Survey on Threats of Consultancy Service (Ethiopian Context)

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INTRODUCTION

In parallel with the economic growth of Ethiopia, the construction industry is expanding its feature in infrastructure and buildings. This fast growing nature of the industry is demanding more professionals and firms to engage in the consultancy services. For sustainable growth in the service sector, it should be supported by good industry practice.

FIDIC defines Engineers and Consulting Engineers as follows;

“Engineers are problem solvers, organizers, communicators, calculators, and designers. They are capable of clearly defining a problem and its relevant constraints (such as time, cost, etc.) and providing a simple solution. They are always seeking quicker, better, and less expensive ways to improve Quality of Life for everyone.”

“A consulting engineer is a professionally qualified engineer in private practice, maintaining an engineering office, either alone or in association with other engineers, employing staff to provide consultancy services.”

OBJECTIVE OF THE SURVEY

The specific aim of this SURVEY is to identify and state the level on threats of the consultancy service and to use the outcome as a focus point for further research/study and to aware/advocate the concerned government body.

Even though there could be other focus points, this study focuses on four major areas as an umbrella of the study while leaving space for
respondents to express their views on any additional points.

1. **Registration of consultant:**
   Registration is the first entry point which certifies the consultant to engage in the industry. Though assessing and understanding this system and will be crucial.

2. **The role of consultant:**
   Professionals Engaging and engaged in the consultancy service, Employers and Contractors should now the Role of Consultants priory

3. **Selection of consultant for a specific project**
   All registered consultant should go through selection requirement to engage in a specific project. Next to the registration selection of consultant is the second milestone point for the consultancy service.

4. **Integrity & Ethics**
   Consultants provide professional expert advice for such service Ethics and Integrity is a back bone.

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### 1. **Registration of consultant**

In Ethiopia registration of a consultant is subjected to “Amended Directive for the registration of Design Professionals and Consultants No 22/2013” Issued by Ministry of Urban Development and Construction.

Even though the directive deals with professionals and Consultants collectively for the purpose of this study we consider only Part VI which deals with “Licensing of Consulting Firms”

1. **CATEGORIZATION OF CONSULTANTS**

The Directive Categorize application for registration as a consultant: Building Sector, Water and Sewage, Highway and Bridge, Construction Management.

2. **REQUIREMENT FOR REGISTRATION**

**Requirements in the directive**

In the directive sub section 4, states about “Professional, Equipment, and Turnover Requirement”
In the directive Annexes 1 – 11 shows the Requirement (Staff, Capital, Office Area, and Office facility) for Each Classification befitting category.

**FINDINGS OF THE SURVEY**

Opinion of the consultants is asked to assess the level of agreement for the directive of registration of consultants and the current practice on registration

**Categorization of consultants** is widely acceptable among consultants. 69% of consultants who respond to the questioner agrees on the categorization of consultant while 12% disagree. Among those who disagree explain their disagreement as follows;

- Categorization needs to be by Capacity
- same category by two registration body should be coordinated
- There should be combined category for firms who would like to engage in different category,

**Capital Requirement:** Collectively 38% and 42% disagree While 35% and 39% agree for the capital requirement on the directive and document requested by the registration body respectively.

Among those who disagree for the capital requirement gives their explanation as follows;

- It is almost none/open;
- Request for the bank letter for balance on specific date doesn’t reflect capital;
- Once the company is established no need for capital requirement;
- Needs to grow as the company grow;

**Office Area Requirement** half of the respondent say they disagree for both Office Area requirement set on the directive and document requested by the registration body. While 19% and 27% Agree. For this requirement more than a quarter of the respondent says the requirement on the directive doesn’t matter.

Among those who disagree for the office area requirement gives their explanation as follows;

- The office area requirement is very much exaggerated in comparison with the
office Facility requirement and needs to be minimized.

- The checking relay on the document provided physical checking should be done

**Staff Requirement:** 46% and 42% of the respondent agrees 31% and 35% of the respondent disagrees for the requirement set on the directive and document requested by the registration body.

Among those who disagree for the staff requirement gives their explanation as follows;

- The staff requirement addresses only for the design projects it totally overlook Construction supervision and Contract Management services;
- Needs to be higher

**Office Facility Requirement:** 46% and 42% of the respondent agree, 27% and 31% of the respondent disagree for the requirement set on the directive and document requested by the registration body.

Among those who disagree for the staff requirement gives their explanation as follows;

- Some equipment like Blue print Machine could be outsourced and/or replaced, Theodolite could be outsourced, etc.
- Needs to grow and be assessed from time to time;

***Regarding the blue print machine not only the respondent who disagree but also who agrees to the requirement state exceptionally as not necessary

3. **REGISTRATION AND CERTIFICATION SYSTEM OF CONSULTANTS**

**FINDINGS OF THE SURVEY**

34% of consultants who respond to the questioner Agrees on the registration and certification system of consultants, while 35% disagree. Considerably more than quarter of the respondent says it doesn’t matter but none agrees without exception. Even among respondents who agree with the certification and registration system have some exceptions similar to the ones who disagree like; “The categorization should be based on financial, technical and staff capacity”
For this question the number of respondents who says “it doesn’t matter” is equal to the one who disagrees. However the response for question No. 4 shows another perspective.

- Doesn’t differentiate consultants properly (it is easy to be G1)
- It has a tendency to force false statement
- The system should be revised to make sure it is aligned with the current practice and ambiguities in licensing have to be addressed
- Company experience and project performance should be considered particularly for upper categories.

1. **Implication of Consultants Registration**

This question is targets to assess the reasons of consultant who have objection on the registration and certification system. However some respondents prefer to address these questions even if they agree with the system.

**FINDINGS OF THE SURVEY**

**Allowing incompetent consulting firms** ranks first with 83% responses as an implication of the registration and certification system. 12% of the respondent disagrees with it.

**Undermining reputation of a firm** comes next with 76% responses as an implication of the registration and certification system. Only 6% disagree with it and 12% says it doesn’t matter.

The remaining three **implications quality of service, acting as a barrier for capable professionals and undermining experience of the firm** comes next with similar 70% response of agreement.

Three respondents who agree on the registration and certification system choose to respond for question number 4. These respondents are not included in the above table.

- One of the respondents agrees with all five implication exception. From the five points on 4.1, 4.2 and 4.3 with no exception.
- One of the respondents agrees with no exception on four exceptions while strongly disagree on 4.2.
- One of the respondents disagrees on all points.
II. ROLE OF CONSULTANTS
The survey assessed the opinion of the consultant on the necessity, effect, and level of threat of the role of consultant in the construction industry.

FINDINGS OF THE SURVEY
As per the findings of the survey

- 96% of the respondents believe there should be a reference standard / guideline to define the role of the consultants in the construction industry. And 69% thinks the role of consultant is defined ambiguously while 8% says it is well defined and 19% believes not defined at all.

- 88% of the respondents disagree with the current definition/understanding of the Role of Consultant. From those who disagree on the definition of the role of consultant Undermining the role of consultants, Lack of Competence/Knowledge and Lack of standard 53.85%, 46.15%, and 42.31% respectively ranks from first to third as a problem in relation with defining the role of consultant. More than quarter of the respondent 26.92% believes the problem in relation with defining role of consultant is negligence. And 11.54% says it is a deliberate act.

Ministry of Construction ranks first (92.31%) as a responsible body to define and follow the role of consultant, while ECEAA and Professional Association ranks Second and third with 73.08% and 69.23%. The least preference on defining the role of consultant is Ministry of Finance with 3.85%.

- 96% agrees defining the role of consultant have Implication on Project Delivery.

Ethics and Integrity ranks first with 73.08% ranks first as a number one effect of the role of consultant problem. Implication on project quality is second with 69.23% and accountability problem follows with 65.38% Responses. The survey also shows the problem also affect the line of communication and creates
loophole among stakeholders with 61.54% responses. Negligence of responsibility and advocacy for claim and disputes comes next with 50% and 46.15%. The respondents consider the role of consultant as a reason for abnormal price is the least with 26.92%.

88% says the role of consultant should be available by the governing body/registration body prior to licensing.

Finally 58% considers the problem in relation with defining the role of consultant as a threat for the consultancy service while 38% don’t.

The respondents who believe the problem in relation with defining the role of consultant as a threat recommends;

- Follow the role of consultant definition in other developing countries which have less problems in the industry;
- The professionals who want to engage as a consultant should know and understand the Role of consultant and consequential liability in case of failure and breach
- Guideline should be developed by the Ministry of construction in collaboration with professional associations;
- An independent body should be established to protect consultants from Employer's pressure;
- All stakeholders should clearly understand the role of consultant clearly;

III. SELECTION REQUIREMENTS OF CONSULTANT FOR SPECIFIC PROJECT

Standard Bidding Document for Procurement of Consultancy Services (Version 1, July 2011) prepared by Federal Public Procurement and Property Administration is the document used by public body for public project.

The survey has assessed the experience of consultants on the selection requirement of consultants for specific project and the level of threat it pauses on the consultancy service.

The survey finding shows

All respondents believe selection of consultant has major implication on project delivery and 96% agrees there
should be a guideline for selection requirements of consultant for specific project. The 4% who disagree believes the guideline is not necessary.

Ministry of Construction, ECEAA and Professional Association take the lion's share as 88.46%, 73.08% and 61.54% respectively believes this institutions are responsible to prepare consultants selection criteria guidelines whether collectively and/or individually. The very least preference to prepare consultants selection criteria guidelines is Ministry of Finance with 7.69%.

The survey shows all respondents experienced difficulty to participate in a bid due to problem in relation with consultant's selection requirement.

Consultant’s selection Requirement set on a specific bid over requirement on specific experience and annual turnover selected as a major difficulty encountered to participate in a bid with 61.54% response, key personnel and Bid Bond follows with 34.62% response. Under requirement on Bid floating period has 30.77% responses and in contrary over requirement of bid floating period have 26.92%.

Weather it is over requirement or under requirement 84.62% says they encounter problem in relation with specific experience requirement, 69.23% have annual turnover problem, 53.85% says they have problem in relation with key personnel.

Among all who faces difficulty to participate in a bid due to problem in relation with selection requirement 57.69% says they prefer not to participate. From those who say they write compliant letter for the public body 75% says the level of response is inadequate while 33% says they don’t get a response at all.

Among those who say they write compliant letter for the governing body (30.77%) none have got satisfactory response, 63% have inadequate response, and 13% says no response at all.

Reason:
The finding of the survey shows Competence of personnel who prepares the document,
Intention to favor a single participant and Lack of knowledge of the magnitude/complexity of the project, Intention to limit number of participants are considered to be the top reason for problems in relation to the consultants selection requirement for a specific project with 80.77%, 69.23%, 61.54% and 53.85% responses respectively.

A reason to attract more participation by setting low requirement takes the least response. While; Intention to hire highly qualified consultant, to avoid accountability by setting high requirement Lack of Guideline/reference, follows with a response of 19.23%, 30.77%, and 46.15% respectively.

Some of the Respondents also believe in addition to the eight reason listed in the table above lack of response for complaints and low fee are also reason for problems in relation to the consultants selection requirement for a specific project.

Effect:
92.31% say the effect of problem in relation to the consultants selection requirement for a project impact quality of service.

Ethics & Integrity, implication on project quality/delivery comes next with 73.08% for each, followed by limiting competition with 69.23% response. And Advocacy for bribery and discouraging emerging consultants comes last with 57.69% and 53.85% responses.

Some also believe in the future the effect of the problem in relation with consultant selection requirment could lead the industry to collapse.

Finally 96% considers the problem in relation with the consultants selection requirement as a threat for consultancy Service as a threat for the consultancy service while 4% don’t.

The respondents who believe the problem in relation with the consultants selection requirement as a threat for consultancy Service recommends;
- Standard should be developed
- unreasonable should be avoided
- reasonable minimum fee should be considered
• Selection of consultant should be based on volume and complexity of the project rather than category
• There should be strict rule of law for administering bids and selection of consultant
• Grading of consultant should be set properly
• Acknowledgment should be given publicly for good performance and criticism for bad as well
• Measure taken for Unethical should be done publicly
• Procurement team should be technical and the Request for proposal should be prepared by competent personnel
• The contract type is currently changing to Design Build contract and this is excluding local consultants;

IV. ETHICS AND INTEGRITY

The survey shows 92% believes the necessity of Ethics & Integrity of Consultant for project realization is High and 8% says low. 85% believe the ethics & Integrity of Consultant is low and 11% says none (consultants doesn’t have ethics and Integrity).

Low Fee ranks first as the main reason for lack of integrity with 88.46% response, Lack of system to punish unethical ranks second with 76.92% response, unfair consultant selection requirement rank and Desire for easy money rank third with 69.23% response each. Lack of Competence and lack of binding code of ethics and integrity follows with 61.54% and 53.85% responses respectively.

Unbalance between number of consultant and available project ranks last with 7.69% response.

Quality of service ranks first with 92.31% response as an effect of Ethics and integrity, while cost overrun on projects comes second with 88.46% response. 80.77% of the respondent believes ethics and integrity problem have an effect on quality of construction, lack of trust on consultants and unfair competition. Undervaluation of projects have the least response as an effect of ethics and integrity with 38.46% response.

Some of the respondents also believe ethics and integrity has an effect on exclusion of
genuin consultants and time over run n projects.

The survey shows all respndants believe ethics and integrity problem mostly involves in selection of consultants. With 88.46% response selection of contractor comes second followed by material sample approval with 61.54% response. Payment certification also have above average response (57.69%). Respondants believes subcontractor approval and registraton of consultants are the least where ethics and integrity involves with 23.08% and 30.77% responses.

Finally all of the respondents consider the problem in relation Ethics and Integrity of Consultants as a threat for consultancy Service.

CONCLUSION

The survey concluded that all the consultancy service is facing a major threat. The Level of threat may vary from one another

1. ETHICS AND INTEGRITY

Ethics and integrity ranks first as a threat of the consultancy service which was unanimous among respondents. This problem believes to have implication in quality of service, cost overrun, unfair competition, quality of construction, Lack of trust on consultants

2. SELECTION REQUIREMENTS OF CONSULTANT

Selection requirement of consultant ranks second as a threat of the consultancy service with 96% of respondents says yes. This problem believes to be one of the cause of ethics and integrity and have implication in quality of service, Implicate project Quality/delivery, Limiting competition. Advocate bribery, Discourage Emerging Consultants.

3. DEFINING ROLE OF CONSULTANT

Role of consultant ranks Third as a threat of the consultancy service with 58% of respondents says yes and 38% No. relative to Ethics and Integrity and Consultants selection requirement the level of threat doesn’t seem alarming.
This problem believes to be one of the causes of ethics and integrity and have implication on project Quality, Accountability Problem, Affect the line of communication, create loophole among stakeholders, Negligence of responsibility.

4. **REGISTRATION OF CONSULTANT**

Registration of Consultant considered being the least threat. The proportion of respondents of who Agree, Disagree and believe it doesn’t matter is almost equal (1/3).

But more than half of the respondents believe registration of consultant have effect on

- The quality of consultancy service (53.85%)
- Acting as a barrier for capable professionals from entering the service (50%)
- allowing incompetent consulting firms to acquire highest categories (61.54)
- undermining experiences of a firm (53.85)
- undermining reputations of a firm (57.69)

**RECOMMENDATION**

The survey added open ended questions for the respondent to add major issues not addressed in the questionnaire;

- Minimum Fee for consultancy Service
- The Building Permit process (plan Consent, Competence of professionals,
- Membership of Association should be Mandatory for Registration
- Quality of Education
- Licensing requirement of all the regions separately
- Minimum Deliverable standard
- Data Base for Professionals and Consulting Offices

To tackle the threats of the consultancy service

- On the Selection Requirement and Role of Consultant Definition further study should be done and ECEAA should take the center stage in coordination this even though the survey shows Construction Minister should do it in the first place;
• *Special attention should be given in creating industry practice guidelines, Norms and standards;*

• *Competence assessment on professionals engaged in Consulting Offices and government body should be given and professional association should take center stage on this regard;*