



ARTICLE

COVID-19 Impacts on the Construction Industry

Latin America

Since COVID-19 was detected in Latin America, governments have been looking for ways to prevent its spread. Considering its ease and speed of transmission and the implications that it could have if large a number of people require treatment for the virus simultaneously.

COVID-19 Cases in Latin America¹

COUNTRY	CONFIRMED CASES	DEATHS
Argentina	1,451	43
Belize	4	0
Bolivia	157	10
Brazil	10,360	445
Chile	4,161	27
Colombia	435	2
Costa Rica	288	6
Cuba	288	6
Ecuador	3,465	172

Quarantines have been implemented in most countries in Latin America, which prohibit interaction amongst people as much as possible, and in some instances have resulted in the declaration of martial law. Depending on the restrictions, construction projects have seen severe productivity impacts, or in most cases, the complete suspension of all construction activities.

Restrictions in Construction

Following the recommendations of the World Health Organization (WHO), and other international and local entities, Containment Protocols for construction have been implemented to provide maximum safety for construction workers, enforcing measures for adequate prevention and control of the spread of the virus.

Some of the new protocols and restrictions require construction to continue only if the project is considered critical, while others limit how to operate day-to-day, such

El Salvador	62	3
Guatemala	61	2
Haiti	21	0
Honduras	268	22
Jamaica	55	3
Mexico	1,890	79
Nicaragua	5	1
Panama	1,801	46
Paraguay	104	3
Peru	1,746	73
Puerto Rico	452	18
Dominican Republic	1,578	77
Trinidad and Tobago	103	6
Uruguay	400	5
Venezuela	155	7

¹ Number of Covid-19 Cases and Deaths impacting Latin America as of April 5, 2020; Johns Hopkins University (Baltimore, USA)

as reducing work hours, implementing shorter shifts, increasing distances between workers, disinfecting tools and equipment between shifts, not having site visits, and having high risk employees stay at home, among others.

In Panama, for example, the president placed an executive mandate to stop all construction for 30 days starting on March 24. In Chile, the largest mining company in the world, CODELCO, has stopped all projects and started reviewing all construction contracts individually, with the intention to identify the next steps to follow and find the best possible financial decisions. Some possible scenarios include:

- Continue only with critical work.
- Suspend and restart with the same contractor as soon as the restrictions are lifted.

IMPACTS IN LATIN AMERICA

Budget and Time Management are certainly the number one issues for the construction industry, but the human factor is also in great danger, as the number of construction workers that could lose their jobs and livelihood is very high. The best planning under this situation is to find a way to minimize job casualties to companies, projects, and personnel.

FTI Consulting's construction experts can implement emergency consulting support to construction companies and projects to survive, either assisting in the re-planning of the contracts or supporting the resolution of disputes to arise from this situation. FTI Consulting has the knowledge and experience to help in these critical situations. Some areas where our experts can help:

- Cost Control
- Lost Time
- Loss of Productivity
- Extension of Time
- General Conditions
- Re-Procurement
- Remobilization Costs

- Early termination of contracts and continue when possible with same contractor or go out for bids.
- Stop all procurement, some of which has already been affected by regulations in different countries where the goods are fabricated.
- Pay the suppliers for the storage and maintenance or receive the equipment and products and self-storage.
- Continue only developing the engineering works.
- The biggest uncertainty is that no one knows how long these measures will last.

CONSEQUENCES

The aforementioned situations will undoubtedly result in additional fees to contractors and subcontractors, delays in project completions and start of production severely affecting stakeholders. These conditions will cause delays in revenue and unforeseen costs to owners, additional fees from financial institutions and losses to contractors and subcontractors.

We can foresee a large number of claims to be presented in an effort to settle disputes between the different parties, due to force majeure or Acts of God as well as time extension requests and loss of productivity. These claims will have to be based on the available contract language established for this situation although some contracts may not be as precise.

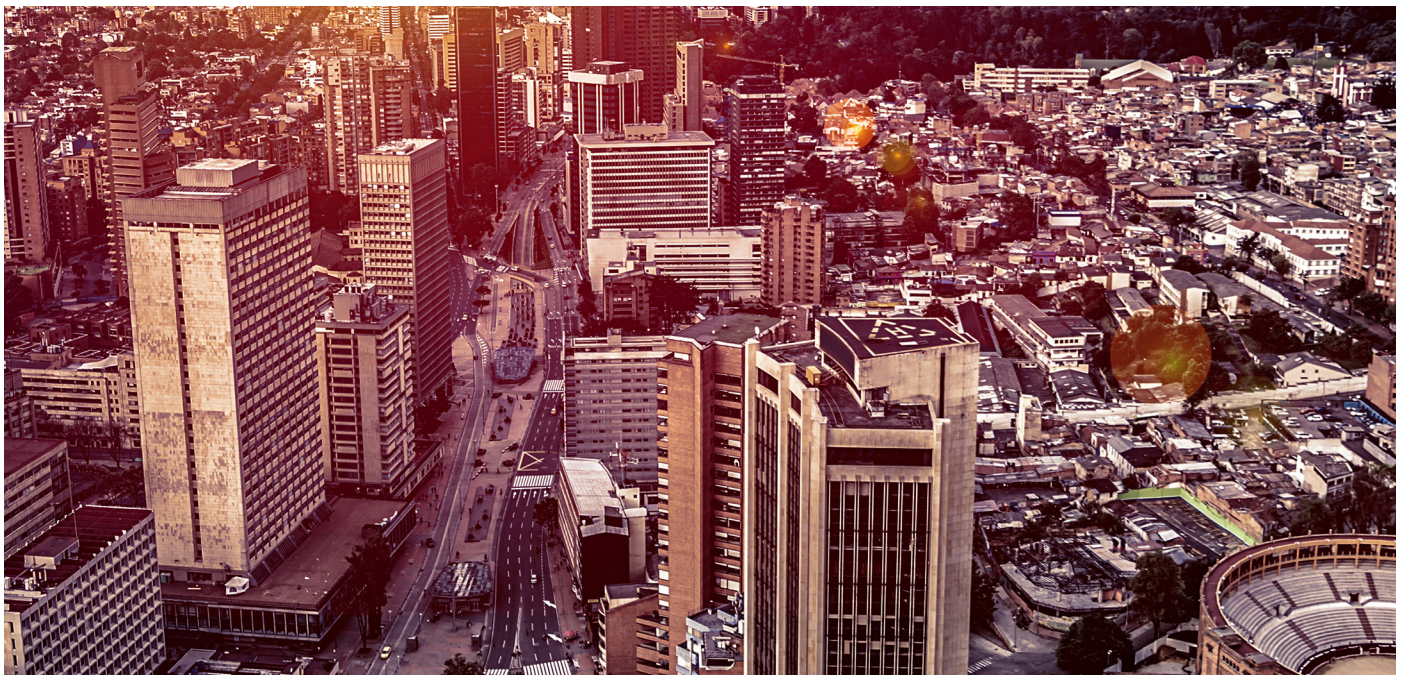
Even if a force majeure clause is included in the contract, each contract should be evaluated based on this particular situation. The measures that have been imposed in different countries apply to the progress of the project considering that some of the damages caused by force majeure events could be covered by Construction Insurance Policies such as Construction All Risk (CAR).

In the case of COVID-19, force majeure could be originated by the government's restrictions implemented to limit the spread of the virus, even before the World Health Organization declared a pandemic.

The disruption caused by COVID-19 can certainly be invoked as a force majeure event and most construction contracts should provide a temporary relief to the parties in the performance of their obligations.

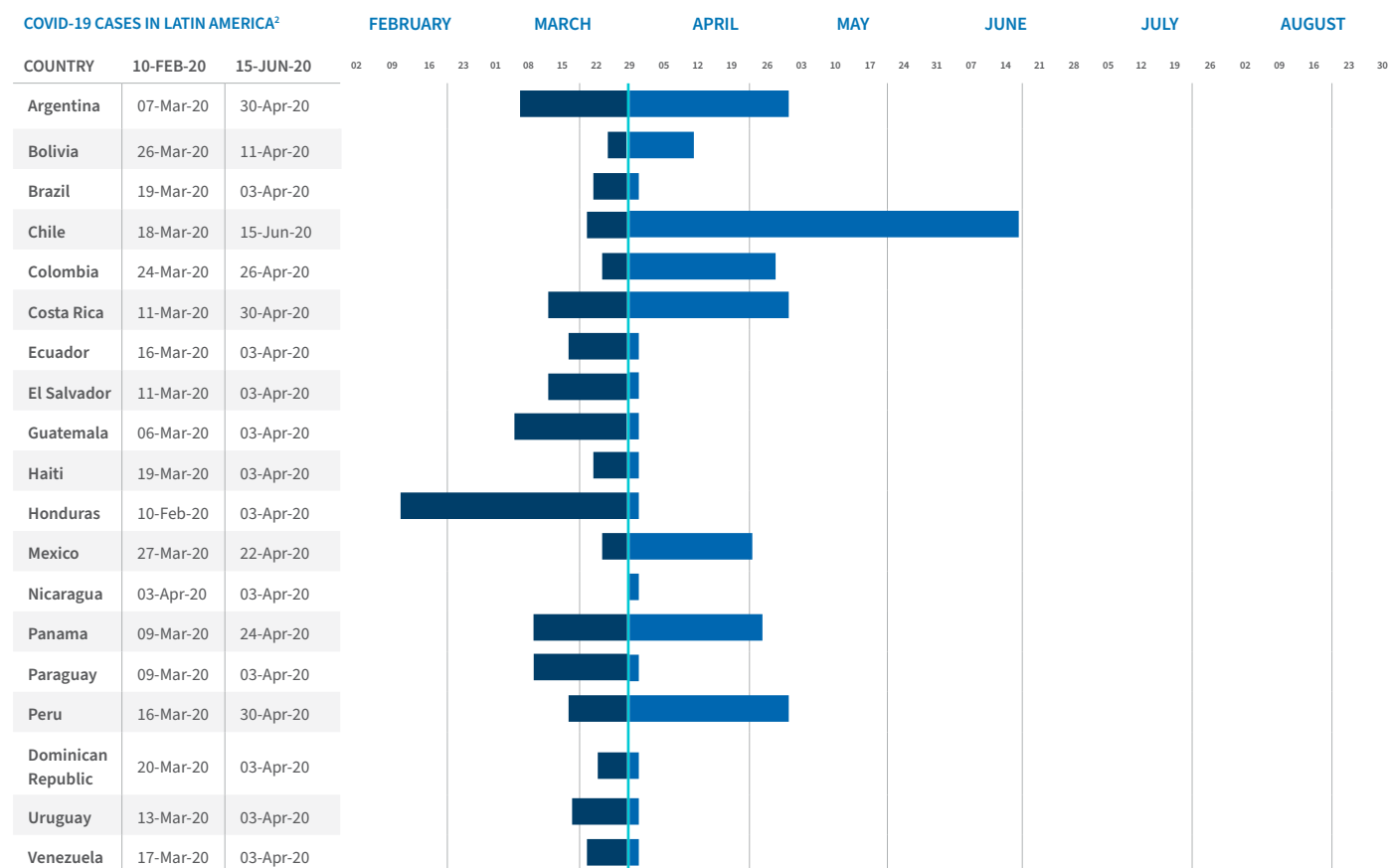
An important factor for both owners and contractors is to quantify financial losses by cost category in real time with periodic updates. COVID-19 restrictions are changing every week in the Latin American countries although we have seen that these restrictions are generally applicable to an entire country without differences in local jurisdictions. A country-by-country timeline of Covid-19 restrictions is included at the end of this article.

FTI Consulting's construction experts are prepared to assist your project teams in assessing the impacts to your project. Further, FTI Construction's diverse teams of financial and insurance experts can help your company navigate other avenues of possible financial recovery during this unprecedented period in our world and industry.



Covid-19 Restrictions by Country (LATAM)

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²Government restrictions that do not establish an end date are modeled with an end date equal to the date of the current update.

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