

SA's infrastructure push brings opportunity and risk for construction firms

South Africa's renewed focus on infrastructure development presents valuable opportunities for private construction firms, but navigating the risk landscape is essential, according to industry experts.



Many of the country's infrastructure projects are in response to climate change.

Finance Minister Enoch Godongwana's recent Budget Speech emphasised infrastructure as a critical area, announcing reforms aimed at streamlining public-private partnerships (PPPs). The goal is to attract private expertise while reducing red tape, especially for projects under R2bn, potentially boosting smaller construction firms.

South Africa plans to invest over R940bn in infrastructure over the next three years, with PPPs playing a key role in sectors like transport, energy, health, and water management. This move aligns with broader efforts to stimulate economic growth and create jobs.



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Lindsey Schutters 10 Apr 2024



However, Dasran Padayachee, team manager at SHA Risk Specialists, warns of potential pitfalls in this optimistic climate.

"Strained economic conditions may tempt firms to underquote on projects or cut corners on supervision, increasing the risk of injuries, liability claims, and structural issues," he says.

Climate change risks

Contractors may also feel pressured into signing unfavourable contracts, taking on liabilities they wouldn't normally assume.

Further, climate change poses a growing threat. Recent severe flooding events highlight the need to incorporate weather-related risks into project planning and design. Failure to mitigate these risks could lead to significant financial losses.

Padayachee advises small construction businesses to prioritise risk mitigation, including adequate insurance coverage.

“ Project-specific insurance, such as Professional Indemnity cover, can offer protection for individual projects, aligning with the 'gig economy' and the ad hoc nature of government projects ”

South African insurers offer various insurance solutions, tailoring them to specific projects and client needs. Padayachee emphasises considering comprehensive liability policies to address broader, day-to-day construction risks.

By carefully weighing opportunities and risks, and adopting proactive risk management strategies, South African construction firms can capitalise on the country's infrastructure drive and contribute to a more sustainable future.

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