



EU PROJECT MANAGEMENT KNOWLEDGE TRANSFER – CASE STUDY UNIRI (CROATIA)

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Abstract:

European Union (EU) projects are projects that the EU bodies select for funding in accordance with its strategic priorities and must be managed in accordance with the EU administrative and financial rules. The most important constraints facing contracting parties relate to formal rules of participation, finance (costs), time schedules, exploitation and long-term project sustainability. The size, complexity and importance of EU projects in economic, political and other terms for both the EU member and non-member states call for the application of project management throughout a project's implementation. Considering that EU projects have special attributes that distinguish them from traditional projects, it follows that activities in managing EU projects must also differ somewhat from activities involved in managing conventional projects. The aim of this paper is to explain EU projects and EU project management and major distinctions from the management of traditional projects. Also, it emphasizes the importance of knowledge transfer and education in this specific area of project management. As an addition to informal education, which is very popular in Croatia, the first generation of students finished their formal education of EU project management as part of their curricula at the University of Rijeka, Faculty of Tourism and Hospitality Management in Opatija.

Keywords: project management, the European Union, knowledge transfer, Croatia.

1. INTRODUCTION

For a number of decades the European Union (EU) has been a major factor of international cooperation and a large donor of development aid in the world. To support its international aid policy, the EU has developed a range of financial instruments known as EU aid programs or European funds. A lot of opportunities to get support for implementation of project ideas and to co-operate with organizations from the EU are available to EU members as well as other countries world-wide within the EU programs.

In Croatia, this process of financial support was put into action upon the country's proclamation of independence. At present, the EU is assisting Croatia with the preparation of its institutions, administration, companies and civil society in order to achieve standards required for EU membership (Dolenec, 2009, p. 7).

Hence, as a candidate country, Croatia is eligible to participate in certain programs and EU funds by applying for and/or participating in projects that help towards achieving objectives in alignment with the defined priorities of development. With regard to its future accession to the EU as a member state, the issue of EU funds and project is even more interesting and challenging. Joining the EU, more than 3.5 billion euro from three new funds which serve as instruments of the EU cohesion policy will be available to Croatia: the Cohesion Fund (for the environment, transport infrastructure), the European Regional Development Fund (focused on reducing the economic imbalance between regions and social groups in the EU) and the European Social Fund (employment).

Data from the Ministry of Finance and the EU Delegation in Croatia suggest that from four pre-accession programs (CARDS, PHARE, ISPA, SAPARD) 407 million euro was available (Bankmagazine, 2010). A total of 362 million euro was contracted to the projects, which means that 90 percent of it is used. However, by adding the low utilization of the last assistance program before entering the EU, the Instrument for Pre-Accession assistance (IPA), which replaced all previous funds and is valid until 2011, overall utilization is halved, namely by 44.06 percent. For example, 141 million Euros were intended for Croatia in 2007 from IPA, but only 4.25 million were used (Limun, 2008).

Regarding agriculture and rural development, Croatia has so far used only 5.9 percent of the money available by the pre-accession assistance program, and by the end of 2011 another 20 million euro under the program could be available. Moreover, the Paying Agency, as the implementing body for money from IPA funds, in February 2011 declined all 67 local government projects intended for rural development for being incomplete (Hina, 2011).

Therefore, there is some specific knowledge needed to efficiently co-operate in so called EU projects. For a project to be successfully delivered, it is essential to know the characteristics and special requirements that such projects place before project contracting parties. Accordingly, the following sections provide a definition of the term "EU project", and describe some of the characteristics that make EU projects and EU project management different from conventional projects and how they are managed. Finally, the best practice of knowledge transfer from Croatia is shown.

2. THEORETICAL AND METHODOLOGICAL DEFINITION OF AN EU PROJECT

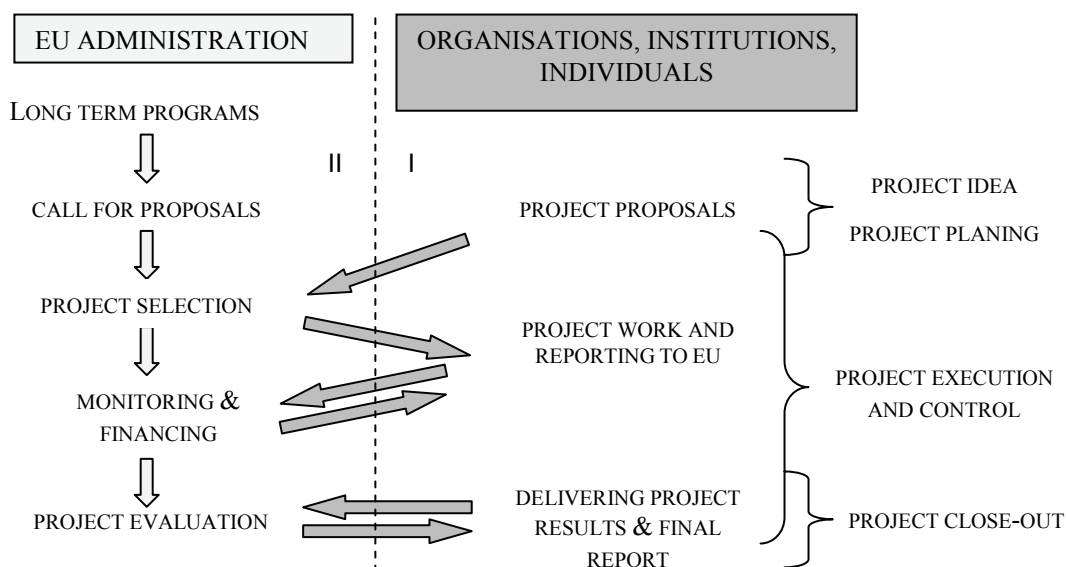
The term “project” has many definitions in theory, literature and practice (e.g. Currier Davies, 1951; Hauc, 1982; Newman, Warren & McGill, 1987 etc.). The Project Management Institute – PMI (2008, p. 5), a leading professional organisation for project management, defines a project as a one-off endeavour undertaken with the aim of creating a unique solution, product or service. The basic attributes of a project can be determined as follows (Perić, 2009a, pp. 7-8):

- It is a one-off endeavour, meaning that every project has a limited duration.
- It is a process implying that a project consists of interrelated activities.
- It has a predefined objective.
- It requires the coordination and rational management of limited resources (human, material, financial and information).
- It is unique, meaning that even seemingly identical products or services differ. No two projects are completely identical.

European Union (EU) projects are a special type of project, and can be classified as international with regard to their geographical scope. An EU project is a project which the EU bodies select for funding and which, as such, must comply with the EU strategies and be managed according to the EU administrative and financial rules (EU Project Manager Training Material Committee, 2007, Unit MAN-U1-E1, p. 3).

The life cycle of EU projects is particularly interesting, and it is necessary to distinguish between two interconnected structures of this life cycle. The first relates to the project itself and to project partners (project consortium), while the second relates to processes within the EU administrative bodies (Picture 1).

Picture 1: Dual life cycle of an EU project



Source: Adapted according to: Certified EU Project Manager, Unit MAN-U1-E1, 2007, p. 4.

Despite its dual life cycle, the life cycle of an EU project, in terms of the project itself and processes within the EU administrative bodies, fully follows the logic of a general project life

cycle (Cleland & Ireland, 2007, pp. 56–59.; Microsoft manual, 2002, Module 4, p. 5; Cetinski & Perić, 2006, p. 30). Project idea and project planning correspond to writing a project proposal, project execution and control corresponds to the project work, delivering and reporting on project results, and project close-out coincides with submitting of final report to the administrative bodies of the EU. For the EU administrative bodies project idea and project planning are done long before the long-term programs are published. Project execution and control includes the call for proposals, project selection, monitoring and financing and project evaluation and the project is finished when the final report is accepted and audited.

3. EU PROJECT MANAGEMENT

Although project management, as management in general, can be defined as a skill, scientific discipline or profession, today it is usually defined as a process. The Project Management Institute (2008, p. 6) defines project management as the application of knowledge, skills, tools and techniques to project activities to meet project requirements. Cleland and Ireland (2007, p. 51) define project management as a series of activities embodied in a process of getting things done on a project by working with project team members and other stakeholders to attain the project schedule, cost and technical performance objectives.

Central to the definition of the term “project management” are characteristic project processes (activities), and according to their characteristics, these processes (activities) within project management can be organised into five groups of functions and a total of nine interdependent areas. The key knowledge areas required in order to fully comprehend the process of project management are Project Integration Management, Project Scope Management, Project Time Management, Project Cost Management, Project Quality Management, Project Human Resource Management, Project Communications Management, Project Risk Management, and Project Procurement Management (Project Management Institute, 2008, p. 67). The basic project management functions (planning, organising, motivating, leading, controlling) permeate each of the knowledge areas, which are intertwined and complement each other to ensure the unhindered execution of a project. While these functions may be viewed separately, their execution within the overall management process of an organisation essentially implies their interdependence and, even, the overlapping of certain functions.

Major criteria for the application of project management in carrying out certain endeavours are linked to the nature of these endeavours, such as size, complexity and interdependence, unfamiliarity, market change, the importance of the project, and reputation (Cleland & Ireland, 2007, pp. 75–83). The larger the project is the greater is the need for project management. This is applied, in particular, in dealings with specific and highly demanding projects requiring specialisation and knowledge of numerous skills. EU projects are typically sufficiently large, complex and important in economic, political and any other terms to make it necessary to apply specific methodology of project management in their execution.

Where EU projects are concerned, nine project management dimensions are grouped into only four that are generally used or monitored to measure the level of success in accomplishing project objectives. These are (EU Project Manager Training Material Committee, 2007, Unit MAN-U1-E2, p. 2):

- project scope and functionality which a project should enable,
- resources (financial, human and other resources) available to a project,
- the time within which a project is expected to end,
- explicit and implicit criteria of quality, which every project must meet.

However, this does not mean that the EU projects have fewer dimensions and that they are therefore easier or simpler, just that their dimensions are grouped differently (Perić, 2009b, p. 42). For instance, EU project resources include human resources, cost, communication, risk and procurement management while project scope and functionality include project integration and project scope management.

3.1. Specific features of EU project planning and implementation

Since numerous programs and funding opportunities exist for different types of activities as well as for different types of organizations, it is hard to define common characteristics of projects within those programs. Some of the characteristics, which might have the most severe consequences, will be discussed.

EU projects should fit the organizational strategies of the organization and sometimes it is better to think twice, whether the organization is really interested in activities and results planned within a proposed project. Those projects where the goals, results and added value to the organization are not clear, are very risky to cooperate in. Moreover, EU Projects imply a long term relationship, meaning that an organization is joining the project related relationships for a much longer period than just project implementation – it includes the project preparation and submission phase before, and project final reporting and availability of project documentation after the project implementation has been finished.

Rules for implementation of projects may differ from program to program and even from call to call within the program. It is obligatory to always read and check administrative and guiding documents for the specific call for projects. It might also happen that during the implementation of a project some rules are defined in more detail, in order to solve the practical issues raised by different projects.

Through partnership, it is essential to provide all expert knowledge needed to carry out project activities. Although specific expert knowledge may be ensured by engaging sub-contractors, the EU does not see this as a desirable procedure.

In most EU projects, partners are required to invest their own resources (in the EU terminology usually called co-financing), as the EU normally finances only a portion (funding) of the total funds needed to deliver a project. What is more, the amount of EU financing for a project can never be increased, even when sound reasons for justifying an increase in project costs exist. This makes it vital to ensure that all partners are willing and able to invest their own resources. In this respect, estimating the amount of work required is a fundamental task in any project planning, and in EU project planning this is even more difficult to do, as EU projects are more complex and full of uncertainties (for example, unknown partners, indeterminate beginning of a project, international environment). Whether a project will be financed, and to what degree, depends on the work estimation. If the estimation of work required for an EU project is unrealistically high, the proposal will be rejected, and if it is too low, project financing will be insufficient. In practice, partners must first determine the level of investment they are willing to allocate to a project as input in the estimation process. Secondly, an initial estimation is made using a bottom-up approach, and then, providing the estimation exceeds the means of individual partners, project activities are revised; some are reduced, others, removed. Certain project objectives may also be revised,

and the project scope scaled down. Then the second round of estimation begins using the bottom-up approach, and this cycle is repeated as many times as necessary.

When estimating the work required and costs in the project proposal phase, the EU distinguishes between eligible and non-eligible costs. Reimbursement to partners is based on eligible direct and indirect costs and is carried out as periodic payments (pre-financing, interim payment, final payment) to provide the EU with greater financial security in the consortium and project execution. All payments are considered to be of EU ownership until the time the final report has been accepted and approved. Direct costs are those eligible costs that are directly required for project execution and which the project partners have presented as such, in accordance with accounting principles, common practice and internal rules. In EU projects, the eligible categories of direct costs mostly involve staff costs, staff travel and costs of stay, equipment costs, printing and publishing, the costs of consumables and supplies provided they are identifiable and assigned to the project, subcontracting and other costs. Also, restrictions to specific categories of direct costs are often stipulated (for example, in the Tempus program, staff costs may amount to a maximum of 40% of total travel costs). Indirect costs are eligible costs, which a beneficiary cannot recognise as being incurred directly within a project but which can be linked to a project and which a beneficiary can justify through his accounting system. Indirect costs represent a fair distribution of an organisation's overhead costs. In no case may the same cost be accounted twice, once as a direct cost and then again as an indirect cost. The EU will not finance ineligible project costs, such as any indirect tax including VAT and customs duties, interest owed, exchange losses, excessive or reckless expenditure, etc.

Although it is not a special feature of EU project planning and it is valid for any project, there is one thing the EU especially highlights. The primary objective of any EU project, regardless of phase, is to develop a product or service that can be exploited. The EU does not finance projects in which it is not clear which results are intended for exploitation and how this will be done. However, exploitation does not necessarily mean commercial exploitation (selling projects products and services) but it involves several opportunities for instance Open Source Software, initiation of a service on behalf of a public administration, selling a project's intellectual property etc. (EU Project Manager Training Material Committee, 2007, MAN-U1-E3, p. 4).

Another characteristic of any EU project is that it is necessary, on the one hand, to ensure that the positive results arising out of a project are made available to the general public (project-result dissemination) and, on the other hand, to consider the long-term outlook of a project and its results in relation to financial, institutional and political aspects (sustainability).

3.2. Project dimensions and risk of conflicts

In EU projects, the flexibility of project dimensions (functionality, resources, time and quality) is considerably reduced (EU Project Manager Training Material Committee, 2007, Unit MAN-U1-E2, p. 2). The functionality of an EU project can only be slightly changed, providing the change does not reduce the project's scope. Resources, that is, a project's budget cannot be increased, unless such an increase in budget is carried by the project partners. The duration of a project can be prolonged but only if this action is truly justified and exclusively at the expense of project partners. And finally, the quality of a project should never be jeopardised by change. In extreme cases, a project may be prematurely terminated

because certain key objectives have not been reached. It is therefore understandable that the key to the success of any EU project lies in active monitoring of all project dimensions.

A fact characteristic of any project, EU projects included, is that it is vulnerable to many risks. Large EU projects, particularly research projects, are especially subject to risk. An important risk present in all projects is the risk of conflict that can occur across all levels. There are four types of conflict significant to EU-funded projects to which project managers must pay special attention (EU Project Manager Training Material Committee, 2007, Unit MAN-U1-E4, p. 13):

- Conflicts with the European Commission (EC) that generally arise out of disagreements regarding contract clauses.
- Conflicts with customers that generally arise when customers are not satisfied with the functionality and features of the product.
- Conflicts with sub-contractors that generally arise when the consortium is not satisfied with sub-contractors service delivery.
- Conflicts with partners that generally arise when partners have different views on the exploitation of project results and/or a partner does not perform as expected.

Some of the measures that can considerably lessen the risk of conflicts include strict adherence to all contract clauses, ensuring that customers are involved in all phases of a project, careful assessment and selection of partners and sub-contractors, specification of sub-contractors' tasks, the signing of a Consortium Agreement in which the roles, rights, obligations and responsibilities of each partner are closely defined, and the involvement of all partners in project decision-making.

4. EDUCATION FOR EU PROJECT MANAGERS – CASE STUDY UNIVERSITY OF RIJEKA (CROATIA)

University of Rijeka (UNIRI) in Croatia is very active in promoting EU projects and participating in them. The basic mission of the UNIRI's Center for EU Projects is to support researchers, university members and other potential users in economy, through the procedures of proposing and implementing international projects, especially projects in the EU Framework Programme. The goal of the Center is to strengthen the synergy of science and industry and contribute to economic impact on competitiveness at the regional and national level.

Also, there is a Knowledge Transfer Center (KTC), an organizational unit established by UNIRI under the auspices of the CROmEU project (1/9/2006–31/8/2009). It is carried out with the financial support of the EU, within the framework of the TEMPUS programme. The general objective of the project was to improve the knowledge and capabilities for cooperation of researchers, universities and other institutions and individuals from Croatia in European projects. Specific CROmEU project objectives were:

- ✓ objective 1: Improvement of the qualification of teaching and administrative staff of UNIRI in the area of "Management of EU projects",
- ✓ objective 2: Improvement of the cooperation among teaching and administrative staff of UNIRI, the University of Maribor and other consortium members (ISCN, Ireland, and Skills International, Austria),
- ✓ objective 3: Establishment of a Knowledge Transfer Center (KTC) for management of European projects at UNIRI,

- ✓ objective 4: Definition of a unique trial course (in accordance with the Bologna declaration) for the topic "Management of EU projects" at UNIRI, and the University of Maribor, which could be introduced as a subject in the curricula.

As one of CROmEU objectives, KTC was established in 2008 and its main objectives and activities are related to:

- education in the area of EU project management (for academic and administrative staff and students, employees in local government, employees in commercial chambers, development agencies, innovation centres, business subjects etc.),
- empowerment for greater participation of UNIRI representatives in EU projects,
- raising the awareness of how important EU financing is for various scientific and educational projects, entrepreneur innovations and innovations in development of products and services.

Regarding education, as a member of European Certification and Qualification Association (ECQA), a European organization aimed to consolidate training schema, examination schema and certification schema for several professions (qualifications) across Europe, KTC offers the basic *seminar "ECQA Certified European Project Manager"*. To gain the certificate "ECQA Certified European Project Manager", knowledge of EU project management is required. The knowledge can be upgraded at the training and is tested with an appropriate exam. The seminar content is as follows:

UNIT 1: INTRODUCTION INTO EU PROJECTS

UNIT 2: PROJECT OBJECTIVES AND FINANCE

U2.E1 Start up and Objectives

U2.E2 Management of Work Packages and Project Results

U2.E3 Finance Management

U2.E4 Contract Management

UNIT 3: CO-OPERATION

U3.E1 Communication and team management

U3.E2 Exploitation and sustainability

U3.E3 Reporting

UNIT 4: QUALITY MANAGEMENT

U4.E1 Quality Planning

U4.E2 Quality Assurance

U4.E3 Risk Management

During the CROmEU project, there were 5 training sessions with 76 participants (50 of them from UNIRI and 26 of them from broader community). Altogether, 50 participants took the exam with very good results. After CROmEU in 2010 there were 2 training sessions with 21 participants (3 teaching and administrative staff and 6 students from UNIRI, and 12 from broader community), while 12 participants took the exam.

Apart from informal education, the project team has also worked on a definition and proposal for a unique course consistent with the Bologna declaration for the topic "Management of EU projects" to be introduced as a subject in the curricula. During CROmEU in 2009, 32 students participated in a trial course "Management of EU projects" (25 exams).

The proposal as well as trial course were successful, and when the CROmEU project actually finished, the Faculty for Tourism and Hospitality Management (FTHM) in Opatija adopted the course in its curricula. *The elective course "Management of EU projects"* (4 ECTS, master

degree) was introduced in the winter semester of academic year 2010/11. The course content is very similar to the seminar consisting of four units and 11 elements but with additional practical student work (case study). There were 40 full time students (35 successfully finished) and 30 part-time students (all successfully finished). The majority of students (75 %) expressed their satisfaction with participating in the course and also said the course could help them find a job in the future.

5. CONCLUSION

European Union (EU) projects are a special type of project selected by EU bodies for funding in accordance with EU strategies. Accordingly, EU project management refers to the allocation and use of all required resources to ensure the fulfilment of objectives defined in the contract concluded between the EU and project partners. Because the EU requires proof that the funds invested have been used for their intended purpose, EU projects must be managed according to very precise administrative and financial rules.

Beginning with the EU project dual life cycle, EU projects and EU project management have special characteristics that set them apart from traditional projects. The most important are adhering to the special rules of participation, providing all expert knowledge needed, determining eligible costs and the maximum amount (that will not increase under any circumstances) and schedule/dynamics of EU funding, defining exploitation and dissemination models and ensuring long-term sustainability of the project. Unlike traditional projects, the flexibility of project dimensions that make up the criteria to evaluate the success of the project is considerably constrained in EU projects. A project's lifetime may be prolonged, and its budget increased, providing such change is justified, and all related costs are covered exclusively by project partners. Changes in functionality must not lead to reduction in project scope while a project's quality must be incontestable. Adherence to all contract rules and regular and transparent reporting represent the only right approach to managing EU projects ensuring that all project activities, tasks, results and objectives are successfully accomplished.

Despite the limited Croatian experience in applying for and managing EU-funded projects, education on EU projects is very popular in Croatia. Unfortunately, formal education on EU project management as part of the curricula is just beginning. The University of Rijeka (UNIRI) and Faculty for Tourism and Hospitality Management (FTHM) in Opatija are good examples of knowledge transfer. The number of seminar participants and the fact that the course "Management of EU projects" was introduced to the university curriculum at FTHM, sets the foundation for better utilisation of EU funds, especially when Croatia becomes a full member and gains access to EU structural funds.

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