ministry of Finance.

There is no national policy for management of large projects. Until 1992 the Ministry of Finance played a regulatory role. All projects with a budget of over 5 million DKK (0.7 million USD) had to be approved.

From 1992 the responsibility was decentralised to the ministries and agencies. Today IT is a management responsibility in line with management responsibilities in other areas.

1.2. NATIONAL IT POLICY

Since 1995 the Government has issued a national IT Plan of Action. This plan defines the government objectives on use of IT, and describes a wide range of IT-related activities both in the public and private sectors.

The objectives for the public sector institutions are efficiency, and new and better services to companies and citizens.

The plans have initiated a few cross-government activities: use of e-mail, homepage with access to public sector information and self service.

In many areas Denmark developed e-Government before e-Government was invented:

- Common identifier for the citizens used in all public sector systems.
- An almost fully automated tax system, where more than 80 per cent of the citizens receive a tax-return statement with most information collected and filled in on behalf of the citizen.
- 98 per cent of all payments from the public sector are paid electronically to the receiver's bank account.
- Shared accounting system, budget system and payroll system used in all government institutions. Operated by the Ministry of Finance.
- Network and PC-workstations in all government institutions.

1.3. FUNDING

In 1986 Denmark introduced a budget reform covering all government institutions. Within the allocated budget the management in the single institution was given several degrees of freedom: surplus (savings) on the budget in one year can be transferred to the following year; savings on one budget account can be spent for other purposes.

Minor IT projects are often financed through savings and reallocation inside the allocated budget.

Major IT projects have their own budget line, either allocated as part of new legislation or through the normal budget procedure. The budget for major IT projects (over 10 million DKK/1.4 million USD) needs specific approval in the Parliament's Budgetary Committee.

Extra budget for a major IT project also needs approval in the Parliament's Budgetary Committee.

1.4. DECISIONS AND ASSESSMENT

It is a management responsibility in the single organisation to prepare and decide on IT projects. Major projects are often prepared and evaluated in co-operation with the management in the departments of the ministry.

The normal life cycle of a project involves these elements:

- A feasibility study is prepared in a small project group, often assisted by external consultants. This study documents possible solutions, benefits, estimated costs and project plans. There is only limited focus on risks at this stage of the project.
- Management decision on project and appointment of project manager and project organisation. Budget is allocated.
- The project reports to a steering group chaired by the management.
- Preparation of documentation for procurement including functional requirements. External private consultants are normally involved in these activities.
- Procurement following the EU rules.
- Contract is agreed with one vendor. A "government" standard contract was developed 10 years ago, stating the responsibilities of the supplier and of the customer and the project organisation. The basic principle is that the vendor has full responsibility for most of the project activities. The contract normally specifies a fixed price and schedules for delivery. Risks are not normally an element in the contract.
- The contract specifies co-operation and co-ordination between the customer project manager and the vendor project manager.
- The project management reports to a steering group with representation from customer and vendor management.

There is no agency or other public authority involved in assessing the IT projects. In 1992 it was decided that IT projects are a decentralised responsibility. It was also decided that private sector consultants could provide the necessary specialist knowledge.

There are no formal requirements or tradition on measuring promised benefits or financial auditing of IT projects.

This type of follow-up is considered part of the management responsibility in the single organisation.

1.5. MANAGEMENT MODELS

Since 1992 there has been no central agency responsible for government IT procurement.

Because of problems with several large IT projects, and a common recognition of the lack of cross-government exchange of experiences on IT projects, the Government IT Council was established in June 2000. All ministries are represented at management level in the Council. The Director of IT and Telecom in the Ministry of Research and IT chairs the Council.

The Council shall focus on issues related to IT in government including both management issues and organisational and technical issues. A permanent workgroup of IT managers -- the Government IT Forum -- shall work on technical issues and issues related to procurement and project management.

2. CASES

The National Auditors have a survey of major IT projects in the Government Administration.

124 projects, each with a budget over 2 million DKK (0,3 million USD), were included. The total budget of these 124 projects was 4 500 million DKK (700 million USD) giving an average of 37 million DKK (5 million USD) per project.

The survey documents that only 18 projects were conducted according to budget and plans for delivery. Another 18 projects are expected to be finalised according to defined plans. These 36 projects represent about 30 per cent of the projects and 40 per cent of the involved budget.

88 projects had delays and required extra budget. The delay was on average 9 months or 50 per cent of the planned time for delivery. The requirement for extra budget was on average 33 per cent of the planned budget.

3. LESSONS LEARNED

The report from the National Auditors gives these recommendations:

1. Management attention and involvement is needed.
2. Clearer definition of responsibilities and competencies is required.
3. The feasibility study must be more detailed and cover more subjects.
4. Large projects should be avoided. Divide into separate phases.
5. Evaluate the vendors more thoroughly before concluding a contract.
6. Evaluate the needs for organisational changes as a consequence of the project.
7. The contract must be clear and unambiguous.
8. Quality assurance should be an integrated part of the project.
9. Greater attention to and critical evaluation of new requirements introduced during the project.
10. Critical evaluation of the project experiences during the project. Dissemination of experiences.

In addition to these recommendations the following observations from the general debate can be mentioned:

- There is a lack of “Project culture” in many private and public organisations. Project culture involves teamwork, management support, project managers combining experience of running a project and knowledge of the organisation, and a reward structure which relates to obtained results. Both public and private organisations have a critical view of the vendors. They are very focused on winning a contract, but they focus less on delays and bad quality. Too often, they leave their customers with serious errors and problems in new systems.
- The EU rules on public procurement are difficult to apply to IT projects. They do not allow consultations with vendors in the preparation phase. Nor can one evaluate and make changes in the proposed solution from the vendor. The procurement process is time and resource consuming. It is difficult to procure a project divided into phases. There is a risk that the technology involved becomes obsolete because of the lack of flexibility in the rules.
- Private consultants are often very involved in a project. Do they have the necessary experience and knowledge?
- The Government administration does not utilise the experience from similar projects.

4. LITERATURE, WWW AND STUDIES

Most information is only available in Danish. The most relevant publication is: *Beretning om gennemførelse af statslige edb-projekter. Published by the Parliament (www.folketinget.dk).*

Poul Bernt Jensen, Senior Advisor, M.Sc.
 Ministry of Research and Information Technology
 Bredgade 43, 1260 Copenhagen, Denmark
 Tel.: +45 3392 9886 Fax: + 45 3393 8012
 E-mail: pbj@fsk.dk

Ministry of Research and IT
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IT-Policy Office
PBJ J.nr. 34484