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The effect of Chinese construction companies on the Namibian construction industry; a construction and design team members' perspective

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Abstract

The presence of Chinese construction companies working in Namibia has had an impact on the Namibian construction industry and the economy of the country. This article provides an overview of current trends and legislative acts relating to the construction industry in Namibia. It also describes the effect that Chinese construction companies have had on Namibian contractors and the tender opportunities available to these local contractors, and analyses to what extent Chinese construction companies comply with the various acts relating to the construction industry; as perceived by construction industry stakeholders. A questionnaire survey was conducted among Namibian contractors and building professionals and the results revealed that Chinese construction companies dominate and have a negative effect on local Small and Micro Enterprises (SMEs). Some of the Chinese contractors are being awarded tenders without having complied with the tender regulations set by the Tender Board.

Keywords: Chinese construction companies, Namibia, small and micro enterprises, affirmative action, legislation

Abstrak

Die teenwoordigheid van Chinese konstruksiemaatskappye in Namibië het 'n impak op die Namibiese konstruksiebedryf en die ekonomie van die land. Hierdie artikel gee 'n oorsig oor die stand van die konstruksiebedryf en die onderskeie wetgewings van toepassing op die Namibiese konstruksiebedryf. Dit beskryf ook die effek wat Chinese konstruksiemaatskappye op Namibiese kontrakteurs het asook op die tendergeleenthede wat aan hulle beskikbaar is; soos gesien deur betrokkenes in die konstruksiebedryf. Dit analiseer ook tot watter mate die Chinese konstruksiemaatskappye voldoen aan die vereistes van die onderskeie wette verwant aan die konstruksiebedryf. 'n Vraelysopname is onder kontrakteurs en professionele persone in die konstruksiebedryf gedoen en die resultate toon aan dat die Chinese konstruksiemaatskappye die Namibiese konstruksiebedryf domineer en 'n negatiewe uitwerking op Klein-

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en Mikro-Ondernemings het. Daar word verder tenders aan sommige Chinese kontrakteurs toegeken wat nie aan al die nodige tendervereistes van die Tenderraad voldoen nie.

Slutelwoorde: Chinese konstruksie maatskappye, Namibië, klein- en mikro-ondernemings, wetgewing

Terminology

Local: when reference is made to 'local' contractors, builders, professionals, etc., it refers to Namibia.

Chinese: when reference is made to 'Chinese' or 'foreign' contractors, builders, professionals, etc., it refers to those other than Namibian, but mainly Chinese.

1. Introduction

There is much controversy around foreign construction companies in Namibia and other African countries of which the Chinese construction companies seem to be the main role players. The Chinese are investing in Africa because China has a rapidly expanding economy and the highest population in the world. It therefore has an enormous demand for oil, mineral resources and trade (Lyman, 2005: online). The Chinese construction companies use government-subsidised products; and as they do not adhere to the Namibian government's tender regulations (Heita, 2007: online), under the Affirmative Action and the Labour and Social Security Acts, their labour costs in tenders are lower than those of the local Namibian contractors (Donnelly, 2008: online). Therefore they are in a position to submit low tenders. In 2006 there were already an estimated 44 000 Chinese people in Namibia, working mainly in the construction industry (Weidlich, 2006: online). Dentlinger (2006: online) is of the opinion that the 'takeover' of the construction industry by Chinese companies and Chinese employees to the detriment of Namibians is of serious concern to the Namibian Employers' Federation.

A court case is currently being held in Namibia in which Namibia Construction and Murray and Roberts (Namibia) have taken the Namibian Tender Board to court for awarding the tender for the new headquarters of the Ministry of Lands and Resettlement to a Chinese construction company (China Nanjing International) on the grounds that they had not complied with the tender regulations (Jauch & Sakaria, 2009: online).

2. Theoretical framework

The review of the related literature focuses on the presence of Chinese countries in Africa, Small and Medium Enterprises in Namibia and the various Acts relating to tendering on construction work in Namibia. The literature was obtained from a literature study of relevant publications and information sourced from libraries and the Internet. Although various Internet sources were used to supplement the limited number of other available sources, care was taken to only use reliable information.

2.1 China's presence in Africa

The Republic of China has a population of 1.3 billion, the world's largest population. China's industries are rapidly increasing in number and it has one of the fastest growing economies in the world. With so many people inhabiting a relatively small area of the earth's surface, transport is an issue. There is currently a massive shift in the popular transport modes in China as people are moving away from bicycles and are purchasing cars. By 2010, China is expected to have 90 times more cars than in 1990. Both these factors create an enormous demand for oil and mineral resources (Luft, n.d.: online).

For many industries, large-scale internationalisation began after the Second World War. At that time there was a great need for the transfer of technologies, infrastructure and skills to countries that had suffered devastation during the war years (Langford & Male, 2001). These authors add that another motive why this movement occurred was due to the ability to communicate, both by data communication and by actual travel; this greatly increased as a result of the technology developed during the war and the subsequent reduction in the cost of such communication over the post-war years. Currently massive changes are taking place worldwide and China is a country experiencing rapid economic growth. The Chinese have therefore turned their attention particularly to Africa in the 21st century. China has a great need for economic resources, and has enough economic strength to be a major influence in Africa. The pattern seems to be for China to win a licence to operate oil and mineral resource projects in African countries with an incentive being offered, for example, to build a hydro-electric power station (Lyman, 2005: online). According to Corkin & Burke (2008: 40), the People's Republic of China (PRC) has become an important and influential role player in Africa and an increasing source of political and financial support for governments across the continent, particularly countries rich in natural resources.

The PRC provides financial support, equipment and training to a variety of liberation movements, particularly in Southern Africa including Angola, Congo, Mozambique, Namibia, South Africa and Zimbabwe. Chinese economic aid to newly-founded African states' governments consisted primarily of soft commercial loans focused on infrastructure and development with the construction of high-profile projects such as the Tanzam railway between Tanzania and Zambia. Corkin & Burke (2006: 7) state that a number of incentives drive China's commercial engagement with Africa; principal among these is China's increasing need for energy sources and raw materials to fuel its rapidly growing economy.

During the 1970s many large construction firms began to seek overseas opportunities due to the decline in demand for domestic construction work. Some construction firms became so large that operating in foreign markets was essential for the company's survival; large international projects such as the Suez and Panama Canals offered opportunities for such firms during this time (Ngowi, Pienaar, Talukhaba & Mbachu, 2004).

China first became involved in Africa in the 1960s before African countries gained independence from their colonial governments. At that time China's relationship with Africa was conducted mainly for diplomatic reasons. It wanted to compete with both Western and Russian influence in Africa. China donated money for projects which resulted in little economic development. One example concerns the Olympic-style stadiums that were built in Nigeria. In East Africa, China competed directly with the West. The West built a road in Tanzania while China built a railway almost parallel to it. During the next few decades China provided Africa with technical expertise, doctors, scholarships and other forms of aid. Chinese influence decreased in the 1980s as it was unable to compete with Western aid programmes (Lyman, 2005: online).

The People's Republic of China and the Republic of Namibia established diplomatic relations on 22 March 1990. Alden (2007: 52) states that virtually no Chinese community existed in Namibia at independence in 1990 but, by 2006, estimates differed, from four thousand to persistent claims that more than forty-thousand were in residence. Edinger (2008: 1) comments that China's relations with Africa have grown exponentially over the past decade, both politically and economically through increasing bilateral trade flows, investment projects and development assistance. During the 1990s Sino-African trade grew by 700% and in 2007 China's

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largest outbound investment was destined for Africa. According to Field (2004: 41), since 2000, trade between Africa and China has increased by 63%, exceeding US\$10 billion – a record high.

Since 1990, China has completed the drilling of wells, the construction of affordable housing, pumping stations and many other aid projects for Namibia. Various government Ministries have set up exchanges, in terms of which Chinese officials visit Namibia and Namibian officials visit China. The Chinese and Namibian governments have cultural and educational agreements. Chinese medical teams and teachers are working in Namibia, and Namibian students are studying in China. Co-operation on television has also started (Chinese Asian Ministry, 2006: online).

China is also a chief investor in Sudan, Nigeria and Angola as these countries have large mineral resources. China offers to provide a package consisting of technical expertise, money and its influence in the United Nations Security Council to protect the country being invested in from economic sanctions. Western nations have often attached political and economic reforms as conditions to their aid. These conditions make the Chinese presence in African countries more acceptable than Western countries (Chinese Asian Ministry, 2006: online). However, such loans from China do have their own conditions. In Namibia, China has required funds to be used on contracts to Chinese companies with strong ties to the government. Furthermore, the majority of the investment grants to the Namibian government seem to be related to the Chinese government, where Chinese state-owned companies do the construction or supply the services (Lafraniere & Grobler, 2009: online).

Another article reports that China offers the Namibian government attractive incentives in return for its investments. Namibia already has a trade volume of 400 million Namibian Dollars with China. Added to this, the Chinese President, Hu Jintao, gave a further N\$100 million loan to the country together with N\$72 million credit. Such arrangements allow the Chinese government easy access to all local African markets. This is essential for China as unemployment rates have escalated as a result of the credit crunch and many Chinese labourers have been sent to find work in other countries (Van den Bosch, 2009: online).

China's Export-Import (EXIM) Bank, the official credit agency of the People's Republic of China, assists with financing infrastructure required for extracting and transporting energy and mineral resources. Its loans primarily benefit state-owned enterprises (SOEs) while private companies use China's informal and private lending

markets. By the end of 2005, China's EXIM Bank approved loans worth US\$ 6.5 billion for 260 projects in 36 African countries (Le Pere, 2008: 14). China also established the China Africa Development Fund (CAD) on 26 June 2007, with the initial sum of \$1 billion (US) being available in the fund. The aim was to promote economic co-operation between China and Africa and advance Africa's economic development. A further \$3 billion (US) would be available in the second phase followed by another \$5 billion in the third phase. The European Union (EU) and the United States have been long-term trading partners with African countries. The current global recession has resulted in those countries reducing their investment. China currently has finances to continue expanding its interest in Africa (Rundell, 2009: 30).

Chinese investments in Africa are mainly in the energy, mining, manufacturing, construction, retail and finance sectors. Retail and construction are the main areas for Chinese investment. China receives nearly 70% of Namibia's construction projects, including recently the new presidential residence (Heita, 2009: online). Further findings are that Chinese companies operate at lower costs and are therefore able to undercut African firms and cause them to eventually close their businesses. This creates a situation where there are even fewer benefits to local economies (Smith, 2009: online).

China's interests in Africa are not merely for oil and mineral resources, but also for trade. China's trade with Africa has increased rapidly and Chinese goods are flooding into local African markets. There has, however, been growing concern about the effect of these imports on local industry. Chinese exports of textiles grew from 40% to 80% in 2004. In the same period, from 1996 onward, employment in the textile industry in South Africa decreased, and 75 000 textiles workers lost their jobs (Lyman, 2005: online).

There is a major cause for concern regarding the Chinese influence in African countries such as Namibia because the investments from China seem to bring very little skill development and technology transfers, and the investments do not seem to be doing much to develop Namibia's manufacturing, nor to develop mineral resources. People in the northern parts of the country are losing patience with the government and feel betrayed by the government's preferential treatment of the Chinese. Reports by the Labour Resources and Research Institute show that the government often does not enforce the statutory laws and regulations and does nothing about violations by Chinese companies (Heita, 2009: online).

Other concerns raised in the report are:

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- Individual Chinese business people are entering the country with the intention to set up manufacturing businesses, but instead they set up retail shops selling cheap Chinese imports.
- Chinese employers pay the lowest wages. This occurs in industries where there are minimum wage agreements between unions and the industry.
- Competition between Chinese companies and other companies is unfair and unjust and favours the Chinese.
- There is a lack of proper control and enforcement of laws by government authorities.
- The Ministry of Trade and Industry has a 'flexible approach' regarding workers' rights and working conditions for the sake of developing a better Namibia.
- Commitments made by China to contribute towards the development of the country's manufacturing sector have only resulted in small-scale projects such as the production of bricks, fabrics, detergents, mattresses, quilts, lighters, water processing, and assembling of diesel engines and power generators.

The African Labour Research Network report, funded by trade unions across Africa, examines working conditions at Chinese companies in ten African countries including Namibia. The report finds that many Chinese firms pay their local staff far below legal minimum wages and that safety regulations are not adhered to. A Namibian worker asserts that if the employees complain about wages or conditions they are fired. The report also acknowledges that Chinese labourers are also exploited. The report concludes that the Chinese are the worst employers in the ten countries studied. The report also suggests that China's relationship with Africa is that of 'classical colonial exchange,' with China exporting raw materials and importing goods. This implies that Africa is once again a supplier of raw materials, raising the question as to whether this is the best option for long-term development in Africa (Smith, 2009: online).

2.2 Small and micro enterprises (SMEs) in Namibia

The current biggest challenge for Namibia is to overcome poverty and inequality, while using natural resources efficiently. The SME sector is one of the sectors that can contribute towards achieving this goal. The Namibian economy is in dire need of SMEs, with an unemployment rate of approximately 30%, and if under-employment is added, the figure rises to approximately 60%. Namibia's high population growth rate of approximately 3% per year is also a cause

for concern. Between 1970 and 2002 Namibia's population grew by approximately 30% (Labour Resource and Research Institute, 2002: online). Without a well-functioning SME sector, the unemployment rate could increase in the future. Karvinen (1999: 41) is of the opinion that the Namibian Government needs to be proactive in promoting and supporting SMEs.

Formal small businesses are mainly engaged in mining, manufacturing, construction, retailing, catering and personal and business services. Many of the formal small enterprises are urban-based and concentrated around Windhoek, Namibia's capital. Small informal businesses are mainly engaged in trading (mostly retail) as well as manufacturing, construction and restaurants (Karvinen, 1999: 41). In the four northern regions of Namibia, where the majority of the people live, it was established that 58% of the enterprises have monthly turnovers below N\$1000 (Namibian), and 84% have turnovers below N\$5000. It was also established that 78% of businesses were very small and employed less than three persons (Ministry of Trade and Industry, 1998).

Prior to independence (1990), the role and significance of the small business sector was neglected. Priority was given only to the larger business sector which was regarded as a stimulus for economic growth. Potential small businesses operated informally and were not given the necessary support. They operated mostly in the retail trade and services sectors. Today, the SME sector has been identified as a priority sector for reducing unemployment and under-employment as well as for helping to reduce poverty (Karvinen, 1999: 41). The SME sector is regarded as a source of income and employment at a time when employment is decreasing and making a living out of subsistence farming is limited. It is estimated that the SME sector is providing employment to 160 000 people, approximately one-third of the Namibian workforce (Karvinen, 1999: 41).

The main problem affecting the success and growth of SMEs in Namibia is the difficulty in obtaining bank loans. People in the SME sector find it very difficult to get any form of capital to start or expand their businesses because banks are not willing to offer loans without collateral as security (Tueumuna, 2009: online).

Another area of concern is that of the Chinese-owned businesses. The Namibian government's policy states that Chinese investors should invest a certain amount of money in the country and create employment for local people. This does not appear to be the reality. Chinese business people are competing with the Namibian businessmen and women at all levels of business. Namibia's current

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Trade and Industry Minister, Hage Geingob, stated that there is widespread concern over the dominance of foreign business in certain sectors in Namibia, especially the SME sector, and particularly the small retailers (Duddy, 2010: online).

The problem in the construction industry is that the government has not been doing enough to promote SMEs. Approximately 70% of all government tenders have been awarded to Chinese construction companies (Dentlinger, 2006: online). It has been said that the Chinese construction companies arrive on site with their own employees, including labourers, cleaners, etc. (Tueumuna, 2009: online). Most of the labour done on construction sites, where Chinese firms were working, required basic skills that Namibians would either be capable of doing or learning (Dentlinger, 2006: online).

2.3 Tendering and Legislative Acts related to tendering in Namibia

2.3.1 Tendering

The current procurement system has been in place in Namibia for over a decade, during which time no substantial changes have been made to the legislation governing tendering (Townsend, 2008: online).

2.3.2 The Tender Board Act

The *Tender Board Act* (Act 16 of 1996) outlines present public tender procedures in Namibia. Prospective tenderers are invited to tender by the Tender Board (either directly or via a newspaper). The Tender Board of Namibia falls under the Ministry of Finance, and the Board only deals with the procurement of services where the contract value exceeds 10 000 Namibian Dollars. Namibia has a free market system and allows any prospective tenderers to participate in government projects by means of an open tender (Namibia. Ministry of Finance, n.d: online). The primary aim of the Tender Board is to ensure that tenders are awarded to the best bid in an open or competitive bidding process. Nevertheless, the procurement policy of Namibia does permit price preferences according to certain socio-economic goals and strategies (Townsend, 2008: online).

The following preferences or reservations apply in Namibia:

- Namibian domicile – 5% preference to persons domiciled or companies incorporated in Namibia.

- Support of small-scale Namibian industries – 2% preference if more than 10 but fewer than 25 workers are employed; 3% if more than 24 but fewer than 50 workers are employed; 5% if more than 50 workers are employed.
- Employment creation in communal or underdeveloped areas – 2% if more than 10 but fewer than 25 people are employed; 3% if more than 24 but fewer than 50 people are employed; and 5% if more than 50 people are employed.
- Implementing the approved affirmative action policy – 2% to 3% preference may be granted, depending on the merits of the case, i.e. structured training programmes, employment of women or handicapped people, other programmes benefiting disadvantaged Namibian citizens (Tendering in Namibia, 2007: online).

The most significant changes that have occurred since the implementation of the new Tender Board Act are the inclusion of the Affirmative Action Section. The *Affirmative Action (Employment) Act* now only requires the President's signature in order to be promulgated. This is targeted at firms operating in depressed areas and at programmes which support the training and general empowerment of women and disabled as well as previously disadvantaged people. This preference is probably designed to increase the number of tenders from SMEs (Townsend, 2008: online).

The current President of Namibia, Hifikepunye Pohamba, has promised that the *Namibian Tender Board Act* will be amended in the near future as part of the Namibian Government's drive to promote the sector for small and medium enterprises (SMEs). The amendments will include a higher preference for SMEs, as the current system of price preference in the *Namibian Tender Board Act* is not geared towards the SME sector. The Act will also be amended, in certain cases, to relax the tender requirements to accommodate SMEs (Duddy, 2009: online).

2.3.3 The Affirmative Action Act

The *Affirmative Action Act* (Act 29 of 1998) requires every company in Namibia, with more than 50 employees, to submit an Affirmative Action report to the Employment Equity Commissioner to show how they implement affirmative action. On 1 July 2006 the Act was amended to include companies with 25 or more employees (Grobler, 2008a: online). Section 42(1) of the *Affirmative Action Act* stipulates that unless a relevant employer has a valid affirmative action compliance certificate, no contract shall be entered into by

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or on behalf of the State and such employer; nor shall any guarantee, loan, licence, permit, grant or concession be given, made, issued, granted or awarded to any relevant employer by or on behalf of the government (Van Rooyen, 2000: 32).

One of the ways in which some of the Chinese construction companies have avoided being subjected to the *Affirmative Action Act* is by sub-contracting smaller Chinese companies with fewer than 25 employees, thereby keeping their employees below 25. This is not always the case, and many of the Chinese construction companies awarded government tenders are in fact employing well over fifty employees. In addition, they do not include an Affirmative Action Compliance Certificate with their tender (Dentlinger, 2006: online).

One particular example of this is the awarding of the N\$70 million (Namibian) tender for the Ministry of Lands, Resettlement and Rehabilitation building to China Nanjing International. The Employment Equity Commission had exempted the Chinese company from Affirmative Action measures, because they were not a relevant employer, and were therefore excused from the requirements of the *Affirmative Action Act*. Unfortunately, when the Ministry of Lands, Resettlement and Rehabilitation building tender was issued, China Nanjing International was employing 78 workers at the United Nations building site in Klein Windhoek. This means that the company was over-staffed in terms of the *Affirmative Action Act* previously mentioned (Dentlinger, 2006: online).

In terms of section 42 of the *Labour Act*, no State Tender may be awarded to any construction company that did not include an Affirmative Action Compliance Certificate with their tender. The fact that this company was awarded the multi-million dollar tender without the Compliance Certificate shows the lack of equality and justice displayed by the Employment Equity Commission (Dentlinger, 2006: online). Section 19(3) of the Act (Act 29 of 1998) also stipulates that a relevant employer must train a Namibian citizen as an understudy to every non-Namibian citizen employed by the firm or organisation (Van Rooyen, 2000: 33).

According to Van Rooyen (2000: 24), the *Affirmative Action (Employment) Act* (Act 29 of 1998), states that the only exemptions for not having a Namibian understudy are:

- Where it is deemed that the trade or profession of the non-Namibian employee is of such a specialised nature that it is not reasonably possible for the relevant employer to train a Namibian citizen as understudy; or

- Where it is, for any other reason, deemed impractical for the employer to train an understudy.

2.3.4 The Labour Act

Corkin & Burke (2008: 48) posit the view that labour has been an extremely contentious issue with widely held perceptions that Chinese construction companies bring their own labour from China, seriously underpay local workers, and subject them to extremely harsh conditions. Holder & Jackson (2008: 71) also point out that the Chinese contractors were not adhering to Namibian labour laws and minimum wage structures.

The Namibian Labour Act (Act 11 of 2007) provides a standard set of rules and regulations according to which all the construction companies in Namibia should manage and treat their employees. Problems have been experienced in recent times regarding the Labour Act. Discrepancies have arisen regarding the local and Chinese construction companies and how they react to these Acts. These include differences in minimum wages and payment methods, the provision or non-provision of pension funds and other fringe benefits, discrepancies in working hours and remuneration, as well as the location of a suitable work force (Namibia's New Labour Act, 2008).

There is no official general minimum wage in Namibia. Wages for specific industries and regions are set by agreement between government, employers and trade unions. The minimum wage posted in the Government Gazette in 2008 for construction workers is 8,44 Namibian dollars per hour. The Chinese construction firms have been paying as little as 2,50 to 2,70 Namibian dollars per hour, approximately a third of the official minimum wage (Grobler, 2008a: online).

The Chinese are claiming to pay their employees according to the grading of skills and labour contribution. An example of this would be 18 Namibian dollars per hour to a bricklayer or painter compared with 6 Namibian dollars per hour to a general labourer (Heita, 2007: online). Chinese employers claim to pay Namibian workers the same as the Chinese. It was found that Chinese workers employed at Ramatex, a textile factory operating in Namibia, were paid some of their wages in Namibia and the rest in China. It appeared that the Chinese workers were being paid the same as the locals but the reality is different. It is suggested that Ramatex is not the only company doing this but that this is also happening in the construction industry (Grobler, 2008a: online).

2.3.5 The Social Security Act

The *Social Security Act* (Act 34 of 1994) requires that every employee employed by a registered company must be fully registered as an employee with the SSC (Social Security Commission). Every registered employee must be a member of a medical benefit fund, a death benefit fund and a compulsory pension fund. Companies must pay contributions for every employee and all employees are then issued with a Social Security card. The *Social Security Act* was passed to establish the Social Security Commission and to establish its structure and powers, duties and functions. Its purpose was to make financial provision for employees when they had a reduced income resulting from child-bearing, sickness, old age, permanent disability and death, and to assist with education and training. The Act is legislated to ensure that employees receive benefits for maternity leave, sick leave and death. It also provides for medical benefits to all employees and pension benefits for retired employees. It was also established to provide training schemes (development) for disadvantaged and unemployed people and students enrolled at tertiary institutions, bursaries, loans and other forms of financial aid (Ministry of Labour and Social Welfare, n.d. online).

Some of the Namibian construction companies are not being awarded tenders as the foreign companies have been able to tender at much cheaper rates. One of the reasons suggested is that their firms are avoiding paying the Social Security contributions for their employees. In other words, they are not abiding by the laws that control the building industry and are thus having an illegal advantage when tendering for contracts. Some of the larger local building companies, which do adhere to the law, are refusing to tender when Chinese contractors are tendering as they are concerned about taking part in an illegal process (Weidlich, 2007: online).

2.4 Tenders of Chinese companies

Chinese firms are able to enter the market offering extremely low rates through state-subsidised products and cheap labour. Chinese construction companies have a range of advantages over their local and foreign competitors including: 1) good quality low-cost skilled labour, 2) hands-on management style, 3) high degree of organisation, 4) general aptitude for hard work, and 5) access to relatively cheap capital (Corkin & Burke, 2008: 44). Complaints are rising in the construction sector that the Chinese are not meeting legal requirements with regard to minimum wages, employment

equity, social security, pension and general work conditions. Even though this seems to be the case, Chinese construction companies continue to win most of the tenders for large state projects (Donnelly, 2008: online). Companies tendering on State construction projects have to meet a set of legal requirements. These requirements include providing proof of registration as a Namibian tax payer, a certificate of good standing from the Social Security Commission, a valid affirmative action certificate issued by the Employment Equity Commission, and proof of compliance with the *Labour Act*. In terms of what is legally required from Chinese and other construction companies in Namibia, there are many unjust discrepancies (Menges, 2007: online). The Chinese construction companies, often backed by very cheap state financing, are able to tender at a lower price than their local competitors.

Apart from the new Ministry of Lands and Resettlement building in Windhoek where a Chinese construction company has been awarded the tender despite not being registered with the Employment Equity Commission and not having submitted reports required by the *Affirmative Action Act*, there is new cause for concern: the offer from the Chinese to build a new Military Academy at Okahandja, valued at between 70 and 75 million Namibian dollars and 7 430 m² in size (Grobler, 2008b: online). No local architects or quantity surveyors appear to be involved as the plans were prepared by the Institute of Architectural Design in Gansu, China (Menges, 2007: online). In terms of section 24(2) of the *Architects' and Quantity Surveyors' Act* (Act 13 of 1979), only locally registered architects and quantity surveyors may draw up plans and oversee construction of public structures exceeding 500m².

To determine the extent of problems in the Namibian construction industry and the effect of foreign construction companies operating in the country, research was undertaken among the relevant stakeholders.

3. Research and findings

The review of the literature resulted in the formulation of two main research questions, namely: (i) the extent of involvement of Chinese construction companies, and (ii) the extent of compliance with statutory regulations relating to tendering on construction projects. The survey instrument used to obtain the primary data for addressing the research questions consisted of a structured questionnaire circulated to a randomly selected sample of forty-six contractors, architects, quantity surveyors and engineers in Namibia. A response

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rate of 33% was achieved and this formed the basis for data analysis and the subsequent conclusions. The response group included quantity surveyors (33%), architects (33%), contractors (20%) and engineers (14%). None of the Chinese contractors responded, but the fairly high percentage of responses received from (independent) professional consultants would have eliminated any concern for biased opinions. It was also assumed that the respondents were sincere in their responses as they were assured of their anonymity. Responses were evaluated on a perceived level of agreement with statements based on a 5-point Likert scale where 1=Strongly disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly agree. Once the questionnaires were returned the responses were electronically captured using a Microsoft Excel spreadsheet to calculate frequencies, percentages and mean ratings, as indicated in the tables.

3.1 Chinese construction companies in Namibia

Respondents were requested to indicate to what extent they agreed with the following statements:

Table 1: Chinese construction companies in Namibia

	Statement		1 = Strongly agree 5 = Strongly disagree					Total	Mean
			1	2	3	4	5		
1	Chinese construction companies make up the majority of companies operating in Namibia	%	-	-	6.7	13.3	80.0	100	4.73
2	There is still sufficient work for local construction companies in Namibia	%	6.7	60.0	6.7	20.0	6.6	100	2.60

Table 1 shows that 80% of respondents 'Strongly agreed' with the statement that Chinese construction companies make up the majority of companies operating in Namibia (mean = 4.73). If the Chinese construction companies employed local tradesmen and labourers it would have assisted in lowering the high unemployment rate in Namibia. However, the literature indicated that Chinese tradesmen and labourers are employed by the Chinese construction companies. The table also confirms that, as a result of the many Chinese construction companies operating in Namibia, there is insufficient work for the local companies (mean = 2.60). Further

analysis also showed that the majority of the respondents were of the opinion that the many Chinese construction companies have forced some of the local firms to close down their companies.

3.2 Tendering on construction work

Respondents were requested to indicate to what extent they agreed with the following statements:

Table 2: Tendering on construction work

	Statement		1 = Strongly agree 5 = Strongly disagree					Total	Mean
			1	2	3	4	5		
1	Chinese construction companies tender mainly on government projects	%	13.3	13.3	6.7	46.7	20.0	100	3.47
2	Local construction companies tender mainly on government projects	%	13.3	46.7	26.7	13.3	0.0	100	2.40
3	Tendering procedures on government projects are fair and well controlled	%	26.7	40.0	20.0	13.3	0.0	100	2.20
4	Chinese construction companies are awarded tenders as a result of quality of service and efficiency	%	26.7	53.3	13.3	6.7	0.0	100	1.60
5	Chinese construction companies provide work which is of a high standard	%	20.0	33.3	33.3	13.4	0.0	100	2.40

Table 2 shows that the majority of the respondents 'Agreed' (46.7%) and 'Strongly agreed' (20%) with the statement that Chinese construction companies tender mainly on government projects, whereas that is not the case with local construction companies (only 13.3% 'Agreed'). This may be a cause for concern for the Namibian government as local construction companies should be equally involved in government construction projects to lower the high unemployment rate. Local construction companies may feel that it is not worth tendering on government projects as they are aware that their tender prices will be higher because they comply with all the tendering rules and Acts, whereas the Chinese construction companies do not.

The table also illustrates that Chinese construction companies are not awarded tenders as a result of quality of service and efficiency (mean = 1.60) and the quality of their work is not of a high standard

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(mean = 2.40); the owners of these buildings may have serious problems in the future if defects appear and the Chinese companies have left the country.

3.3 Compliance with Acts relating to tendering

Respondents were requested to indicate to what extent they agreed with the following statements:

Table 3: Compliance with Acts relating to tendering

	Statement		Do not know	1 = Strongly agree 5 = Strongly disagree					Total	Mean
				1	2	3	4	5		
1	Chinese construction companies always submit an Affirmative Action Compliance Certificate when submitting tenders	%	26.7	20.0	26.7	13.3	13.3	0.0	100	2.27
2	Local construction companies comply with Labour Acts	%	6.7	6.7	0.0	20.0	26.6	40.0	100	4.00
3	Chinese construction companies comply with Labour Acts	%	0.0	73.3	13.3	6.7	6.7	0.0	100	1.47
4	Local construction companies comply with Affirmative Action Acts	%	0.0	13.3	0.0	6.7	46.7	33.3	100	3.87
5	Chinese construction companies comply with Affirmative Action Acts	%	0.0	46.7	33.3	6.7	13.3	0.0	100	1.87
6	Local construction companies pay their workforce reasonable wages	%	6.7	0.0	0.0	0.0	73.3	20.0	100	4.21
7	Chinese construction companies pay their workforce reasonable wages	%	0.0	53.4	33.3	0.0	13.3	0.0	100	1.33
8	Chinese construction companies have Namibians working alongside them as understudies	%	0.0	46.7	20.0	26.7	6.6	0.0	100	1.93

Table 3 shows that the majority of the respondents consider that:

- a. Chinese construction companies do not:
- comply with the Affirmative Action Compliance Certificate requirement when submitting tenders (mean = 2.27; 'Disagree').
 - comply with Labour Acts (mean = 1.47; 'Strongly disagree').
 - comply with the Affirmative Action Act (in general) (mean = 1.87; 'Disagree'). This corresponds with Weidlich's (2007) statement that the Construction Industries Federation of Namibia claims that "not one single Chinese (building) contractor in the country is in possession of a valid Affirmative Action Compliance Certificate".
 - pay their workforce reasonable wages (mean = 1.33; 'Strongly disagree').
 - have Namibians working alongside them as understudies (mean = 1.93; 'Disagree').

whereas:

- b. Local construction companies do:
- comply with Labour Acts (mean = 4.00; 'Agree').
 - comply with the *Affirmative Action Act* (in general) (mean = 3.87; 'Agree').
 - pay their workforce reasonable wages (mean = 1.33; 'Strongly agree').

It is evident from the above results that Chinese construction companies are not adhering to the various Acts relating to construction work.

Further comments received from the majority of the respondents indicated that:

- The construction industry plays an important role in the socio-economic development of the country.
- Chinese contractors have a negative effect on SME builders.
- Local contractors are of the opinion that the Namibian Government is promoting SME builders sufficiently and thereby encouraging employment and aid in solving many economic issues.

Some individual comments include:

- "Chinese contractors are allowed to take short cuts and are not controlled enough."
- "Chinese contractors do tender far below the Quantity Surveyor's estimates (whether it is due to a lack of knowledge or mistakes we do not know), but the final account is ALWAYS a hassle with Chinese Companies. Their Final Account figure is very similar to local tenderers' prices in the beginning. In other words ... the Chinese tender very low to get the job ... and then they try and make up for it in the Final Account."
- "Chinese companies invade our sovereignty as the majority desperately seek permanent residence. Revenue earned by these companies also leaves the country at an alarming rate."
- "Main gripe is that I know the Chinese contractors underpay their local labourers."

4. Conclusions and recommendations

The Namibian government's biggest challenge is to overcome poverty and inequality. It has a policy that foreign investors should invest a certain amount of money in the country and create employment for the local people. The information found in the literature review indicated that China is the main foreign country investing in the Namibian construction industry. There are positive benefits such as affordable housing, pumping stations and other aid projects, but there are also negative consequences. The Chinese are perceived to be the main beneficiaries as they have been awarded nearly 70% of Namibia's government construction projects. This appears to be without adherence to legal tender requirements. The review also indicated that the Namibian people are being employed by Chinese contractors at low cost without legislated benefits and that Namibian construction companies are unable to compete for tenders and are therefore closing; thus creating greater unemployment. Chinese labourers are used on Chinese construction sites instead of Namibian sub-contractors, creating difficulties for SMEs and possibly further unemployment.

Of the many factors that affect the Namibian economy, it can be concluded that a concerning issue is the fact that a large percentage of the Namibian construction industry's contractors and professionals are of the opinion that Chinese construction companies are dominating, and have a negative effect on local SMEs as well as the economy. Some of the Chinese contractors are

being awarded tenders without having complied with the tender regulations set by the Tender Board and only a small percentage of respondents felt that Chinese contractors were being awarded tenders because of a high standard of work. Many of the Chinese construction companies were not complying with the Labour and Affirmative Action Acts. Other legal requirements such as working hours, understudy regulations, tender requirements, and social security requirements, are being ignored. This is causing an upset with the local construction companies which are complying with these regulations and still not being awarded fair and equal tender opportunities. Chinese construction companies were not paying their labourers the legal minimum wage as posted in the Government Gazette.

SMEs play a vital role in the economy of a country and, with the Chinese contractors claiming most of their business, a large number of local labourers are unemployed. The Chinese construction companies are not making use of the local labour force as labourers are brought in from other countries where they are paid very low wages. They also do not appoint local construction companies as sub-contractors. These SMEs have played a vital role in the economy of the country and this has a negative effect on the local Namibian contractors as well as the Namibian economy. Another major concern is that money is sent back to China and does not remain in Namibia.

The adherence to tender procedures needs to be revised, and the requirements should be stringently applied to all forms of construction companies operating in Namibia. Tender requirements should be made easily accessible to all construction companies so that they are aware of the necessary requirements. This would allow the Tender Board to incorporate stricter tender assessment processes. Should these improved processes be set in place, fair and equal tender opportunities would be realised throughout the Namibian construction industry.

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