

ENGINEERING AND CONSTRUCTION SECTOR

INTRODUCTION

1. The engineering and construction sector has a potential of contributing at least 20% to the country's GDP.
2. The sector used to employ 20% of national labour at its peak in 1996, however it currently employs a paltry 5% mostly for short term contracts.
3. Statutory Instrument 171 of 2002 compels the government of Zimbabwe to contract local construction and engineering players.
4. Private companies such as South Africa's Group Five won the multi-million dollar contract to widen an 800km stretch of the Plumtree-Mutare highway.
5. At least 67% of construction companies excluding timber and wood companies as well as cement companies are in Harare, 22% in Bulawayo and 11% spread in other cities and towns.¹

INDIGENISATION WITHIN THE SECTOR

6. The construction sector is dominated by government projects, which currently account for 90% while the remainder is accounted for by private sector projects.
7. About 60% of the players in the construction sector are indigenous, most of which are small and unable to implement big contracts, while 40% are large non-indigenous and foreign contractors.



8. The sector is highly indigenized although with exceptions in:
 - o electrical engineering contractors (88% non-indigenous out of 26 operators);
 - o fencing and walling (78% non-indigenous out of 9 operators)
 - o supplies (73% out of the 11 operators)².
9. There are 66 operators of building contractors, 56% of which are indigenous,
10. Wholly indigenous operators include:
 - o All the 64 building contractors B to E,
 - o 11 civil engineering contractors A operators
 - o 3 mechanical engineering contractors D,
 - o 6 electrical engineering contractors D,
11. Of the 10 operators in shop fittings and joinery, 70% are indigenous, while 75% of the 4 operators in floors and roofing are indigenous.

CHALLENGES IN THE CONSTRUCTION INDUSTRY

12. *Human resources flight:* the decade of economic crisis reduced skilled labour and experts in the sector. In the short-term there is therefore limited resource pool for human resources to gap-fill.
13. Slow uptake of new technology and equipment has rendered the sector less efficient compared to regional and multinational competitors in the sector who have state of the art equipment at their disposal.



¹ Suangweme, T, (2011), Building and Construction Brief, Zimtrade.

² Suangweme, T, (2011), Building and Construction Brief, Zimtrade.

14. Competitiveness in the sector is questionable in light of low-cost technologies used for example by the Chinese. This implies that local firms fall away in tendering processes
15. Limited opportunities for continued capacity development among existing personnel continues to hinder the ability to deliver on projects by local engineering and construction firms.
16. Efficient procurement of high volumes of raw materials required in the sector is hampered by weak supporting services such as transportation. On the production and construction front, erratic provision and inhibitive costs of electricity delay turnaround time.
17. Tender Board Procedures are not consistent with the requirements of Broad Based Economic Empowerment legislation which limits meaningful participation of Zimbabweans.
18. Despite being indigenized, construction in the micro, small and medium enterprises (MSMEs) is not well organized and poorly capitalized.
19. High capitalization required in the sector limits participation to a few large players while presenting barriers to entry to medium and small players.

STRATEGIES IN THE SECTOR

20. Promoting access to funding for the acquisition of necessary equipment needed to carry-out large scale projects.



21. Invest in capacity building of contractors and sub contractors.
22. Promote transfer of new technology into the sector.
23. Enhance indigenous businesses in the construction and engineering sector value chain through targeted or procurement, joint ventures, sub contracting.
24. Government could introduce legislation that will make it mandatory for government departments and local contractors ahead of their foreign counterparts when they award tenders.
25. Creation of a conducive environment for investment in construction;
26. Flexible ownership thresholds, including accommodating higher Foreign Direct Investment (FDI) thresholds.
27. Innovative measures in support of BBEE in construction including:
 - *enhanced targeted procurement,*
 - *joint ventures,*
 - *sub-contraction,*
 - *pre-qualification using graded registers,*
 - *serial contracts or framework agreements, and*
 - *Reservations/ set asides and their enforcement.*
28. The Construction Industry Federation of Zimbabwe in conjunction with Zimbabwe Building Contractors Association, are pushing for a contractors' bill in which they are lobbying the Government to prioritize project allocation to Zimbabwean companies (51% v 49%).