



# Hats



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Building Namibia's Future Issue

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## BOOSTING RESILIENCE AND RECOVERY

Finance minister Ipumbu Shiimi tabled a N\$67.9 billion budget in the National Assembly for the 2021/22 financial year, on the 17 March 2021.

This budget is presented amidst the prospects of a moderate economic recovery this year and over the medium term, buttressing hope for a better future for all Namibians. This is after having endured latitude of pain and hardship over recent years of recessionary pressures and the pandemic-induced severe disruption of the economy.

"In spite of these challenges, honourable speaker, it is possible to reignite resilience and for Namibia to prosper again", stated Shiimi.

In January this year, Africa launched the implementation of the Continental Free Trade Area. Such progress point on the regional integration calendar marks the creation of the single largest trading block in the world, measured by the number of the 55 participating countries, with a combined GDP of US\$3.4 trillion and a population of about 1.3 billion people. Indeed, this development presents enormous benefits for Namibia as a small open economy, by providing an expanded market for the country's exports and making it more possible for Namibia to become a hub for both foreign direct and domestic investments, and by leveraging regional and global value chains.

Shiimi further stated that in spite of the opportunities presented by the Continental Free Trade Area, the prevalence of COVID-19 continues to exact a heavy toll on lives and livelihoods in Namibia and elsewhere. Therefore, on this journey, the health and livelihoods of Namibians remain a primary consideration in the country's multi-pronged response measures.

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CONSTRUCTION NEWSLETTER

# THE NAMIBIAN ECONOMY IS EXPECTED TO GROW BY 2.7 PERCENT IN 2021

The Bank of Namibia released the economic outlook update for February 2021 with the domestic economy expected to recover to a growth rate of 2.7 percent in 2021, from a deep contraction of 7.3 percent in 2020.

## Global and regional outlook

The global output is expected to rebound to a positive growth rate in 2021, following a contraction in 2020. The global economy is projected to grow by 5.5 percent in 2021 and to 4.2 percent in 2022, from an estimated contraction of 3.5 percent in 2020. These projections were contained in the latest World Economic Outlook (WEO) update of January 2021 published by the IMF and represent an upward revision when compared to the WEO release of October 2020, where the global economy was expected to grow by 5.2 percent in 2021. The projected stronger recovery in global growth during 2021 and 2022 is based on multiple vaccine approvals, the launch of vaccinations in many countries and additional stimulus policy measures in a few large economies.

In Sub-Saharan Africa, economic growth is projected to increase during 2021 and 2022. Growth in Sub-Saharan Africa is expected to strengthen to 3.2 percent and 3.9 percent in 2021 and 2022, respectively, from a contraction of 2.6 percent in 2020. The 2021 growth projection is 0.1 percentage point higher relative to the October 2020 WEO. Nigeria's growth is projected to increase to 1.5 percent in 2021 from a contraction of 2.3 percent in 2020. Growth in South Africa is also projected to strengthen to 2.8 percent in 2021 from a contraction of 7.5 percent in 2020 before moderating to 1.4 percent in 2022.

## Domestic economic outlook

Domestic growth is expected to increase during 2021 and 2022, with improvements coming from all major industries.

The domestic economy is projected to grow by 2.7 percent and 3.3 percent in 2021 and 2022, respectively, making a recovery from an estimated contraction of 7.3 percent in 2020. These improvements are attributed to broad based base effects as well as better growth prospects for diamond mining, agriculture and transport sectors from 2021 onwards.

The latest growth projection for 2021 represents an upward revision when compared to the December 2020 economic outlook update, largely due to better growth prospects in primary industries. The latest overall growth estimate of 2.7 percent for 2021 represents a slight improvement from 2.6 percent published in the December 2020 economic outlook update. Information obtained from the latest consultations with industries indicated that growth is likely to be broad based. Risks to domestic growth remain dominated by the impact of the COVID-19 pandemic on the domestic economy, mainly regarding the success of vaccinations in Namibia and around the globe. Travel restrictions are still in place in many countries, exacerbated by the second wave of coronavirus infections. Other notable risks to the domestic growth outlook include the persistently low international prices for some of Namibia's export commodities such as uranium, as well as climatic swings. Namibia is prone to floods in the northern parts of the country, which are likely to occur in 2021, following good rainfalls received.



## WHAT DOES THIS BUDGET OFFER?

This budget allocates resources to the three main domains which are essential for the pathway to the next level of the new normal, that is:

- Providing for the vaccine acquisition and distribution needs in the health sector, without relaxing the guard on prevention.
- Supporting economic recovery objectives, and
- Ensuring the continued provision of essential public services and shielding to communities against drought spells in some regions, especially in the Kunene region, albeit in a tight fiscal environment.

With public debt estimated at 76.2 percent of GDP over the coming financial year, ensuring the sustainability of Namibia's public finance is one of the highest policy priorities.

The gradual opening up of the economy since September last year and the envisaged arrival, roll-out and uptake of the vaccine are expected to support the return to growth in 2021 and over the Medium-Term Expenditure Framework (MTEF).

This proposed expenditure outlay allows the country to respond optimally to the aftermath of COVID-19, providing for targeted funding to support economic recovery and for the provision of essential services.

The development budget stands at N\$5.6 billion or 3.0 percent of GDP. As a result of increasing financing requirements, public debt would rise to about N\$140.8 billion or 76.2 percent of GDP in 2021/22 and would remain elevated over the MTEF. Debt is projected to stabilise at about 84.6 percent in 2025/26. The deficit will be financed through a combination domestic and external borrowing.

A total of 53.1 percent of the non-interest expenditure, amounting to N\$31.6 billion is allocated to the social sectors. This reflects the priority assigned to the needs in the health and education sectors, especially in the context of COVID-19 pandemic.

The third highest allocation is accorded to the economic and infrastructure sectors, at N\$11.7 billion or 19.8 percent of the total appropriation.

This budget reorients spending towards the next phase of the new normal and devotes a share of resources towards the COVID-19 vaccine acquisition and roll-out, without relaxing our guard on preventative measures.

It redirects scarce resources to support the green shoots of economic recovery.

According to Shiimi, the budget reaffirms fiscal consolidation to anchor long-term sustainability into a credible fiscal framework. Implementing this framework requires timely and decisive structural policy reforms to enhance the impact of the fiscal pulse in the economy and enable automatic stabilisers to work.

"Together with the accompanying policy measures, it is a budget geared to boost our resilience to the severe shocks and add momentum to the tail winds for recovery and sustainable growth" said finance minister.

## UPGRADE OF HOSEA KUTAKO INTERNATIONAL AIRPORT

Situated about 45km outside of Windhoek, Namibia's Hosea Kutako International Airport (HKIA) handles all long-haul flights to and from the country. Originally opened in 1965, the airport is the main gateway into Namibia and creates the first impression visitors have of the country.

The HKIA upgrade project was given the go ahead in 2018 and is being jointly funded by the Namibian Airports Company and the Namibian government. Along with alleviating the congestion, the upgrade will ensure that the airport complies with all standards and recommended practices of the International Civil Aviation Organisation ([airports.com.na](http://airports.com.na)) and that it achieves an optimum level of service rating in line with the International Air Transport Association standards.

Managing a project of this scope and size, brings a unique set of challenges. The Nexus project team has taken a number of steps to overcome these challenges and ensure the project's success.

Nexus has taken a structured project management approach. They assessed the project as a whole, broke it into phases, identified the (many) stakeholders and implemented processes and controls to ensure a smooth progression. They also assembled a high-performance team to tackle the project and created a strong team culture early on to ensure that everyone bought into the concept and project approach.





*"During a recession, it is crucial to focus on projects that hit your "ideal project" guidelines. This will help your company maximise potential profits, and minimise the risk in a difficult economy".*

**Curtis Dennis,  
Curtis Dennis Enterprises,  
LLC**

## RECESSION SURVIVAL: 5 STEPS CONSTRUCTION BUSINESSES SHOULD TAKE NOW

The Namibian construction sector is one of the most affected factors in Namibia's economy. Since 2016 the industry experienced a massive downturn with a continuous contraction of 12% and job losses of close to 50%. An article on the website <https://www.levelset.com> gives great advice as to how to survive the recession. Presumably, many of the businesses in the Namibian construction sector might have embarked on a similar strategy. Nonetheless, this article will help to remind our readers.

These 5 steps will help prepare your construction business, whether a recession hits or not.

### 1. Determine your "ideal project", and then actively pursue those types of projects

Whether the recession is on the horizon, or already here, your first step should be to review job costs for completed construction projects over the last two years. You may find that your company excels on projects of a certain size, scope of work, or dollar amount. You might discover your niche is jobs that last no more than 3, 6, or 12 months. Analyse the data, and then actively seek out jobs that match that criteria.

By focusing on projects that meet your "ideal project" criteria, you minimise the potential for problems on the project.

If you excel at small to medium sized projects, trying to take on too large, a project could result in staffing and equipment shortages. You may need to bring on temporary employees, or possibly need to rent/buy the additional equipment to complete the job. By focusing on projects that meet your "ideal project" criteria, you minimise the potential for problems on the project.

### 2. Review your contracts & service agreements for potential protection issues

The construction supply chain has already started feeling the effects of coronavirus. Chances are that material prices will increase either due to a production slowdown/stoppage, or the inability to transport in a normal and timely fashion.

Your construction contracts should include sections about how to handle fluctuations in pricing, shipping/transport delays, or schedule delays caused by others, nature, or other uncontrollable circumstances. Adding a force majeure clause can protect you from liability for delays that aren't your fault. An escalation clause can limit your responsibility for material cost increases. Without contractual protection, you may end up spending more money on a project than you budgeted for, with no means to recoup those expenses.

Always remember, a good construction contract is always about sharing the risk equitably, among the parties involved.

### 3. Adjust your scheduling to avoid the "slowdown bottleneck"

When it comes to revising your project schedules, keep an open mind and be flexible.

The "busy bottleneck" typically happens in a growing economy, when you don't have enough manpower to meet the demand of current projects and schedules. The "slowdown bottleneck" occurs when the economy is slowing down due to production decline or stoppage.

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# 5 STEPS CONSTRUCTION BUSINESSES SHOULD TAKE TO SURVIVE A RECESSION

A limited supply of materials means you will have to decide which project gets priority, and which ones will have to wait a while.

Depending on the cause of the bottleneck, you might consider working "off hours" to keep a project on schedule. You have the option of working either a day, swing, or graveyard shift so you can still hit those milestones and meet those deadlines.

Another option is to have some employees have their days off during the week, so they can be working on a project over the weekend. By shifting when the "weekend" happens, you have effectively added two more production days each week for the specific job.

Whether you are dealing with a work slowdown, or a ramp up, this is an easy way to get more done, without needing to pay overtime to make it happen.

## 4. Adopt processes that will get you paid faster and protect your lien rights at the same time

A recession can also impact progress payments from your ongoing jobs. When the job is halted, everything stops. Not just the work on the project, but the funding as well. It's not uncommon for the general contractor (GC) or lender to have to decide who gets paid with the currently available funds. The contractors with their paperwork in order are the ones most likely to be paid first.

If you haven't sent a preliminary notice, in many states, you cannot file a mechanics' lien to get paid at some point in the future. When you don't protect your lien rights, the GC or lender can wait to pay you, because you can't file a security interest in the property.

You can't even leverage the threat of a Notice of Intent, because you didn't protect your lien rights with the GC, owner, or lender.

Always include copies of your warranty for materials and labor with your final billing, and set the time period (1 year, 2 years, etc.) of your warranty. The timeframe can start with the completion of the work, or upon acceptance of the project owner/lender/GC, or the date that a certificate of occupancy is issued by the city/county.

Lastly, don't be afraid to file a mechanics lien or bond claim if you don't get paid. During a recession, every dollar can make a difference. Late payments actually cost you money. When the GC or property owner delays your check, they're essentially asking you to lend them the money for free.

## 5. Improve your office productivity and lower your overhead costs

Every contractor has to deal with overhead expenses. They are the cost of doing business, but the overhead rate varies wildly from one contractor to another. In good economic times, lower overhead costs allow you to increase your profit margins, and still get the project.

The smartest move is to reduce your overhead costs, by getting the same amount of work done in a shorter timeframe. For most contractors, overhead expenses are made up of the same 3 components:

- Bidding
- Accounts receivable
- Accounts payable

**While you might not be able to implement all of these ideas right away, start where you can. Every step counts, no matter how small it is.**

### Bidding

Save time on every project you bid by moving as much of the bidding process as possible onto your computer. There is no shortage of online plan rooms in most areas, and the plans and project info are accessible 24/7.

### Accounts payable

Expedite your accounts payable process by taking advantage of company/agency websites for filing necessary paperwork and making payments. Never miss a deadline or get hit with a late fee caused by snail mail again. You can also save on printing and postage costs by filing your form and making payments online.

### Accounts receivable

Your accounts receivable process is absolutely crucial to your cash flow, and your company's profitability. When a project's funding stops, the GC or lender will have to decide who gets paid and who doesn't.

If you didn't file a prelim notice, you will most likely have to wait to get your money. The GC or lender knows that you have no real recourse to get paid, since you don't have the leverage of a NOI, and you can't file a lien against them either.

These 5 steps will provide you with the best protection from the looming recession.

Source:

<https://www.levelset.com/blog/recession-survival-5-steps-construction-businesses-should-take-now/>

# SOME OF CIF MEMBERS

## Digital Eye Security cc

Digital Eye Security cc is an electronic security installations and maintenance company owned by Mr. Chris van Greunen, that evolved from a small IT business established in 2012, endeavoring to exceed client expectations with quality security products and installation services, as well as innovative solutions in the field of digital security, tailored to each customer's specific requirements regardless of whether they are corporate companies or home users.

Telephone number: +264 (0)81 256 2093  
Email-address: admin@digisecurity.net

## Elite Construction cc

Elite Construction cc is an exclusive Namibian company owned by Mr. Deon Louis Miljo and it provides services in the civil construction industry. It has capabilities spanning the spectrum of national infrastructure such as water reservoirs, storm water, roads, bridges, gravel roads, airport terminals, aprons and runways, labour based projects and railways, maintenance and construction of both natural and physically built environments, road signage and markings, earth works, layer works, surfacing works, concrete works and sewer reticulation since 1998.

Telephone number: +264 (0)64 404 314  
Email-address: deon@leap.com.na

## Leisure World & Equipment cc

Leisure World and Equipment cc is a well established construction company owned by Mr. Deon Louis Miljo with an outstanding track record of successful completed projects in and around Swakopmund. The company's clients represent a wide range of industries in the private and commercial sectors. Additionally, Leisure World and Equipment's mission is to be a leader in providing high-quality management and construction services which produces superior value for its customers.

Telephone number: +264 (0)64 463 810  
Email-address: deon@leap.com.na

## All Valued Technical Solutions cc

All Valued Technical Solutions cc is owned by Mr. Deon Louis Miljo and is the company to approach for all the following needs:

- Instrumentation installations
- Project management
- Siemens PLC and scada
- Solar installations
- House wiring
- All electrical maintenance

Telephone number: +264 (0)64 404 314  
Email-address: joanita@leap.com.na



## CONSTRUCTION INDUSTRIES FEDERATION OF NAMIBIA'S TRAINING & DEVELOPMENT

The Construction Industries Federation of Namibia (CIF) offer various short-courses to its members and non-members in the construction sector.

The training program for April in Windhoek is scheduled as follows:

- Safety representative: 26 April 2021
- Working at heights: 27 April 2021

All training includes:

- Brötchen & coffee at 10h00
- Lunch & refreshment at 13h00
- Training materials
- Attendance certificate

For bookings or if you need any further information, then please contact:

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