



Hats



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CONSTRUCTION NEWSLETTER



CIF LOBBIES PARLIAMENTARIANS

One of the highlights of 2020 of the Construction Industries Federation of Namibia (CIF) was a series of five business breakfast briefings for Namibian Members of Parliament at its offices in Klein Windhoek. In total, 45 members of both the Nation Assembly and the National Council had attended the briefing sessions, where they were also able to engage with members of the CIF. The breakfast meetings were sponsored by the Hanns-Seidel-Foundation (HSF). The foundations mandate is generally to support democratic development, good governance and economic development.

The purpose of the breakfast briefing was that the employers' federation which represents some 260 businesses in the construction sector, was able to inform the politicians of the dire state of the Namibian construction sector. Since 2016, many businesses in this sector have either downsized drastically, closed down or indeed were liquidated.

About 50% of employees in the sector had lost their jobs as a result of that. The construction sector, which once was a main sector contributing to the Namibian economy - with a contribution of 7.2% to GDP in 2016 - has seen a continuous contraction of 12% since then.

Bärbel Kirchner, consulting general manager of the CIF says: "The biggest frustration that the industry faces is that local contractors, of any size, are excluded from some of the main projects, and that is simply due to the financial qualification criteria on some of the projects and the terms negotiated by Government where donor or loan financing comes into play".

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CIF ELECTS EXECUTIVE COMMITTEE MEMBERS

The Construction Industries Federation of Namibia (CIF) held its Annual General Meeting on 24 November 2020. Executive Committee members were elected as follows:

President - Nico Badenhorst (Namibbeton) (1st row, middle)
 VP - Panashe Daringo (MPP Civils Namibia) (2nd row, 1st from right)
 Treasurer - Mr Gavin Fuller (Dynamic Concrete) (1st row, 1st from left)

Mr George Hainana (Octagon Construction) Insert: 1st from left
 Mr Benard Mumbashu (Joevani Properties) Insert: 2nd from left
 Ms Margareth Kazandunge (NSCA) Insert: 2nd from right
 Mr Schalk van Niekerk (Otesa Civil Engineering) Insert: 1st right

Mr Hans-Peter Schulz (Namibia Construction) 1st row, 1st from right
 Mr Johann Stahl (CSV Construction Namibia) 2nd row, 1st from left
 Mr Sharon Neumbo (Tunga Holdings) 2nd row, middle

Mr Mario Teichmann (Ohorongo Cement) 3rd row, 1st from left
 Mr Leonard Eins (Solsquare Engery) 3rd row, middle
 Mr Ferdinand Nghiyolwa (Nexus Group) 3rd row, 1st from right

Mr Steffen Rechholtz (O Behrens & Co), 4th row, 1st from left
 Mr Harris Cloete (Access Laboratory Services) 4th row, middle
 Mr Gorden Goeieman (Becky Construction) 4th row, 1st right

ALI IPINGE ELECTED AS PRESIDENT OF ARMFA

The Chief Executive Officer of the Road Fund Administration (RFA), Mr. Ali Ipinge, was recently elected as the President of the African Road Maintenance Funds Association (ARMFA), to serve for a two-year period. RFA Namibia is a member of the Association.

Mr Ipinge took over the reins from Mr Souleymane Traore, the Managing Director of the Road Maintenance Fund of Guinea, at a ceremonial event held on 12 January 2021 in Conakry, Guinea. Prior to this appointment, Mr Ipinge had held the position of ARMFA's 2nd Vice President since February 2018.

At the handing-over ceremony, Mr Ipinge expressed his delight at the honour bestowed upon Namibia to lead ARMFA, especially during these uncertain and challenging times posed by the COVID-19 pandemic. Mr Ipinge noted that the challenges of declining funding from traditional sources such as fuel levies, as well as issues arising from road maintenance backlogs, aged road infrastructure, the increasing cost of road construction materials, amongst others, need a concerted effort from all stakeholders.

He further emphasised that his immediate focus will be to strengthen the institutional capacity of ARMFA, expand policy support to member states and improve stakeholder engagements across the continent.

ARMFA is a 34-member, non-political and non-profit continental body established in Libreville in 2003 as a platform and network for sharing experience, knowledge and information on the best practices of financing road maintenance in Africa; supporting the promotion and strengthening of ties between African Roads Funds; and ensuring the sustainability and advocacy with governments and road sector institutions towards adequate financing of road maintenance.



BON RALLIES TO SEEK SUPPORT FOR ECONOMIC RECOVERY

In line with its mandatory obligation to provide sound advice that informs robust and agile policy making, the Bank of Namibia on Thursday, 11 February 2021, hosted an economic roundtable with chairpersons of board of directors and chief executive officers of private sector companies that mobilise investments and savings in the country.

The roundtable is a suitable and interactive platform established by the governor of the Bank of Namibia, Mr. Johannes !Gawaxab, which aims at discussing relevant policies to support the economic recovery with key institutions and entities, in order to find practical means of rallying support towards securing a sustainable economic recovery.

The Bank of Namibia anticipates a robust response to the anemic economic growth experienced since 2016, and which has been exacerbated by the Covid-19 pandemic.

In his address to business leaders, the governor shared the economic outlook of the bank, which forecast that the Namibian economy shall recover gradually by 2,6 percent during 2021.

This is predicated by the opening up of the global economy, after the lockdowns and restrictions on travel experienced in 2020 due to the Covid-19 pandemic. In this regard, demand for Namibia's exports is expected to start picking up gradually in 2021 as major economies are projected to make full recoveries, which according to the bank, bodes well for the recovery of the domestic economy.

While growth is expected to pick-up, the forecasted levels fall far short of the boom observed in years prior to 2016 and will therefore not be adequate to fulfil developmental aspirations and make a dent on unemployment, poverty and inequality.

Enumerating the challenge of reviving the economy, the governor stated the following: "The current weak growth being witnessed in the domestic economy is clearly reflected in four critical elements of the national income identity: consumption spending by households which is constrained because of souring unemployment, while government spending is equally constrained due to limited fiscal space. Net exports are also severely affected by global demand and low commodity prices. The most critical element that can be relied upon at this critical moment to help grow the Namibian economy is investments, both domestic and foreign direct investments. Therefore, concerted effort both from the public and private sector is needed to unlock the country's investment potential".

Rounding up the discussions, Mr !Gawaxab highlighted key fundamentals to economic recovery, stating that the economy needs confidence, investments and Covid-19 vaccination to return to normality.

The roundtable discussed means of enhancing domestic investments in the country and how best to adapt the policy environment so that businesses are able to invest more or explore new opportunities within the economy.

The roundtable agreed that Namibia should pursue an aggressive economic turn-around strategy to enhance growth and income outcomes. The discussion will inform continuous efforts by the central bank to find practical and home-grown solutions to the structural challenges besetting the economy.



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**Johannes !Gawaxab,
Governor of the
Bank of Namibia**



CIF LOBBIES PARLIAMENTARIANS

There seemed to have been a common understanding amongst the members of parliament that had attended the briefing sessions, irrespective of political orientation. Most were of the opinion that indeed the industry needed to be regulated and that they looked forward to when the laymen's draft of the Namibian Planning and Construction Council was tabled in Parliament. With regard to the proposed council, it should be inclusive and ensure empowerment in the industry.

Many were equally concerned about the extensive engagement of foreign companies and commented that something needed to be done about that, as well as about the involvement of tenderpreneurs, poor quality workmanship and the non-completion of projects.

Talking about the large-scale involvement of foreign contractors in the construction sector, a parliamentarian said that "one might not be privy to the information about what Namibia is owing the Chinese, but it was really a concern... since as Namibian, one was exposed to family members that were losing jobs on a daily basis and it was therefore important that one is moving away from the current trend".

Another member of parliament said that one needed to look at the impact of tenders given to foreign contractors, as the money that is being spent by Government was not stimulating the local economy.

She referred to the African Development Bank (AfDB) and that one was dealing with the procurement rules of the AfDB, which were aligned with those of the IMF. The Namibian procurement legislation had also not been conducive, as somehow it was also created to fit in with international standards.

She stated that as Namibians one needed fight for one's own and that therefore the council could play the role to manage the conflict between "us and others".

She referred to "the issue of the Chinese", which she regarded as a thorn. One was sitting with a problem with the Chinese businesses when it would come to procurement.

They would go into joint ventures with Namibians. However, when the Namibian counterpart would get the contract, they would be bought out of the contract, even though one got the impression that Namibians were awarded the contracts in joint venture with Chinese companies, when in reality they were not involved.

One member of parliament warned the CIF that if they did not speak up, its members would be crowded out and "that the state was becoming more and more the bigger player similar to the Chinese economic management system".

Essentially, with the involvement of the Road Contractors Company and their foreign joint venture partners, the government was becoming a competitor to businesses in the private sector that had the full capacity to do the requisite jobs. He also challenged the CIF to expressively state that local companies were competing against Chinese companies.

One member of parliament challenged the CIF to address corruption. According to him, all the major procurement deals of Government had a 25% involvement of corruption. The federation needed to address corruption in procurement head-on, as it has brought the industry down.

He also said that with regard to partnerships with Chinese companies, a Namibian company would stand as a front. The local company would get N\$20 million in the pocket and then the Chinese contractor would take over. A member of parliament mentioned that he felt that the laymen's draft was a very important piece of legislation. He felt that the establishment of a council was overdue. He also mentioned that one wondered why it took so long.

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THE ESTABLISHMENT OF THE CONSTRUCTION COUNCIL IS LONG OVERDUE AND ONE WONDERS WHY IT TOOK SO LONG...



NAMIBIA TOPS THE LIST OF BEST QUALITY ROADS IN AFRICA

For the fifth (5th) consecutive year, Namibia retained its position at the top of the list of having the best roads on the African continent. According to the World Economic Forum's (WEF) Global Competitive Report Index of 2020, on the quality of road infrastructure, Namibia remains unchallenged when it comes to good quality roads in Africa with a score of 5.2 out of 7, ranking above South Africa and Rwanda, which scored a 5.0 ranking in second and third places respectively.

Globally, the country also ranked favorably at number 23, above economic giants such as China, India and Italy, which ranked at 42, 46 and 56 respectively. The United Arab Emirates, Singapore and Switzerland topped the list of best roads in the world with a score of 6.2 each. According to the Roads Authority of Namibia (RA) the success can be attributed to two important factors, namely an effective maintenance strategy on existing road infrastructure, which plays a pivotal role in prolonging its life span and the upgrading and construction of new roads, which contribute significantly to the quality of national roads. As a State Owned Entity, the Roads Authority (RA) has reached many milestones in terms of developing and extending Namibia's road infrastructure in all corners of the country.

Na The RA hereby also recognised the government, the Ministry of Works and Transport, as well as the efforts of the Road Fund Administration (RFA) for availing financial resources required to execute its mandate.

Similarly, the RA expresses its gratitude to all other stakeholders such as the KfW from Germany (developmental partner), municipalities and the road users for their contribution towards this praiseworthy achievement. The RA says that " " However, this accolade comes at a time where we are receiving good rainfall, which has affected our roads, particularly in the southern regions of our country.

"The RA will ensure that all damaged sections are restored after the rainy season has ended and where needed, drainage structures will be constructed to mitigate future damages/flooding.

"This will be done to keep our road network in a good condition as we strive to achieve our vision of having a sustainable road sector, which is ahead of national and regional socio economic needs in pursuit of Namibia's Vision 2030.

"The RA believes that our good road network will continue to drive our economy to greater heights, give us prosperity and alleviate poverty".



CIF LOBBIES PARLIAMENTARIANS

He was however not surprised, as he felt that the construction sector had become a breeding ground for corruption. According to him, that might have been the reason why it had taken such a long time for the piece of legislation to go to parliament. He said that when he hears that all the contracts were being given to foreigners was it really because the local industry did not have the competency to do the jobs or was it a question of the politicians deciding that China had helped during the liberation struggle. He said that he mentioned in Parliament that Namibia had a liquidity problem. With many of these projects, Chinese contractors, who were not banking in Namibia, would be creating their own economy within an economy.

He also said that the CIF was talking about partnership. There seemed to be always a Namibian partner with a foreign partner. He asked why there should not be a partnership between Namibian companies. This should be done in order to increase the cash flow and contribute to economic growth.

At the current time the supply of money was not circulating in the Namibian economy. He said that there should be a component that looked at the impact of the amount of the projects being awarded to foreigners. One needed to look at how it impacted Namibia's GDP, and how the foreign involvement contributed to the decline of GDP. Another member of parliament said that she believed that the council would have the potential to regulate the industry for all that were involved in the industry. She felt that it would minimize or indeed eliminate all the factors that were currently hampering the industry.

Another member of parliament suggested that one would look at a cost-benefit analysis from the beginning to the end to analyse the "discount" (by bidding lower) the Chinese companies were giving to Namibia.

He questioned whether the so-called discount offered by the Chinese companies would really then justify that. The cost-benefit analysis would need to be taken throughout the value chain. With regard to terms and condition of international and local procurement contract he said: "I think it is for us, for us parliamentarians specifically, and from the state, the ministry, from the Roads Authority to push back and say that it does not meet the requirements of our people, our companies".

He felt that people were not pushing back hard enough in negotiations and were accepting what was given. This then, he said, would become the norm. If one were to push back the terms, he was certain that the financing party would come back to negotiate.

Justina Jonas-Emvula, secretary-general of MANWU said that the current developments were at a disadvantage to the Namibian employers and to the Namibian workers. Therefore it was essential that the Namibian Construction Council would be established so that one would localise the industry. She said despite there being a reduction in spending, there were capital projects.

However, the question was who these projects were given to.

These were given to foreign contractors, and these foreign contractors were not helping the local contractors either.

She referred to the issue of the African Development Bank (where local contractors had been excluded due to steep financial requirements) and considered it as "very painful, very painful".

She referred to the school that was being constructed by a Chinese company in Epukiro. This was despite that this project could have been done by a local contractor. She therefore encouraged the councillors to support the establishment of a construction council once tabled in Parliament, as it would support Namibians as a country. The economy can only be boosted if one were to empower one's own people.

A Member of the National Council referred to foreign companies and said that one knew very well that Namibia had capable companies. He said that the industry needed to be protected not only from international forces but also locally here. He said that there are people with different profession that however were owning construction companies.

Most members of parliament were very appreciative of the initiative and said that they would encourage further deliberations, information-sharing and that the bill that would lead to the establishment of the Namibian Planning and Construction Council would be tabled.

It was also important that one had an open discussion within the executive, especially with the Ministry of Works and Transport and the Ministry of Finance and to share the information with the chairpersons of respective committees, especially the public accounts committee. It would be prudent for parliamentarians to understand what the way forward was.

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