

AN EVALUATION OF THE IMPACT OF CHINESE INVOLVEMENT IN THE
CONSTRUCTION SECTOR IN NAMIBIA

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF

MASTER OF PUBLIC ADMINISTRATION
OF
THE UNIVERSITY OF NAMIBIA

BY

RUI ANTONIO TYITENDE

200728954

DECEMBER 2015

Supervisor: Prof Lesley Blaauw

ABSTRACT

The increasing number of Chinese companies in Namibia has sparked public debate about their impact in the country. The purpose of this study was to determine the impact the participation of Chinese companies have on the development of local companies in Namibia.

The data was collected through in depth interviews with and desk research, and the thematic analysis technique of the qualitative methodology research was used to interpret the data. The study contends that the involvement of companies of Chinese origin in the construction industry has confined the participation of local companies to projects of smaller magnitudes and also putting strain on those smaller companies in meeting requirements set out by the procurement rules. The study also highlights some positive attributions of this participation such as the diversification of the market.

Contrary to what some term as the reluctance of the Namibian government to intervene in the plight of the local companies in securing public projects, this study affirm that government has embarked on reforming the public procurement process in order to benefit local companies. The study suggests that, while international companies are not excluded from participating, there should be deliberate interventions by government to enable the local companies and industry capacity to grow. The study further suggests that research should be undertaken to investigate better ways of growing local capacities, without excluding foreign companies from participating.

TABLE OF CONTENTS

Subject	Page
Abstract	ii
Table of Contents	iii - vi
List of Tables and Figures	vii
Acknowledgments	viii- ix
Dedications	xi
Declarations	x
Abbreviations and Acronyms	xi - xiii
Chapter 1: Introduction	1-6
1.1 Introduction	1
1.2 Orientation of the study	1-3
1.3 Statement of the problem	3-4
1.4 Research question	4
1.5 Significance of the study	4
1.6 Delimitations of the study	4-5
1.7 Limitations of the study	5

1.8 Conclusion	5-6
Chapter 2: Literature Review	7-33
2.1 Introduction	7
2.2 China's Engagement with Africa	8-11
2.3 Market Penetration	12-14
2.4 Lopsided Policy Environment	14-17
2.5 Criticism of China's Policy on Africa	17-20
2.6 The Role of the Chinese Embassy in Namibia	20-21
2.7 Namibia's Construction Industry	21-29
2.8 Government Response to Complaints	32-32
2.9 Conclusion	32-33
Chapter 3: Research Methodology	34-36
3.1 Introduction	34
3.2 Research Design	34
3.3 Population	34
3.4 Sample	35
3.5 Research Instruments	35
3.6 Procedure	36
3.7 Data Analysis	35-36

3.8 Ethical Considerations	36
3.9 Conclusion	36
Chapter 4: Findings and Discussions	37-62
4.1 Introduction	37
4.2 Respondents/Participants	37
4.3 Data Analysis Technique	37-38
4.4 Classification of Tenders and Criteria of Awarding	38-44
4.5 The Status of the Projects Awarded	44-48
4.5 Local Companies Faces Many Challenges	48-50
4.6 Uneven Playing Field	50-52
4.7 A Culture of "Tenderpreneurship" in the Construction Industry	52-53
4.8 The Need to Reform Public Procurement Process	53-55
4.9 Diversification of the Construction Industry	55-56
4.10 No Local Company was Closed Down	57
4.11 Media Reports	57-61
4.12 Conclusion	61-62
Chapter 5: Conclusions and Recommendations	63-67
5.1 Introduction	63

5.2 Conclusions and Recommendations	63-67
5.3 Conclusion	67
References	68-74
Appendices	75-94
1: Interview with correspondent from the Ministry of Works and Transport	75-77
2: Interview with the correspondent from the Ministry of Labour and Social Welfare	77-79
3: Interview with the correspondent from the Namibia Chamber of Commerce and Industry	80-82
4: Interview with the correspondent from the Construction Industry Federation	83-86
5: Interview with the correspondent from the Namibian Employers' Federation	87-88
6: Interview with the correspondent from the Labour Relations Consultant	89-92
7: Questions to the Chinese Embassy	93-94

LIST OF TABLES AND FIGURES

Table 1: Categorisation of tenders and criteria of awarding	31
Figure 1: Number of projects awarded from 2010-2014	45
Figure 2: Total value of projects	46
Figure 3: Number and value of tenders awarded in relation to the new categories set by the new rules of the Tender Board	47

ACKNOWLEDGEMENTS

First and foremost, I thank the Almighty God for granting me the strength, health, courage and inspiration to succeed in this endeavor. A special thanks is going to my supervisor, Prof. L. Blaauw, for his guidance, insight and encouragement in the writing and compilation of this thesis. Your invaluable support and patience throughout this journey has been unreal and is appreciated from the bottom of my heart. Besides my supervisors, I would like to thank Mr. Phaniel Kaapama and Prof. Piet van Rooyen who were both instrumental in shaping my thesis by offering valuable guidance through modules they taught in the post and undergraduate studies. To the staff of the Chinese Embassy, the staff of the Ministry of Works and Transport, the Namibia Employers Federation, the Construction Industries Federation, the Namibian Chamber of Commerce and Industry, without whose co-operation I could not have completed this study. I wish to thank them for supporting this initiative and affording me their time and sharing their views and opinions.

I would like to give special thanks to my grandmother (who raised me), Ms. Lina Ashipala, my father, Antonio Tyitende, my uncle, Mr. Daniel Mbidi, for providing me with accommodation throughout my studies, my eldest sister, Ms. Johanna Boois and Mr. Normen Boois, for being an inspiration and always being there when I needed them the most. Thank you all for your solidarity, I will forever be grateful. Further thanks to my friend, Fennie Hashipala, for her moral support and unwavering confidence she instilled in me throughout the last five years. I will always hold you dear.

DEDICATIONS

This thesis is dedicated to the loving memory of my dear mother, Sara Dina Ashipala. I thank her for instilling in me unquestionable and inalienable values and morals. Thank you for your love, guidance and for always believing in me throughout the years.

I also dedicate this to my son, Jorge Efvrat Ndilipunye Tyitende.

DECLARATIONS

I, Rui Tyitende, declare hereby that this study is a true reflection of my own research, and that this work, or part thereof has not been submitted for a degree in any other institution of higher education. No part of this thesis/dissertation may be reproduced, stored in any retrieval system, or transmitted in any form, or by means (e.g. electronic, mechanical, photocopying, recording or otherwise) without the prior permission of the author, or The University of Namibia in that behalf. I, Rui Tyitende, grant The University of Namibia the right to reproduce this thesis in whole or in part, in any manner or format, which The University of Namibia may deem fit, for any person or institution requiring it for study and research; providing that The University of Namibia shall waive this right if the whole thesis has been or is being published in a manner satisfactory to the University.

..... Date.....

Rui Tyitende

ABBREVIATIONS AND ACRONYMS

BHC	-	Botswana Housing Corporation
CDB	-	China Development Bank
CHEC	-	China Harbour Engineering Company
CIF	-	Construction Industry Federation
DAC	-	Development Assistance Committee
ECA	-	Export Credit Agency
EU	-	European Union
EXIM	-	Bank Exit-Import bank
FDI	-	Foreign Direct Investment
HIV/AIDS	-	Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome
IMF	-	International Monetary Fund
KFW	-	Kreditanstalt Für Wiederaufbau (German Development Bank)
MANWU	-	Metal and Allied Workers Union of Namibia
MWT	-	Ministry of Works and Transport
NCCI	-	Namibia Chamber of Commerce and Industry

NDP	-	National Development Plan
NEF	-	Namibian Employers' Federation
NEPAD	-	New Partnership for Africa's Development
NPC	-	National Planning Commission
NPCC	-	Namibian Planning and Construction Bill
NPF	-	NEPAD Business Foundation
ODA	-	Overseas Development Assistance
OECD	-	Organisation for Economic Co-operation and Development
RMB	-	Renminbi
SACU	-	Southern African Customs Union
SME	-	Small and Medium Enterprise
SOE	-	State Owned Enterprise
SSC	-	Social Security Commission
TAZARA	-	Tanzania-Zambia railway
TB	-	Tuberculosis
UN	-	United Nations
USA	-	United States of America

US\$ - United States of America Dollar

WB - World Bank

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter introduces the study by providing the background information of what prompted the study, the problem statement, the objective of the study, its significance or importance, limitations or the scope of the study, as well as the ethics that were observed.

1.2 Orientation of the Study

China's trade and investment with Africa actually dates back several decades, mainly in infrastructure, such as rail and road construction, at the start of Africa's post-colonial-era (Schiere, 2011). Today, China is profoundly involved in many African countries, including Namibia.

During the summit of the Forum on China-Africa held in Egypt in 2009, the then Chinese Premier, Wen Jiabao, announced a list of interventions China intended to embark on with Africa (Jiabao, 2009). They included, but not limited to, a US\$10 billion low cost loan, double the US\$5 billion loan announced and implemented at the 2006 Beijing Summit and 1 billion U.S. dollar special loan for small and medium-sized African businesses, writing off the debt of some of the poorest African nations, construction of 100 new clean-energy projects on the continent covering solar power, bio-gas and small hydro-power, 50 agricultural technology teams would be sent to

Africa and 2,000 agricultural technology personnel would be trained for Africa, and build 50 China–Africa friendship schools and train 1,500 school principals (Jibao, 2009).

Alden (2009) concludes that infrastructure continues to be a key aspect in Chinese involvement in African development with emphasis placed on the project-based assistance, of which most cases are supposedly provided by Chinese firms and funded out of such expanded financial source.

According to Taylor (2006), China has been involved with Namibia during the time of latter's liberation struggle (since the 1960s) by rendering Swapo assistance of various kinds. This was a solidarity gesture as there were no economic gains then. Today, after independence, China has maintained its support towards Namibia through many projects supported or funded by China. Of note is the 2007 agreement of US\$ 100 million in a preferential export buyer's credit along with a RMB 1 billion concessional loan, RMB 30 million grant, and RMB 30 million interest-free loan (Bräutigam, 2011). The Chinese investments in the Namibian construction sector is said to have grown significantly between 2011 and 2012 owing to improving cooperation between the two countries (Ministry of Trade and Industry, 2013).

While the expansion of trade and investment between Namibia and China has been generally welcome, concerns have been expressed about how China's growing presence might affect Namibia's development as a small economy with a small population. These

concerns range from the perceived negative impact Chinese construction companies are having on the development of Namibian owned construction companies.

The researcher deemed this topic as important because the inroads the Chinese companies are making, gauging from the media reports, have sparked an outcry from, amongst others, the local business community and there has not been much done to ease such uproar. Complaints ranges from complain about favoritism from government towards Chinese owed firms to accusations directed towards the Tender Board of disregarding Namibian laws in awarding tenders to foreign construction companies.

There has been a lot of hearsay in the public realm in Namibia on how the participation of Chinese companies impact the growth and survival of local companies, especially the small and medium enterprises (SMEs), without offering any empirical evidence in this regard. This study looked at the impact China's engagement with Namibia has on the development of the local construction sector.

1.3 Statement of the Problem

Chinese's quest for commercial gain and global competitiveness observed a shift in its earlier engagements with Africa from politics of solidarity to economically inclined ones. It is perceived that this involvement has consequences for smaller economies and for Namibia, these consequences are perceived to be in the retail and construction sectors. The perceived increasing presence of Chinese construction firms in Namibia has created fear and anti-rhetoric amongst some local business people who feel that the awarding of public tenders to the Chinese companies stifle their development and leads

to their stagnation. This study was an attempt to establish, whether such views are justifiable and, to ascertain some of the perceived consequences on the local construction companies.

1.4 Research Question

The central question that the study aimed to answer was:

What impact do Namibian-based Chinese construction companies have on the development of Namibian owned construction firms?

In trying to understanding this relationship, there were some subsidiary questions such as:

Is the impact of Chinese construction companies negative or positive?

Did the participation by the Chinese companies lead to the stagnation or closure of local companies?

1.5 Significance of the Study

There is extensive literature on China and Africa, and little about China and Namibia, especially in the context of construction. Also, the information available is done by researchers from outside Namibia. Thus the researcher is convinced that this study will add to the local knowledge on this topic.

1.6 Delimitations of the Study

The study was restricted to the construction sector in Namibia and not beyond. Due to the similarities in the process of awarding national tenders, resemblance in the

complaints across the country, and that all parties interviewed have their main offices in Windhoek or only one in the country, the study was confined to Windhoek.

It is worth mentioning that the study was intended to use Windhoek as a case study, however, given the limited time, the data collected on the government projects undertaken (which proved crucial to this study) was of a limited nature but covers all regions of the country. Had the information been reduced to Windhoek alone, it would have been found wanting. Therefore, the study utilised data for the whole country instead of only restricting it to Windhoek.

1.7 Limitations of the Study

While undertaking the study, the researcher encountered challenges such as the readiness of the study participants, as some participants were unable to confirm interview sessions within the specified period and the reluctance by some officials to give the researcher access to the appropriate data.

The information about public tenders was obtained from a matrix report, which is a new way of collecting and reporting data by the Ministry of Works and Transport. However, this data did not cover all the years that the researcher had hoped for. That, in more ways than one, limited the amount and richness of data which was collected.

1.8 Conclusion

The chapter gave a background of the study by introducing the information that provided basis for the study, by highlighting problem statement and the research questions that the

study intended to answer, stating the relevance of the study and by explaining the scope of the study and some challenges encountered.

This is the first chapter and will be followed by the theoretical background, the research methodology, the findings and then conclusion and recommendations would follow in that sequence.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter frames Chinese engagement with Africa and China's global positioning in the international political economy and in particular, the genesis of its relations with Namibia. The focus will especially be on Namibia's post-independent period, with special focus on the local construction industry. Moreover, this chapter illuminates patterns that characterize China's engagement with the African continent and attempts to show how these resonate with the Namibian context. Emphasis is put on specific features of China's involvement in the local construction industry, with a particular focus on the awarding of public tenders. The literature background of this study is informed by newspaper articles, academic journals, other published articles, books and government documents. Literature on the presence of China in Africa is extensive and diverse. Hence for the purposes of this research, it was narrowed down to the conduct and the activities of Chinese companies in the construction industry only. Activities, investment and the conduct of China in Africa, the role of the local Chinese Embassy and the nature of Namibia's construction industry will be covered in this chapter. These themes are in turn framed within the context of labour relations, the marginalization and stifling of local companies and the government's response to the call by the local companies that it should come to their rescue.

2.2 China's Engagement with Africa

Historically, China's engagement with Africa was deeply rooted in the 15th Century, when Chinese traders visited East Africa (Schiere, 2011). It's current involvement in Africa is a continuity of relations with many African countries dating back to their pre-colonial periods. Evidently, China's support for the liberation of Namibia and Southern Africa in general was linked to the wider international system. After its admission to the UN in 1971, Beijing maintained a posture of sustained condemnation of Pretoria's policy in Namibia and supported resolutions calling for South African withdrawal (Taylor, 1997).

After independence, many such countries needed assistance for their reconstruction and the advanced countries have played a role in such developments. However, the modern day Sino-African relationships were built in the post-colonial period when China enlarged its cooperation framework with Africa as part of its efforts to demonstrate solidarity with developing countries (Schiere, 2011). One of the examples seen to have laid the foundation to this post-colonial period was the case of the US\$400 million Chinese interest-free loan provided over 1970-75 for the historic 1,800 km Tanzania-Zambia railway line (TAZARA, formerly TANZAM) (Schiere, 2011).

China took a more capitalist approach to the world as its relations with African countries became less driven by ideological interests and more by commercial viability under the leadership of Deng Xiaoping in 1978 (Schiere, 2011). This approach was in part fuelled by China's growing desire for energy and raw materials due to its rising levels of living

standards and industrialization (Schiere, 2011). China's trade with African economies grew rapidly, and by 2008, it reached almost 10 percent of total Chinese foreign trade (Schiere 2011; Mohan & Power, 2008).

To meet the needs of the increasing levels of living standards and industrialization, the Chinese government formulated a "Going Global" strategy. This strategy was aimed at empowering Chinese firms to invest and venture into foreign markets and become multinationals by providing them with financial and other assistance, such as concessional loans (Schiere, 2011, Chen, 2009; Davies, 2010). Although many Chinese investments in foreign countries are state owned enterprises (SOEs), they are run on commercial principles and as such profit driven (Schiere, 2011). An instrumental player in the rapid expansion of Chinese global trade and investment is a government policy bank and the third largest export credit agency (ECA) in the world, the Export-Import Bank of China (China EXIM Bank), established in 1994. This Bank carries out three major functions (Davies, 2010):

- To be the official export agency looking after trade and investment guarantees;
- to provide aid administration (i.e. evaluating projects); and
- to act as the policy bank that deals with foreign aid that comes to China.

To understand Chinese trade and investment relations, Kaplinsky (2012) opined that one should acknowledge the heterogeneity of Chinese foreign investment and its diverse and complex impact on the developing world in three different forms – these include: the recognition of variety of motives for the experience of previously

dominant global foreign investors such as to satisfy the needs of China at home, a vehicle for maximizing global sales, cost-reducing investment by means of low production costs and to gain technological capabilities and knowledge; the diverse nature of China's external investors; and Chinese migrants who moved abroad independently and worked for Chinese private and state-owned enterprises. The aforesaid suggest that the conduct of Chinese firms abroad is both contextual and broad.

It is through the EXIM that many of the Chinese SOEs are provided with capital for market entry into African economies (Davies, 2010). The Chinese state-owned financial institutions and other financial entities have become large-scale lenders in Africa, rivaling the World Bank (WB) and the International Monetary Fund (IMF) in terms of development finance outreach (Liu & Stocken, 2012).

Moreover, to support the 'Going Global' strategy, the China-Africa Development Fund (CADF) was established in 2007 by the China Development Bank (CDB) as a US\$5 billion equity investment fund to assist Chinese companies in expanding into Africa (Schiere, 2011). The Chinese Ministry of Commerce administers the internal tender process and oversees project implementation (Chen, 2009). Despite this strategy, Shinn (2011) posits that China remains well behind the Organisation for Economic Co-operation and Development (OECD) countries in terms of the amount of aid it provides to Africa. Most of China's large infrastructure projects in Africa, which are receiving significant publicity, are actually based on concessional loans

and aid. These usually come with low interest rates and long-term repayment schedules.

In an attempt to understand what aid is, it is worth mentioning that although China's definition of "aid" is somewhat similar with the official OECD-Development Assistance Committee (DAC)'s definition of Overseas Development Assistance (ODA), the former's definition is vague (Davies, Edinger, Tay & Naidu, 2008, p. 2). The DAC defines grants or loans that are extended to developing countries as ODA when they are undertaken by government or government bodies. Davies et al (2008, p. 1) advises that a distinction between what many may *perceive* to be "aid", and actual aid funding be drawn. A given example is that, *"trade concessions or the provision of commercial loans to companies that may aid in a country's development may be regarded as "development assistance", but this does not involve any donation of funds from one government to another"*.

The attachment of Chinese companies to aid is deemed to be a way China protecting its companies, hence promoting its interest overseas against other world powers because if a project is initiated by China, it becomes difficult for any other company to carry out such activities because the project is tied to Chinese enterprises. This takes us to strategies employed by Chinese companies to penetrate markets in Africa and Namibia in particular.

2.3 Market Penetration

While the policy framework which provides an enabling environment for Chinese companies to operate overseas has been discussed, Chen (2009) identified three principal ways that Chinese construction companies have employed in penetrating the African market. Firstly, the Chinese government aid projects has ushered into many Chinese SOEs coming to Africa, particularly most of those operating in Botswana. Moreover, no less than 50 percent of the procurement in terms of equipment, materials, technology or services must come from China (Liu & Stocken, 2012). Such enterprises then develop and accumulate work experience and knowledge in understanding local government, market and people, as well as related local policies, during the project period. As such, they are better positioned to tender for local government projects and beat the traditional players of the market substantially in terms of price (i.e. in the case of Namibia, South African firms and European construction companies). Additionally, compared to local construction companies, Chinese firms have the advantage of securing bid bonds, performance guarantees and advance payment guarantees from their head office in China through a Chinese financial institution, while this is a major impediment to local firms (Liu & Stocken, 2012). This gives them an edge during the bidding process.

Niikondo and Coetzee (2008) further strengthened this view by saying that comparing to the local companies, Chinese companies have access to cheaper capital and this is attributed to China's support towards such companies to find new markets. Coupled to

this access, lower skilled labour and lower managerial costs solidify their low-cost bidding strategy (Niikondo & Coetzee, 2008).

Secondly, when a State Owned Enterprise (SOE) wins a tender for a large-scale construction project, it sometimes choose to play the role of a project management company and bring in medium-sized Chinese construction firms from China who then sub-contract part or all of the project from them (Lui and Stocken, 2012). These smaller companies usually have a good working relationship with the national SOE's head office in China or in their other international projects. Sub-contractors are normally subsidiaries of the same group, sourcing and importing materials and equipment from China due to low costs and tax breaks offered by certain African countries (Lui and Stocken, 2012). This subcontracting process assists the smaller firms to gradually get their share in the industry with the support of the bigger companies and such set up allows for the strength of smaller firms' co-ordination and organization to enhance their capacity and capability.

Thirdly, with the discovery of profit potentials of the market and the attainment of expertise in the previous projects, some of the employees of the Chinese SOEs, especially those in managerial positions, then quit and start up their own construction firms, i.e. private firms (Lui and Stocken, 2012). These private firms then subcontract to bigger Chinese SOEs because of languages and cultural-related indifferences (Lui and Stocken, 2012). With the established long-term relationship between them, there is long-standing mutual trust and reliability. This results in the proliferation of construction

companies that are from China or owned by Chinese descendants. The latter is in essence what forms the provenance of Chinese construction companies' critics who argues that – in case the winner of a bigger tender is a Chinese firm because of its experience and expertise – the subcontractors should at least be local companies but not another Chinese subcontractor. But this state of affairs should be understood within the context of a lopsided policy environment that favours Chinese contractors.

2.4 Lopsided Policy Environment

Some of the conditions "tied" to the aid are the purchase of goods and services from China, with 69 percent of such aid funds spent on acquiring Chinese manufactured equipment and joint ventures between Chinese companies and local companies with a big chunk going to Chinese companies (Taylor, 2009; Bräutigam, 2011). The tying of aid is said to not only unique to China as 60-75 percent of the Canadian aid is "tied", whereas Japan, Germany and United States of America are adamant that a bigger chunk of the money they provide should be used in acquiring products made in their respective countries (Taylor, 2009). Moreover, China is not only offering conditional aid but it also credited for its direct aid, such as the awarding of scholarships and student exchange programmes to African students to study in China, the availing of Chinese medical doctors and health workers and human resource development programmes in the form of training offered by some Chinese institutions (van der Looy, 2006). Nevertheless, Schiere and Rugamba (2011) highlight the importance of untying development assistance. They argue that, if the untying of development aid from Chinese companies was to be implemented, it would be difficult to be realised, as the objective of Chinese

development assistance is not only to support development in the recipient African country, but also to support Chinese companies in their strategy (Schiere & Rugamba, 2011).

Unconditional development assistance would, therefore, provide the opportunity for African companies to participate in tender projects, improve their technology and labour force skills through learning by doing, and enhance national ownership in the long-run. If this idea gets embraced, it will be welcomed by local companies but the implication might be that China might reduce the amount of aid it offers to Africa.

Additionally, the participation of local firms is good for sustainable development. By empowering local companies, it will help strengthen their capacity to maintain infrastructure projects, regardless of whether or not such projects are built by the Chinese or by other development partners (Schiere & Rugamba, 2011). One can deduce from the foregoing that the implementation of Chinese government aid projects is the starting point for most Chinese companies to penetrate the markets of African countries, especially the infrastructural sector. Notwithstanding the gesture of the Chinese government to give aid to many African countries, the proliferation of Chinese companies has created discomfort in the recipient countries. Consequently accusations and allegations have emerged about how such companies are taking away the livelihood of the citizens of such countries.

Bosten (2006) avers that as a result of 'donations and soft loan agreements', China and Chinese companies are in a better bargaining position vis-à-vis local companies and conditions can be imposed with less resistance on the recipient country regarding on

matters such as labour requirements. Ironically, the bargaining position of the hosting government is stronger in international tender procedures, with limits for foreign personnel and rules for acquisition set out in the tender documents (Bosten, 2006). In other words, as Liu and Stocken (2012) assert, Chinese-funded projects are restricted to Chinese construction companies, making it hard for foreign companies to compete.

Apart from the advantage (over their local competitors) that emanates from the support that the Chinese companies receive, many of them have vast experience and expertise in infrastructure building (Chen, 2009). Furthermore, most management teams for particular projects reside on or close to the working site in order for the management team to address the problems as they emerge on site, thus avoiding any delay or further damage and increasing efficiency (Chen, 2009).

Chen (2009) argues that in general, Chinese staff is more productive and efficient in carrying out their work. Shinn (2011) observes that Africans are against the inclination of some Chinese companies to import a high percentage of Chinese labour to build infrastructure projects. However, the disgruntled population has an understanding of the need to bring in Chinese for highly skilled positions, but such exception should be discouraged for work requiring minimal skills that the unemployed locals have (Shinn, 2011). However the supply of skilled manpower is found wanting, although both the local governments and the Chinese government encourage firms to employ local people (Chen, 2009). Should all the costs be taken into consideration (accommodation, international flight, insurance, and wages among others) regarding the recruitment of

Chinese employees instead of locals, the cost of employing a Chinese from China is higher than the salary of an equivalent local employee (Chen, 2009).

2.5 Criticism of China's Policy on Africa

A common perception against Chinese traders shared among local business-people in Botswana, Ethiopia, Namibia, Nigeria, Sierra Leone, and Uganda, is that they are given preferential treatment when compared to local companies and that the economic playing field has tilted in their favour (Taylor, 2009). The perceived preferential treatment is said to be in the awarding of public projects and sometimes how the laws is applied to the Chinese companies *vis-à-vis* the local businesses. This has sparked an outcry amongst the local business people accusing their Chinese counterparts of threatening their businesses' sustainability. Some people in the industry also associate China with poor work quality in the sense that the end users or beneficiaries' interests are not met because of the perceived poor standard of work and the bad quality of cheap Chinese imports (Chen, 2009). To illustrate, a resident in a house built by the Chinese for the Botswana Housing Corporation (BHC) complained that the Chinese contractor used stainless steel pipes instead of the normal brass pipes to save money but in terms of maintenance and repairing, finding a replacement for steel pipes in the local market became a nightmare as these pipes are not available there (Y. A. Chen, 2009). This issue highlights the sustainability of projects built with such materials, as there is no local supplier for such materials in cases of repairs and maintenance.

It is often said that "China has a plan for Africa but Africa does not have a plan for China", hence the criticism that China is not doing enough to engage Africa at

multilateral levels (i.e. to coordinate its infrastructure investment activities at regional rather than at national levels) (Davies, 2010). There are a number of predicaments that are preventing this type of coordination to take effect. Lack of adequate cross-border infrastructure within African regions hampers efforts to promote intra-regional trade and economic cooperation. This is in part a result of the feebleness of collaboration between and among African region. African institutions that ought to engage the Chinese policy-makers or financial actors at the multilateral level are often weak and under-resourced (Davies, 2010). The geographic enormity and great diversity of Africa often prevent common African positions being found especially in relation to infrastructure where its economic benefits are largely localized (Davies, 2010). In addition, the bureaucratic processes involved in seeking common regional positions amongst States that have greatly varying interests has also discouraged Chinese commercial actors in Africa from engaging multilateral institutions rather than at the preferred bilateral level (Davies, 2010).

The New Partnership for Africa's Development (NEPAD)'s Business Partnership Foundation (NPF), whose role is to prioritise and coordinate infrastructure development around key corridors, has no mandate to negotiate project investment on behalf of African governments or other private sector stakeholders and its endeavours appear to be more concentrated on the Southern Africa region only (Davies, 2010). This lack of an 'African plan' for China precludes Africa from reaping maximum benefits from its relationship with China. Africa needs to design its own 'game plan' and allocate a specific role for China based on a common agenda at the Continental level or at various

regional trade blocks level, to make it more amenable and less threatening to its own interests (Uchegara, 2009). Being a recipient of aid with less input on the specific issue-area to channel such aid, it would result in a skewed development as the local government should be in a better position to determine its development priorities.

Although there is evidence to support the claims made against the Chinese firms in some cases, Kaplinsky (2012) asserts that the public debate on Chinese investment is often generally uninformed and fails to give a comprehensive picture of the nature of investment flows. This leads to flawed generalisation on the impact of Chinese FDI on a specific country or a category of countries such as developing economies (Kaplinsky, 2012). Cai (2012) reminds us that the media is one factor that is influencing such generalised discourses because in countries such as Zambia, Australia and the USA the “media coverage of issues surrounding foreign investment has become a subtle and yet influential force on the decision making” and that it “plays an influential role in setting the tone and context of public debate surrounding Chinese investment”. In other words, the accusations leveled against Chinese companies sometimes lack substance and media is used to disrepute them. Hence the management of public relations can serve to deter or strengthen the public perception (s) regarding Chinese conduct.

In their presentation paper at an International Symposium on Construction and Real Estate in 2007 and another empirical survey in 2009, Chen, Chiu, Orr, and Goldstein (2007; 2009) argue that material supply in Africa is a big challenge for many Chinese

companies that operate on the Continent. Some of the reasons given by the respondents in their investigation were that despite the setup of cement and bricks businesses, they cannot meet the demand of the construction companies. The supply of materials and equipment cannot meet the demand and standards of the Chinese companies; although the quality of Chinese materials are deemed inferior, they are relatively cheaper; and that the Chinese expertise who maintain their equipment are more familiar with Chinese-made equipment as opposed to machines that are made in other countries (Chen, *et al*, 2007; 2009). With regard to the workforce of the surveyed companies, it came to light that only few locals occupy managerial positions and that companies with more sophisticated technical services are more inclined to employ many Chinese (Chen, *et al*, 2007; 2009). On average, less than 10 percent of the managerial workforce comprises of local people and this could be linked to the fact that such experts are more familiar with the Chinese language and technology (Chen, *et al*, 2007; 2009). Regarding the codes of conduct, technology and standards, Chinese companies are not the primary decision-makers as this is done by their clients, local practice, or the contracted engineer (Chen, *et al*, 2007). Another important player without which we cannot get a full grasp of Chinese companies' engagements is the Chinese Embassy in Namibia.

2.6 The Role of the Chinese Embassy in Namibia

The Chinese Embassy is an integral player in all the above roles and for this reason, a study of Chinese construction firms in the absence of the role played by their embassy will be incomplete one. For one, through the Economic and Commercial Affairs Office, the Chinese Embassy offers investment guidance to registered Chinese companies and to

a certain extent regulates the lawful behaviour of such companies (Chen, 2009). In the event of disputes between the Chinese companies and the local government, the embassy mediates disputes and also calls for meetings of senior management of registered companies at times to brief them on the incentive policies of both governments and to discuss the successes and failures of Chinese overseas investment (Chen, 2009). The Embassy works closely with Foreign Affairs Departments and Ministries to help communicate and mediate the Chinese investments and to protect their safety, but does not get involved in the management of specific projects (Chen, 2009). Moreover, the Embassy also informs Chinese companies as to which sector to invest in (agriculture, roads, in the Namibian context) (Niikondo & Coetzee, 2008). Provided that such companies are operating in a free market, they should be allowed to conduct business as this result in governments saving money because of low prices competition would bring (Niikondo & Coetzee, 2008). They should also be allowed to conduct businesses provided they abide by laws of the host country while the Embassy supports any government in disciplining companies that are operating to the contrary of set rules and regulations (Niikondo & Coetzee, 2008).

2.7 Namibia's Construction Industry

Framed against the literature of African construction sector more generally, one can conclude that emphasis was strongly placed on how and why the Chinese get the tenders at the expense of the domestic companies. This study was interested in determining the impact such as an uneven playing field has on the construction industry. Much of the literature in the context of Namibia is critical of the Chinese. The argument by the local

construction companies is that awarding tenders to foreign companies stifles their growth. This view is corroborated by Taylor (2009) that foreign companies, in particular the Chinese firms, are stifling or undermining local industries and hamper potential benefits such as value addition, industrialization and job creation.

In Namibia, the presence of Chinese firms is said to have emerged shortly after independence and – their contribution notwithstanding – they have been at the receiving end of criticism by the local companies especially construction companies (Links & Haimbodi, 2011). The discontent by owners of local construction companies is based on the perception that government is now marginalizing them as an estimation of 60 to 70 percent of its biggest projects was awarded to the Chinese firms by 2010 (although they do not adhere to some of the provisions of appropriate legislation and policies) (Links & Haimbodi, 2011). In a period of three months in 2011, eight out of eleven projects were awarded to Chinese contractors (Links & Haimbodi, 2011).

Literature also shows that many southern African countries are heavily dependent on the South African economy and this seems to be the case in the construction industry, where the major construction companies are South African owned. According to Gibb (2006), many southern African countries, particularly those that fall under the arrangement of the Southern African Customs Union (SACU), are heavily dependent on South Africa. Hence, the awarding of government tenders to the Chinese companies saves government money, as other companies bidding prices are slightly high compared to the Chinese. Money saved in this way could be used for trade diversification. According to Chen

(2009), Chinese companies adopt a low-profit margin strategy and use a substantially lower price to undercut other competitors during the bidding process in order to succeed in winning tenders, resulting in the concerned government saving money. For instance in Namibia, Chinese contractors are prepared to work on a ten percent profit margin compared to local companies and South African companies that are used to exploit consumers by applying up to a 50 percent profit margin (Niikondo & Coetzee, 2008). In this view, some Chinese construction companies maintain that the South African grip on the industry was so strong to a point where some companies could execute projects on a 60 percent profit margin on some projects (Niikondo & Coetzee, 2008). Chen (2009) observes a similar pattern in Botswana, as European or South African competitors add a 30–50 percent profit margin, while the Chinese companies only work on 10–15 percent.

The involvement of Chinese companies in the development of African countries is not only saving African countries money, but also to reduce the said dependence and diversify their economies. In this light, Taylor (2009) asserts that some African countries seem to have made a conscious decision to encourage Chinese business as a means to reduce their dependency on other trade partners. Namibia is singled out as one of the countries that had been very dependent on South Africa and Europe for its imports until diversification became a key objective of its government (Taylor, 2009). Moreover, Chinese involvement in the construction industry also differs from other donors who focused more on institutional reforms, support for health programmes such as those on Tuberculosis (TB) and HIV/AIDS, and capacity building for human resources.

In terms of technology and innovation transfer, Niikondo and Coetzee (2008) suggest that government explore ways of changing local rules to enable local and foreign companies to form joint ventures and that such initiatives be made attractive and affordable to lure foreign companies such as Chinese firms. Once established, the council should embrace this recommendation and weigh its viability in order to execute one of its important functions. Making a comparison between Chinese and local or non-Chinese construction companies, Coetzee and Niikondo (2008) observed that 48 percent of the respondents indicated that local companies pay wages in the range of N\$ 1000 - N\$ 5000 whilst none of the Chinese construction companies pay within that range. In this view, it appears that workers employed by the Chinese construction business that are doing the same type of jobs, seem to be earning less than the comparative workers in the employment of the local construction business. This vindicates the complaints by local companies that it is unfair to award public tenders to companies that are not even contributing meaningfully to the ordinary lives of Namibians (in this case the workers).

Section 20 (1 –3) of the Social Security Commission (SSC) Act No. 34 of 1994, compel every employer to register himself or herself as an employer as well as register all his/her employees. The same Act makes provision for other benefits for employees or by improving their working conditions by ways of benefits such medical aid, sick leave, etc. However, comparing how local companies and Chinese companies are doing in terms of the Act, Niikondo and Cotzee (2008) found that local construction companies are somewhat better. Only 28 percent of the respondents working for local construction companies are unsatisfied with their

employment conditions compared to 72 percent working for Chinese construction companies. Again, this could act as a basis for local people to come out strongly against the Chinese companies practice.

Niikondo and Coetzee, (2008) observed that 80 percent of respondents from local construction companies do not belong to organized labour, while only 16 percent are unionised. Chinese construction businesses record 56 percent of workers who do not belong to organized labour. It is imperative that workers organise themselves in a form of trade unions to raise their grievances in a more organised manner, to guard against things such as high legal costs. Based on this study, both local and Chinese firms should not be spared from any criticism of having their employees not belonging to trade unions. The observed 24 percent difference can be explained in labour inclined studies that are aimed at establishing the underlying reasons why workers do not belong to trade unions (Niikondo & Coetzee, 2008). Nonetheless, it should also be pointed out that it is the democratic and fundamental right of workers not to belong to any trade union as well (Niikondo & Coetzee, 2008).

There is a concern that Chinese companies do not contribute significantly to Namibia's economy compared to other construction employers. Such contribution can be in a form of skills transfer such as giving training to local employees. Bosten (2006), on the engagement of Chinese companies in Mozambique, asserts that South African and European companies are of the opinion that Chinese enterprises do not train and transfer skills to local staff – a claim refuted by Chinese firms – and that their impact on the local

market is less since Chinese contractors hardly outsource anything to local or regional suppliers. In their study, Niikondo and Coetzee (2008) concluded that local construction companies do not support the Chinese in terms of their contribution to Namibia's economy, a sentiment shared by 92 percent of all interviewees. Compared to respondents working for Chinese construction businesses, the corresponding percentage is 80. The above observation also means that Chinese construction companies are less popular among their own employees. However, this view needs substantial evidence to measure how much both local and Chinese contribute in order to back up this claim.

In 2008, the Chinese Chancellor in Namibia argued that as per international practice, the government of the receiving country of foreign investment (Namibia in this context) is required to draft foreign investment guidelines and incentives, introduce and supervise the operation of the foreign investment, collect statistics and calculate the effects that may be brought about and make the assessment in monetary terms of its contribution to the local economy (cited in Niikondo & Coetzee 2008: 59). By then such mechanism to collect statistics and measure the effects was non-existent; hence it was unjustifiable to suggest that Chinese companies were contributing less than the local companies.

Corkin *et al* (2008) postulate that lack of skilled labour and local procurement sources force Chinese companies to import their requirements in terms of materials and labour directly from China. Chinese construction companies claim that they provide employees with on-the-job training, focusing particularly on machine operation (Corkin, *et al*, 2008). This debunks the view that Chinese firms' contribution to local economies is

insignificant in a way. Several local construction engineers also reported that they often learnt new techniques on visiting Chinese sites along with consultants and suppliers who are also exposed to new work practices and developments in the industry introduced by the Chinese (Corkin, *et al*, 2008). Another important area that should be looked at is the transfer of work practices and discipline, as local workers in each of the four countries examined have a markedly different set of work ethics to the Chinese who take pride in working hard (Corkin et al. 2008).

A former head of the Tender Board supports the presence of Chinese business in Namibia (Niikondo and Coetzee, 2008). She argues that by opening up the market to many players, it increases competition that results in more competitive prices and in return government saves money to spend on other higher priority services such as poverty alleviation, education and health (Niikondo and Coetzee, 2008). A similar view is shared by the Construction Industry Federation (CIF) who takes competition as something healthy provided that the application of the legal framework applies equally to all companies involved (Niikondo & Coetzee, 2008). Furthermore, Niikondo and Coetzee (2008) cited the following as some of the reasons why government prefers to award tenders to Chinese companies:

- Overall tender pricing are lower because they are 15-20 percent cheaper than tenders for similar construction projects. On multi-million dollar construction projects, it can be a significant difference;

- Materials and steel are imported from China at much cheaper prices than what is available in the local market, resulting in overall cheaper tender prices;
- Productivity: projects are completed before or on time, which is much better than local construction companies who work few hours and take long breaks during the festive seasons;
- Completeness of bids received (documentation according to tender specifications) is of a higher standard than local construction companies;
- Technical specifications are on par with South African construction companies and higher than Namibian construction companies;
- Chinese construction businesses do sponsor Namibian students, that is not always the case with local construction companies; and
- Competitiveness with every tender, not like some local and South African companies that are only interested in tenders of N\$100 000 and more.

During the process of awarding tenders, one of the requirements for eligibility is that construction companies that seek to be awarded tenders by the Tender Board should have not less than 25 employees in its employ (Niikondo & Coetzee, 2008). They should also acquire Affirmative Action Certificates to demonstrate compliance with regulations of employment equity and labour legislation, such as registration with the Social Security Commission (Niikondo & Coetzee, 2008). Nonetheless, a tender can be awarded to a company even if it did not meet the requirements of the Tender Board, provided it intends to meet these requirements during a given grace period. It is possible

and often happens that this grace period lapses without such a company meeting the requirements albeit going further with carrying out the project. Ideally, one would expect that the monitoring and evaluation of the regulations compliance lies with the tender awarding authority but according to Niikondo and Coetzee (2008, p. 54) it is not the Tender Board's responsibility to ensure that companies comply with the said regulations after the awarding of tenders. This is one loophole that needs to be rectified as it might compromise the quality output of projects, hence their unsustainability.

According to Niikondo and Coetzee (2008), the Ministry of Works and Transport (MWT) is responsible for supervision of government construction projects contracts out a large portion of the supervision of construction projects to private engineering and construction companies. These companies do not always comply with supervision standards as required by the Tender Board (Niikondo & Coetzee, 2008). This is compounded by the fact that the MWT does not have the capacity to audit the contracted out supervision of construction projects to engineering and construction companies (Niikondo & Coetzee, 2008). Consequently, tender specifications of construction projects are not always complied with, which implies that it is beyond their control as well (Niikondo & Coetzee, 2008). Violation of the labour law and the exploitation of workers is the consequent result of the lack of supervision, coupled with the reluctance of some employers (regardless whether they are Chinese or not) to adhere to the labour legislation.

2.8 Government Response to Complaints

Public Procurement Reforms

In 2013, government made a commitment to amend the Tender Board Act, 1996 (Act No. 16 of 1996) regulations by attaching conditions to the awarding of tenders by a way of classifications. This directive was viewed by government as an empowerment policy of reserving public work to Namibian and previously disadvantaged groups with a view to promoting Namibian enterprises growth (Tender Board of Namibia, 2013). These changes take precedence to the proposed Public Procurement Bill that was withdrawn from parliament for further consultations. Amongst the provision of the Bill, is to repeal the existing tender board Act and also establish a regulatory body to oversee the procurement processes (Republic of Namibia, 2013).

Table 1: Categorisation of tenders and criteria of awarding

Where the tender amount	Such tender is reserved for the following category of entities
A) Does not exceed N\$ 20 million	Small and medium enterprise
B) Exceed N\$ 20 million but does not exceed N\$ 60 million	Entities which have equity participation of 100 percent that is owned by Namibian persons of which no less than 30 percent is owned by previously disadvantaged Namibian persons
C) Exceed N\$ 60 million	All entities but preference will be given to entities which has equity participation of no less than 51 percent that is owned by Namibian persons of which no less than 30 percent is owned by previously disadvantaged Namibian persons

Source: Tender Board of Namibia, Ministry of Finance.

Table 1 illustrates the information contained in a circular issued by the Tender Board to all permanent secretaries of all ministries as well as to some administrative heads of government agencies and offices.

Since most of the major construction projects are issued by government, many complaints have been aimed to change government's position in the issuing of tenders to Chinese companies. To address the plight of Namibian construction companies, the

Namibian Planning and Construction Council (NPCC) was proposed in the Namibian Planning and Construction Bill No. 7 of 2010. This Bill is yet to be enacted into law more than 4 years after it was introduced in Parliament. Nonetheless, the best intentions of the Bill are encapsulated in what the NPCC is tasked with as a regulating authority of the construction industry. Some functions of the NPCC are the following:

- to protect the local industry against unfair competition;
- to promote research, development and use of local materials;
- to promote compliance to technical standards, safety standards and relevant statutory laws in the construction industry;
- to recommend to the Minister conditions under which a foreign firm may engage in construction industry in Namibia;
- to standardize the procurement procedures according to international recognized practice;
- to harmonize construction industry with the regional construction standards;
- to promote and facilitate technology transfer and innovations in the construction industry; and
- to promote health and safety conditions and sound labour relations as well as the protection of the environment.

2.9 Conclusion

This chapter reviewed the existing literature on the topics of interest to this study. The topics exhausted are extensive, in the opinion of the researcher, regarding the context of

the topic of the study. The chapter discussed the historical background of the trade between China and Africa, the current practices involved in these trade activities, the policy context in which these activities are happening and some of the controversies that attracted the attention of many researchers.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the type of research has been explained, the population targeted and the sample used during the study have been described. The researcher also touched on the research tools used during the study, the procedures followed, how the data was analysed and the ethical consideration that went into study.

3.2 Research Design

The study used the descriptive design of a qualitative research framework through which information was gathered from the participants. The purpose was to collect non numerical data, interrogate it and then make interpretations. Although, as one would observe later, there are some numerical data but they should not be confused with the research design but rather some figures for illustration purposes to strengthen the assertions generated by the study.

3.3 Population

The target population of this study consisted of construction companies (Chinese, local and other foreign companies) that are operating in the Namibian construction industry.

At the time collecting data, there were about 143 construction companies registered with the CIF, 261 direct members of the NEF and about 4000 association ones. There are about 2500 members of the NCCI.

3.4 Sample

The researcher sourced inputs from six participants of officials from the NCCI, NEF, CIF, Ministry of Works and Transport, Ministry of Labour, Chinese Embassy, and senior labour expert. Their number was limited because the population they represent covers most part of the industry. Participants in this study were purposefully selected because of the organisations they represent. However, their views cannot be generalised to the population.

3.5 Research Instruments

Face to face semi structured interviews were one of the research instruments that the researcher employed. These interviews were structured in the sense that the researcher prepared some central questions that would engender answers that are aligned towards the topic. They were semi-structured, on the other hand, to open up for new ideas from the interviewees.

The interview was also administered via email for one of the officials.

3.6 Procedure

Primary and secondary sources were used for data collection. The primary data came directly from original sources, such as the two key documents obtained from the Ministries of Finance and of Works and Transport, whilst secondary data came from the respondents' interpretation of the information.

The researcher made appointments with the respondents and informed consent was obtained from respondents before personal interviews are conducted. Only one

participant answered these questions via email as the face to face interview was declined.

3.7 Data analysis

The data collected during the interview phase was transcribed from rough notes and recordings onto paper. The information gathered was then verified and edited for inconsistencies by replaying the tape.

The data gathered from documents was interpreted using the content and thematic analysis technique -explained further in the findings chapter- in line with the research topic as supporting evidence.

3.8 Ethical considerations

Participants in this study were informed about the objectives of the study and those that agreed to the face-to-face interviews were made aware that they were being recorded.

3.9 Conclusion

In this chapter, the type of research design was discussed, the targeted population, how the research was carried out and through what means the information was collected, how the researcher had processed the information and the ethical consideration that were employed by the researcher.

CHAPTER 4

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter provides an account of the data collected and how the data was analysed. It also gives a brief profile about the respondents in the study and reflects the information they have provided. The findings are presented and discussed in the same chapter.

Apart from the views from the participants, the study made use of information contained in key documents from the Ministries of Finance and of Works and Transport. These documents aided in arriving at providing some actual figures involved in the public procurement process.

Information derived from the above was supported with media reports afterward.

4.2 Respondents/Participants

The study sourced from representatives from the Ministry of Works and Transport, NCCI, CIF, Ministry of Labour Relations, Industrial Relations and Employment Creation, CEF, a local Labour Relations Consultant and the Chinese Embassy.

4.3 Data Analysis Technique

The collected data was analysed and critiqued using the content and thematic analysis in order to interpret the participants' perspectives. An interpretive analysis process in which data are logically searched for patterns to provide an insight description of events is

called thematic analysis, this method was used in formulating themes for this study, which is a common feature of qualitative methods and broadly employed in analysing data (Smith & Firth, 2011). In addition to the thematic analysis, qualitative content analysis was used. Elo, Kääriäinen, Kanste, Pölkki, Utriainen and Kyngäs (2014) opined that qualitative content analysis is amongst the numerous qualitative methods currently available for analyzing data and elucidating its sense because it represents a systematic and objective ways of unfolding and quantifying experiences.

Further analysis was done using the Microsoft Office programmes to present data obtained in a form of tables.

4.4 Classification of Tenders and Criteria of Awarding

In order to understand how the bidders secure public works, it was important to comprehend some of the things that take place before and during the process of awarding of public works.

The respondent from the Ministry of Works and Transport said construction projects are spread across three categories: (1) category specifically for SME's or micro enterprises, (2) for medium contractors and (3) a category for large contractors. This is supposed to be the new guideline. This information is in coherence with the 2013 Tender Board Directive mentioned earlier in the literature chapter.

Based on this information, whereas the third category allows for 49% percent company ownership by foreigners and make provision for international companies to participate, the first and second categories all seem to favour the local companies because they allow

for participation by the upcoming and less experienced enterprises. One may argue that this would enable the growth of smaller companies. In essence, this new criteria advocates for the empowerment of the previously disadvantaged Namibian companies, not only in terms of ownership but also in securing public tenders.

According to the Chinese Embassy respondent, the changes in the bid system by the Namibian government in 2012 (referring to the directive given by the Ministry of Finance), made it difficult for Chinese enterprises to secure projects - making reference to the directive mentioned above. If this assertion holds currency, it indicates that the new directive brought about positive changes favouring local companies.

Moreover, this principle would ensure that companies will only bid for tenders for which they have capacity in and also to avoid big companies to bid for tenders, otherwise, earmarked for smaller enterprises. Unless this information is not known to local entrepreneurs, this approach addresses the concerns raised by the local enterprises about government's lack of intervention.

The participant from the NEF welcomed the participation of the foreign companies in the local construction industry, provided such participation is subject to four conditions: to source their materials locally; to make use of Namibian workers; to reinvest their profit locally; and to assure superiority of their outputs/comes.

Although the companies might meet the above requirements, the awarding of tenders, according to the respondent from the MWT, depends on other auxiliary criteria, starting with the manner in which the submission of the tender documents is presented. He

pointed out that in most cases, on the one hand, the less experienced companies are bound to make mistakes in the preparation and submission of their tender documents and as a result, they get disqualified from the process. On the other hand, the more experienced companies mostly submit their tender documents as required and as a result, tend to remain in the process and eventually get awarded the projects.

"Now your lowest (referring to the bid amount) qualifying contractor and I am using the word 'qualifying', is normally your contractor that knows how to draw the bills of quantities, they know how to fill in the bills of quantities without making a mistake. So I would say that contractors that are experienced are benefiting the most currently, because new comers, inexperienced contractors that would like to enter the market, there is a lot of teething problems for them. Little things like forgetting to initial a page, forgetting to sign at one page, you are disqualified."

These tallies well with Chen (2009), that Chinese companies have vast experience and expertise in infrastructure that gain them a bargain edge over the local competitors, who are inexperienced in tenders and tendering procedures. This places experienced bidders in better positions to get the tenders and it is likely that this is a norm in the local construction industry.

The second criterion is determined by the bidding price, which looks at a window of 15% below or above the cost estimate of the project. Differently put, the bidder who is likely to win the tender is the one's whose bid is not lower than 15% below the project value or whose bid is not higher than 15% above the project value. This exemplified

what Niikondo and Coetzee (2008) had revealed that some Namibian and South African companies apply, sometimes, up to 50 percent profit margin while as Chinese contractors are prepared to work on a ten percent profit margin. If two companies bade with these different bids, this would place Chinese companies in an advantageous position. Chen (2009), as reported earlier, posits that the Chinese firms undercut their other competitors by adopting low-profit margin strategies and bid with lower prices. In this regard, the Chinese companies have an upper hand in receiving the contract.

The third criterion, deduced from the information provided from the respondent from the MWT, is the capacity of the contractor. By capacity, items that are looked at are such as the human resources, plant and machinery, unconditional and irrevocable 10% performance guarantee (bond) and credit facilities or suppliers. In comparison, a majority of local companies are small and upcoming with little capacities, while as the foreign owned enterprises well capacitated, putting the foreign owned companies in well positions when competing for same projects.

The last criterion being looked at is proof of past experience in carrying out similar work. Government should be in a position to establish that the bidder had completed a project of the same nature. As noted in the literature (Chen, 2009), Chinese contractors have vast experience in constructing infrastructures and this favours them in being awarded tenders in comparison to their less experienced local bidders.

The respondent from the MWT said that his ministry makes use of consultants to evaluate and oversee project and mostly the consultants use the above criteria to award

the tenders to experienced companies. However, he mentioned that in an effort to promote upcoming enterprises, during the bidding process, the ministry can overrule the recommendations by the consultants by instead of recommending the experienced bidder, they would recommend an upcoming enterprise "if they deem the risks not too high" in their recommendation to the tender board.

"When it comes to government, we would like to promote the building industry, especially the department of works. We would like to give new comers the opportunity if we look at that and we see that the risk is not too much then we are prepared to take that risk so we over rule the consultants".

Depending on the number of times this has taken place, there appears to be an effort to award projects to Namibian companies. The study could not establish how often this happens.

The respondent from MWT clarified on how the grants from China are implemented. He said that these grants are not offered in monetary terms but in a form of a donation to construct a specific project.

They didn't donate the money. They donated the building, that's the difference. People who are donating money are normally the Germans, the EU, KFW..."

The thing that the Namibian construction companies are referring to is where projects are being offered for government that are not being tendered for and the Chinese companies are not giving money as a grant but they are giving a building as a grant".

This reinforces the assertion by Taylor (2009) and Bräutigam (2011) earlier that the development aid is tied to some conditions. We have also learned from Liu and Stocken (2012) earlier that when the Chinese government offer aid projects, no less than 50 percent of the procurement in terms of equipment, materials, technology or services comes from China. Therefore, it can be assumed that from the contractor to construct the project, to equipment and materials to be used, majority are likely to be from China if not all because that comes as part of donation. This is a strong probability why local companies complain why Chinese companies are allowed to import materials, equipment and expertise.

The respondent from the MWT further explained that when a donation is in monetary terms, funding is channelled through the National Planning Commission, incorporated into the development budget and normal procurement procedures are followed.

"If it's in the development budget, whether it's funding government or funding donor, we call for the normal way of tenders, we award it the normal way. If it's outside the development budget, then it depends on what that agreement is saying".

This could suggest that the reason why government allows companies from China to import materials and equipment is because it is dictated by the agreements to donate the project but not because it favours Chinese more over local entrepreneurs as claimed. Notwithstanding affirmation by Schiere and Rugamba (2011), that it is difficult to untie the development assistance projects, this arrangement remains to be desired if

government allows the donors to have full control of the projects without making an effort to grow local capacity.

Notwithstanding, the respondent dispelled claims that Chinese donated project conditions also dictates on the contractor saying he is not privy to such information. In contrast, he made reference to some of the terms of a typical Western countries donated projects saying they would rather give a 'description' of the contractor that should carry out the projects and that in instances where such projects are of a big magnitude, they open it up for multi-national companies to compete.

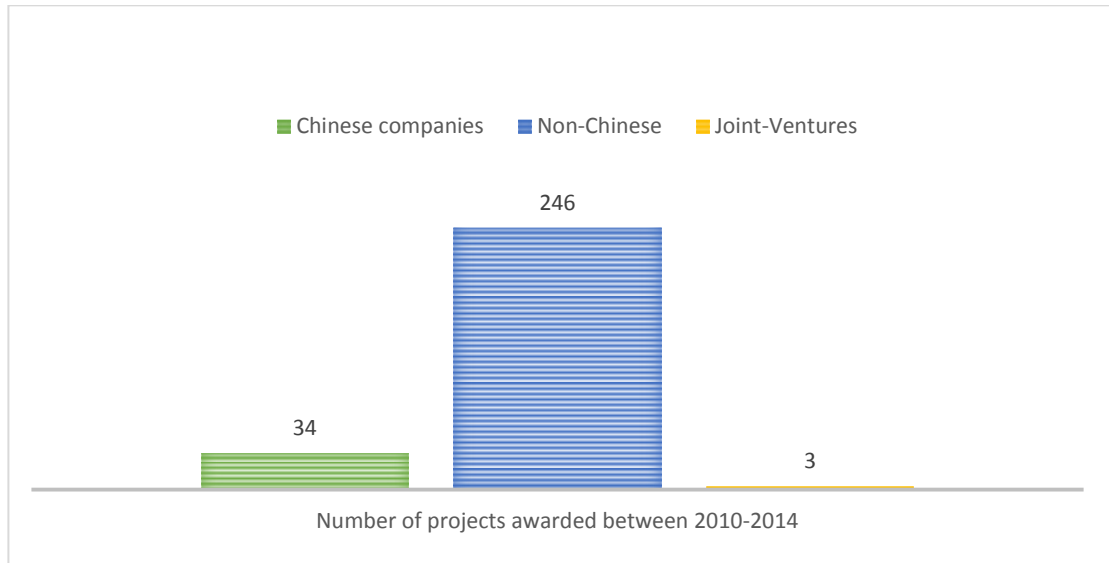
"They describe by saying which contractor are you going to use and most of the time, the contract makes provision for international bidding if it's a big project".

4.5 The Status of the Projects Awarded

This theme covers a comparison of projects awarded by government, in terms of their values and quantities. This information is contained in the *Capital Project Matrix per Ministry: Second Quarter-2014/15* prepared by the Ministry of Works and Transport. This information covers the whole country and it is of significant importance to mention that it did not have every details of each project. Thus the information contained herein only covers projects whose details are fully furnished in the document.

This primary information was important to this study as it gave us the glimpse of some of the happenings in the construction industry.

Figure 1: Number of projects awarded from 2010-2014



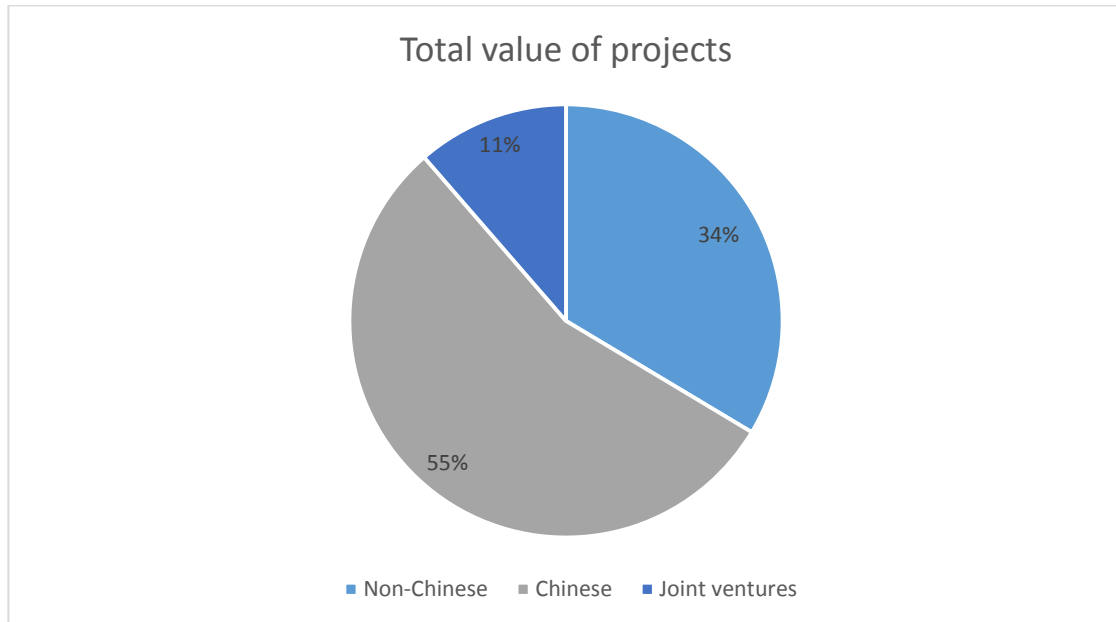
Source: Ministry of Works and Transport

The figure shows the number of projects awarded to Chinese companies (34), to joint ventures (3) as well as to non-Chinese companies (246) between the years 2010 and 2014. These joint ventures are between local companies and Chinese enterprises.

This shows that more local or non-Chinese companies are awarded contracts and there are fewer joint ventures. If these figures are something to go by, they suggest against the idea of saying that Chinese companies are awarded more state projects.

Furthermore, despite recommendations by Niikondo and Coetzee (2008) for local companies to form joint ventures in order not only to fend off competition but also to grow their capacities, the above statistics indicates that the local companies are not heeding this call as there are few cases of these joint projects.

Figure 2: Total value of projects



Source: Ministry of Works and Transport

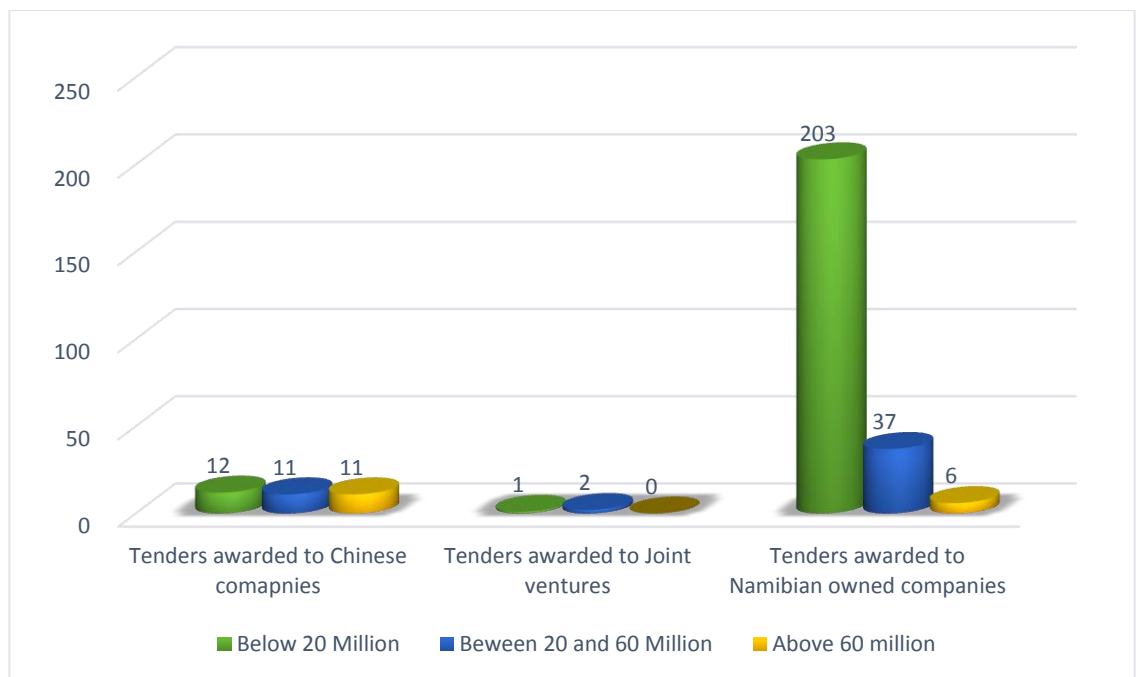
Figure 2 shows the value of projects undertaken by various companies, amongst Chinese owned, joint-ventures and non-Chinese owned companies in percentage. Of the total N\$ 902 843 741.31 million, the biggest chunk went to Chinese owned companies (55% or N\$ 496 958 214.18 million), followed by non-Chinese companies (34% or N\$ 303 247 008.69 million) and the least went to the joint-ventures (11% or N\$ 102 638 518.44 million).

A look at these figures would validate the assertion that the Chinese companies are benefiting more than the local companies (in the terms of monetary value). This is a sharp contrast from the previous comparison that focused on the quantity of projects

awarded which are dominated by Namibian companies in comparison to the Chinese counterparts.

This raises the question as to what is meant by some companies benefiting more than the other, whether it is the amount of projects awarded or the monetary value thereof. One would think it is the latter as it favours Chinese companies while the latter favours the local companies.

Figure 3: Number and value of tenders awarded in relation to the new categories set by the new Tender Board rules.



Source: Ministry of Works and Transport

Figure 3 shows the total number of projects awarded to the different companies in categories of below N\$ 20 million, between N\$ 20 million and below N\$ 60 million, and

the projects above N\$ 60 million. This categorisation is in line with the new directive by the Tender Board.

It is demonstrated from figure 3 that before the Ministry of Finance's circular, regardless of the value of the project, all companies were allowed to tender for any project. This was, obviously, at the disadvantage of the smaller companies.

The author acknowledges that the information contained in this table is not evidence that the new rules of the Tender Board are not adhered to because the information used was collected not long before the rules came into operation, thus information is not up to date and also because that the awarding of some of the tenders preceded the new directive.

However, information made available by the Ministry of Finance (2015) regarding the efficacy of the reservation policy, as referred to earlier, shows that it has increased the number of participation for local companies for category A and C, while B declined in the financial year 2013/14 as compared to the year 2012/13. The directive is also said to have increased the number of contracts awarded to previously disadvantaged groups, increased the number of contracts awarded to SMEs.

4.5 Local Companies Faces Many Challenges

Some respondents motivated why local companies lose out on state tenders to foreign companies. They believe that the local companies are disadvantaged because of the small capacity in comparison to the foreign companies.

"They are disadvantaged by the fact that they don't have the same capacity as the foreign companies. Foreign companies tend to have more capacity and they tend to be able to cut costs because they probably have plants and equipment..." - says the NCCI respondent.

The respondent from the NEF was of the opinion that because of the small capacity of the Namibian owned companies, they cannot match the magnitude of the construction projects, thus the involvement of foreign companies is inevitable.

"Ok, you got to bear in mind that the capacity of Namibian construction companies is not very large and so we cannot cope with the entire construction workers (not clear) so we have to put a lot of dependence on foreign construction companies..." - NEF respondent.

The respondent from the MWT pointed to the lack of experience as one of the reason why local companies do not secure state projects.

"...your new comers, your inexperienced contractors that would like to enter the market, there's a lot of teething problems for them. Little things like forgetting to initial a page, forgetting to sign at one page, you are disqualified." - MWT respondent opined.

He further said that the local companies struggle to overcome, for instance, the performance guarantee requirement when bidding for tenders. However, as shown in the following topic, the opposite is true for the Chinese companies.

Although the MWT participant asserted that despite the local companies' shortcomings, there are those that are at all these levels (as per the three categories). He said that some of these are those that have entered into joint ventures with foreign contractors.

The view that local companies lack capacity was dismissed by the respondent from CIF. He said that that should not be used as an excuse not allocate project to local companies as government does not have evidence to support this view. He gave an example of the construction of one of the biggest mine in the country by a local company suggesting that there is nothing that would stop local companies to construct bigger state projects as well.

Apart from challenges emanating from lack of capacity Namibian companies, some respondents charged that the current system has huddles that impedes the local companies to prosper. The CIF respondent, for instance, remarked that local companies are mistreated whenever they want to use foreign experts. He said that when a local company wants to make use of a foreign expert, they are required to have an understudy but the same does not apply to the Chinese companies. This is a claim worth exploring further.

4.6 Uneven Playing Field

As one peruses through the interviews answer sheets of the respondents, one could not help it but conclude that the Chinese companies have an unfair competitive advantage over their local counterparts. We have learned earlier that the experienced Chinese companies tend to secure tenders because of their capacities and support from their

government (Liu & Stocken, 2012, and Davies, 2010 comes to mind here). We have also learned from the literature how the Chinese enters the African markets through the donated projects.

The senior labour relations Consultant believes that because some of the Chinese companies are able to manipulate their labour figures when they are tendering and that some are state owned, they can afford to bid at amounts below profit margins because that is Chinese government long term strategy. That differentiates them from their competitors that are profit driven or driven by immediate needs.

You sacrifice the profits on one or two projects but then you establish a foothold in the long run"... Private companies are always driven by the immediate gains"...says the Consultant.

He equated the support rendered to the Chinese companies by their government to that provided to that of the Namibian government's towards the state owned enterprises even if they incur huge losses. Although the respondent held this view, he admitted that there is a thick cloud around this information for one to have empirical evidence.

It is argued that one of the reasons why governments chose Chinese companies over local companies is because of the lower priced bids in comparison to local companies (Niikondo & Coetzee, 2008 and Y. A. Chen, 2009). The literature chapter, moreover, revealed that the Chinese companies have access to low capital and employ low cost bidding strategies. Unfortunately, for the local companies, even if they have access to credit and financial facilities (such as the commercial banks, SME Bank and

Development Bank of Namibia), it becomes difficult for them to bring down their prices as their Chinese counterparts do. Despite the existence of such institutions, it has become a common public complaint that their stringent requirements make it difficult for companies to secure funding from them. However, the opposite is true for Chinese companies but when they are competing, these circumstances are not considered.

Although respondents bemoan the challenges faced by the local companies, there are some behaviours that they believe exacerbate their debacles.

4.7 A Culture of "Tenderpreneurship" in the Construction Industry

According to Penfold (as cited in Hofmeyr, 2012, P. 39), tenderpreneur is an infamous term used to describe a practice of individuals and/or companies that uses their political relations in securing government tenders, instead of relying on their capabilities of carrying out the task at hand and usually it is done at the expense of their competitors or the beneficiaries.

The NCCI respondent said that some local business people are suffering from "tenderpreneurship" mentality thus not putting enough efforts into the projects they secure. He gave an example of how they would bid jointly with international companies and once they win the project, they would agree on a fee to be paid to him so that he stay out of the project and his partners carry on the project without him. He believes this practice does not help the effort of those that are attempting to empower such smaller enterprises.

The CIF responded said that some foreign companies don't get projects on merits but because of well-connected people that are prepared to give their name for a small fee. He spoke against the "tenderpreneur" culture amongst some Namibian entrepreneurs saying that they do not have passion for the industry they find themselves in.

4.8 The Need to Reform the Public Procurement Process

Some participants were of the conviction that the public procurement need to be reformed. At the same time, the Ministry of Finance has started with some reforms such as the directive mentioned earlier. Such reforms are preparing ground for the envisaged Public Procurement Bill. According to the Ministry of Finance (2013), the Public Procurement Bill is expected to regulate the procurement of goods and services, to provide for the establishment of bid evaluation committees and provide for their powers and functions; to provide for procurement methods; to provide for bidding process, bidding challenge and review; to provide for preferences to local individuals, companies and entities; the establishment of a Central Procurement Board.

The respondent from the MWT said that currently his ministry mostly administer and implement projects on behalves of other government ministries, agencies and offices because they lack professional and technical people to do so. However, this role varies from project to project as the user/client ministry dictate the type of assistance they would require from his ministry. He deems this role as little because things like work permits and labour relations do not fall under their ambits of work. However, he was of the opinion that its role will change once the National Construction Bill has been

enacted. He believes that many of the problems being experienced and complaints being raised would be addressed by the National Construction Bill.

The representative from CIF said that the current procurement model generates more problems, thus he suggested for the creation of a construction tender board that comprises of people that are well vested on the construction matters. The correspondence from the NCCI further emphasised that the proposed legislation (Procurement Bill) will allay the fears of local companies by for instance reserving specific tenders to either SMEs only or specific tenders of a specific amount to Namibian companies only. By doing so, allows guarantee them work, build capacity and enhances their chances of capacity to compete with international companies. He believes that the country has a responsibility to build capacity for the local companies that can transform into multinational one day. In addition, his organisation made inputs into the Bill that even if international companies gets those bigger projects, be compelled to enter into agreements with local companies and also insisted that the process of securing projects be a transparent one, especially around Chinese contractors. This gives an impression that tender awarding process is not transparent.

A senior official from the then Ministry of Labour and Social Services, was cagey on revealing some information but however said in most cases Chinese companies are found to be non-complaint to the labour Act provisions but there has also been reports received of local companies being non-compliant. He further said that there are specific reports of companies that have been criminally charged. The same cannot be said for

other international companies, South African origin specifically, as they are said to be doing well in terms of the labour legislation.

Some of the local companies that are said to be compliant to the labour legislation feel hard done when they do not secure government projects arguing that it is unfair for projects to be awarded to companies that are non-compliant to the labour legislation. This gives rise to the complaints by local companies that the awarding of public work is an unfair towards them. This may also suggest that local companies want the historical labour relations of companies to be recorded and be used during the awarding of public tenders.

Non-compliance with the established policies and laws gives advantage to those not complying. For example, by not applying minimum wage is disadvantaging those applying it, either by increasing the profit margin or by using it as a method of submitting lower bids of those not complying.

4.9 Diversification of the Construction Industry

In spite of the negative criticism towards the participation of Chinese companies in Namibia, some study respondents were positive about such participations. For example, the NCCI respondent opined that the Chinese companies' involvement has diversified the construction industry by reducing the dominance of the South African companies, instilled a culture delivering outputs timely and of high quality, and, by implication, induced the local companies to form joint ventures with foreign companies.

A local labour relations Consultant opined that, traditionally, South African companies have been dominating, followed by local companies owned by Namibians of Germany descendant, until the arrival of the Chinese companies. Therefore, the Chinese participation brought about the diversification of the construction industry by shifting the dominance in the construction industry from the South African companies and Germany descendant Namibians.

The NEF respondent implored Namibian companies to learn from the Chinese by emulating their working ethic. By this he referred to the long working hours, although he said that Labour Act makes it difficult for many companies do so because of the overtime involved.

The responded from CIF was of the opinion that the use of expatriates in projects varies from the nature of the project as some of the skills required for such projects are highly specialised and not available locally. We have learned that Chinese companies have accumulated many years of experience in the construction industry. But he was against the idea of using expatriates for unskilled semi-skilled jobs that the local job market can supply. He further implored that the Chinese companies to adopt the transfer of skills to the locals when they are allowed to use foreign the highly skilled personnel.

In other words, the above serves as some of the positive contributions that the participation of Chinese companies in the construction industry brought about.

4.10 No Local Company Closed Down

In our quest to obtain evidence of company closures, we attempted to obtain information whether there had been cases of companies closing down because the involvement of Chinese companies has taken away their opportunities. Respondents were cautious in their responses on the stance that there are some local companies that have closed directly influenced by the involvement of Chinese companies or negative impact thereof.

"I believe one or two did shut down completely. But it is very different to say whether such closures are a direct result of competition from Chinese companies. That was a couple of years ago when our construction industry was not as booming as it is currently" - NEF respondent.

"...I don't know any that has been affected by that, that they have closed down. What I have observed is that there are more and more of our members who are actually partnering with Chinese companies...I think that it is very helpful to them because they will then be able to learn from the Chinese" - NCCI respondent

The NCCI respondent further supposed that the perceived dominance by Chinese companies is a temporary trend and that it does not pose any threat to the survival of the local companies, and that in future the local companies will take reign.

4.11 Media Reports

Print media is an important source through which most local companies grievances are disseminated and this provides a platform through which complaints by different stakeholders are brought to the fore. The Metal and Allied Workers Union of Namibia

(Manwu) claimed through the media that some of the Chinese construction companies are disregarding some of the provisions in the labour laws of the country (Smit, 2011). The union cited a violation of an agreement with itself and New Era Investment (a Chinese construction firm) to implement a minimum wage.

It was reported that some employees downed tools to vent their grievances because of issues of non-compliance by their Chinese employer (Isaacs, 2012). In their petition to the company's management, workers demanded that the company starts implementing the minimum wage, provide protective clothing, and address their accommodation concerns, including insufficient toilets, bathing and dining facilities (Isaacs, 2012).

Despite denying it, it is argued that Chinese firms avoid compliance with the Affirmative Action Act by subcontracting their contracts to smaller Chinese companies who have less than 25 employees under their employ (Grobler, 2008). This practice is said to be done to circumvent the adherence to the above mentioned legislation.

According to Niikondo and Coetzee (2008), there is no skill transfer taking place. Conversely, Duddy (2010) reported that at one of the press conferences in a counter response to the allegations, one of the Chinese employers claimed that they give training to workers and that some of them have moved on to open their own small and medium enterprises.

Upon tabling the Namibian Planning and Construction Bill in Parliament in 2010, the Minister of Works and Transport acknowledged that in Namibia and in many other developing countries, the structure of the construction industry is dominated by large

foreign-based firms and local companies are faced with an “uphill battle” to survive (Weidlich, 2010). This is in part due to inadequate support from existing laws and the presence of well-established organisations that sweep up limited opportunities available in the industry (Weidlich, 2010). It follows that should government not come to the rescue of the local companies, the problems they are experiencing will further cripple the sector (Weidlich, 2010). The biggest challenge the council could face is in enforcing the provisions of the Act. Media reports are inundated with concerns of some employers violating laws of the industry and by all accounts this will not instantaneously go away once the NPCC become operational.

Like Chen (2009) who highlighted complaints of substandard work in Botswana earlier, media reports in 2012 had it that the inauguration of the Omuthiya state hospital that was built with a grant from China was postponed due to some substandard work by the contractor and an additional N\$ 6 million was needed to carry out further activities (Shivute, 2012). As such, under normal bidding process, it is argued that although the initial amount of the winning bidder was low (a Chinese company, although in this case no bidding took place), the amount will be inflated by the indirect cost of repairing defects, making no major difference from other contractors deemed expensive. Some time back, it had emerged that an additional N\$ 13 million – a little bit more than double the amount that was reported earlier – was required to fix the yet-to-be opened hospital in order for it to comply with the country’s hospital standards (Kisting, 2012). Consequently, there is a delay in the opening of this important facility and if it was built

in response to an urgent call, such a delay could exert pressure on the existing health facilities and renders public service to non-responsive.

Earlier on we discussed how the Chinese companies have employed low profit regimes to win bids and how the contracts are awarded in terms of being within the set minimum or maximum set by the quantity surveyors. The low cost bid strategy is said to be an underestimate sometimes and it could result in the tenderer facing financial strains or insolvency and results in poor workmanship. This was an argument heard in a court case between a Chinese company and the Roads Authority, whereby the former was arguing that it deserved the contract because its bid was lower than the winner of the project (Menges, 2014).

Reference is made to the conditions attached to projects donated by China and how strongly that country's government is providing financing guarantee to companies venturing into international markets, as discussed earlier. The ongoing construction of the Namibian Port Authority's (Namport) expansion of a container terminal came about because the public enterprise had given the construction contract to a company that would finance the construction and then Namport would pay back later (The Villager, 2013 and Mongudhi, 2011). The contract was given to China Harbour Engineering Company (CHEC) because it had financial back up from the China Exim Bank, a key financing player as discussed earlier, and not surprising, the bank put up conditions such as that 50 percent of the goods and services should be sourced from China (Mongudhi, 2011). According to "The Villager" (2013), this has excluded local construction

companies from the process. However, this condition will not just affect the construction companies but the material suppliers as well.

During the proceeding of a court case in 2007, two local companies were challenging the awarding of tender to a Chinese claiming that despite the latter not meeting all the requirements, the company was awarded the project (Menges, 2007). In its counter claim, government defended its decision by citing that the two local lost out on the work because of technicalities such as not submitting computer generated tax compliance certificate forms instead of the official ones and for using its own stationeries in preparation of their bills of quantities (Menges, 2007). This reinforces the view of the respondent from the MWT, in the earlier chapters, that minor mistakes like these would disqualify companies from the process of being awarded tenders and that local companies are susceptible to this.

4.12 Conclusion

This chapter discussed the findings of the study. The findings were presented and discussed at the same time. The analysis of the information was done using the content and thematic analysis in order to interpret and give meanings to the views obtained by the researcher. Data and presentation thereof with computer aided was necessitated by the reality of the nature of the some of the data obtained.

Although the opinions from the respondents varied, they are anonymous on certain things: the participation of Chinese companies in the local construction industry without regulations will kill the local companies; there has to be deliberate efforts to grow the

local industry and assist the local companies to overcome the many challenges they are faced with; and the participation of international companies, whether Chinese or not, is welcome, provided that growing the local capacity is taken into consideration.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study focused on the impact that the participation of Chinese companies in the Namibian construction industry has on the development and survival of local companies. This chapter provides the overview of the study and provides for the recommendations for possible research undertakings.

5.2 Conclusions and Recommendations

The increasing number of Chinese companies in Africa can be attributed to the Chinese government expansion into the world. In our literature chapter, we have learned that the Chinese government is pushing for more aid or investment towards Africa. We have also learned about the lopsided policy environment around development aid, whereby some of those aids have conditions and one of the conditions is that Chinese companies would carry out the projects and also source materials from China. Such type of practice has resulted in the proliferation of Chinese companies in Africa, including Namibia and by implication is growing the capacity of Chinese companies and sustaining them.

The study was on the impact the participation of Chinese companies has on the development of local companies. The study found that in terms of monetary value, the Chinese companies are benefiting more when compared to the local counterparts and *vice versa* in the terms of the number of projects awarded.

The main findings of this study are that the involvement of Chinese origin companies in the construction industry had, mostly, confined the participation of local companies to projects of smaller magnitudes and also putting strain on those smaller companies in meeting requirements set out by the procurement rules as they compete with multinational companies.

By limiting the participation of local companies to smaller projects meant that they get smaller margins as profits, thus their growth will either be constant or regress. However, there is no evidence to suggest that this stagnation is attributed directly to the involvement of Chinese companies. One thing that would come to mind here is the lack of capacity amongst many local companies, hence their call to be protected to ensure their sustainability. Noting that Namibian economy a liberal one, government should look into ways of guaranteeing free market for all, yet ensuring there is room for local companies.

Comparing what is presented under the literature review with what the responded said, one could tell that these activities are as influenced by the desire of the Chinese government to increase its global hegemony as this practice is not limited to Namibia alone. Also, noting that these companies have the support from their government, the opposite is true for the local companies and this is a detriment for them when competing with the Chinese companies.

Notwithstanding, the local companies have been accused of not reinvesting back into their companies and not having better strategies to cope with competition, hence dismal of some of their claims.

Although the perspective over the impact the Chinese companies have on the development of local companies is mostly perceived as negative, part of the information gathered from this study informs us that there are some positive influence over this participation. For instance, by way of addressing some of the concerns by the local population, the Namibian government had given a directive on how the public projects should be awarded, with a view of empowering local companies. Through this intervention, government claims that it is yielding positive results such as an increasing the participation of local companies and those that are securing the projects. The government is also in the process of reforming the public procurement process and some of the concerns of the local companies will be addressed then. This is contrary to what some term as reluctance of government to intervene on the plight of the local companies in securing public projects.

Another positive impact is the diversification of the industry as the Chinese companies eased up the market as the clients; government in particular, now has more choices to choose from instead of the traditional few companies that could submit bids of exorbitant nature. Also, the Chinese companies are praised for their hardworking working ethics.

Although it could not come out clearly from the information collected, it also point out that the local companies tend to benefit from partnering with the Chinese companies because of the vast experience the latter possess in the construction sector.

General recommendations

From the opinions of the respondents, the participation of Chinese companies in the local industry is welcome, provided that regulation mechanisms are in place to ensure capacity is built for both construction and manufacturing companies. Tthe respondents made some accusations that are not evidence based, thus it should be worth it to ensure that they are investigated, especially by government.

The Chinese companies should be encouraged to employ transferring knowledge such as understudying local people and also to transfer technology.

There should be mechanisms in place to ensure that the smaller local companies are prepared to also take on bigger projects, as a way of building their capacities. Local companies face many systematic challenges, one being access to finance, which could be mitigated through targeted intervention by government like what the Chinese government is doing. The government should re-activate the process of enacting the Namibian Planning and Construction Bills into a law.

Recommendations for Possible Future Research Work

Future research should be undertaken to investigate other possible criteria to be used in awarding public tenders in addition to the newly introduced measures, such as historical labour relations of companies or their conducts.

Research should also be undertaken to investigate better ways of growing local capacities without alienating foreign companies from participating in the local industry. One area that could be looked at is to investigate how feasible joint ventures projects are.

Research should be conducted to look at the possibility of introducing a government policy to regulate how the Chinese donated projects should be implemented, with a view to boost local capacity (for both material suppliers and contractors).

There should be a comparison study of Chinese companies undertaking private projects and the public ones.

Research should be done to investigate the standards of materials in the construction industry.

5.3 Conclusion

This chapter provided a synopsis of the study. The chapter also observed general recommendations and recommendations for possible future research projects.

REFERENCES

- Alden, C. (2009, November 26). *'Paving the way for the next stage in China-Africa assistance to Africa*. Stellenbosch: Centre for Chinese Studies, University of.
- Alden C. (2007). *China in Africa: African Arguments*. Johannesburg: Palgrave Macmillan.
- Berthelemy, J. C. (2011). China and Africa: an Emerging Partnership for Development? In Chiere, R. Ndikumana, L. and Walkenhorst, P. (Eds), *China's engagement and aid effectiveness in Africa* (pp. 71-89). TUNIS Belvédère: African Development Bank Group.
- Bosten, E. (2006, January). *China's Engagement in the Construction Industry of Southern Africa: the case of Mozambique*. A Paper for the Workshop 'Asian and other Drivers of Global Change', St. Petersburg.
- Brautigam, D. (2011). *Chinese Development Aid in Africa: What, where, why, and how much?* Washington DC: Johns Hopkins University.
- Cai, P. Y. (2012). The media narrative and public debate. *East Asia Forum Quarterly*, 4 (2), 16-17.
- Chen, C., Chiu, P., Orr, R., J. and Goldstein, A. (2009). Local Operations of Chinese Construction Firms in Africa: An Empirical Survey. Retrieved August 20, 2012, from *crgp.stanford.edu*

- Chen, C., Chiu, P., Orr, R., J. and Goldstein, A. (2007). *An empirical analysis of Chinese construction's firms entry into Africa*. Retrieved August 20, 2012, from crgp.stanford.edu
- Chen, Y. A. (2009). *China's Role in Infrastructure Development in Botswana*. Johannesburg: Southern Africa Institute of International Affairs.
- Corkin, L., Burke, C. and Davies, M. (2008). *China's Role in the Development of Africa's Infrastructure*. Washington DC: Johns Hopkins University.
- Corkin, L. (2007). *Scoping exercise on China-Africa Relations: Angola Country Case Study*. Stellenbosch: African Economic Research Consortium/Centre for Chinese Studies.
- Davies, M. (2010). *How China is Influencing Africa's Development*. Paris: OECD Development Centre.
- Davies, M., Edinger, H., Tay N., & Naidu S. (2008). *How China delivers development to Africa*. Stellenbosch: Centre for Chinese Studies - University of Stellenbosch.
- Duddy, J. (2010, August 24). Govt loyal to Chinese, not workers. *The Namibian*, Retrieved from <http://www.namibian.com.na>.
- Elo, S., Kääriäinen, M., Kanste, O., Pölkki, T., Utriainen, K., and Kyngäs, H. (2014). *Qualitative Content Analysis: A Focus on Trustworthiness*. Retrieved March 19, 2015, from http://www.researchgate.net/publication/260675843_Qualitative_Content_Analysis_A_Focus_on_Trustworthiness

- Gibb, R. (2006). The New Southern African Customs Union Agreement: Dependence with Democracy. *Journal of Southern Africa Studies*, 32 (3), pp. 583-584. New York: Routledge, Francis and Taylor Group.
- Grobler, J. (2008, July 01). Major Chinese building firms 'not AA compliant'. *The Namibian*, Retrieved from <http://www.namibian.com.na>
- Isaacs, D. (2012, July 03). Building workers demo against Chinese. *Namibian Sun*, Retrieved from <http://www.namibiansun.com>.
- Jauch, H & Sakaria, I. (2009). *Chinese Investments in Namibia: A Labour Perspective*. Harare: African Labor Research Network.
- Jiabao, W. (2009, November 12) 'Building the new type of China-Africa strategic partnership'. Issue 457, *Pambazuka News*. Retrievable at http://www.pambazuka.net/en/category/africa_china/60183. Johannesburg: Southern Africa Institute of International Affairs.
- Kaplinsky, R. (2012). No simple pattern to Chinese foreign investment. *East Asia Forum Quarterly*, 4 (2), 24-25.
- Kisting, D. (2012). N\$ 13m more for botched work. *The Namibian*, 1-2.
- Links, F & Haimbodi, M. (2011). *Building Integrity: Corruption and the Construction Industry*. Windhoek: Institute of Public Policy Research.
- Liu, B. and Stocken, R. (2012). *Why Chinese companies are successful in Africa. Trade Invest Africa*. Retrieved June 08, 2012, from http://www.tradeinvestafrica.com/feature_articles/1132600.htm

- Menges, W. (2014, November 11). Chinese firm loses RA office tender appeal. *The Namibian*. Retrieved from <http://www.namibian.com.na>
- Menges, W. (2007, December 03). Tender to Chinese builder under attack. *The Namibian*. Retrieved from <http://www.namibian.com.na>.
- Ministry of Finance, (2013). *Public Procurement Bill*. Windhoek: Ministry of Finance.
- Ministry of Trade and Industry. (2013). *Statement by Hon. C.H.G Schlettwein, MP, Minister of Trade and Industry on occasion of a China - Namibia business forum*. Retrieved from, [http://www.mti.gov.na/downloads/speeches/NCCI CCPIT%20Business%20Seminar-27%20March%202013%20doc.pdf](http://www.mti.gov.na/downloads/speeches/NCCI%20CCPIT%20Business%20Seminar-27%20March%202013%20doc.pdf)
- Ministry of Works and Transport. (2015). *Capital Project Matrix per Ministry: Second Quarter-2014/15. Unpublished report*.
- Mohan, G. and Power, M. (2008) New African choices? The politics of Chinese engagement in Africa and the changing architecture of international development. *Review of African Political Economy*, 35, 1, 23—42.
- Mongudhi, T. (2011, 11 October). Tying up the deal. *The Insight Namibia Magazine*. Retrieved from www.insight.com.na.
- Namibia Republic of. (2013). *Public Procurement Bill*. National Assembly. (B. 7 - 2013).
- Namibia Republic of. (2010). National Planning Commission and Construction bill. Retrieved June 20, 2012, from [http:// www.parliament.gov.na/bills.../49_b7-2010_nam_planning.pdf](http://www.parliament.gov.na/bills.../49_b7-2010_nam_planning.pdf).

- Namibia Republic of. (2007). Labour Act, No 11 of 2007. *Government Gazette. No. 3971.*
- Namibia Republic of. (1994). Promulgation of Social Security Act, 1994 (Act 34 of 1994), of the Parliament. *Government Gazette. No. 992.*
- Niikondo, A & Coetzee, J. (2009). *Perceptions on the impact of Chinese businesses in Namibia: A Case Study on the Retail and Construction sector in Windhoek.* Windhoek: Monographs Collection/Friedrich- Ebert-Stiftung.
- Penfold, E. (2012). Create entrepreneurs instead of tenderpreneurs. In J. Hofmeyr (Ed), *The Youth Dividend-Unlocking the potential of young South Africans* (pp. 39-43). Cape Town: Institute for Justice and Reconciliation.
- Schiere, R. (2011). China and Africa: an Emerging Partnership for Development? In Schiere, R. Ndikumana, L. and Walkenhorst, P. (eds), *China and Africa: an Emerging Partnership for Development?* (pp. 1-11). TUNIS Belvédère: African Development Bank Group.
- Schiere, R. and Rugamba, A. (2011). Chinese Infrastructure Investments and African Integration. In Schiere, R. Ndikumana, L. and Walkenhorst, P. (eds), *China and Africa: an Emerging Partnership for Development?* (pp. 91-102). TUNIS Belvédère: African Development Bank Group.
- Shinn, G. H. (2011). *The Impact of China's Growing Influence in Africa.* Retrieved June 30, 2012, from elliott.gwu.edu/assets/docs/research/articles/shinn-efr-april2010.pdf.

- Shivute, O. (2012, July 04). N\$6m to upgrade Omuthiya hospital. *The Namibian*. Retrieved from <http://www.namibian.com.na>.
- Smit, N. (2011, February 09). Builders fed up with Chinese firms. *The Namibian*. Retrieved from <http://www.namibian.com.na>.
- Smith, J., and Firth, J. (2011). *Qualitative data analysis: the framework approach*. Retrieved March 20, 2015, from <http://journals.rcni.com/doi/pdfplus/10.7748/nr2011.01.18.2.52.c8284>.
- Taylor, I. (2009). *China's new role in Africa*. London: Lynne Rienner Publishers, Inc.
- Taylor, I. (2006). *China and Africa*. Oxon: Routledge.
- Taylor, I. (1997). 'China and SWAPO: The People's Republic of China's Relations with Namibia in the Liberation Struggle and Post-Independence Period'. *South African Journal of International Affairs*, 5, no. 1, Summer 1997, pp. 110-122.
- Tender Board of Namibia (2014). *Public procurement Reforms 2012/13 - 2013/14: Challenges and Achievements*. Windhoek: Ministry of Finance.
- Tender Board of Namibia (2013). *Amendment no. 1 to the Tender Board Circular no. 1 of 2013*. Windhoek: Ministry of Finance.
- The Villager. (2013, January 27). Namport tender cuts out locals. *The Villager Newspaper*. Retrieved from <http://www.thevillager.com.na>
- Tjirera, E. (2011). *Public Procurement in Namibia: The Roles of Conduct in Reducing Corruption*. Windhoek. Institute of Public Policy Research.
- Uchehara, K. E. (2009). *China-Africa Cooperation in the 21st Century: Analysis of the Obstacles and Challenges to Good Cooperation*. Ankara: Atilim University.

Van de Looy, J. (2006). *Africa and China: A strategic partnership*. Leiden: African Studies Centre.

Weidlich, B. (2010, September 23). Government reign in construction industry. *The Namibian*. Retrieved from <http://www.namibian.com.na>

APPENDICES

APPENDIX 1

Interview with correspondent from the Ministry of Works and Transport

1. What is your assessment of the Namibian construction industry, in terms of competitiveness and the follow up question is, do foreign and local companies compete on an equal level?
2. So it's a form of marriage in the construction industry?
3. So in terms of competition you can say that the market is opening up for local companies to participate more?
4. Yes very much opening up for local companies
5. What role does the ministry play in the construction industry because you know we always have this conception...we only think of Trans Namib and Air Namibia...
6. You've highlighted the different categories of participation for construction projects, but when it comes to the allocation of state projects, maybe for the past five years or during your time at the Ministry of Works, who tends to dominate, who tends to get most of the contracts?
7. But in terms of local and foreign contractors, who dominates, who gets most of the contracts?
8. I've asked previously, the role of the ministry in the construction industry but now I want to draw it down to state tenders, what role do you play in the allocation of state tenders?

9. If you sit with a specific tender, let's say for example the construction of the ministry of works offices in Ohangwena, do you look at specific criteria to award the tender to a specific contractor?
10. You mentioned the issue where the ministry also engages consultants, in this case for construction projects, have there have been incidences where you had to overrule the recommendation of the consultants?
11. So it is in their interest to get a competent contractor, and since they are in Windhoek they want to reduce the transport cost of always having to go out.
12. The bill of quantities, do the consulting engineers have access to that as well?
13. Namibian construction companies, I've interviewed several representing them, I don't know if you know Mr Karl Heinz from the CIF...
14. I look at the Roads Authority here, I look in Khomasdal that side if the Ministry of Labour...
15. So they can compete with Chinese construction companies? But anyway, to follow up on that question, they tend to cry foul that a chunk of government tenders go to Chinese construction companies because they now feel they have the capacity to compete with these companies, but still it goes to the Chinese companies.
16. And then they would argue that the ownership is just a front. Even though you have 51% ownership, they are just there as a face and in actual fact it's still the Chinese who are running these companies and they are still in control in terms of management, everything is still Chinese.

17. So in terms of labour relations issues where you would find a Chinese company or a South African company not paying minimum wages or not complying with health and safety regulations it has nothing to do with you?
18. As government, are you aware of any bilateral agreement between the Namibian government and the Chinese government in terms of the importation of building material? Because most Namibian companies argue that they cannot compete with Chinese companies because they tend to import their material at a lower price compared to if they had to buy it here locally.
19. Is it before or after
20. Just to follow up on that, there is an impression that when China donated money the work has to go to a Chinese company. Is that the case? For example like the Okahandja project.
21. If they are said for example, build a road between Luderitz and Aus for N\$500 000, and they are going to finance that project, do they have a say in the contractors?
22. Just for clarity sake, what's the difference between donating money and donating a project?
23. Broadly speaking, what is the impact of the Chinese involvement in the construction industry? You've highlighted the issue of partnership where they partner up with local firms
24. For capacity building, but broadly speaking what do you think is the overall impact?
25. For the sake of record, is it possible to name five projects that Chinese companies recently worked on that made government feel satisfied or dissatisfied?

APPENDIX 2

Interview with the correspondent from the Ministry of Labours and Social Welfare

1. Thank you very much Dr for your time. The first question I want to ask you is; what is your assessment of the construction industry in general in Namibia?
2. There have been various media reports that Namibian, South African and foreign companies do not comply with core provisions of the Labour Act. Based on your experience as a director in this particular directorate, which companies do you think transgress more on the labour law?
3. You've highlighted a few companies, what would you say in general, what is the relationship between Chinese construction companies and their workers. Would you say the working relationship is cordial?
4. That seems to be just based on what you have just alluded to, especially leaders in the trade union industry tend to accuse government of not doing enough by employing punitive measures when certain construction companies do not comply for example with the minimum wage, health and safety regulations. What is the take of government on that?
5. What mechanisms have government employed to ensure especially Chinese construction companies comply with the labour law because you know the issue of language barrier and all of that?
6. But overall, based on media reports like the recent one we had in Walvis Bay where these guys are busy building the harbour, they have recently signed an agreement with the MANWU on the minimum wage and things like that. But do you know of

any construction companies that comply with the labour law instead of u sending out inspectors and saying listen you guys are not complying and this is what we want you to do.

7. From a labour prospective, you know government signs agreements with the Chinese government but from a labour perspective what would you say is the impact of Chinese investment in Namibia?
8. I've spoken to several contractors in the private sector and they have eluded to the fact that they are somehow being "soft changed" because most of the state contracts are going to the Chinese companies and other government officials have countered by saying that, these Chinese guys tend to be more productive and they complete projects on time and the guys again said, no these guys work is substandard and when they do tender they exclude their labour cost and there are of course also rumours that these guys tend to import prisoners from China. What is your take on that? Have you heard something like that?
9. So the government has actually acted on this?
10. Just to conclude, is there anything else you feel is important?
11. So one could say then from the outset there needs to be an induction especially when they secure a big state contract?

APPENDIX 3

Interview with the correspondent from the Namibia Chamber of Commerce and Industry

1. The first question I would like to ask you is; as a force that advocates for the interest of the private sector, do you think your members in the construction industry have a fair chance of accessing public tenders?
2. Now that you have touched slightly on the issue of why the Chinese companies tend to benefit from state tenders, you mentioned the issue of equipment and capacity. Could this also perhaps be the reason they exclude their labour cost when they tender because they might have to comply with our labour laws, because I've read in the newspapers that these guys hardly pay the minimum wage compared to Namibian construction companies and at the end of the day, ultimately their cost of tendering will be lower because they tend to undercut when it comes to labour/ wages.
3. From your members side who are in the construction industry, how many of them have been affected by this competition involving Chinese in terms of having to lay off workers, worst case scenario having to shut down their business because of this competition if any?
4. Overall what do you think is their impact on the Namibian economy? The Chinese companies.
5. But if you have to look at the criticism that has been levelled against Chinese companies especially from the labour movements and other Namibian construction companies, do you think that they pose a threat to their existence?

6. I've interviewed two of your fellow employer organisations and some of them have highlighted the issue of skills that you have referred to previously. And they mentioned the fact that they sometimes struggle to bring in people with specific skills from outside the country and hence they are at a disadvantage compared to Chinese companies who seem to bring in qualified guys, be it from China or wherever. Their applications seem to get stuck at home affairs. Have any of your members experienced that as well?
7. From your side, representing the interest of the private sector, particularly the construction industry, have you perhaps done anything to remedy or to counter this Chinese competition or rather dominance in the construction industry?
8. The issue pertaining to capacity building, it has been alleged that Namibian companies, whenever they are given say a tender to construct a clinic in the Kavango or Karas region their work tends to be substandard or they do not complete the work on time compared to Chinese construction companies who maybe work on holidays, who work throughout the night to complete their work on time. Could that be perhaps the reason why they do not score state contracts?
9. I also believe in the partnership model, but then you would hear the government say no, our Namibian guys were supposed to get that construction companies, even though they do in black and white, partner up with the Chinese companies, they tend to be sort of a "rent a darkie" thing. Silent partner and all of the profit eventually goes to the Chinese companies and the profits do not stay in the country.

10. But it goes against the principle of capacity building, because you want these guys to tender for big projects by themselves in the future because the Chinese. Because we also do not want the Chinese to be here forever. It's interesting because I have spoken to Mr Karl Hein Schultz the president of CIF and he mentioned the fact that they are able to compete for big state projects but the moment they are not given the opportunity to do so. He has groomed SMEs, but these guys once they go by themselves and they happen to secure a tender, they literally sell him out to a Chinese company and they go with it and the thing of capacity building just ends there and the government has to start all over again, even if you change the legislation you are not going anywhere because you are in a circle.
11. Thank you very much. Is there anything you would perhaps like to add on the construction industry in general?
12. Has the NCCI engaged the government on these issues?

APPENDIX 4

Interview with the correspondent from the Construction Industry Federation

1. The first question that I would like to ask is; what is your assessment of the construction industry in Namibia? And who dominates when it comes to the allocation of state contracts?
2. In other words, what we are saying is that there are lot of contracts coming but Namibian companies are not up to it due to the magnitude of such projects?
3. K, but when one looks at the allocation even of let's say for example, a tender of 20 to 30 million; we also tend to have competition from other companies.
4. Which is sort of a fronting for the foreign company and not necessarily because of the skills they possess.
5. So it's sort of a commission they get for a name they give?
6. There has been a lot of complains especially from Chinese construction companies, not only from, I just interviewed Mr Tim Parkhouse from the NEF the other day and he mentioned something interesting, it's not only in the construction sector that Namibian companies seem to have a problem with, it is also in the retail sector but since my concentration is more on the construction sector what would you say are contributing factors as to why Chinese companies tend to dominate? Is it because of their skill? Is it because they do the work much faster?
7. Capitalist?
8. So they don't buy from Pupkewitz or?
9. David and Goliath?

10. Now that you have touched a bit on the issue of subsidies, could it then mean that should a Namibian company and Chinese company tender for a particular project, a government project for that matter so we can also conclude that Chinese companies exclude their labour costs meaning Namibian companies include labour costs? So the bid comes out cheaper or cost effective for government?
11. How does the awarding of tenders look like between public and private construction companies. Who dominates?
12. But if you look at for example, FNB's head office in Independence Avenue the sign says Murray Roberts but in the private sector overall it's still the Chinese who dominate or do they tend to lobby in some African companies, or Namibian construction companies?
13. But in terms of your members, now we talking about those who come to complain to you, I want to now look at the economic impacts of this competition, has any members complained or has any one of them shut down as a result of competition from China?
14. Jah, I've seen incidents in the news were a local contractor was building a clinic in Rundu and they haven't even finished with the project yet and they ran away, they have been paid already and government on the one hand is trying to build capacity for the SMEs but at the same time these guys are doing this.
15. But looking at the media reports also that Chinese construction companies might be bribing public officials, others are arguing that no this conditions before the Chinese even bring the equipment here there is already an agreement signed between

Namibia and the Chinese officials that side, so do you that in some instances there is also...

16. Do you some companies even including Chinese foreign companies import their labour, or what would you say is the percentage as an expert in the industry?
17. So in other words, one can say that government is hindering the progress of the local construction industry by perhaps favouring or aligning themselves with foreign companies?
18. There were also some media reports that because my study, I'm also doing a comparative study. In some countries such as Angola there have been rumours that Chinese bring in their prisoners to work on their construction sites.
19. Do you know of any instance were a company, whether a local construction company or Chinese was subjected to any punitive measures on none compliance based on the issue that you have just mentioned with the labour law. Were the government said you guys have transgressed with the law; this is how we are going to punish you?
20. But there have been transgressions on both sides
21. That is very scary and what does about seriousness to build local capacity and adhering to our own laws.
22. Interesting, I know I'm diverting a bit from this but there is also from a Chinese point of view that the reason why they bring in Chinese labour or the reason why they contravene some of our labour laws is that Namibian workers tend to be less productive, they don't want to work on holiday, they don't want to work after five

whereas as Chinese workers work throughout the night because they have a project deadline to meet. How true is this?

23. But if you could change certain things that you think has a big impact on the Namibian construction industry, what would they be?

24. In term of, you have members CIF, how do you think they can come together with maybe the NEF or the NCCI how do you can counteract Chinese dominance in the construction industry, we know that government gives out a lot of tenders, big projects and the argument is always that Namibian companies do not always have to capacity...

25. In terms of, if you look at big projects like the new state house, do you think that Namibian companies can do that work?

26. Is there anything else that you would like to add?

APPENDIX 5

Interview with the correspondent from the Namibian Employers' Federation

1. What is your assessment of the construction industry in Namibia and who dominates when it comes to the allocation of state contracts?
2. You have mentioned the fact that Namibian Companies in quantity terms, we do not have a significant number of Namibian Construction that are able to do major projects. What do you think are contributing factors of Chinese dominance in the Namibian construction Industry?
3. So the reason those Chinese companies get state contracts, could it also be that they do the job much faster than local companies?
4. So in other words, one can conclude they exclude their labour once they tender?
Interesting...
5. Ok, we mentioned the issue of cheap labour and Chinese projects, it is argued that Chinese projects are completed before or on time which is much better than local companies who work few hours and take long breaks during the festive season. Could this be the contributing factor of their dominance in the construction industry?
6. So we could say that our labour legislation to some extent hinder productivity?
7. Local construction companies tend to cry foul that Chinese exclude their labour when tendering but the question for me is why are they able to do that? You mentioned the issue of subsidies but some argue that these companies are not state owned, some of them are private companies and they still get state contracts.
8. Why is the State so reluctant to act on them?

9. So if you're doing a construction project, you're not allowed to reside on that site?
10. As an employer organisation representing the interest of your members, some in the construction industry, has some local companies laid off workers as a results of competition from Chinese or has some of them shut down completely?
11. : A local construction company competed with a Chinese company to construct the New Roads Authority head offices; the local company that was awarded the contract tendered 20 million more than Chinese company and the Chinese took them to court. But still the court decided based on the expression given by the Roads Authority it is not compulsory for them to give it to the lowest bidder?
12. The completeness of bids received according to tender specification by Chinese companies is reportedly of a higher standard compared to local companies. Could this be another contributing factor as to why they dominate?
13. How can local construction companies come together perhaps through NEF to counteract Chinese dominance?
14. I don't know if you've seen the recent reports in the Media; in Rundu, some Namibian employees were electrocuted to die and 6-8 of them were injured...
15. Is there anything that you would like to add, maybe something that we left out?

APPENDIX 6

Interview with the correspondent from the Labour Relations Consultant

1. The first question I would like to ask you is; what are your views on labour relations in Namibia and what would you say is the deepest concern in this regard?
2. In terms of providing safety clothing/safety gear to their employees, do they comply with that?
3. I think that's why they translated the labour act into Mandarin.
4. Some would call it a predatory state. The second question is, what is your assessment of the construction industry in Namibia and who dominates and why is this the case when it comes to state tenders, I know you've dealt with the issue of minimum wage where most Chinese companies don't seem to comply but who actually dominates?
5. Dealing with the issue of tenders, would one then be able to say that when the Chinese companies tender for state projects, can we say that they maybe exclude their labour cost knowing perhaps that they are going to bring in some expatriates, maybe Chinese people who will come and work on these tenders or that they will not comply with the minimum wage that has been set by the government?
6. In contravention these have been taking place?
7. As a labour expert, what are your views and what do you think the position of trade unions is on the Chinese investment in general and in the construction industry in particular? I know you slightly touched on the wages issue.

8. Thank you. The following question is slightly related to what you have touched on.
Would you say Chinese owned companies conform to the labour laws in general?
9. No contracts?
10. There have also been allegations that Chinese construction companies are subsidised by their government. Do you think that these allegations could be true?
11. So there is no study that has been done to determine whether this is true because in other words, if they tender and they have the backing of their government in China, they somehow have an unfair advantage over local construction companies who perhaps have to source it from DBN or from any other financial institution.
12. I see Trans Namib has another 180 day turnaround strategy where they have appointed someone to implement it and it came down to one of the people who was supposed to execute the strategy so this person is paid tax payer's money and should the policy fail or the turnaround strategy fail again, government will be forced to come in again, back to the same vicious cycle.
13. There have been numerous debates and strong criticism regarding labour relations and working conditions at Chinese companies, what is your take on these allegations for example, you can get the latest one being in Walvis Bay at the harbour expansion where employees were laid off for a while and had to come back again. It deals again with the issue of labour and working conditions.
14. The contract labour system?
15. You slightly touched on how government responded to construction companies in general with regards to the minimum wage, but do you think government has been

effective with punitive measures with Chinese construction companies that do not comply with core provisions of the labour act?

16. It's either take it or leave it and we go somewhere else.
17. Local construction companies in particular, we've heard them complain through the NCCI for example "we are losing out on state contracts, why do they go to the Chinese companies?" Based on your experience, are you aware of any Namibian companies that have shut down as a result of fierce competition from Chinese construction companies?
18. What do you think is the best way to address issues pertaining to labour relations and Chinese companies storming the construction industry?
19. Yes I read your article that you wrote with Sakaria Iipumbu, it's quite interesting how the Chinese are responding to labour issues. One even said, just like you pointed out, quite bluntly that "Namibians should learn to sacrifice. Let's pay them low wages now so we can come in and employ more people" so in other words they do not give a damn about how much they are paying their workers, for them is to get the work done and go on to the next project. But it's not that it's a bad thing because if you look at the Chinese work ethic, they always focus on getting things done compared to Namibian companies where for example a local construction company gets a tender for example to construct a clinic, he gets N\$5 million, he goes and buys himself a Range Rover and the clinic is not finished in the end who suffers? It's the community that government was meant to cater for. So as much as we tend to look at

and only blame the Chinese, our own people are also not doing us a favour. It's actually a dis service not only to government but also to the people.

20. The last question; is there anything that you think is important that you would like to add?

21. Same like what we did with the EPA's for example when we put our foot down and said we will not sign unless the terms and conditions are favourable to us and not only to you even though you're a big economic player.

APPENDIX 7

Questions to the Chinese Embassy

1. Some local business-people (Namibian construction companies) claim that many, if not all, ‘big’ projects are awarded to the Chinese businesses at the expense of similarly well-established local companies. Yet these Chinese companies do not invest in the country. Instead they repatriate their profit. What’s the role of Chinese Embassy in offering investment guidance to the registered Chinese companies operating in Namibia?
2. The local media reported that Chinese companies tend to violate labor law and exploit local employees. To what extent does the Chinese Embassy regulates the lawful behavior of the said companies?
3. In the event of disputes between the Chinese companies and the local/host government, does the Embassy see it as an obligation, and how does the Embassy go about mediating the negotiation of such disputes?
4. Apart from Chinese staff being highly skilled, what other reasons are there which motivate or force Chinese companies to import a high percentage of Chinese labor even for the work requiring minimum skills, instead of employing local people for
5. Disgruntled local business-people are of the opinion that their Chinese counterparts are given preferential treatment and that the economic playing field has shifted in their favor. What role could the Chinese Embassy play in ensuring that both the Chinese and Namibian companies enjoy the same treatment in terms of how the laws apply in the awarding of public projects?

6. It is reported in numerous publications on China and Africa that Chinese companies in Namibia are mainly interested in projects in the agriculture and road [construction] sectors, does the Chinese Embassy offer stipulations or influential provisions for this?
7. Apart from providing investment guidance, and mediating in the events of disputes, etc., does the Chinese Embassy also get involved in the management of specific projects involving Chinese companies?
8. How damaging would it be for the relations between Namibia and China if the Chinese firms were no longer [allowed to take up construction work] awarded 'big' projects at the expense of local firms? I mean if the local companies were the ones to subcontract projects to the Chinese companies.
9. The government of China is known for its direct aid such as awarding scholarships, and the availing of Chinese medical doctors. Do you agree that these are just among the strategies employed by China for its companies to ultimately penetrate the Namibian market – thus improving and increasing their bidding chances in future projects?
10. Do you agree that China's interest in Namibia is highly driven by commercial viability than by ideological interests? Explain regardless of the answer.