

The Influence of the Project Marketing on Absorption Capacity of External Funds (the experience of the Republic of Moldova)

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Abstract

In last years it can be observed that there has been a growing trend of offering funds on project bases. In special this tendency is observed for developing countries to receive project base financing from the donors for development of economic, social or other sectors. It should be mentioned that there are many projects that, even though they had a well-defined objective, financial resources and time well planned and a good management, have not reached maximum potential they had. It is worth mentioning that in the case of an inappropriate staff, an ineffective communication / promotion or it lack, a successful project cannot be achieved. Analyzing the work of consulting companies with project-based activity has been observed that the success of a project depends on its manager, but that's not the determinant of a successful project. This tendency also it is reflected on the ad hoc projects with external funding in the developing countries. If in the case of small research or consulting projects the failure impact is small, then for projects with external funding, poor performance make the country ineligible to access certain funds or to receive some support of which most often depend the development of a sector.

Keywords: project marketing, external funds in Republic of Moldova, country ODA capacity absorption

On September 25th 2015, countries adopted a set of goals as part of a new sustainable development agenda . The first goal is to "End poverty in all its forms everywhere". According to the many speakers of Economic and Social Council meeting from July 2015 in Addis Ababa: "Official development assistance (ODA), remained a crucial source for financing basic health, infrastructure and energy needs".

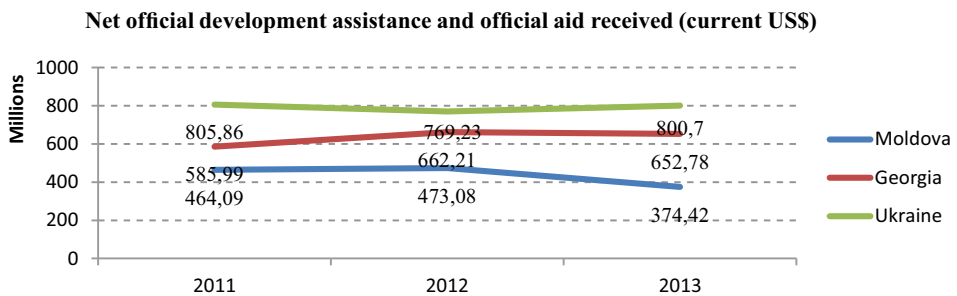
During last years, Moldova (a former Soviet Union country from Eastern Europe, the poorest country in Europe) received impressive external funding. Despite the fact that it had benefited already 22years from Official Development Assistance (ODA) to support its development, its results are doubtful. Although it had the highest per capita income in the Soviet Union, during independence years since 1991 it has

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ended up with the lowest per capita in Europe .

According to the World Bank data, from 2011 to 2013, Moldova received over 1311 million US\$. Comparing this picture with Georgia - over 1900 million US\$ and Ukraine - over 2375 million US\$, this is a substantial contribution to the country development.

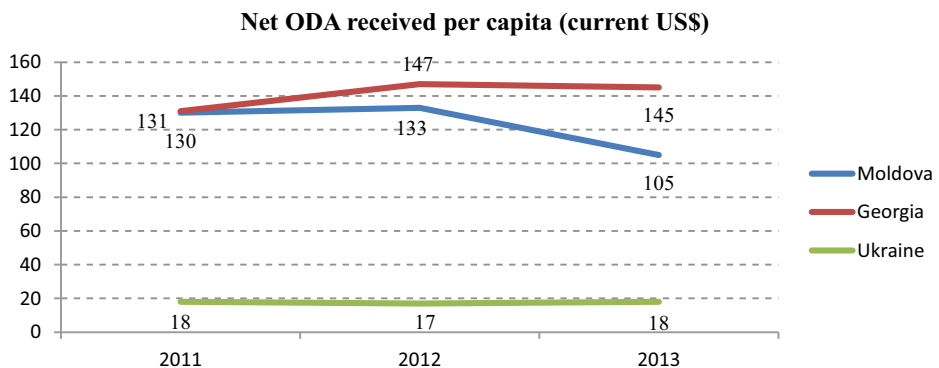
Figure 1: Net official development assistance and official aid received (current US\$), 2011-2013



Source: <http://data.worldbank.org>

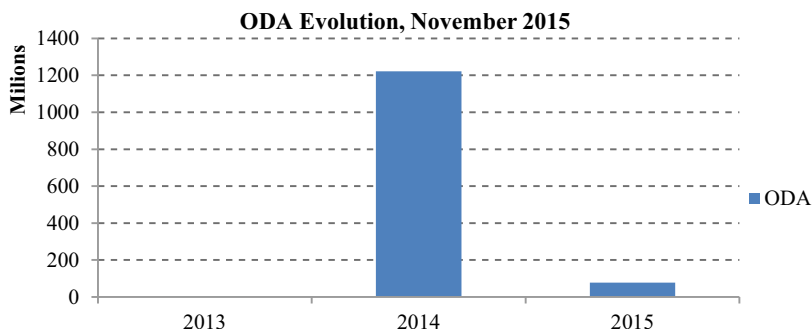
In 2013, Republic of Moldova was according the World Bank data on 39 place according the Net ODA received per capita in 2013 (approximate 95 Euro per capita). From the perspective of this indicator, Republic of Moldova was much better external supported comparing with Ukraine and a little bit lower comparing with Georgia.

Figure 2: Net ODA received per capita (current US\$), 2011-2013



Source: <http://data.worldbank.org>

In the period 2014-2015, the amount of received by Republic of Moldova ODA considerable increase (approximate 430 Euro per capita in 2014).

Figure 3: Moldovan ODA evolution 2013-2015, mil. Euro

Source: <http://amp.gov.md/>

The absorption capacity is one of key indicators on which financing agencies base the allocation of financial resources to sponsored projects, and should hence be closely monitored. Its level was reported to be low in developing countries, according to studies conducted by the World Bank, the OECD and ODI .

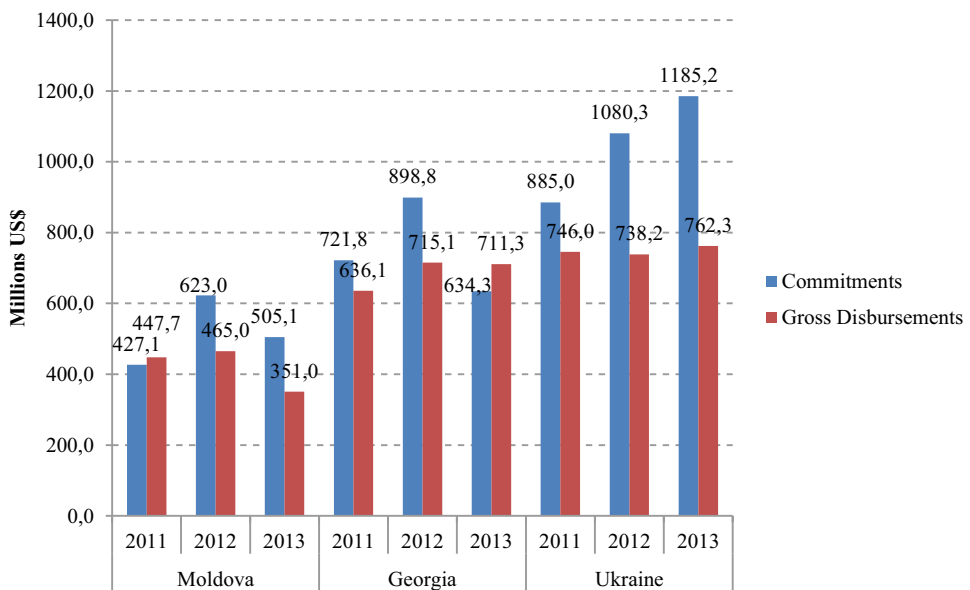
The absorption capacity is generally defined as the “capacity of the countries on low incomes to absorb productively a large volume of foreign aid”, the central issue here being to prioritize the granted aid . From this perspective and taking into account the beneficiaries of the international aid, the absorption capacity relates to the general functionality of the particular state, to the adjustment of obvious dysfunctions and to the adoption of minimal administrative and economic standards. From Wostner perspectives the specific factors of absorption capacity are:

- The macroeconomic absorption capacity, which would be defined and measured in terms of GDP;
- The managerial-administrative absorption capacity which refers to the abilities and skills of central, regional and local authorities to prepare acceptable plans, programmes, and projects in due time, to decide on programmes and projects, to arrange the co-ordination among the principal partners, to cope with the vast amount of administrative and reporting paperwork required by the Commission, and to finance and supervise implementation properly, avoiding fraud as far as possible;
- Finally, the financial absorption capacity, which refers to the ability to co-finance EU supported programmes and projects, to plan and guarantee these national contributions in multiannual budgets, and to collect these contributions from several partners, interested in a programme or project .

Making a comparative analysis of the countries capacities of external funds absorption, from 2011 to 2013, Moldova, compared to the Ukraine and Georgia started

rather well, absorbing more than the initial commitment – 104.8%. The situation in Ukraine was up to 84.3% of external fund absorption and the Georgia was with a modest 69.5%. During the years, the situation was dramatically changed, with a decrease of Moldova capacity to 69.5%, and an increasing of Georgia capacity to 112.1%.

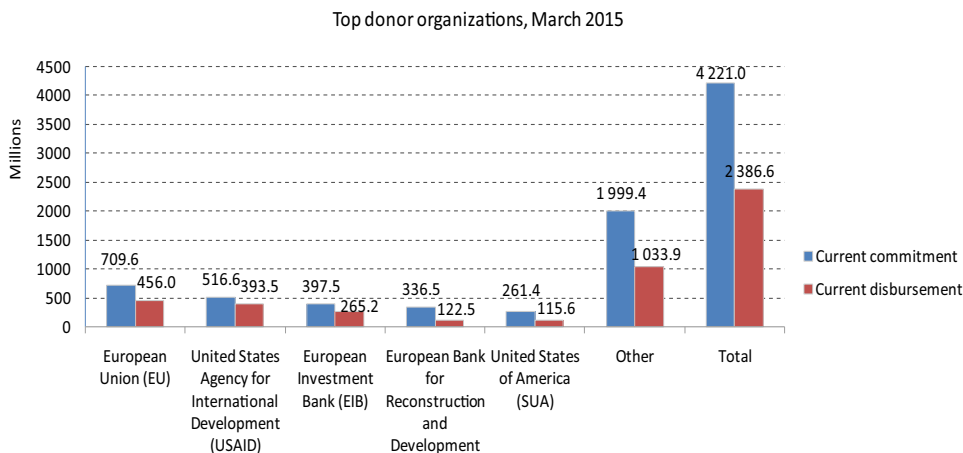
Figure 4: Absorption capacity of external financing, mil. US\$



Source: <http://stats.oecd.org>

Analyzing the case of the Republic of Moldova in March 2015, about the ability of country to absorb external funds, we find that in the rate of absorption was 56.5% from 4.22 billion EUR. Thus, although Moldova requires substantial external support in order to develop the economy and other sectors, however, has a less than 60% capacity to absorb these funds.

An explanation for this low index can be the predominant way of providing these funds. These are offered mainly on the project basis and to benefit from them, beneficiary institutions must meet a set of requirements and conduct a series of undertaken reforms.

Figure 5: Moldovan capacity to absorb external financing mil. Euro

Source: <http://amp.gov.md/>

There are two big issues of external assistance finances:

- The lack of capacity to absorb external funds;
- The little impact of external funds on the sector where there are addressed.

The main causes declared by many analysts are deficits primarily in areas dealing with institutional setting, excessive centralization of aid management, fragmentation of donors work, uncoordinated work and missions, untying, the degree of alignment with country systems, weak M&E mutual accountability and predictability of aid flows. Another element of efficiency is transparency, which only in recent years has slightly improved as donors and Government start to produce and publish their monitoring reports about the effectiveness of aid delivered.

From the other hand, the international development project environment poses special problems for the project managers due to inherent characteristics. According to Young Hoon Kwak these problems are :

Figure 6: Critical Success Factors for International Development Projects

	Factors	Characteristics	Impact
1	Political	Inconsistency in policies and regulations; political instability, war, revolution; import restrictions. Low probability, high impact.	Environment of uncertainty on return on investment
2	Legal	Unexpected changes in laws and regulations policies; currency conversion; lack of appropriate	Lack of conducive environment to foreign investments; Restricted technology transfer.

	Factors	Characteristics	Impact
		regulatory systems; role of local courts in arbitration.	
3	Cultural	Differing social-cultural background of stakeholders; different thought process.	Conflict of interest and extra pressure on executives; inefficient use of resources
4	Technical	Use of technology incompatible with project; use of incompatible standards for manufacturing and services.	Under performing or unsustainable project; stakeholder dissatisfaction.
5	Managerial/ Organizational	Inadequate or ineffective project management; lack of appropriate processes or resources.	Project failure; stakeholder dissatisfaction.
6	Economical	Changes in domestic economic conditions; increased competition regulatory changes.	Project unsustainable or cancelled.
7	Environmental	Pollution-noise, air, water, visual; unsustainable use of natural resources.	Environmental degradation; social resistance to economic changes
8	Social	Ethnic hostility; religious fragmentation; security of stakeholders; resistance of beneficiaries to new social values	Lack of foreign investment or technology flow.
9	Corruption	Political participation in investment decision making; lack of regulatory institutions.	Ineffective use of development resources.
10	Physical	Circumstances beyond anyone's control- natural disasters; wars, coups, acts of terrorism.	Lack of foreign investment or technology flow.

Source: Young Hoon Kwak, Critical Success Factors in International Development Project Management

Despite, the external assistance finances efficiency is analyzed by many involved actors, is a lack of information from the perspective of each project success or failure. Or, for each project the main causes of success or failure are individual and a deep analysis of these causes can improve the overall country indicator related to the ODA absorption success and the project impact on the economy and country development.

Based on observation of a series of international projects, the causes of this phenomenon can be grouped in several categories of influence factors:

1. Unstable environment under which the projects take place. Although the greatest hope for the project's success are put in certain projects implemented in underdeveloped or developing countries; namely in these countries is the most difficult to implement them. Because of the instability in these countries, most often, both political and economic, but also the intensity of phenomena such as corruption, the implementation of projects with medium and long terms, as it is an important mission, as it is also a difficult one;

2. Description of the project and the objectives and activities unclear formulation. Although such situations should not occur apparently, given the fact that many projects have a predetermined format and pass a selection procedure, however, in a certain number of cases, this problem occurs. However, it is worth noting that this is rather an exception than a rule;
3. Incorrect approach to the problem and offering inadequate solutions. This problem may be more common and is particularly influenced by the professional skills of those who announce tenders, those who write the proposal, those writing projects, but especially those who evaluate and select projects. Considering the large number of groups involved and the fact that, most often, every problem proposed to be solved by a project is individual, so the solutions are unique also and the optimal solutions can be identified only by a very small number of people. The risk of this problem is extremely high;
4. Incorrect estimation of the time or cost. This problem has a double approach. On one hand, the incorrect estimation of the required time and cost can be generated by the writing proposal team, on the other hand, the beneficiaries itself or those who announce tenders restricting the time and cost to unachievable limits. Also appears as a factor of influence the competition and the desire to win a project (by implementers), or pay as little possible (by beneficiaries / who announced tender), so are selected projects with the most reduced terms of implementation, or the cheapest, without considering the other more important factors - activities, impact, team, etc.;
5. Inappropriate personnel or low skilled. It is well known that similar to services area, in the projects, one of the main components is the involved personnel. Of skills level, degree of involvement and other personnel issues the success of a project depends. It should be noted that projects are directly dependent on both staff categories: Project Manager and Specialists involved in project implementation;
6. High level of project implementation bureaucracy. It can be noted that depending on the donors' rules and financing schema, the results of project varies. One of the main problem claimed by some project managers or implementers are the high volume of required approvals, the length of received approvals, and the manner of finance administration. Considering this aspects, some projects, of which donors rules are more flexible, have bigger chance to succeed than others of other donors;
7. Lack of finance continuity. There are various causes of finance continuity lack, starting with high level of bureaucracy, to the high level of corruption. The certain thing is this is one of the problem with a bigger impact of the project results, or, a project is actual in certain condition, that in an instable environment

can change very quickly;

8. Insufficient communication or its lack. The biggest misfire that may have projects is failure because of making insufficient, incorrect or a total lack of communication. A problem apparently minor and neglected, but which can lead to failure even of the most well described, focused and planned projects. Communication within projects is necessary both at the stage of writing projects and their implementation stage. A major role communication plays at the implementation stage of projects. Maintaining visibility among both project beneficiaries and other stakeholders, its objectives, the actions taken and their purpose can become the decisive factor in project success.

Some of identified problems are at the macro level and can't be avoided by a particular project, but others, which are usually at the micro level, can be solved in an easy way with an appropriate approach of the implemented project.

According to Richard Amponsah, in the research study “The Real Project Failure Factors and the Effect of Culture on Project Management in Ghana”: Successful projects have a track record of intense stakeholder engagements and management on all fronts especially during the project planning and design.

As the project based activity is increasing last years, such projects characteristics as discontinuity, unique and complex nature started to be analyzed. These aspects involve the development of a new approach for such business or activities in order to succeed in meeting the projects goals.

Developing the concept of projects marketing and highlighting the necessary aspects to be aware at the time of writing project proposals can help accelerate the economic growth of the developing countries.

The concept of projects marketing is relatively new, less known, studied and limited from the point of view of implementation. Researchers in the field of marketing define the concept of projects marketing as a set of activities that take place before winning a contract. They analyze projects marketing as marketing activity related to the large projects such as construction or power plants .

This new project approach seems to be less popular and marginalized as well by the project managers. Because of the lack of extensive research in this field and promotion of the concept to a large scale, the projects marketing approach is one that remains at the concept level and untapped at the real capacity and usefulness.

This approach draws a parallel between the project and the product or service and identifies its components in terms of the 5P: product, price, place, promotion and personnel. Through this approach, the project marketing activity is no longer only about communication and promotion, but is focused on all components of a project.

Making a parallel between a good or service marketing and project marketing, we can then determine the following relationships:

Figure 6: The correlation between the 5P concept for services marketing and project marketing

The component	The product/service	Project
Product	An item that meets the needs of the consumer.	The idea itself / project aimed at resolving the problem or satisfying the need.
Price	The amount that a customer pays for the product / service.	Project implementation cost (wages, time, direct expenditures for activities etc.).
Placement	Provision of the product/ service in a place accessible to the customer.	Area where the project is implemented.
Promotion	All media tools used to communicate with customers / potential customers about the characteristics of the good or service.	All activities related to communication and promotion of the idea among decision makers, people involved in implementation, but also the general public.
Personnel	The people involved in the production of good / service delivery.	The persons directly involved in the implementation of the idea, and policy makers.

Source: Author elaboration

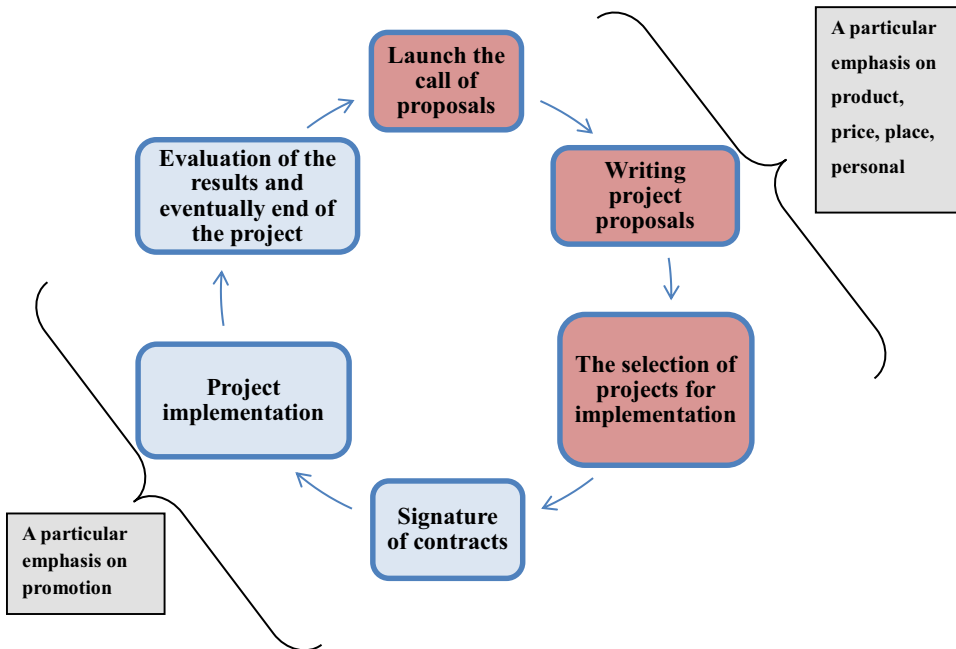
The project marketing approach would mean involvement of marketing activities at all stages described above. Thus, at the stage of launching of the call of proposals, through research will be analyzed both, funders requests and the real situation in the field. Through this dual approach, responsible for writing such projects ensures full understanding of the context and ownership information for project design (product), the necessary financial resources (price) and human (personal) and area of implementation (placement) as well as in case of identification of specific situations may make recommendations and adjustments for project proposal. Also, to develop a solid project proposal, it is required a thorough knowledge of potential competitors, so at the project selection stage is needed to ensure the competitiveness of the submitted proposal.

At the stage of writing projects are defined issues such as product concept (idea itself and solutions to solve the problem / to satisfy the need), price (which is the value of the project, including personnel costs, capital investments, current expenditure, etc.), placement (where the project will take place, which geographical areas will cover, which fields etc.). Also, for some projects, at this stage is determined the personnel to be involved in the project. It is noteworthy that in many projects, particularly in soft fields, this component constitutes a major value in project selection by the lender. However, in determining the personnel involved at this stage usually it is spoken about key people, other participants in the project following to be established at the stage of

implementation.

The mixes of these four components are the evaluation criteria for project funders. Also, since the project selection stage until the end stage of the project lifecycle – evaluation and end, a great emphasis is on communication and promotion. So, will be ensured project promotion not only among beneficiaries, and decision makers, but also among all groups of involved people. This component has a particular focus on ensuring the success of project implementation and potential future projects acquisition. The insurance of information transparency and promotion of the achievements are those elements which enhance the product image created at the initial stage.

Figure 7: Phases involving project marketing in the project life cycle



Source: Author elaboration

With this new approach of the projects from a marketing perspective a continuity of the proposal elaboration process and its direct implementation process is ensured. Viewing a project from management perspective only limits the success of the project, reducing it to the efficiency and not necessarily efficacy.

Most often, project marketing is assured involuntarily by people responsible for both, developing the project proposal and project implementation; the combination of elements into a whole being realized involuntarily in these cases. However, the

substantiation of a new projects approach – that of the project marketing and its implementation in all projects will contribute to increasing the number of successfully completed projects and thus to economic and social progress that they propose it themselves.

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