

THE ROLE OF CONSULTANTS IN IMPROVING THE EFFECTIVE USE OF EXTERNAL ASSISTANCE

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Abstract: The effective deployment of external assistance is vital to the development strategies of nations, particularly those undergoing economic transitions. This study examines the pivotal role that consultants play in optimizing the impact of external aid on national socio-economic development. Emphasizing the collaboration between international consultants and local stakeholders, the research illustrates how strategic expertise and guidance contribute to the successful execution of externally funded initiatives. By engaging in this analysis, the study adds to the ongoing discourse on international development and capacity building, highlighting the critical importance of tailored advisory services in improving aid effectiveness.

Employing qualitative methodologies, such as case studies and interviews, the research identifies key factors that influence the success of consultancy interventions. These findings are instrumental for policymakers, development agencies, and consultants, offering a strategic framework for refining consultancy practices. The results emphasize the necessity of continuous enhancement in consultancy methods and the development of local consultancy markets. Strengthening these elements is essential to fully harness the benefits of external assistance, thereby advancing sustainable socio-economic development.

Keywords: external assistance, consultants, effectiveness, international development, capacity building.

JEL Classification: F35, O19, L84

Introduction

In a globalized era, marked by the obvious interdependence of social, political and economic phenomena, external assistance is emerging as a determining factor in catalyzing national economic development. External assistance, which is categorized into financial assistance and technical assistance (Golder et al., 2021), contributes significantly to improving government processes if implemented in an effective manner.

A defining role in the effective use of external assistance is played by national and international consultants, who contribute to both the volume of external assistance attracted and the level of efficiency of the implementation process. The role of consultants is to identify the critical points of local organizations, to quantify the need for external assistance and to use the resources in an optimal way and a high level of efficiency. In this context, the role of consultants becomes indispensable for streamlining the process of utilization of external assistance and institutional capacity development.

The research topic is distinguished by its innovative and topical nature, investigating aspects insufficiently explored in the literature. Unlike previous studies, which primarily focus on the general impact of foreign assistance on economic development (Golder, Sheikh, & Sultana, 2021; McCabe & Brown, 2022), or highlight the challenges posed by corruption and weak governance (Easterly & Levine, 2003), or emphasize the need for strong institutions and policies for effective aid (Burnside & Dollar, 2000), the present research makes a novel contribution by emphasizing the role of consultants as key actors in enhancing this process and identifies the types of advisory services necessary to achieve it.

The aim of the research is to analyze the role of consultants in enhancing the effectiveness of external assistance, identify the types of consultancy required for this process, and explore the prospects for developing the national consultancy sector.

The research objectives are:

1. Presentation of the national consultancy sector involved in the implementation of external assistance projects;
2. Assessment of the current demand for consultancy services sector by beneficiaries and the potential for further sector development;
3. Analysis of the role of consultants in the effective use of external assistance in the context of EU accession.

Applied research methods:

The following research methods were used to achieve the research aims and objectives: fact-finding analysis to assess relevant data and documents on the absorption of external assistance; statistical analysis focused on interpreting data provided by the External Assistance Management Platform (AMP), which provides detailed information on the volume and use of external funds. Additionally, the questionnaire method was employed through a survey of a sample of 50 beneficiaries of external assistance to capture stakeholders' perspectives on the role of consultants. These methods facilitated an integrated approach and a rigorous assessment of the effectiveness of the external assistance use and the contribution of consultants in this process.

The research is based on seminal works by researchers such as Burnside (2000), Easterly et al. (2003), Golder et al. (2021), McCabe et al. (2022), Gaibu et al. (2011), and Solcan (2021), as well as publications from international organizations like the European Commission and the World Bank. Additional data were provided by the Platform for the Management of External Assistance (MPA), the National Bureau of Statistics, and reports prepared by the Government of the Republic of Moldova.

1.Consultancy sector in the Republic of Moldova

1.1. Definition and role of advisory services

Consultancy services are a set of specialized professional activities provided by external experts who assist organizations in identifying and solving specific problems and implementing optimal solutions(Consulting Industry, 2024). The role of consultants is essential for the success of development projects and reforms, particularly in the context of the implementation of external assistance programmes. They provide technical and managerial support in various areas, including strategic management, public procurement, project management and institutional capacity building.

External assistance can be classified into two main categories: technical assistance and financial assistance. Technical assistance involves the transfer of knowledge, technology and best practices with the aim of strengthening the institutional and organizational capacities of the beneficiaries (Government of the Republic of Moldova, 2018). This includes training, advice and implementation of technical solutions. In contrast, financial assistance refers to the provision of funds in the form of grants or loans for the implementation of development projects (Golder et al., 2021). Consultants play a vital role in the implementation of both types of assistance, being responsible for planning, coordinating and monitoring the use of resources to maximize their impact on institutional and economic development. They support organizations in the effective management of funds in accordance with donor requirements and regulations, contributing to the success of implemented projects.

1.2. Consultancy sector in the Republic of Moldova

The consultancy sector in the Republic of Moldova has seen a significant expansion in recent years, largely driven by the implementation of foreign assistance projects funded by international donors. According to the Association of Management Consultants (AMCOR), the consultancy market in the Republic of Moldova reached an estimated value of €43 million in 2023, with over 619 firms active in the field (AMCOR, 2022-2023).

The growth of this sector is closely linked to the intense involvement of consultants in externally funded projects, where they play a crucial role in preparing and implementing projects, monitoring progress and ensuring compliance with international donor requirements. More than 50% of consultancy services in Moldova are provided within these external assistance projects, reflecting the sector's dependence on public and international funding.

In this context, consultants support both public institutions and private sector in writing and managing project proposals, thus ensuring the attraction of essential development funds. They are also responsible for the technical management of projects, including monitoring of their implementation, which contributes to improving the success rate and absorption of external funds.

A notable example of the involvement of consultants in this process is the Twinning projects under the aegis of the European Union. These projects involve collaboration between public institutions from the EU Member States and from the Republic of Moldova for the transfer of knowledge and best practices. Through Twinning projects, the consultants support local public administrations in aligning with European standards, thus improving their capacity to effectively manage externally funded projects.

Twinning projects have significantly impacted the institutional capacity of the Republic of Moldova, facilitating the implementation of structural reforms essential to the European integration process. The consultants involved in these projects provided technical support to public administrations, helping to optimize internal procedures and strengthen administrative capacity – both critical for the efficient absorption of European funds. In addition to the support provided through externally funded projects, private sector consultants play an important role in helping local companies adapt to economic and technological changes (Consulting Industry, 2024). Consulting in strategic, operational and technological management is essential for improving the competitiveness of Moldovan firms on the international market, especially in the context of globalization and increasing trade relations with the European Union.

2. Typology of consultancy services in demand and development trends in the consultancy sector

2.1. Typology of advisory services needed at local level

The consultancy sector in the Republic of Moldova has experienced significant growth in recent years, both in the public and private sectors, mainly due to the need for organizations to implement structural reforms and access international funds. In this context, consultancy services became indispensable to support institutional development and the business environment (Prisacari, 2023).

For the purpose of this research, a questionnaire was administered to 50 respondents who are employees of organizations receiving external assistance. The breakdown of respondents is as follows: 20.83% from the public sector, 33.33% from the private sector, 20.83% from non-governmental organizations and 16.67% from international development partner organizations.

The results indicate that local organizations frequently utilize consultancy services and advocate for skilled and professional consultants, both national and international.

The types of consultancy services requested by public, private and non-profit organizations from the Republic of Moldova include: technical consultancy (37.04%), consultancy in project writing (25.93%), strategic management (16.67%), organizational development (16.67%), and others (3.70%) (Fig.1).

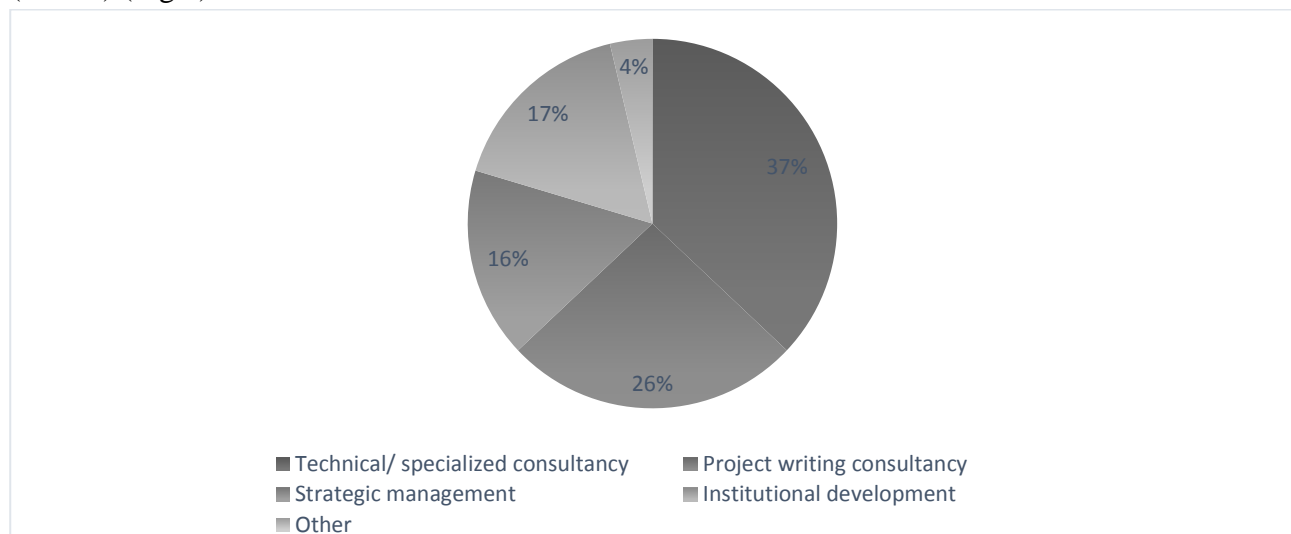


Figure 1. Typology of advisory services delivered to correspondents, between 2020-2024

Source: Prepared by author

Technical consulting focuses on providing specialized expertise and support in areas such as engineering, information technology, construction and industrial processes. This includes evaluating existing technical systems, recommending innovative solutions and helping organizations implement new technologies. Technical consultants are often contracted by development partners to generate business impact in various fields. The involvement of technical consultants in various organizations helps to reduce costs and improve the operational efficiency of the organization (McCabe and Brown, 2022).

Project writing consultancy refers to the support provided to organizations in developing project proposals for funding, either from national or international funds. It involves identifying funding opportunities, formulating project objectives and activities, and developing a detailed budget. Project

writing consultants also help to draft the necessary documentation and ensure compliance with donor requirements, thus facilitating access to essential financial resources for implementing initiatives.

Strategic management deals with the formulation and implementation of long-term strategies aimed at improving organizational performance and achieving business objectives. Strategic management consultants work with the organization's leaders to assess the external and internal environment, analyze market data, and define the organization's vision, mission and values. They provide recommendations for adjusting existing strategies and developing effective action plans, helping organizations adapt to changes in the business environment and remain competitive (Solcan, 2021).

Organizational development aims to enhance an organization's effectiveness and overall health by implementing interventions in its internal structure, culture, and processes. Organizational development consultants work to assess organizational climate, identify employee training and development needs, and facilitate changes that support learning and innovation. They implement leadership development programs, team-building initiatives, and change management strategies, thereby helping to increase employee satisfaction and productivity (Golder et al., 2021).

Other types of consultancy - this category includes consultancy in areas such as marketing, human resources, sustainability, risk management, legal or financial consultancy. Consultants in this category provide specific expertise tailored to the needs of organizations, helping to improve various aspects of their operations.

Upon analyzing the need for expertise, we conclude that organizations, particularly in the context of EU accession, require consultancy services for the implementation of projects and programs, as well as technical expertise (Fig.2).

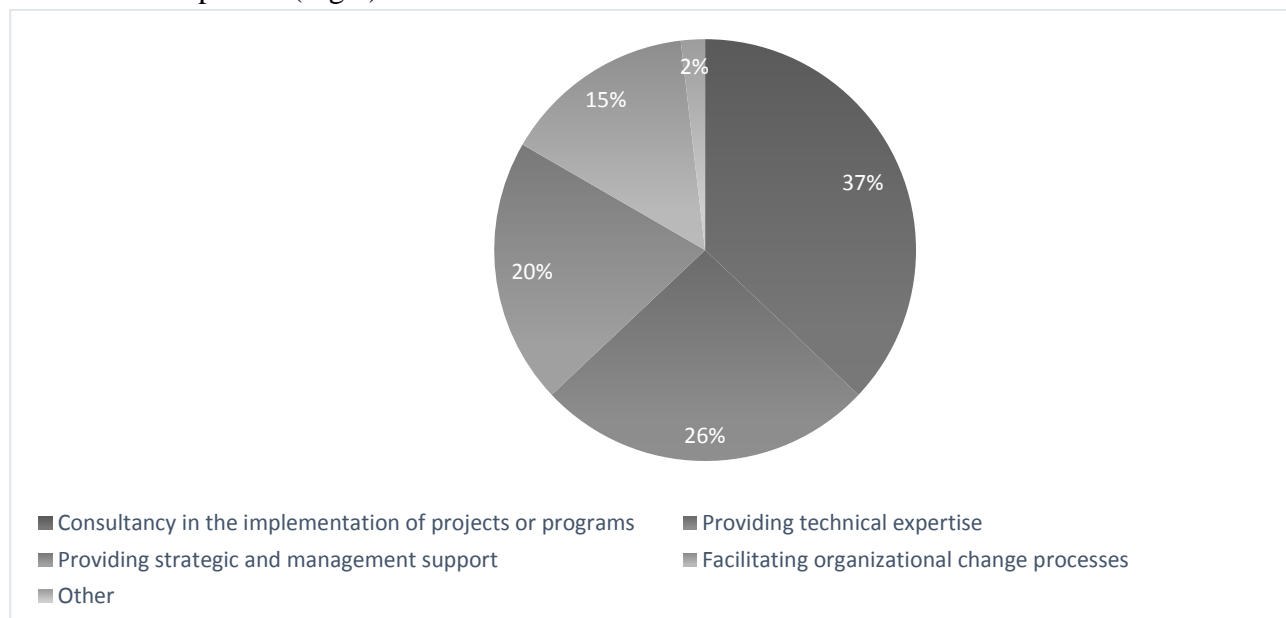


Figure 2. Role of consultants in the organization

Source: Prepared by author

2.2. Challenges and prospects for the consultancy sector

The consultancy sector in the Republic of Moldova faces several challenges despite the growing demand for its services. These obstacles hinder the sector's expansion and long-term efficiency. However, significant opportunities also exist, particularly in relation to European integration and increased foreign investment (Gaibu et al., 2011).

From the point of view of consulting companies, the main factor which contributes to the increase in turnover, are programs funded by donors and the public sector (AMCOR, 2022-2023). This fact is also mentioned by the respondents- beneficiaries of consultancy services, who state that the cost of consultancy services is paid from the following sources: development partners (66,67%), public budget (12,50%) and own (20,83%).

Consulting companies report that their decreased turnover is caused by bureaucratic processes and changes in tax policies (European Commission, 2021). Additionally, beneficiaries note that consulting services can be quite expensive, and the lack of procurement procedures and resources offered by development partners may further reduce the demand for these services.

Another challenge for the national consultancy sector is companies with a small number of employees, which cannot compete with international firms on large-scale projects.

In the process of accessing consultancy services, respondents mention that in the process of contracting services they identified challenges such as: the impossibility of identifying specialized consultants, the high cost of consultancy services, consultancy services delivered un-qualitatively, and some beneficiaries did not have any challenges (Fig.3).

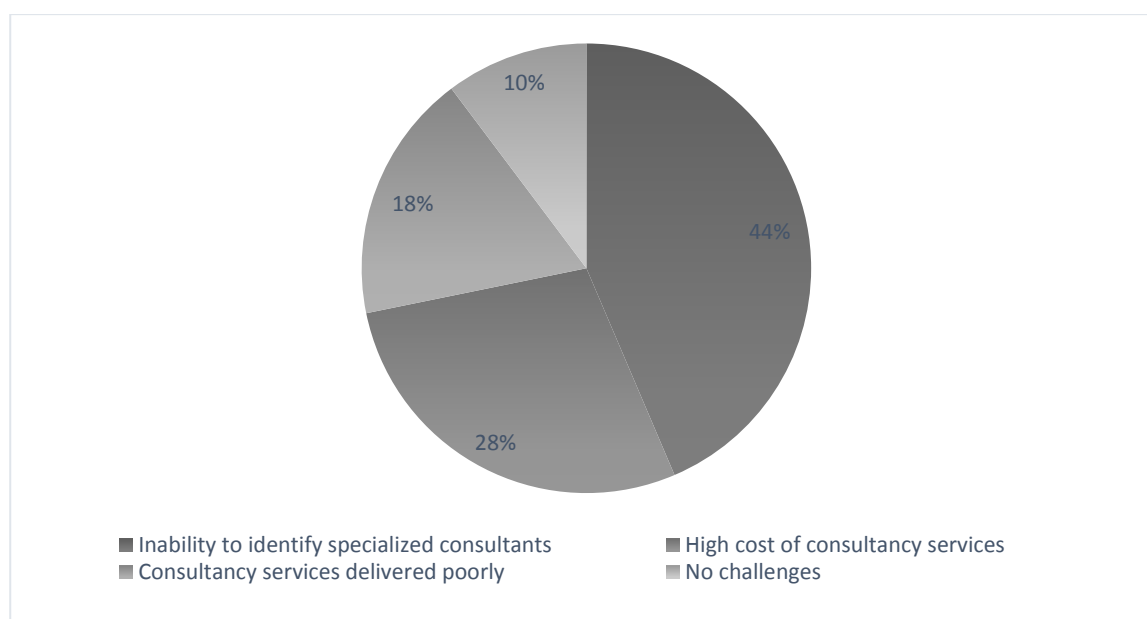


Figure 3. Challenges in accessing consulting services, encountered by respondents

Source: Prepared by author

The lack of diversification of consulting services, such as change management, IT process outsourcing and innovation consulting, is a significant obstacle in the development of the local professional services market. These areas, which are rapidly expanding globally, are essential for organizations to adapt to new technological and economic realities. However, in the local market, their development is limited by a combination of factors, including the absence of solid expertise in these sectors and the low level of demand from the public and private sector, which is still reluctant to invest in such services. This situation underlines the need to encourage both the training of specialists in emerging areas and awareness of the competitive advantages that these types of consultancy can bring.

Despite the challenges it faces, the consulting sector in the Republic of Moldova benefits from significant opportunities for development, especially in the context of strengthening relations with the European Union and access to European funds.

On the one hand, there is a growing demand for strategic and operational consultancy services due to the need to align with European standards. Both public and private organizations are feeling this need in order to adapt to new regulations and maintain their competitiveness in the global market. Recent surveys indicate that a significant percentage of the companies surveyed believe that strategic consultancy services will continue to be the most in demand in the near future (AMCOR, 2022-2023). At the same time, the expansion of international projects is generating a growing demand for professional project management. This trend will not only attract new consultancy firms to the market, but will also provide existing companies with opportunities to specialize in this field, thus contributing to the development of the sector.

Another important aspect is digitalization and technological innovation, which is an area with significant growth potential. Activities such as IT process outsourcing, implementation of artificial intelligence solutions and process automation are essential for adapting organizations to contemporary realities. These opportunities emphasize the need to adapt consulting services to today's requirements and develop the necessary expertise (Easterly and Levine, 2003) to face emerging challenges, thus facilitating the evolution of the consulting sector in the Republic of Moldova.

3. The role of consultants in the process of utilization of external assistance in the context of accession to the European Union

3.1. The role of consultants in attracting external assistance

Advisory services are indispensable for the success of external assistance projects, directly contributing to the efficient absorption of funds and their alignment with Moldova's strategic priorities. In 2023, the Republic of Moldova benefited from approximately **€4,775 million** of the available technical and financial assistance, a large part of these funds being managed with the support of local and international consultants (Platform for the Management of External Assistance, 2023). 438 external assistance projects were implemented during 2023, 251 of which were technical assistance projects, designed to respond to national development challenges and needs (Government of the Republic of Moldova, 2023). The majority of the projects being allocated to strategic areas such as public security, education, finance and justice. (Fig. 4)

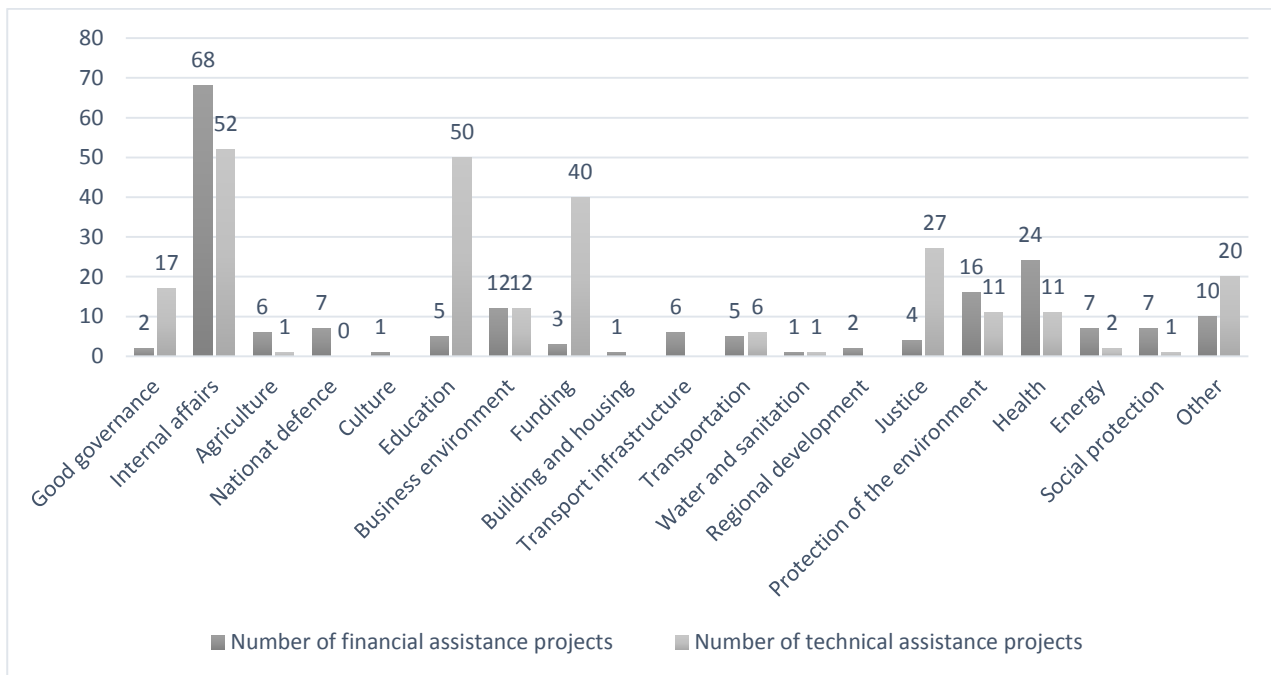


Figure 4. Distribution of financial and technical assistance projects

Source: compiled by the State Chancellery on the basis of data provided by sector coordinators

Consultants have played a key role in this process, facilitating access to international resources and supporting authorities in managing the bureaucratic and technical complexities associated with international funding. They not only contributed to the design and implementation of projects, but also provided ongoing support in monitoring and evaluating their impact. Their expertise has been crucial in ensuring compliance with international standards, which has enabled Moldovan institutions to develop internal capacities and maximize the use of external funds.

According to the data provided by respondents, consultants increase the need for external assistance by identifying internal organizational gaps, having a significant impact on the efficiency of operations (51.72%). They also help train internal staff (31.03%), which reduces the need for external assistance in the long term. This suggests that, by developing internal competencies, organizations become more self-sufficient and better able to manage future challenges without constantly depending on external support. However, only 17.24% of the respondents stipulated that consultants do not influence the decision to attract external sources for organizations, highlighting the critical role consultants play in defining and reinforcing organizational development strategies.

Thus, consultancy proves to be a fundamental element in the integration of external assistance into the institutional structures of the Republic of Moldova. The positive impact of these services is not only limited to attracting funds, but also extends to the capacity of organizations to innovate and adapt to the changing requirements of the economic and social environment, thus contributing to the sustainable development of the country.

3.2. Making efficient use of external assistance in the context of EU accession

Efficiency in the use of external assistance is a crucial aspect for the institutional development of the Republic of Moldova and for its alignment with the requirements of the European Union. One of the essential instruments facilitating this process, with the support of consultants, is the The Twinning program, a targeted initiative of the European Union, aims to enhance institutional capacities and

prepare public administrations for the effective absorption of European funds. Twinning projects have been pivotal in bolstering central public administration's ability to manage external assistance, thereby facilitating the implementation of reforms essential for the country's sustainable development. (World Bank, 2023).

Twinning projects are designed to provide technical and institutional assistance through collaboration between public institutions from EU Member States and partner countries (European Commission, 2021). The main objective of these projects is the transfer of knowledge, best practices and expertise, thus enabling the administrations of the Republic of Moldova to prepare for the absorption of European funds and the implementation of EU-funded projects. Thanks to the support received, public administrations have been able to improve their capacities in project planning and implementation, with the necessary expertise in areas such as financial management, project monitoring and institutional capacity building.

Activities carried out under Twinning projects include the transfer of expertise from EU Member States, which has brought local standards in line with international ones. Training of staff in central public administrations has also improved technical and managerial skills, enabling them to manage EU funds more effectively. Twinning projects have contributed to the creation of standardized procedures for managing funds, aiming to reduce implementation risks and increase the transparency and efficiency of administrative processes. In Moldova, approximately 30 Twinning projects have been implemented, significantly enhancing institutional capacities and supporting the country's reform agenda. (European Commission, 2021)

A relevant example of the success of this program is the Twinning project within the Ministry of Finance of the Republic of Moldova (Ministry of Finance of the Republic of Moldova, 2023), which aimed to strengthen institutional capacity for the management of European funds. Through this project, the central public administration was trained in the effective use of project monitoring and evaluation mechanisms, thus adapting to the strict reporting and transparency requirements of the European Union. The skills acquired were essential for the successful implementation of the funds and for increasing the absorption rate of external assistance.

The consultants have played a decisive role in the success of Twinning projects, directly supporting public administrations in the preparation of documentation and monitoring of project implementation. They ensured that public institutions were well equipped to effectively manage international funds, providing technical support at all stages of the project cycle, from planning to finalizing implementation. The consultants' contribution was instrumental in developing effective fund management procedures, leading to increased transparency and improved institutional capacity.

The impact of Twinning projects on the absorption of EU funds has been significant, contributing to better preparing public administrations to manage these resources efficiently. The survey on the role of consultants in making the use of external assistance more efficient showed that consultants are key factors for the success of externally funded projects. Thus, consultants not only ensured the successful implementation of the projects, but also had a lasting impact on the absorption capacity of EU funds by local institutions (Fig. 5)

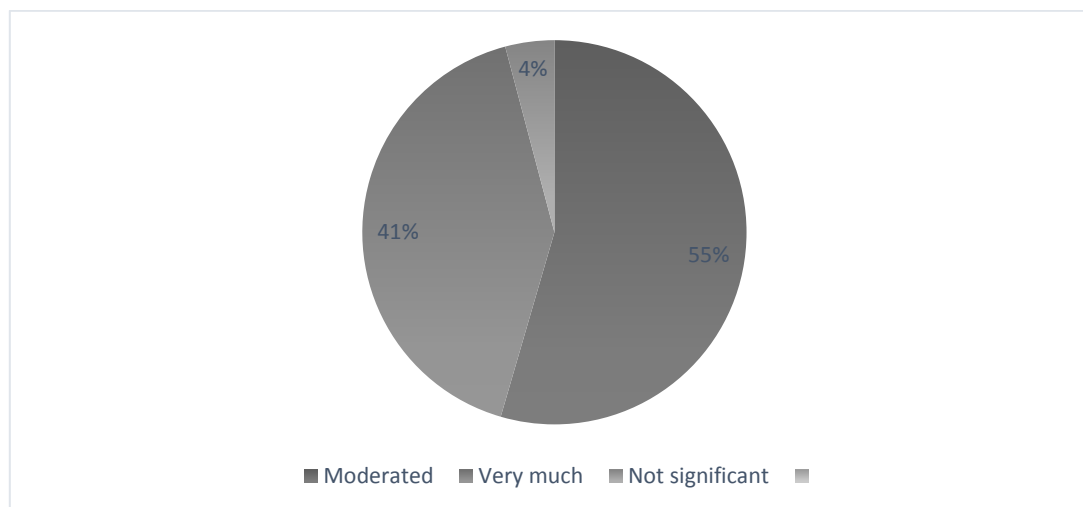


Figure 5. The impact of consultants on making the use of external assistance more efficient

Source: Prepared by author

Upon completing the questionnaire, respondents underscored the critical importance of consultancy services in institutional development and effective use of external assistance. Consultants not only contribute to the successful implementation of projects, but also significantly enhance the internal competencies of organizations, thereby improving their long-term sustainability and efficiency. The diversification of consultancy services, along with collaboration among consultants, state institutions, and development partners, is essential for strengthening institutional capacities and achieving Moldova's development objectives within the framework of European integration.

Conclusions

Consultants play a central role in the effective management and utilization of external assistance, contributing directly to the successful attraction and implementation of international funds in the Republic of Moldova. In the context of accession to the European Union, this role becomes particularly important, given the complexity of the processes of alignment with European standards and the need to manage financial resources in a transparent and efficient way. The consultants' expertise facilitates both the planning and implementation of projects, as well as their monitoring and evaluation, ensuring compliance with donor requirements and maximizing the impact of the funds on the socio-economic development of the country.

Nonetheless, the consultancy sector in the Republic of Moldova encounters considerable challenges. Its dependence on external funding and lack of diversification in consultancy services present significant risks to the sector's long-term sustainability. However, current trends indicate an increasing demand for strategic consultancy, project management and technical expertise, all of which are essential for the success of external assistance initiatives. By developing in-house capacity and expanding their skills portfolios, local consultants can assume a pivotal role in improving the effectiveness and sustainability of internationally funded projects.

The Twinning projects have demonstrated the importance of this type of consultancy in strengthening the institutional capacity of the public administration of the Republic of Moldova, contributing to the effective absorption of external assistance. The consultants have played a key role in this process, providing technical support and expertise in project management, strengthening the administrative

capacities needed to manage financial resources and implement structural reforms. The results of these projects underline the importance of institutional preparedness and specialized expertise in ensuring efficient absorption of funds, a crucial aspect in the European integration process.

According to empirical analysis and questionnaire data, the consultancy sector in the Republic of Moldova is in a phase of continuous expansion, stimulated by the increasing demand for technical and managerial expertise in external assistance projects. This development is underpinned by growing requirements for alignment with European standards and effective management of international projects. Although there are significant challenges, such as local market fragmentation and competition with international firms, Moldovan consultants play a vital role in facilitating the absorption of funds and strengthening institutional capacities.

In conclusion, by increasing internal capacities and adapting to new economic and technological realities, consultants in the Republic of Moldova have the potential to contribute significantly to the sustainable development of the country. They not only support the implementation of externally funded projects, but also help to create a solid basis for the long-term sustainability of institutional and economic development, thus strengthening the process of European integration and alignment with international and European standards.

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