

SUSTAINABLE SOLUTIONS TO OVERCOME THE EFFECTS OF CORONAVIRUS PANDEMIC ON THE CONSTRUCTION SECTOR

The Daily Star in association with BSRM organised an online discussion titled "Sustainable solutions to overcome the effects of Coronavirus pandemic on the construction sector" on May 19, 2020. Here we publish a summary of the discussion.



MUHAMMAD ZAHIDUL ISLAM,
Senior Business Correspondent,
The Daily Star and Moderator of the session

Bangladesh's construction sector is set to face challenging times because of the coronavirus pandemic as it would slow down the economy, disrupt development activities and put workers out of jobs. In today's programme, we will discuss both the short- and long-term solutions to overcome the effects of the pandemic on the construction sector.



ENGINEER S M KHORSHED ALAM,
President, Bangladesh Association of Construction Industry (BACI)

Some important fields of work related to construction have come close to a halt. We need to consider the investments made in these areas. The marginalised groups, which include labourers and others such as technicians, engineers, and management staff, are unable to continue work. The equipment and materials are being left unused. Banks have already lent us the working capital for the projects, but we are unable to utilise it.

Construction usually has a specific timeframe which can be divided into four quarters. The first quarter consists of government planning and programming. The second quarter is mainly concerned with the procurement of the materials. The third and the last quarter are very important since the implementation is mostly carried out during this period.

Unfortunately, we entered this pandemic situation in the month of March. The next three months make up the last quarter of the financial year, which is crucial in attaining the turnovers for construction activities. Consequently, turnovers worth 6,000 crore taka have been affected in the labour portion. About 30 percent of the materials are now not in use. We are also unable to repay the bank loans along with interest.

The government has currently instructed us to resume essential construction projects to be able to support the marginalised labour sector. However, starting work, even in a limited way, is difficult because our labourers are not fully aware of the complexities of the pandemic situation. There are also issues regarding the transportation of the materials.



ALAMGIR SHAMSUL ALAMIN,
President, Real Estate & Housing Association of Bangladesh (REHAB)

It will take time for the real estate sector to resume work. This sector has around 211 sub-sectors which we call backward linkage industries. If these backward linkage industries are not back in operation, we cannot continue to work with just labourers.

There will undoubtedly be delays in project handover to customers and landowners since we have missed the opportunity to work during the dry season. According to currently available information, about 30,000 apartments which were supposed to have already been handed over to the customers are still under construction.

For now, we must shift our focus on reviving the stagnant economy. Reviving the economy will require new cash flow. This cash injection can come from bringing in undisclosed income into the economy. We are already aware that Bangladesh has a parallel economy with a massive amount of undisclosed income. On certain occasions, the government has allowed the use of undisclosed income in this sector, but the policy regarding this has not had the best results. The government needs to form a policy where, for the next five years, this

undisclosed income can easily be brought into the economy.

The real estate and construction sectors are essential for boosting the economy since they have a vast number of sub-sectors linked to them. These sectors also employ a large number of workers whose employment needs to be ensured. We also need to ensure jobs for our expatriate workers who are returning home. The upcoming annual budget needs to take these issues into account.

During any crisis, customers are unwilling to invest in real estate, and hence this sector always faces a colossal impact. To recover from the pandemic, the real estate sector requires government policies such as long-term home loans which are accessible to the public.



MD. ABDUR RAZZAK,
General Secretary,
Imarat Nirman Samik Union
Bangladesh

Around 35 lakh construction workers have been rendered jobless due to the Coronavirus outbreak. Besides, there are more workers connected to the manufacture of construction materials as well. All these workers and their families are suffering, consequently. We have asked the government to provide rations for these families. To fight the pandemic, all of us need to come together and work accordingly to help these workers overcome their desolation.



A F M SAIFUL AMIN,
Professor, Department
of Civil Engineering,
BUET

Since this pandemic has hit the world in such an unexpected way, there are no standard protocols in place to counter its effect. To save lives, construction works in almost all countries have halted. Without a vaccine or a probable treatment method, starting full-fledged construction work will not be feasible due to the labour-intensive nature of this sector. Till then, construction work will most likely only be able to go on at a slower rate. However, to ensure that work is not completely stopped, we are trying to keep the emergency operations ongoing by implementing various methods to ensure safety. Another approach being followed is that we are working with a small number of labourers at first and then when we are sure that this group of workers are healthy, we are slowly adding more workers to the team and following the same protocol. For this, these workers will require on-site shelter to keep the effects of the pandemic at bay.

Besides, we also need the support of the supply chain. The government can play a role here to ensure that materials reach the construction sites safely and securely.

Our priority must be the safety of our human workforce and we must move forward by minimising these health and safety risks.



DR AHSAN H MANSUR,
Economist, Executive
Director-Policy
Research Institute and
Chairperson-BRAC
Bank

The home loan system in our country does not include sustainable practices. Serious mismatches are occurring between assets and liabilities. Banks are giving out loans for 10-15 years whereas the deposits last for three to five years maximum. Therefore, a big mishap occurs here. We still have not been able to implement long-term borrowing instruments.

I do not agree that black money can be utilised to help the real estate sector. This approach can only create a temporary demand. We are already facing a lot of corruption in the country and catering to such approaches will continue to encourage this practice. There is no harm in turning earned money into white money by paying taxes as many countries undertake this approach. I humbly request you to not mix earned and unearned money.

We need to ask the government why the bond market is not being developed to provide long-term loans.

The government's new policy of a nine percent interest rate will not be favourable for everyone because it is a one-size-fits-all approach. With a particular interest rate for everyone, those who will be able to pay back

earlier will get preference for obtaining loans. Thus, our banking sector will not be able to help our construction sector much, unless a yield curve approach is adopted. Every country has a yield curve where the interest rate is higher for long-term loans and lower for short-term loans. There is no way for the real estate sector to bypass this approach.

The joint venture approach can be beneficial as it mitigates risk. A positive aspect is that Bangladesh's real estate sector is not as fragile as the Western countries because our capital is not more than 50 percent in the overall investment package. The real estate sector needs to think about what to sell after selling a certain number of apartments. It needs to think about how financing can be brought under the market or incentive approach, instead of relying on government directives.

The government is conducting land trades though they are not supposed to play a role here. The realtors are supposed to fulfill the construction requirements and hand over the apartments to REHAB. REHAB can then provide the best deals to consumers at the lowest prices. Currently, only a certain group of government affiliates possess numerous



M. FIROZE, Adviser,
Marketing & Product
Development, BSRM

I believe the construction sector, regarding the coronavirus crisis, is the safest one, compared to other sectors. Since most of the construction works involve working outside, maintaining social distancing is not too difficult. Also, the construction workers have been undertaking safety measures such as wearing masks and gloves for a long time due to other hazards such as dust pollution. Therefore, if further support is provided, this sector can revive soon.

The good news is that since the government had not stopped the operations of some landmark and mega projects, this sector still has not faced a disastrous situation. Construction of houses in the informal sector, based on people's own initiatives and finances, especially in rural

RECOMMENDATIONS

- 1. Work in the construction sector should resume in phases following proper safety protocols.
- 2. National Contingency Plan and Standard Operating Procedure for the construction sector should be formulated immediately.
- 3. New cash flow is required to revive the construction sector, particularly real estate sector. However, allowing investment of black money is not a sustainable solution to this crisis.
- 4. Adequate funds for workers' healthcare should be allocated in the upcoming budget.
- 5. No new mega construction project should be undertaken in the near future and the ones in the pipeline should be kept on hold.
- 6. The government should bear the additional costs for health compliance on the construction sites in the form of incentives.
- 7. A separate fund can be created to tackle disputes and claims from contractors, consultants, etc., since they are facing tremendous losses.
- 8. A backup plan can be created if banks provide moratorium facilities to the developers for their working capital.

plots, leaving no space for the realtors to carry out further construction. Such practices will continue to increase if no actions are taken and the problem of limited availability of housing will persist.



DR MD SHAMSUL HOQUE, Transport
Expert, Professor-
Department of Civil
Engineering, BUET
and Director-BRTC
(Research, testing and
consultancy wing,
BUET)

The government must prioritise progressive projects and do an overall revision since we had undertaken a lot of construction projects before the virus emerged. Back then too, it was doubtful as to how we would be able to handle multiple projects and now, the risk has increased. We are going to face both time and cost overruns due to this pandemic. Therefore, no new projects should be undertaken and the ones in the pipeline should be kept on hold.

We should create online approval protocols for the consultants so that they can work remotely, since no decision can be taken, revisions done, or designs approved without them. We also need to define our workplace guidelines.

It should be noted that some additional costs will be incurred for corona and health compliance on the job sites. The government has to bear these costs in the form of incentives.

Since coronavirus is not going away any time soon, we need to have a well-trained implementation team, be it at the government end or implementation end. Contractors should also conduct internal surveillance. We can also implement CCTV-based remote surveillance. During normal times, workers tend to not use protective gears due to discomfort and they will be more reluctant to use them now, during the rainy season. Therefore, we need to raise awareness to prevent this from happening.

The government should also be prepared for high levels of disputes and claims from contractors, consultants, etc., since they are facing tremendous losses. We should make our dispute clauses effective so that their claims can be catered to. A separate corona fund can be created to tackle uncertainties. Since the transportation sector involves a lot of multipliers which can provide a good stimulus to the economy, a lot of policy and cash incentives are required to revive this sector.

areas, is continuing.

Though we have lost some time to undertake the repair work on roads and bridges during this general holiday, we still have time to do this work if the government takes an initiative. Since the construction sector is vast, by involving many areas such as the real estate sector, power plant projects, etc., the government can undertake initiatives to progress work in phases in these areas. We can create a blueprint of which sectors to prioritise and revive. In this way, crowding will be reduced in the sectors where the revival work will be ongoing, especially after the Eid holiday.



ENGR F R KHAN,
Managing Director,
bti-building
technology & ideas
Ltd.

For the time being, we are trying to complete our ongoing projects and hand them over as soon as possible. In that way, we will gain confidence from our clients about their future investments in this industry. In turn, the future clients will bring long-term opportunities. We have talked to the banking sector and they have agreed to help in this regard.

Even if customers take loans of 20 to 25 years, they repay them within five to seven years. Customers have to register with one-fourth the buying price of the property, with a very high registration cost of 16 percent. That is why the rest of the properly earned money is left undeclared. We believe that if the undisclosed income can be brought into the economy, even for the short term, there will be a possibility of cash flow and customers will return. Banks can help in this regard by giving out low-interest rate loans to our customers.

A backup plan for developers could be created if banks provided moratorium facilities to the developers for their working capital, where they will pay only the interest for one year and then create a schedule for paying the equated monthly instalments (EMIs) later on. Hence, even if customers cannot pay on time, the projects can still be completed timely by the developers.

People are interested in buying a house through paying EMIs only if the EMI is slightly higher than the amount they are already paying in rent for their current residence. During the current crisis, people

will not take the risk of paying EMIs and might not invest in the real estate sector altogether.

All the big companies of the sector are maintaining sanitation standards in ongoing projects during the pandemic. We have also formed a separate team for survey vigilance.



DR MD. TAREK UDDIN,
PEng., Professor,
Department of Civil
and Environmental
Engineering (CEE),
Islamic University of
Technology (IUT)

A country's infrastructure is the backbone of its economy. COVID-19 has caused us to invest in healthcare infrastructure. Developing post-COVID-19 infrastructure will be a major challenge as well.

We must understand that working remotely is not possible for all sectors. The government will begin prioritisation of projects and cut down costs of different projects while implementing new policies. Handling this new kind of situation is also a challenge for the government.

We must move forward with a phase-wise plan. All projects cannot be shut down. For example, the Padma Bridge project is still ongoing. We must focus on figuring out which sectors to invest in more, such as the health sector and ICT sector.



MD. ABU SADEQUE,
PEng., Executive
Director, HBRC

I believe money acquired illegally should not be allowed to be turned into whitened investment in the real estate sector.

I would like to highlight some of the positive effects of the pandemic. The situation has compelled us to adopt new technologies. For example, rods previously had to be welded manually by workers on site. BSRM is now ensuring prefabrication of rods in factories before delivering them to sites. Another such example is ready-made concrete. Also, instead of making cash payments, we can now rely on electronic payments for purchasing, selling, and supplying materials.

We require a National Contingency Plan since we are uncertain of how long the pandemic will last. A standard operating procedure (SOP) is needed as well for the construction sector. Neighbouring countries have already formulated SOPs; hence Bangladesh should follow in the same footsteps.



PROF DR M SHAMIM Z BOSUNIA, Chairman
and Managing
Director, Abode of
Consultants (Pvt)
Ltd and Former
President, Institution
of Engineers,
Bangladesh

Total dependency on foreign consultants is not ideal. There are two to three lakh local consulting engineers, architects, planners, technicians, and CAD operators in our country. We should utilise our local resources to the full extent possible.

Regarding the Padma Bridge project, a living space that can house about 4,000 people has been created for the workers so that work can continue. The workers are not allowed to leave the designated lodgings, and there have been no complications so far. The number of work shifts has also decreased. The only issue is that no consultants are available. There should be a separate hospital for construction workers. Any worker who comes to the hospital must be immediately tested and given treatment.

For the construction sector, if proper guidelines are followed, then construction work can go on. The construction sector does not have permanent workers, they have only day labourers. Since the workers are living on daily payments, they cannot survive if work in construction sites is paused. There are two to three times more workers in the construction sector than in the RMG sector; hence the construction sector can never be shut down. The cramped work environment in construction companies must change as well.

If needed, we must ask the government to increase the stimulus packages, lower the interest rates further, and develop long-term solutions.

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