

# Means of Improving the Management of Projects Financed by the European Union

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## *Abstract*

*Projects financed by the European Union generate effects on organizations that implement them, on stakeholders and on the regions in which they are implemented. Through these projects the development of regions and the achievement of the European objectives, is wanted.*

*These projects have special characteristics that differentiate them from other projects and need an adapted type of management. An effective and efficient project management improves the effects of projects and the obtained results. The article focuses on means of improving the management of projects financed by the European Union by identifying best practices in this field and proposing solutions for the most frequent problems that occur in the implementation of these problems.*

**Keywords:** *project, project management, impact, effect, best practice.*

**JEL classification:** M00, O22

## **Introduction**

Project-specific orientation towards achieving the objectives has determined an increased use of projects in all areas, being basically an adaptation of the working manner to the current economic environment characterized by dynamism and complexity. Projects represent both a way of survival for organizations, and the means by which competitiveness at micro and macro-economical level can be achieved.

Projects can be defined as tasks with special characteristics: “A project is a temporary endeavour undertaken to create a unique product, service, or result. The temporary nature of projects indicates a definitive beginning and end” (PMI, 2008).

Some authors also define projects as temporary organizations and social systems: A project is a temporary and transient organization surrounded by inherent uncertainty (Turner & Muller, 2003). A project can be defined as “a temporary organization of a project-oriented organization for the performance of a relatively unique, short to medium term, strategically important business process of medium or large complexity” (Gareis, 2005).

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Projects require a management based on the principles of general management, but adapted to the characteristics of the projects. Project management, through specific methods, techniques and tools, and also by its approach, contributes to projects success in achieving the proposed objectives.

A particular case of projects are the projects financed by the European Union. They support European policies in achieving their goals, being the means by which the European funds allocated to the member states can be accessed. These projects are common at European level, being different from other projects, and require an adapted management.

Starting the 1st of January 2007, until the 31st of July 2012, there were a number of 34.977 projects applying for European funding in Romania, according to the Authority for Coordination of Structural Instruments, through the programmes: Regional Operational Programme, Sectoral Operational Programme Increase of Economic Competitiveness, Sectoral Operational Programme Human Resources Development, Sectoral Operational Programme Environment, Operational Programme Transport, Operational Programme Administrative Capacity Development and Operational Programme Technical Assistance.

From the total number of project applying for EU funding in the period 2007-2012, there were 10.907 projects approved for funding. The total value of the approved projects was over 26 billion Euros and the European contribution was over 16 billion Euros. The number of funding contracts or agreements signed in this period was 8.760, which means that from the 10.907 projects approved for EU funding, 8.760 projects were at the end of July 2012 implemented or under implementation. The detailed description of the situation is presented in the table below (Table 1).

**Table 1 The situation of projects financed from EU funds on 31.07.2012**

1 euro = 4,4510 lei

<b>Number of projects applying for European funding</b>	<b>Number of projects approved for EU funding</b>	<b>Value of approved projects (billion Euro)</b>	<b>EU contribution on approved projects (billion Euro)</b>	<b>Number of funding contracts signed</b>
1	2	3	4	5
34.977	10.907	26,556	16,049	8.760

**Source:** The Authority for Coordination of Structural Instruments of Romania

Not just the number of projects financed by the European Union is important, in order to achieve the European objectives of development. The impact of these projects also has to be considered.

Impact can be defined as long-term effects, positive and negative, primary and secondary produced by an intervention directly or indirectly, intentionally or unintentionally (Leeuw & Vaessen, 2009). These effects can be improved through a more efficient project management.

The central research question of this article is: “How the management of projects financed by the European Union, and their impact can be improved?”

In order to answer the research questions we present below, the methodology and the results of our research.

## **1. Methodology and research objectives**

The purpose of the empirical study is to identify best practices in the management of projects financed by the European Union.

Providing solutions for the most common problems occurring in the management of EU funded projects can improve the results of the projects and the effects produced through their implementation.

The specific objectives of the empirical study are:

- Identifying the main problems affecting the management of EU funded projects;
- Proposal of solutions for the most common problems encountered in managing EU funded projects;
- Identifying best practices for improving the impact on organizations that implement projects and on the region where they are implemented.

The target population for our research is members of the management teams of projects financed by the European Union. The characteristics of the population are:

- the persons are part of the project management team of a project that received European funding through the Operational Programmes, in the period 2007-2013;
- the projects whose management team is part of the population of interest are implemented in the Northwest region of Romania;
- projects whose management team is part of the population of interest are implemented by public or private institutions: local authorities, universities, private companies or NGOs.

We chose the Northwest region for our study considering the development potential of the region and the generalization possibility of the study. According to the data registered in the Unique System of Information Management (SMIS) about the number of projects financed by the European Union contracted in the period 2007–2012, the Northwest region is ranked on an average level compared to the other regions, having a positive influence on the generalization possibility of the study.

The research instruments used in this study is the semi-structured interview. Discussions were based on projects financed through the programmes: Regional Operational Programme (ROP), Sectoral Operational Programme Increase of Economic Competitiveness (SOPIEC), Sectoral Operational Programme Human Resources Development (SOPHRD) and Sectoral Operational Programme Environment (SOPEnv) and focused on the following themes:

- the relationship between the project and the development strategy of the organization;
- methods for measuring the impact of the project and means of impact improvement;

- means of prevention or solving the main problems in the management of projects financed by the EU.

## 2. Structure of the sample

Selecting individuals for the interview was done taking into consideration their knowledge in the field of project management and their experience in implementing projects financed by the European Union.

There were contacted 15 managers of projects financed by the European Union, of which 10 agreed to participate in the interview. We present in the following table the position of the interviewed persons within the project, the programmes through which the projects are financed, the county where the projects are implemented and the status of the projects.

**Table 2 The list of the interviewed persons**

No.	Position	Operational Programme	County	Status
1	Project manager	SOPIEC	CJ	under implementation
2	Project manager	SOPHRD	CJ	under implementation
3	Project manager	SOPHRD	CJ	under implementation
4	Project manager	SOPHRD	CJ	under implementation
5	Project manager	SOPHRD	MM	under implementation
6	Project manager	ROP	CJ	under implementation
7	Project manager	ROP	CJ	under implementation
8	Project manager	ROP	MM	under implementation
9	Project manager	ROP	MM	completed
10	Project manager	SOPEnv	BN	under implementation

## 3. Problems affecting the management of projects financed by the European Union and the identified solutions

The problems affecting the management of projects financed by the European Union can have a negative influence on the results and on the impacts of projects. We need to identify these problems, to be able to propose means of improvement for the management of projects financed by the European Union and for their impact.

We present below the identified problems and the solutions proposed by project managers who took part in the interview:

- The analyzed project is financed through SOPIEC:

Problem: Difficult access to bank financing, problem that caused delays in making the planned activities.

Solution: The development of partnerships between the organizations responsible for managing European funds and banks, in order to support the implementation of the projects.

Problem: The obligation to strictly respect the calendar of activities, the necessity to notify any delays generates a lot of correspondence.

Solution: The acceptance of a +/- 5 days margin to the set calendar does not influence the way the project is implemented and can be justified.

Problem: The acquisitions procedures – subjectivity in the interpretation of basic principles, a too strict appliance of restrictive conditions, without taking in consideration the durability of the investment and the result indicators.

Solution: Defining more clear procedures, more transparent and unitary guides and instructions, which leave no room for interpretation.

- The analyzed projects are financed through SOPHRD:

Problem: Delays in the payment of reimbursements.

Solution: More transparency at the organizational level and in the relationship with the intermediate authority.

Problem: A high level of bureaucracy when preparing the reports specific to the implementation period of the project.

Solution: Better coordination of activities at the level of the management authorities.

Problem: The project is not financially supported by the organization that implements it.

Solution: Relating the projects with the development strategy of the organization.

Problem: The members of the management team do not respect their obligations.

Solution: Selecting the persons based on the performance criteria of the job, establishing deadlines for activities, defining clear responsibilities and penalties that apply when obligations are not respected.

- The analyzed projects are financed through ROP:

Problem: Delays in evaluating projects, in verifying acquisition activities and in making payments.

Solution: Promoting cooperation and partnership relationships between intermediate authorities and the funding beneficiaries.

Problem: The main problems are caused by the acquisition procedures. Because of the legislation that leaves room for interpretation, of many waiting periods for validation and of bureaucracy, delays in the project schedule occur.

Solution: Problems can be prevented if at the beginning of the implementation is set a period of time (a year/ a few months) for acquisition procedures. On a long term, the solution is simplifying the acquisition procedures.

Problem: Ambiguous formulation of contract terms led to interpretations and the written answers for questions came late.

Solution: Clear formulation and explanation of the contract terms.

Problem: The correspondence with intermediate authorities is time consuming.

Solution: Simplifying the correspondence. For example: the approval of information materials can be simplified, if there already are models for this.

- The analyzed project is financed through SOPEnv:

Problem: Mistakes made in applying acquisitions procedures led to applying financial corrections.

Solution: Improving the communication with intermediate authorities and hiring acquisitions experts in the project management team.

Problem: Poor communication between project team members.

Solution: Promoting transparency and regular information of all the persons involved in the project implementation about the stage of the project and the main changes that occurred.

Solving problems that appear in implementing projects successfully, produces positive effects on the results and impacts of projects.

Most of the problems and the solutions presented are of general nature, even though they were presented in relation to certain operational programs. We believe that the solutions presented in this chapter can be applied in project management, regardless of the operational program.

#### **4. Recommendations on improving the impact and the management of projects financed by the European Union**

Through interviews we tried not only to identify problems that may affect the project management and the related solutions, but also to surprise some opinions on the impact of projects.

To summarize the discussions held in the interviews, we present the means of improving the impact of the projects financed by the European Union on the development of organizations and the regions where they are implemented. The impact of projects can be improved through:

- favourable resolution of the problems affecting the management of projects;
- conducting impact analysis and use of the results of these analysis to act on items with potential for improvement;
- linking the project with other projects already implemented or to be implemented in the organization.

Regarding the best method for impact evaluation of projects, we support the opinion of an interviewed project manager, according to which the method used in measuring the impact should be established based on the organizations' activity and the specifics of the project.

Another interviewed project manager believes that measuring the impact should allow quantifying all the elements influenced by the implementation of the project in a positive or negative way.

The methods used in impact assessment, identified in discussions with project managers are:

- Tracking result indicators of the project;
- Periodic analysis of statistics that capture the evolution and effects of the project;
- The application of questionnaires to direct beneficiaries;
- Conducting interviews (discussion) with direct and indirect beneficiaries.

We recommend the integration of projects in the development strategy of the organization in order to ensure a high impact of the projects on the development of the organization.

Eight out of ten projects that were the basis for discussion in interviews are integrated in the development strategy of the organization. The two projects that are not integrated, but support tangentially the development of the organization, are projects funded through SOPHRD and implemented in public organizations.

### **Conclusions**

The management of projects financed by the European Union is a current subject, which fits to the context of an increased importance of the elaboration and implementation of projects, programs and policies in Romania.

Even though in 2013 the current stage of development at national level will end, research results could contribute to improving the management of future projects and programs, in the following stages of development.

Based on the empirical study, through which were identified solutions for the most common problems that may occur in the management of projects financed by the EU, we formulate a number of proposals that can contribute to increasing the success chances of projects and improving their impact.

We classify the recommendations into two categories: applicable to institutions responsible for managing European funds and applicable to funding beneficiaries.

Many of the most common problems identified in the management of projects with European funding are external to projects. In order to solve these problems and encourage the absorption of European funds, a more effective management at the level of the institutions responsible for the management of European funds is needed.

The proposals and recommendations for the institutions responsible for the management of EU funds in Romania (intermediate or managing authority) are:

- Development of a partnerships between institutions responsible for managing EU funds and banking institutions to support the implementation of projects, through banking products for European funding recipients and through consulting services.
- More flexibility concerning the strict obligation to monitor (in days) the calendar of activities: the acceptance of a margin of +/- 5 days to the schedule would help beneficiaries.
- Review and simplification of procurement procedures, guidelines and instruction to create clearer, more transparent and uniform instructions, which leave no room for interpretation, would eliminate the subjectivity and lead to fewer mistakes in making acquisitions.
- Better coordination of activities at the management authorities' level can reduce bureaucracy in preparing the reports specific to the implementation phase.
- Promoting collaboration and partnerships between intermediate authorities and beneficiaries can reduce the number of delays in project evaluation, in verifying procurement activities and in making payments.

- Simplifying the mail with the intermediate bodies would reduce the consumption of time.

On the other hand, proposals for European funding recipients are:

- More transparency at the organizational level and at the level of collaboration with intermediate authorities can avoid delaying refunds and the occurrence of mistakes in the application of procurement procedures.
- Relating projects with organizations' development strategies help facilitate financial support of projects.
- Allocation of a period at the beginning of the project implementation, for carrying out procurement procedures, decreases the risk concerning failure to respect de calendar of activities.
- Promoting transparency and regular information of all persons involved in the implementation of the project on the state of the project and the main changes would reduce the problems of communication between project team members.
- Selecting people according to the performance criteria of the job, setting deadlines for the realization of activities, establishing clear responsibilities and penalties applicable in case of not respecting the obligations helps avoiding the risk that members of the project management team don't meet their obligations.

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