



**REPORT - IMPACT OF COVID-19 ON THE CONSTRUCTION
INDUSTRY OF ESWATINI**

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1. BACKGROUND OF SURVEY

The advent of the COVID-19 pandemic in early 2020 has culminated in closure of some and scale-down in operations of most construction companies in the Construction industry. The structure of the construction industry is made up of the following industry players, namely; contractors, consultants, suppliers and manufacturers of construction and construction related materials and infrastructure project owners. However, for this report only Contractors and Consultants were surveyed as it was difficult to gain access to most industry players as a result of COVID-19.

At the time of undertaking of survey and writing of report (May to June 2020), the country was still faced with a lot of uncertainties due to the unfolding pandemic, which evidently posed serious threats to sustainability of the construction industry, going forward. Furthermore, the pandemic emerged at a time when the construction sector was still reeling from the negative effects posed by low economic and construction activity, fewer work opportunities and delayed and non- payment by Government for construction of public projects.

Objectives of Report

The aim of this report was to provide a brief synopsis of current industry developments and ascertain possible impacts as the pandemic continued to manifest itself. The report is also intended to provide information to interested stakeholders who may want to provide some form of assistance or interventions to mitigate the effects of the pandemic. Hence, to assess current industry performance and estimate impact of the pandemic thus far on the construction industry, selected stakeholders were interviewed. The impacted areas that were considered **include current status of business operations, retrenchments, prices of materials and availability of materials**. Most respondents were not in position to provide responses on issues that included impact on finances and future plans due to COVID-19 uncertainty and non-availability of relevant managers during time of survey.

Hence, out of a total of 1071 contractor and consultant companies registered with CIC during 2019/2020 financial year, 55 companies formed part of survey and were mostly those that were operational during the time the COVID-19 pandemic was still unfolding. Out of 55 surveyed companies, 28 companies returned questionnaires, which represented a 50 percent response rate. There were limitations faced by CIC Survey team due to non-response and non-availability of most industry players during the period.

2. ANALYSIS ON COVID -19 EFFECTS

2.1. Current Status of Business Operations

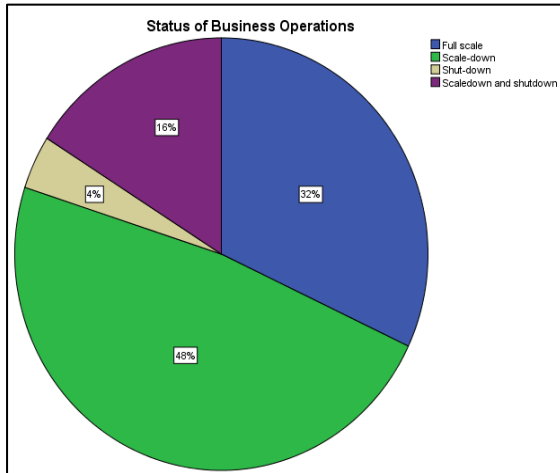


Figure 1: Status of business operations

Of the surveyed contractors and consultants’ construction companies, 32% were operating at full scale, while 48% reported to have scaled down their operations. Scaling down of operations implies that businesses were operating at less than full scale (within the 25%-75% operation capacity).

Furthermore, 16% of construction businesses reported that when COVID-19 was first declared as a national emergency by Government, they shut down operations but had eventually and gradually resumed partial operations at the time of survey. However, only a few surveyed

companies (4%) had completely shut down.

2.2. Effect on Employment

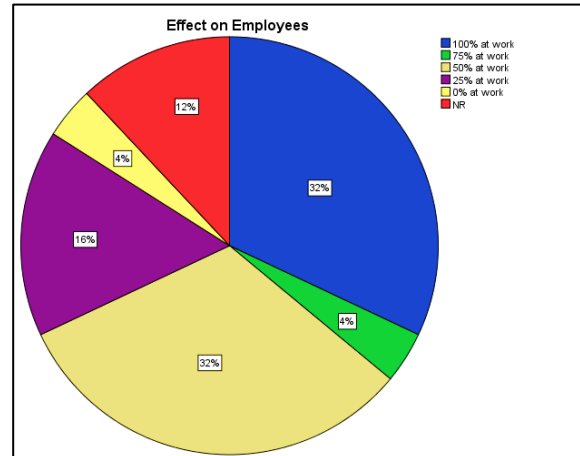


Figure 2: Effect of scale-down or shutdown on employees

Analysis of surveyed companies reveals a mixed response in terms of the effect of COVID-19 pandemic on employment. 32% of companies had not affected any retrenchments from pre-COVID-19 staff complement and these are companies who were operating at full operational capacity. In addition, 32% of businesses have shed off 50% of pre-COVID-19 total staff complement, 16% of businesses had shed off 75% of pre-COVID-19 total staff complement, while 4% of businesses had shed off 25% of pre-COVID-19 total staff complement. Only 4% of businesses had shed off the full pre- COVID-19 complement as they had completely shut down.

2.3. Sourcing of Construction Materials

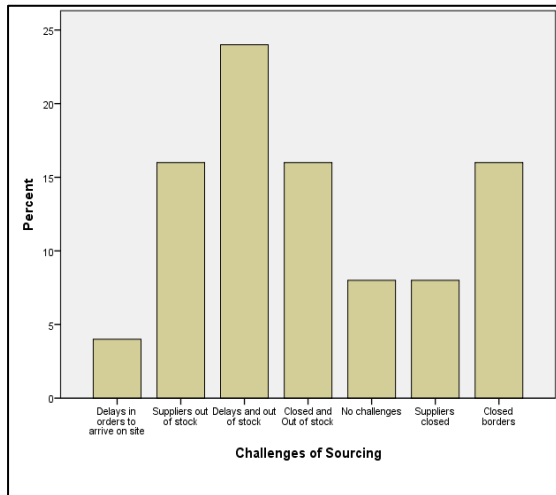


Figure 3: Challenges of Sourcing

During the pandemic, 56% of surveyed companies procured construction and construction related materials from local suppliers only, 16% sourced from neighbouring South Africa only and 24% sourced from both Eswatini and South African suppliers. Only 4% have indicated that they mostly source from overseas markets including China.

In terms of the effect of pandemic on sourcing of materials, a majority of companies indicated that they had difficulty in sourcing materials and as a consequence had made a decision to slow down the implementation rate of projects. Materials that have been scarce to procure from source markets include cement, steel and other construction materials.

Figure 5 above shows responses on type of challenges that were encountered by contractors when procuring materials and included the

following; (i) **Goods sourced locally:** time delays in receiving available stock of material on site and suppliers being out of stock. (ii) **Imported goods:** Closed borders preventing importation of orders and external suppliers who had shut down operations.

However, a few companies have indicated that they had faced no difficulty in sourcing supplies from local sources.

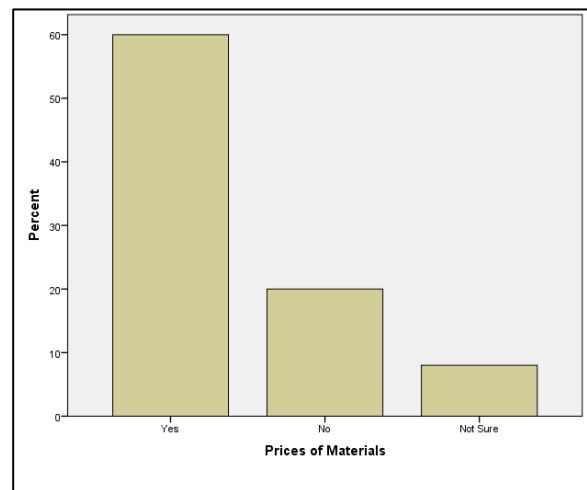


Figure 4: Prices of materials

Sixty percent (60%) of companies had already experienced a hike in prices, while 20% had not yet experienced any price changes. Construction materials for which price increases had been observed included cement and steel.

2.4. Other Industry Challenges

Work progress and Transport costs

About half of surveyed companies indicated that slowed implementation of projects has had a knock-on effect on cash-flow as they have had to

restructure project implementation timelines and timing of when to submit claims to clients.

In addition, due to the industry’s nature of providing transport for company workers to travel to and from work, operating companies have had to adjust transport arrangements to be aligned to the minimum COVID-19 health regulations. New transport arrangements have also impacted on timely arrival by workers on site. This therefore has had an effect on transport costs and work progress on site, respectively.

A general observation is that contractors have also observed an increase in food prices when making purchases in retail shops.

3. REMEDIES TO MITIGATE FOR COVID-19

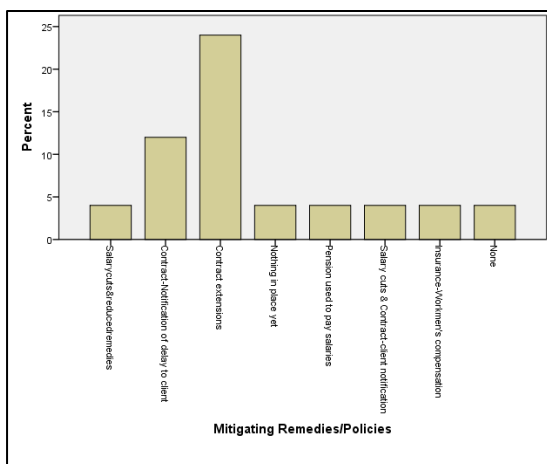


Figure 5: Mitigating Policies

Most surveyed companies reported that they had implemented a number

of measures in an effort to mitigate effects of the pandemic. These included effecting salary cuts, notifying clients on project delays and making requests for construction extension in alignment with contract specifications. Further, some companies had triggered insurance provisions on workmen’s compensation and Pension Fund provisions to pay laid off workers and those currently at home.

4. RECOMMENDED AREAS FOR ASSISTANCE

Industry stakeholders pointed out that recent developments dictate that business will be carried out differently, going forward.

A major concern is that the advent of the pandemic occurred in the midst of an already struggling industry that was facing cash-flow challenges due to delayed and non-payment by Government to contractors for completed works, declining work opportunities due to low economic growth and due to a few contractors who were preferred for a majority of ongoing construction works¹.

Contractors have proposed the following measures to assist mitigate the impact of COVID-19 and to ensure the construction sector recovers post-COVID-19;

¹ CIC report on “Effect of delayed and non-payment of Contractors for Public Infrastructure projects”.

- Granting of work permits allowing expatriates to return to the country to complete works
- Increased site inspection to strengthen compliance
- Provision of compensation for laid off employees
- Timely payment for completed works
- Provision of grants to cover for business loans
- Adjustment of prices for construction materials
- Equal distribution of proposed projects
- Opening of borders
- Provision of safety measures on site
- Import substitution through support of local manufacturers of materials

5. CONCLUSION

In light of the advent of the Coronavirus (COVID-19) pandemic, a survey was undertaken by the Council during the month of May - June 2020, to assess current developments and to ascertain the impacts on the construction industry. The study revealed that the pandemic had an impact on employment levels, project implementation rates, prices of construction materials and on sourcing logistics.

About 50% of surveyed companies reported to have scaled down

operations since the start of COVID-19, with most operating within the 25% - 75% operating capacity.

Companies faced challenges in sourcing materials from both the local and external markets. Sourcing challenges included difficulty with receiving stock of materials from local suppliers as most had shut down and from sourcing goods externally as borders had been closed.

Furthermore, efforts were made to understand companies' future plans, however the challenge was that COVID-19 continued to persist during the survey period hence posing a difficulty for contractors to have definitive plans in place.

Companies were further impacted by rising costs particularly purchase costs of construction materials including cement and steel.

In an effort to adjust for the effects of the pandemic, companies have implemented various measures. These include effecting salary cuts, notifying clients on project delays, adjusting project schedules and activating insurance provisions.

Contractors and Consultants made suggestions on what could be done to mitigate for the effects of the pandemic on their businesses. These proposed interventions are to be implemented mainly by CIC and Government entities.