APPLIED PROJECT APPROACH IN THE NATIONAL ECONOMY: PRACTICAL ASPECTS

Urgency of the research. Each project calls for a distinct project management style and approach. The senior public management should establish a project approach whereby all or at least the majority of functional activities for national and regional programmes' implementation is seen as projects.

Target setting. The purpose of the research is to study the project approach and the possibility of its use in managing national economic development.

Actual scientific researches and issues analysis. Projects as the cutting edge of economic development are also of increasing interest to researchers. Entire books describe how to manage the projects (e.g., Kassel 2010; Wirick 2009).

Uninvestigated parts of general matters defining. The research objective. We can state that managing sustainable economic development in the 21st century is undergoing dramatic change, especially in advanced economies of the world. This paper argues that public sector reform efforts in Ukraine, particularly those in economic field, need to embrace these changes selectively, in particular with regard to project approach.

The statement of basic materials. In general the application of the project approach allowed Rivne Oblast to attract PLN 1,009,807 thou, considering the exchange rate provided by Bank Narodowy Polski as of January 1, 2010, EUR 233,357 thou in years 2007-2009. All of the mentioned projects are identified as examples of good practices; all covered very different fields, with a variety of communities, geographical differences and community development issues.

Conclusions. Senior public management should establish a project approach whereby all or at least the majority of functional activities for national and regional programmes' implementation is seen as projects. The authors also offer the guidelines to implement this approach with the use of five-dimensional project management and substantiate the feasibility of the approach via the comparison of the trends observed in the funds attracted to the regional economy of Rivne Oblast (Ukraine) through projects and foreign direct investment.

Keywords: project approach; regional strategy; regional programmes.

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Problem statement. Ukraine and its economy face significant challenges nowadays. As the Ukrainian national economy tries to emerge from the downturn, attention is shifting to how best to
bring it back to sustainable and durable economic growth. There has obviously been debate over whether it is possible to achieve economic growth whilst also tackling modern challenges in the management of national economic development. In this regard, it remains essential to facilitate sustained improvements in aspects that affect people’s wellbeing, from employment and health to quality of life and education, and to help the organizations managing economic development deliver on a range of policy goals – economic, social, and so on.

For over 25 years of independence Ukrainian government focused primarily on the development of policy frameworks, structures and systems to give effect to the values and principles of democratic governance. Considerable legislative progress has been made in this regard as can be witnessed by a myriad of policy papers in nearly every governmental sector. However, when it comes to practical implementation of the noted papers, attention increasingly shifts to the most critical issue, namely implementation procedure. In line with global trends, the local government gradually becomes aware that it cannot simply rely on one strategic project, but rather several parallel initiatives that must combine to meet regional objectives. Thus, there is no need to further use traditional approaches. Projects have to co-ordinate the efforts of multiple cross-functional teams possibly operating in different functional areas and sometimes even geographic locations. The project management issues involved with national economic development to some extent differ from the project management issues for businesses. Correspondingly, new project management approaches must be integrated into mainstream practices for all sizes and types of projects to accelerate project delivery, reduce project costs, and minimize project disputes.

Therefore, we can state that managing sustainable economic development in the 21st century is undergoing dramatic change, especially in advanced economies of the world. This paper argues that public sector reform efforts in Ukraine, particularly those in economic field, need to embrace these changes selectively, in particular with regard to project approach.

Objectives. The purpose of the research is to study the project approach and the possibility of its use in managing national economic development.

Literature Review. Projects as the cutting edge of economic development are also of increasing interest to researchers. Entire books describe how to manage the projects (e.g., Kassel 2010; Wirick 2009).

In corresponding managerial literature, project management in managing national economy can be consequently defined as “carefully planning and monitoring of scope, cost, risk, and quality, with particular attention to internal and external stakeholders” (Paletz, 2012). It is commonly acknowledged that the project management approach has a broad impact on the success of state and regional projects (for a summary, see Fernandez and Fernandez, 2008). In Kraft and Steenkamp (2012) we confine our focus to the broader shift in approach argued by Prof dr Gerrit van der Waldt (2001) who advocates establishing a management by projects approach in public service delivery.

Main Part. In order to implement regional strategies rapidly and professionally, project management in strategy implementation becomes increasingly a topical area of professional application (Hauc & Kovac, 2000). Project approach encompasses the entire institution, and, thus, the methodology should span across multiple levels and departments. Institutions that have used this approach find that there are still barriers to succeeding with their managerial processes (Maylor, 1996; Meredith, 1985). Particularly for Ukraine, these barriers may be both structural and cultural. In project approach, organizations begin to view all changes to their processes and activities as “project-oriented”. In this case the given institutions start categorising all their activities as “projects” with the further division into “change projects” or “operational projects” (Stacey, 1993). Namely, Rivne Oblast by means of this approach tends to view some of its functional activities as interregional projects, evaluating them against the Regional Development Strategy till 2020. In the long run, the output of the whole process is a set of projects (programmes) and resource plans aligned with the regional strategy. Figure 1 below illustrates this approach.

This figure illustrates the significance of the fact that the staff who will implement the projects should be aware of their personal contribution towards the project implementation in particular and strategy application in general. In other words, they have to understand: (1) what the project is about;
(2) where the project will be executed (geographical locations); (3) who will be involved (units, departments, executives, etc.); (4) when to start with the individual tasks of the project and when to complete them (time); (5) how they must perform a specific activity and how they will be evaluated (quality) (Van der Waldt, 2001). For the purposes of our research, the strategic objectives in Fig.1 include economic potential development (Objective 1), rural areas development (Objective 2) and human capital development (Objective 3).

The interregional projects implemented within the noted strategic objectives, in their vast majority, have used five-dimensional project management (5DPM) approach. Its effectiveness allows us to offer it for further use in managing national economic development. The five dimensions are (1) cost, (2) schedule, (3) technical, (4) context, and (5) finance. Successful use of the 5DPM approach involves five methods that are unique for each project:

- Define critical project success factors by each dimension, as required.
- Assemble project team.
- Select project arrangements.
- Prepare early cost model and finance plan.
- Develop project action plans.

Although a number of additional research ideas may be identified during the project approach implementation, the most pressing next steps are the application of the material on actual projects within proper national / regional institutions and the integration of the philosophy and tools within existing programmes, policies and procedures. The integration can be accomplished through demonstration projects, training, and change-management assistance.

The five-dimensional project management (5DPM) approach presented in this article on the case study of Rivne Oblast (Ukraine) complements rather than replaces any current project management practices and, as such, might add to or enhance the structure, procedures and programmes. Integrating the approaches, tools, and methods presented in this article is flexible and inherently dependent on the specific management needs of each particular administration, government agency on any particular project. Therefore, use of this approach is fully scalable and may be as simple or as in-depth and extensive as needed or desired.

The foremost change may be the focus and scope of planning tasks, with an emphasis on frontloading the project development process to identify and start addressing critical issues (including cost, schedule, technical, context, and financing issues) that create project complexity as soon as practical rather than later (SHRP 2 Solutions, 2013). The procedure called "Mapping complexity" allows the project team to rationally allocate existing resources and define requirements for additional means.

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**Fig. 1: Converting Regional Strategic Objectives into Projects in Rivne Oblast**  
*Source:* compiled by authors basing on the model of Van der Waldt, 2001

The procedure called "Mapping complexity" allows the project team to rationally allocate existing resources and define requirements for additional means.
plexity maps also guide the application of the 5DPM methods and tools, as depicted in Fig. 2.

Fig. 2: Overview of complex-project management and 5DPM process flow
Source: Adapted from SHRP 2 Solutions materials, 2013

Basically, Fig. 2 shows three consecutive phases from top to bottom:
1. Project Analysis. The project team examines complexity factors and develops the primary complexity map.
2. Project Planning. Using the initial complexity map, the team begins to apply the 5DPM methods and may begin to develop the first elements of the project management plan (PMP).
3. Project Implementation. Basing on the primary PMP, the team selects appropriate project management tools and details their application.

If we compare traditional to five-dimensional project management in the context of its further use in proper national / regional institutions, we can state that traditional three-dimensional project management theory is based on optimizing the "trade-offs" between cost, schedule, and technical requirements (the "iron triangle"). However, latest practice, particularly within the framework of interregional projects implemented in Rivne Oblast (Ukraine), shows the amplified effect that project context and financing have on design, cost, and schedule. Thus, 5DPM extends traditional three-dimensional project management by adding the dimensions of context and financing (SHRP 2 Solutions, 2013).

It is worth concentrating on the case study of Rivne Oblast where the project approach was partly implemented first in 2007 – 2009, and then more thoroughly after 2013. Moreover, we suggest comparing the effectiveness of the project approach implementation with the foreign investment attraction in the analysed periods.

In 2007 – 2009 six interregional projects have been identified as demonstrating aspects of good practice in the field of sustainable community development and regional economic success. In particular, those are the following:
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1) "Let's See the Right for Information Fulfilled" (in 2007, Polish MFA funding, PLN 400 thou);
2) "Preparation of Rivne Region (Ukraine) for Submitting an Application For Membership in European Culinary Heritage Network" (in 2008, Polish MFA funding, "Polska Pomoc Zagraniczna", PLN 93,433 thou);
3) "Building of Cross-Sectional Partnership for the Benefit of Sustainable Development of Rural Areas in Rivne Oblast (Ukraine)" (in 2008, Polish MFA funding, "Polska Pomoc Zagraniczna", PLN 251,378 thou);
4) "First Ukrainian Region in Regional Culinary Heritage Europe" (in 2009, Polish MFA funding, "Polska Pomoc Zagraniczna", PLN 151,471 thou);
5) "Local Action Group as the Means of Effective Rural Development: Successful Experience Promotion" (in 2009, funding of the Association of Polish Communes Euroregion Baltic, Small Cross-border and Interregional Grants Fund, PLN 33,525 thou);
6) "Geographical Information Systems in Self-government Administration in the Field of Environmental Protection and Spatial Planning" (in 2009, funding of the EOG Financial Mechanism and Norwegian Financial Mechanism 2004-2009, total project budget unknown due to data protection, considering average grants within the mechanism it's not less than PLN 80.0 thou).

Thus, in general the application of the project approach allowed Rivne Oblast to attract PLN 1,009,807 thou or, considering the exchange rate provided by Bank Narodowy Polski as of January 1st, 2010, EUR 233.357 thou in years 2007-2009.

All of the mentioned projects are identified as examples of good practices; all covered very different fields, with a variety of communities, geographical differences and community development issues.

In 2011 – 2012 the implemented projects were concentrated in a particular area (Kostopil Raion), therefore we believe their impact on general economic development of the region was rather fractional and shall not be analysed in the given research. However, in 2013 the new spate of interregional or cross-border projects influencing regional economic development has started. The projects implemented in 2013 – 2015 include the following:
1) "Cooperation between Rivne and Lublin municipalities as an element of the development of the cross-border region" (CBC Programme Poland – Belarus – Ukraine 2007 – 2013, EUR 320.8 thou);
2) "Development of the small and medium entrepreneurship in Rivne and Lublin" (CBC Programme Poland – Belarus – Ukraine 2007 – 2013, EUR 373.7 thou);
3) "Investment in culture. Comprehensive action for cultural education" (CBC Programme Poland – Belarus – Ukraine 2007 – 2013, EUR 888.5 thou);

Furthermore, there are also the projects which term has started in 2014 and which will be implemented either by the end of 2016 or by February 2017, namely on agricultural activities' development in Volodymyrets district of Rivne Oblast and Manevychy district of Volyn Oblast (Support to Ukraine's Regional Development Policy, EUR 420.3 thou), green, rural and ecological tourism development (Support to Ukraine's Regional Development Policy, EUR 208.5 thou), and professional education improvement in Volyn subregion (Support to Ukraine's Regional Development Policy, EUR 1,066.4 thou).

Due to the fact that two of the mentioned projects are covering two different regions simultaneously (Rivne and Volyn), we'll take into consideration only half of the intended budget. Thus, in years 2013-2016 the application of the project approach allowed Rivne Oblast to attract EUR 2,563.35 thou.

Bearing in mind that in our research project approach is stated to be a key factor to success in economic development of the region (or any other suitable entity), there is a need to compare the results achieved in the mentioned case study with an alternative corresponding indicator.

In a world of globalisation, where administrative and economic barriers are promptly vanishing, the ability of a region to take part in international activity is a vital indicator of its performance and competitiveness. According to Eurostat, foreign direct investment (FDI) may be seen as an alternative economic strategy and, therefore, we believe that FDI with its cumulative calculation method shall be the most appropriate comparison base for our case study.

For the purposes of our research we'll consider two relative totals: FDI as of January 1st, 2010 (for
the 2007 – 2009 project pool), and as of July 1st, 2016 (for the 2013 – 2016 project pool). In order to have an impartial view on the figures, we shall view all compared totals in thou USD (Interbank exchange rate for the corresponding date). Fig. 3 gives us an overall view on this comparison which addresses the incomes received on the regional level through the application of the 5DPM approach and the FDI in the corresponding periods in Rivne Oblast (Ukraine).

In the first half of 2016, regional FDI flows decreased by 22%, as compared to the second half of 2009, to USD 275.5 million but obviously remain far above project activity. However, in 2016, regional returns received though the project application approach rose to USD 2,836.01 thou and the trend demonstrates high capacity to further increase.

Fig. 3: Impact of Project Approach Application and FDI on Regional Economic Development of Rivne Oblast in Dynamics
Source: own research

After having increased during the years 2000-12 the foreign direct investments in Rivne Oblast declined sharply in the past few years and are at their lowest level during the period 2014-16. This big fall was mainly due to large disinvestments from some traditional partner countries and, surely, as a result of unstable political situation in the country in general. On the contrary, the opportunities available for regional economy growth though the 5DPM approach are enormous. Rivne Oblast (Ukraine) is a shining example of how the application of 5DPM approach is on the up, growing 875% over the last 10 years. This rising trend can ensure the stability of regional economic development.

Thus, basing on the investigated case study we suppose Ukrainian national / regional institutions responsible for managing economic development should take the following steps to graduate to a higher level of project management maturity:

- Provide training in project management and hire certified project managers.
- Support the use of project management terminology in projects.
- Encourage the use of various project management tools, templates, checklists, and forms.

Conclusions. The use of project management in government results in a new implementation “toolkit” for managers dealing with national / regional economic development. From this article it should, however, be clear that structural, systemic, cultural and procedural adjustments need to be made to inculcate a new reality and to incorporate processes and procedures to support project applications. It is also evident that there are lots of efficient modern tools that governmental organizations can use in order to implement the project approach in their daily work. In particular, the 5DPM approach presented in the article represents an evolution in current project management practices which can be particularly interesting for organizations managing economic development in Ukraine. In this case the project management team can apply this approach to projects of varying sizes and types and
it will help the employees of the proper national or regional institutions to identify, plan, and manage the projects proactively, reducing the schedule and cost impacts. The resulting project approach will add significant benefits to both economic growth of the country and citizens as the case study of Rivne Oblast (Ukraine) demonstrates. Key for economic development is the promotion of innovative management approaches on national and, therefore, regional levels. However, shifting from traditional administrative methods to project-oriented public management does not only involve the restructuring of existing management procedures and systems, but also requires a conscientious mindset change.

References


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