

## **Sector Profile For Consultancy Services In the ADB and Philippines Market**

### **1.0 MARKET STRUCTURE**

#### **1.1 Background**

The Philippines is the host country of the Asian Development Bank (ADB). There are currently 65 member countries in the ADB, 47 of which are in Asia and the Pacific region.

In 2005 the Asian Development Bank (ADB) lent a total of US\$ 5,797 million to its developing member countries. Another \$198.8 million was used to finance technical assistance (TA) grants. The proceeds were used for loans and technical assistance projects in various sectors in different countries. The projects are primarily aimed at alleviating poverty and improving the plight of the poor.

In 2005 various New Zealand consulting firms and individuals were awarded a total of \$6.1 million TA contracts by ADB. Another \$4 million was awarded for consultancy components of loan projects. New Zealand contractors won tenders for approximately \$10.9 million worth of construction work ADB financed projects in 2005.

New Zealand consultants have had more success in TA consultancy work, ranking 4<sup>th</sup> amongst eligible countries providing TA consultancy services to the ADB.

The Philippines is a founding member of the ADB and is the 11<sup>th</sup> largest shareholder. It is the eighth largest borrower from ADB in 2005 with loans amounting to US\$180 million, representing 3.11% of total ADB loans for the year.

As at December 2005, the Philippines has received a total of 195 loans valued at \$8.8 billion and an additional 316 Technical Assistance (TA) projects amounting to \$142 million.

Overall, the Philippines is the fifth largest borrower of the ADB and the largest client for approved private sector loans.

NZTE services are available to all New Zealand companies who intend to pursue and bid for ADB-funded projects.

#### **1.2 Size**

In 2005, the Asian Development Bank approved a total of \$5,797 million worth of loans. An additional \$198.8 million was used to finance 299 technical assistance (TA) activities. TA projects are used to assist in the planning and execution of development projects and programmes and also utilised to fund advisory services.

##### **1.2.1 Loans by Sector, 2005**

<b>Sectors</b>	<b>US\$ Millions</b>	<b>%</b>
Transport and Communications	1,723	30
Energy	1,074	19
Multisector	865	15
Law, Economic Management, and Public Policy	778	13
Water Supply, Sanitation, and Waste Management	618	11
Agriculture and Natural Resources	314	5
Finance	284	5
Education	58	1
Health, Nutrition, and Social Protection	58	1
Industry and Trade	25	0.4
<b>Total</b>	<b>5,797.00</b>	<b>100.00</b>

\*totals may not add due to rounding

Source: Asian Development Bank

The top ten borrowers of ADB accounted for approximately 95% of total loans approved in 2005.

### 1.2.2 Borrowers by Country, 2005

<b>Countries</b>	<b>US\$ Millions</b>	<b>%</b>
China, People's Republic of	1,499.52	25.87
Indonesia	1,145.69	19.76
Pakistan	776.30	13.39
Vietnam	577.70	9.97
Bangladesh	474.80	8.19
India	440.31	7.60
Sri Lanka	253.00	4.36
Philippines	180.00	3.11
Afghanistan	135.00	2.33
Lao People's Democratic Republic	70.00	1.21
Other Developing Member Countries	242.99	4.18
Regional	1.50	0.03
<b>Grand Total</b>	<b>5,796.81</b>	<b>100.00</b>

\*totals may not add due to rounding

Source: Asian Development Bank

Loan approvals for 2005 were up from 2004 but less than loans granted in 2003. The amount approved for TA projects increased by 1% from 2004.

### 1.2.3 Loans and Technical Assistance by Year (in US\$ millions)

<b>Type</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Loans	5,797.00	5,293.44	6,104.81
Technical Assistance	198.80	197.00	176.54

Source: Asian Development Bank

## 2.0 COMPETITIVE ENVIRONMENT

### 2.1 Major Players in the Market

New Zealand consultants will be competing with many of the well-known international consulting companies from other member countries of the ADB. Since the ADB is located in Manila, many consulting companies have established a presence in the Philippines either by associating with local consulting organisations or setting up their own marketing offices in Manila.

Some of the international consultants are Almec, Pacific Consultants, (Japan), Bechtel, Louis Berger, (USA), BHP, SMEC, (Australia), Electrowatt (Switzerland), Hyundai (Korea), Leighton (UK), Maunsell (Australia/New Zealand), NorConsult (Norway), SNC-Lavalin, N D Lea (Canada), others.

According to a scoping study commissioned by NZTE Manila last year, New Zealand consultants ranked 4<sup>th</sup> amongst eligible countries providing TA consulting services to the ADB suppliers. Its major competitors are consultancy firms from the US (ranked 1<sup>st</sup>), the United Kingdom (ranked 2<sup>nd</sup>), Australia (3<sup>rd</sup>) and Canada (5<sup>th</sup>).

#### 2.1.1 Performance of NZ Contractors (Loans) and Consultants (Loan & TA Projects)

Year	US\$ Thousands	
	Loan	TA
2005	15,077.69	6,128.00
2004-2000	4,660.00	29,200.00

Source: Asian Development Bank & NZTE Scoping Study

### 2.2 Marketing Strategies

NZTE Manila is well placed to provide on the ground services, monitor projects and obtain timely and accurate project information from the Asian Development Bank which is headquartered in Metro Manila.

Associating or partnering with other consultants (foreign) who are working on ADB projects is encouraged to gain ADB project experience. Associating with other consulting firms who have expertise in other fields will increase the chances of winning a contract. These partnerships work and has resulted in many New Zealand consulting companies winning ADB funded projects at the Bank.

New Zealand consultants may also find it useful to form an association with reputable Philippine consulting companies.

It is also important to regularly meet with the individual project managers at the ADB to establish long-term relationships. Meetings with officials of Executing Agencies (EA) to signify interest in the project are likewise encouraged.

The Philippines is a recipient of New Zealand bilateral aid, so knowing the consulting requirements of the New Zealand bilateral programme to the Philippines will increase your chances of success.

### **3.0 REGULATORY OVERVIEW**

Qualified consulting companies must register with the ADB's DACON (list of companies and other organisations from ADB member countries). The ADB has specific minimum requirements for DACON registration, eg minimum of 5 full-time employees, etc. More information may be seen at [www.adb.org/Consulting/dacon.asp](http://www.adb.org/Consulting/dacon.asp).

Previously, the ADB imposed a quota system limiting consulting firms to three shortlistings per year. As at 01 April 2006, this quota system is no longer enforced, which should be welcome news to New Zealand consultants.

There are certain projects that require the services of an individual consultant rather than a consulting company. The ADB refers to their DICON (data on individual consultants) database and goes through a selection process to choose the best qualified consultant.

Occasionally, the ADB requires the services of an individual consultant for "in-house" purposes. Although DICON registration is not required for the selection and hiring process, being registered in DICON gives the consultant an advantage as they are already "known" to ADB.

### **4.0 RECOMMENDED STRATEGIES**

#### **4.1 Possible Points of Differentiation For NZ Companies**

New Zealand consultants can take advantage of their expertise in disciplines where New Zealand has traditionally excelled such as agriculture, coastal resource management, telecommunications, information technology, environment, forestry, geothermal energy, power deregulation, public sector reform, tourism etc.

New Zealand consultant fees are considered as competitive compared to the rates charged by other developed country consultants.

In the ADB, New Zealand consultants are highly regarded by both the Bank and the executing agencies due to their practical approach to project implementation, appropriate technology (ie, no high-tech solutions to low-technology problems or situations), "non-political agenda approach to development issues, adaptability and resourcefulness.

New Zealand firms have a high success rate for ADB TA projects for member-nations in the Pacific region. New Zealand experience, project track records and expertise are well regarded in the Pacific region.

NZTE Manila maintains an excellent network of contacts with the ADB. These and other services are available to New Zealand companies. NZTE maintains a network of offices in the Asia Pacific region. The various NZTE offices have good relationships with contacts in government and the consulting sectors in many countries in the region.

## 4.2 Tactical Recommendations On Market Entry

- Register with the ADB and ensure your details are kept updated.
- Study the rules and policies of the ADB, particularly procurement procedures and policies.
- Concentrate on projects where your expertise has a distinct advantage.
- Focus on geographical areas where you have an established track record.
- Visit the ADB regularly and meet with the designated ADB project officers.
- Schedule a meeting with the implementing agency and their respective project managers to introduce your firm and signify your interest.
- Partner with local and foreign consulting firms already successfully operating in the market.
- Contact NZTE Manila to monitor developments on ADB projects of interest.

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