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PRESS RELEASE

CIF Says the Namibian Family Should Come First

The Construction Industries Federation of Namibia (CIF) fears that Namibia's national budget for the year 2017/2018 will see a drastic reduction of the capital expenditure. The federation however stresses that in order to secure the survival of the construction sector, and in order to maintain the Namibian capacity of the sector, it is critically important that only Namibian-owned companies would be contracted for any future construction and building projects, irrespective of the size of the development budget.

The CIF recognises that the Namibian government is facing budgetary constraints for a number of reasons and that this situation is further aggravated by previously unforeseeable changes of macro-economic conditions. The CIF understands that therefore, consolidation of the national budget and prioritisation of expenditure is a requirement.

Ms Bärbel Kirchner, consulting general manager of the CIF says: "We understand that our Government and especially our Minister of Finance, are faced with an extremely difficult task. We understand that cutting expenditure is necessary for long-term sustainability of our economy. However, we hope that the budget cut for capital projects would be minimised and that instead there will be efforts to significantly cut operational expenditure.

"It is important that we still remain focused on constructing our key infrastructure, such as the development of infrastructure for the optimal supply of water and energy, as well as the development and further improvement of key roads. There is also much scope for maintenance, renovation and the sanitation of buildings and infrastructure.

"However, it is critical that there will be some work for the construction industry. As most of the industry is dependent on Government contracts, it would be impossible for all companies to diversify their markets and find alternative sources of income. Consequently, it will lead to an enormous loss of existing capacity in the industry, and many job losses and higher levels of unemployment".

The construction sector has experienced a spectacular boom over the last few years. This important industry grew mostly on the back of an accelerated demand for infrastructure development and the need for employment creation to address the persistently high unemployment rates in Namibia. To

meet the increased demand for construction services, many companies also have invested heavily in plant and machinery, and have expanded their capacity accordingly. Therefore, an abrupt and extreme reduction of Namibia's development budget, would be the death sentence for many Namibian companies operating in Namibia's construction sector, unless there is lifeline created.

The entire scope of businesses across the industry will be affected, not only small-to-medium sized enterprises. On the contrary, large contractors are extremely vulnerable due to existing financial commitments as a result of having invested into their businesses.

According to a survey undertaken by the CIF from 9 – 21 February 2017, to which 122 responses were received, 43 respondents (34%) will either close down their businesses or will have to declare bankruptcy and a further 49 respondents (40%) will scale down their businesses drastically or become dormant. This would mean that that capacity of 74% of these businesses would no longer be utilised if they were not to benefit from any Government contracts.

Unfortunately, the demand for construction services was so high that it also created ample opportunity for foreign companies to operate in the Namibian market. This can no longer be tolerated when the local industry is suffering.

At times like this, when the livelihood of many people is being effected, it is truly important that the Namibia-owned companies are given explicit support by Government. It would also be of undisputed benefit to the Namibian economy, due their contribution to government revenue.

Nico Badenhorst, president of the CIF says: "It is extremely important that government acutely focuses its efforts on supporting Namibian contractors. At times like this, the Namibian family must come first. We trust government will set clear goals and adopt the right strategies to effectively cushion the impact of budget reductions on Namibian enterprises. Any priority projects must be given to Namibian-owned companies."

Namibian contractors currently have extensive capacity to develop the much needed infrastructure in Namibia. Local contractors should not have to continue to compete with foreign contractors under current circumstances. It is also very important that we do not allow tenderpreneurs to operate in the sector as it does not benefit maintaining and building local construction capacity and the engagement of Namibian resources.

The CIF reiterates that all organisations and individuals involved in public procurement, must focus on envisioning a very strong Namibian-owned building and construction industry. It is therefore critical that correct choices are made by all involved with public procurement and that there will be a strong commitment towards supporting Namibian contractors.

To further protect and regulate our industry, it is also extremely important that a National Construction Council will be established as soon as possible. This would ensure that every business operating in the industry would be licensed and that size of company is linked to the size of project, when awarding contracts.

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Note

The membership of the CIF ranges from companies that range from an annual turnover of over N\$200 million to SMEs with an annual turnover of less than N\$1 million. Together they play a big role in Namibia's economy, both in terms of employment but also in terms of their tax contribution. Over 50 % of the membership are SMEs.

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