

THE CONSULTING INDUSTRY IN NEPAL WORKING IN A GLOBALIZED WORLD

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ABSTRACTS

The catch words after Nepal transformed into the Republic are: **Building New Nepal**. This reflects the people's aspirations of a country that has been locked for decades in a political debate and upheavals which have taken the severe form of armed conflict. However, peace and prosperity for the common man is still an elusive dream. Living up to this bitter fact, today's political leaders, decision maker and planners have called for economic transformation as the imperative need of the times.

There is no doubt that building of a robust infrastructure is the backbone of a country's sustainable economic transformation. Acceptance of this conclusion invariably brings the importance of consulting services related to engineering, architecture, construction and physical planning to the forefront of development activities. The government must therefore play its cards judiciously and give adequate importance to this sector so that, it is not a house of cards that it builds as the nation's infrastructure.

Following the turn of such thoughts, action focuses on a vastly complex world of innovation and improved communication which has helped shrink the world into one without political borders and preferences and where distance and borders are no longer significant. Thanks to the technological advancements in micro-electronics, satellite communications, interactive information corridors and internet ingrained into concepts of emergent economies and liberated societies. The universal force termed 'Globalization' has become one of the most hotly-debated topics in international business over the past few years.

In this paper, an attempt is made to portray two very significant aspects of infrastructure development in Nepal – the consulting industry, its challenges and the globalization. The first part of the paper attempts to depict the state of the consulting industry: its strengths and weakness and then to analyze the steps that need a long-term approach for its development. The second part attempts to correlate the development of the consulting industry with the

1.1 Background

Stretching over a period of three decades or more, the history of the consulting industry in Nepal is comparatively young. During the earlier phase, Nepalese architects and engineers have been engaged as individual consultants in a wide variety of projects, study assignments and assessments undertaken by the government. The formation of professional societies, like the SCAEF, NEA, SONA, SEANEP, SOMEN, SEEN, FCAN etc., at a later date, has created a very positive environment for institutionalizing this service industry. In order to display their acquired capacities, these societies have acquired membership and affiliations with their respective international professional societies, making them more reputable in a global context. Nevertheless, the overall service industry in Nepal remains to be duly recognized by the government despite the fact that the service sector, though officially not recorded, contributes more than 40% in the national GDP of Nepal - the construction industry alone contributing about 15%.

In this backdrop, it may be observed that the institutionalisation of the consulting industry effectively commenced with the establishment of SCAEF in 1990 with objectives that aimed to:

- encourage the development and encouragement of business and professional interests of Nepalese Consulting Architectural and Engineering Firms;
- create a conducive atmosphere for healthy competition amongst consulting firms;
- create a situation, conducive to greater participation by Nepalese Consultants in development projects within Nepal and to lessen Nepal's dependence on foreign consultants;
- enable small firms to offer consulting service in large scale projects through joint ventures; and
- develop affiliations with international societies and associations

Ever since its inception, SCAEF has been putting in considerable efforts towards the professional development of the consulting services and professional practices which in effect, also meant to reduce if not removal or elimination of many deterrents that ailed the consulting business.

Presently, there are more than 700 consulting firms duly registered in the government, about 80 being registered as members of SCAEF. Consulting

firms taking membership in SCAEF is on the increase. The reason for this increase is mainly because of the fact that the consulting firms started having faith that only through SCAEF, the consulting industry can move ahead. Many of the member firms have improved their institutional capability and have registered their firms with international Donor and Lending agencies and enjoyed the opportunity to participate in solicitation of proposals for consulting jobs undertaken by the international agencies.

1.2 Capability of Nepalese Consulting Firms

1.2.1 General

Nepalese consulting firms have accumulated lots of experiences through their long association in the consulting business. Many of the leading consulting firms have gained extensive experiences in working in the projects funded by the bilateral and multilateral agencies like the World Bank, The Asian Development Bank, DFID, JICA, SDC, GTZ etc. They have worked as a joint venture partner or in association with many of the international firms from all over the world. While working as a partner in the projects, the Nepalese consulting firms had the opportunity to gain experiences through the technology transfer from the experienced expatriate firms and thus have been capable to provide the quality services comparable to the world class standard. These national consulting firms are fully familiar with the requirements of the Donor Guidelines as well as with the FIDIC Conditions of Contract

Presently, Nepalese consulting firms have been started to be trusted as an independent consulting service provider without the involvement of foreign consultants in many donor funded projects in recognition to their past performances. Additionally in few of the projects, the clients have designed the consulting assignment with Nepalese consulting firms as lead firms with expatriate foreign firms as an associate partner.

Despite the hurdles that the consulting industry continues to face in its operations, the steady attachment of the industry to various sectors of the country's economy has enabled it to strengthen its capabilities to an appreciable extent and thereby to successfully undertake bigger and more challenging projects and technical studies with professional excellence.

Meeting the international criteria, few of the Nepali consultants have even succeeded in spreading their wings beyond the domestic borders to a few Asian countries viz., India, Sri Lanka, Bhutan, Laos, China, Afghanistan, East Timor etc. In an attempt to carve a niche in the regional scenario, SCAEF has also had dialogues with SAARC Secretary General to establish a SAARC Forum of Consulting Architects and Engineers wherein Nepalese consultancy could play a positive role of wider dimensions.

Additionally, Nepalese experts have established themselves as internationally competent and therefore they have been hired and employed by the expatriate consulting firms as an international expert to work in different parts of the world.

1.2.2 Working Experiences in Difficult Environment

Nepal by virtue of its varied geographical terrain imposes rather a difficult and challenging working environment. The difficult and challenging site environment includes: (i) hot and temperate terai planes, (ii) very steep, fragile and sensitive mid hills and (iii) cold, windy and snow covered high Himalayas. The Nepalese consulting firms having accomplishing consulting assignments in such environment may thus be regarded as consulting firms with rich and valuable experiences working in difficult environment. These added qualifications and experiences possessed by Nepalese firms may be advantageously used in other countries.

1.2.3 Types of Services and Area of Specialization

The types of services provided by the Nepalese consulting firms, among others, include:

- the feasibility study,
- survey and investigations,
- detailed design,
- Social and Environmental Studies
- Pre-construction, construction and post construction activities.
- Operations and maintenance.
- Research, studies and the training programmes,

The specialized sectors where the Nepalese Consulting Firms have provided services are:

- Rural Development
- Irrigation and Agriculture
- Transportation mainly in road/highways and airport including bridges
- Water Supply and Sanitation
- Urban Development and Tourism
- Hydro-power
- Socio-economic and Environment etc

2. Efforts Made and Prospects for Promotion

Nepal being a developing country has lot of scope for development. In fact, Nepal has not started real process for development. With the change in the political set-up and the new people's government taking over with a slogan of "Building New Nepal", people of this country aspire that soon there will be a real development activities. **SCAEF has organized separate sessions on the investment and business opportunities in Nepal in this conference, where the foreign delegates can have a kind of impression on the policies and future development plans in few infrastructure sectors.** In such a scenario, obviously, there is no doubt that the Consulting Industry will have lead role to play. The importance and the impact of Consulting Industry as a vital component of the development affair is being slowly recognized in Nepal and the vast opportunity for its development is wide open. Hence, the future of this industry encouraging in Nepal. Certainly, the consulting industry is an amalgamation of business and profession. To attain this fusion, SCAEF believes that the industry should be geared to undertake assignments with professional liability and accepted integrity. SCAEF also believes that such professional aspirations need to be indelibly engraved in the management of the consulting firms over all ranks and levels of their corporate structure so that they are earnestly adhered to. In order to attain hallmark qualities of the profession, the industry needs the support of national legislation such as the Consulting Industry Development Act that the industry can lean on. This needs to be the foundation for developing corporate culture that embraces professional liability and ethics in nation building.

During recent years, SCAEF has worked with GON, as one of the partner, to put together important measures for the institutional development of the engineering profession. This partnership has been successful in bringing about the following results:

- recognition of SCAEF as national body since 1996;

- designation of Ministry of Physical Planning and Works as the Line Ministry to promote consulting sector;
- enactment of Nepal Engineering Council Act;
- formulation of Nepal Building Codes Act;
- establishment of Construction Industry Development Board;
- publication of Public Works Directives; and
- preparation of National Procurement Act

In the continued effort to strengthen the consulting industry and provide capacity building within its ranks, SCAEF has played vital roles in conducting and attending various training workshops and seminars both at national level as well as international level. International development agencies mainly ADB has given impetus to support for the development of Consulting Industry Development Act, which is now under preparation for which SCAEF is very much obliged to the Government and the Asian Development Bank. It is anticipated that the proposed Consulting Industry Development Act will cover a number of issues related to institutional development, procurement and management aspects, among others, as follows:

- Promotion and Wider Recognition of Domestic Consultant Firms:
- Human Resource Development
- SCAEF as Development Partner
- Elimination of Non-Competitive Environment
- Transparent and Uniformity in Procurement of Consulting Services by all Government and Other Agencies by establishing National Procurement Cell
- Public Private Partnership
- Creation of Market Development Fund and Consultancy Development Center to promote Nepalese Consulting Industry

SCAEF is confident that given the positive interest from GON and augmented with capacity building programmes supported by Donor Agencies, the avenue for institutional strengthening of the country's Consulting Industry will attain greater heights and will create, among others:

- employment opportunities to a large numbers of engineers, experts/specialists, technicians and administrative staff including retired government employees etc.;
- help curb the flow of the mid level engineers and the valuable trained technicians going abroad looking for attractive job;

- enhancement to service delivery and revenue generation for the government with generation for more business;
- ensured increased accountability and sustainability of infrastructure development works through the use of consultants operating within the country;
- significant reduction in the project cost with appropriate combination of domestic and international consultants;
- money spent on the services remaining within the country;
- developing human resources to lead towards knowledge-infrastructure and knowledge- economy; and thus
- creating an environment for effective contribution in the efforts for poverty alleviation and building of New Nepal with sustainable development.

3. CONSULTING INDUSTRY IN THE GLOBALIZED CONTEXT

Worldwide waves of globalization, privatization, liberalization and the concept of a borderless economy have brought about powerful pressures on the governance of third world countries like Nepal. In a scenario where the country still struggles to shrug off the drudgeries of poverty and

survive under development doldrums, Nepal must keep in step with world trends of liberalization and globalization. In order to survive in these waves of economic reforms that Nepal has had to enter the world community as a member of WTO since April 23, 2004. The effect of globalization on the less developed country like Nepal may have pros and cons. Therefore, the steps to be taken should be judiciously analyzed and should be implemented. If the probable effects are not timely assessed prudently and appropriate decision made, the aftermath may wreck the foundation of our consulting industry or even the national be it in the commercial, trade or service sector.

In more specific terms, the fledging consulting industry in Nepal may be made to confront with cutting-edge competition from the superior, high-tech advocates of the developed countries. This is in tune with universal trends where even domestic issues are increasingly affected by international actors and events. It is evident that in the years ahead, there will be more challenges that will call for earnest endeavor from developing countries of the world like Nepal. The invasion from high-tech, digitization of information, liberalization of economy and global competition for excellence in

qualitative performance will push the emerging countries like Nepal to remoter niches to run its business. Unless we become more qualified, innovative, creative, dedicated, sincere and honest and face the world with an open attitude, the niches may altogether vanish.

The construction and consulting industries, including science and technology related professional services, are the pillars and the backbone of development of any nation and survival strategies must be adopted to conserve them as an entity that has grown within the country. For this, a more determined and bold support from the government is a must in order to promote and ensure strengthening and proliferation of this national industry, such that it can compete in environs of global competition and challenge. Thus, the government and all stakeholders involved in development of any nation now should not over emphasize the significance of the following facts:

No nation can operate this 21st century economy without a 21st century knowledge infrastructure. Knowledge infrastructure has now to be developed first for tangible economic performance.

- Skill acquisition its development and retention, creativity and entrepreneurship are the 'engines' that drive knowledge infrastructure.
- The issue of the enhancement of skill in domestic consultancy service industry should be recognized as the major thrust for overall developmental endeavors of the nation, as this industry is an inevitable element to bring about reality of the dream of the national construction for prosperity.
- The government should have positive attitude towards its development and support for the formulation of a appropriate and dynamic legislative backdrop which are the foundations for survival in the present scenario of the globalization.

In effect, Nepal's entry to WTO has opened door to the onset of developed technology and cutting-edge expertise. Therefore, we need to establish an important step forward in terms of meaningful transfer of technology and development of knowledge-base in the local service market.

4. CONCLUSION

From the brief overview attempted in the preceding paragraphs, it becomes evident that there still remains large number of issues which needs to be

addressed to institutionalize the consulting service industry in Nepal as a truly competent professional entity to meet the challenges induced by the globalization and the liberal economy of the world. In addition, concerted efforts must be made to bolster qualifications that uphold professional ethics in the industry. Other than the meeting challenges at home, time has also come to keep abreast with the broader concepts of globalization if it is to survive and sustain.

To conclude, it becomes evident from the history of developed countries that the consulting and construction service industries have always played essential services to society and have been the country's backbone in the process of development. The development of this sector, in fact, acts as a litmus indicator of the level of overall development in a country. However, positive and supportive policies and legislative support need to be identified, formulated and implemented. Learning from these examples, the domestic consulting industry under the consolidated leadership of SCAEF needs to be supported from all quarters in its endeavor to sculpture a profession that all may look up in appreciation and confidence.