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**INVOICES MUST BE PAID BY 15 DECEMBER PLEADS
CONSTRUCTION SECTOR**

Businesses in the building and construction sector are severely affected by late payments on Government projects. Outstanding debt of 115 companies, that participated in a survey conducted by the Construction Industries Federation of Namibia (CIF), amounts to more than N\$ 1 Billion Namibia Dollars (N\$1,003,696,177.00). As a result, indications are, that close to 75 percent of businesses – 85 respondents to the survey - are currently experiencing cash flow crises, with dire consequences. Not only will there be delayed progress or stoppages on projects and contractors will have great difficulty to meet their contractual obligations but more importantly, people's livelihood is at stake. Between 1 September and 30 November 2016, a total of 1,008 employees of the 115 companies were retrenched, and an additional 604 persons will lose their jobs by the end of December 2016.

The results of the survey reflect a trend in the industry, and it is possible that for every 100 businesses in the construction sector, about 1600 breadwinners will be without an income and 13,000 dependants will be left destitute during holidays season and without any glimmer of hope for the new year, unless Government pays overdue invoices immediately and provided that there are some significant signs of support to Namibian companies in the sector very early in 2017.

Unless Government will have paid for the services provided by the industry, by the end of November 2016, six companies will be bankrupt; another 11 will have folded by the end of December and a further 11 will have borne the brunt by the end of March 2017. If no payments are forthcoming by the end of 31 March 2017, 25 percent of the 115 companies that have participated in the survey will be bankrupt.

It is possible that some businesses are insolvent and bankrupt already, who will not have participated in the survey.

Close to half of the 115 respondents indicated that between 70 and 100 percent of their business is dependent on government projects. The majority of businesses keep looking out for new tenders (58.26%), with the implication that competition for limited work in the private sector will increase. Businesses are forced to act strategically to counter the disastrous repercussions of late payments and the halt to new government projects. Expenditures are being cut (71.3%) and bridging finance is being negotiated with financial institutions (32.17%).

Other strategies include the reduction of the size of businesses (39.13%) with 43 companies reducing their labour costs. Measures include: not filling vacant positions, no bonuses, reducing work hours, retrenchments and cutting training and development related expenditure. Some companies have started selling off equipment, machinery and plant.

When asked about possible solutions that could mitigate the situation, respondents to the survey highlighted that Government needed to pay on time; i.e. within 28 days (84.62%) and needed to pay penalties on late payments (77.78%) and that effective payment systems (76.92%) needed to be established.

85 of the 115 businesses also stated that Government should “be brutal” against corruption; and 84 respondents (71.79%) stated that no tenders should be awarded to foreign companies.

Bärbel Kirchner, consulting general manager of the CIF says: “The situation is critical. 1 Billion Namibia Dollar is a humongous amount of debt – in fact, much more is likely to be outstanding as not all construction companies participated in the survey.

“Many of the businesses in the construction sector are sitting with a serious cash flow crisis, due to late payments. Companies are downsizing and retrenching, and many are staring bankruptcy in the face. This applies to the entire supply chain in the industry and unless Government acts rapidly and immediately and before closing down for Christmas, we will have a Tsunami effect and a large chunk of Namibian capacity in our industry will be wiped out.

“A variety of reasons were given by Government to justify the consolidation of the national budget. It appears that mostly the development budgets of the respective authorities were cut. However, regardless, there must be funds available to pay service providers in our industry for their work done, even if that were to mean that Government operational budgets have to be cut in the interim.

“The industry cannot wait until after decision makers have returned from their holidays. We know that respective authorities also regard it as a priority but we must be aware of potential bureaucratic inertia. Payments need to be affected immediately. The uncertainty has devastating consequences for the businesses and for the people in our industry. We therefore urge Government to pay all invoices older than 30 days before 15 December and before things slow down for Christmas”.

Bärbel Kirchner, consulting general manager of the CIF also stated: “We know that our industry is cyclical and that we cannot expect the same growth as we had over the recent years. However, we cannot allow companies to go down due to late payments and Namibian companies must be involved with all upcoming projects, irrespective of size”.

End

Note to the Editor:

Following the announcement by the Namibian Government on 12 September 2016, that all new government projects and related feasibility studies would be frozen until the 2016/2017 budget review, the CIF undertook several steps in an attempt to mitigate the situation. This involved communication with authorities at all levels of Government as well as engagement of Namibian state-owned enterprises; surveying businesses involved in the construction industry, and generally raising awareness.

The CIF recently conducted a survey on the impact of late payments and Government budget cuts on the industry. Businesses in the building and construction sector were polled from 25 November to 1 December 2016. A total of 115 responses were received.

Respondents include contractors and subcontractors, as well as engineers, quantity surveyors, manufacturers of building material as well as suppliers to the industry. The CIF used a mixed-methodology research. Initially, businesses had been engaged to answer open-ended questions to express their views about possible implications of late payments and budget cuts, and to reflect upon possible consequences. The results then informed the 2nd stage of the research, which was of qualitative nature, and provided respondents the opportunity to select options as it would apply to their businesses.