News

LNDC
LESOTHO NATIONAL DEVELOPMENT CORPORATION
We Build Industry

Lesotho National Development Corporation

April—June, 2006

Inspection of the Cotton Pilot Project by the Hon. Ministers of Trade and Industry, Cooperatives and Marketing and of Agriculture and Food Security at the Lesotho Agricultural College on the 3rd April, 2006

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LNDC Headquarters

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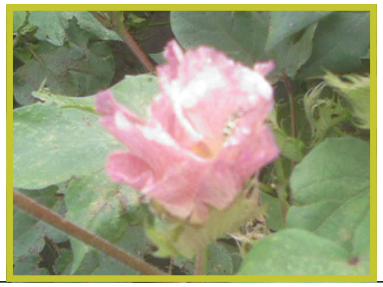
VISIT TO THE COTTON PILOT PROJECT

LNDC arranged a guided tour of the cotton pilot project for the Minister of Trade and Industry, Cooperatives and Marketing, Honourable M. Malie and the Minister of Agriculture, Food and Security, Dr. D.R. Phororo at the Lesotho Agricultural College on the 3rd April, 2006.



The cotton was planted in October, 2005 as a result of a Memorandum of Understanding signed between LNDC and a Malaysian company, TLWAY Texco to set up a fully integrated outfit which will manufacture garments from locally sourced raw material (cotton).

According to the TLWAY Texco Director of Agricultural Research and Development, Dr. V. Ochilboy, the yield from the

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trials has surpassed expectations. The quantity and quality of cotton are of a very high standard.

While the average podding per plant is 20 pods, some of the cotton plants in the Lesotho project yielded as much as 50 pods per plant. "This is very good", said Dr. Ochilboy. "When I heard that Basotho plant a lot of corn, I knew that the cotton would also thrive in Lesotho", he continued. Once harvested, the cotton will undergo tests to assess its quality for purposes of integrated garments manufacturing in Lesotho.

Soil tests that have been undertaken from Butha-Buthe to Mafeteng have had positive results. This means that Lesotho farmers can now look forward to adding cotton to their list of cash crops.

The Minister of Agriculture said his Ministry would have to persuade Basotho to change their mindset and accept cotton as a lucrative cash crop.

M F A Forum Conference

The apparel industry in Lesotho has been successful in attracting foreign direct investment and is currently the largest Sub-Saharan exporter under the African Growth Opportunity Act (AGOA).

It is also the largest employer in the Lesotho manufacturing sector accounting for over 90% of jobs at 37,000 out of a total of 41,000. However, the industry is facing increased competition from other global players such as China, among others. The looming expiration in 2007 of the third country provision afforded by AGOA also poses yet another challenge.

At the request of the Government of Lesotho (GOL), the Multi-Fibre Arrangement (MFA) Forum convened a two-day multi-stakeholder conference titled *Destination Lesotho: On the Road to Responsible Competitiveness.* It was held on the 16th—17th May, 2006 at the 'Manthabiseng Convention Centre in Maseru.

The Right Hon. the Prime Minister, Pakalitha Mosisili officially opening the Conference

The conference brought together all stakeholders in the garment industry in Lesotho to discuss issues and strategies for the post-MFA era to improve the competitiveness of the industry.

The Hon. Mpho Malie, Minister of Trade and Industry, Cooperatives and Marketing

The conference was officially opened by the Right Honourable the Prime Minister, Pakalitha Mosisili. Around 200 delegates participated in the conference including senior members of the Government, manufacturers, trade unions, the World Bank,

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the International Labour Organisation, the United Nations Development Program, major brands and retailers such as Gap, Levi Strauss & Co., Wal-Mart and Inditex. Stakeholders outlined priorities for sustaining the industry which has faced declining orders since the expiry of the MFA in December, 2004.

Discussions centered around the following key areas on how to overcome the challenges and obstacles facing the industry:

- ⇛ **Regional integration**
- ⇒ **Market diversification**
- ⇒ **Innovation**
- ⇒ **Productivity**
- ⇒ **HIV/AIDS**

The outcome of the discussions was a consensus on these broad priorities:

- ⇛ **Trade Policy**
- ⇒ **Incentives**
- ⇒ **Infrastructure and vertical integration**
- ⇒ **Establishment of Lesotho as a centre for decent work.**
- ⇒ **Enhanced pre-production facilities**
- ⇒ **Productivity and quality**
- ⇒ **Elevated production and product diversity**

The Irish rock star and activist Bono also visited Lesotho at the same time as part of a six-nation listening and learning tour of Africa. He met with key stakeholders in the industry and GOL to find out more about what the industry needed to compete in a way that would benefit workers and communities. The rock star pledged his support to GOL in lobbying for a change in the European Union trade rules regulating duty-free imports.

To show his support for the leadership taken by GOL to combat HIV/AIDS and to sustain Lesotho's largest industry in the face of fierce global competition, Bono attended a press conference during which the MFA announced the launch of the Apparel Lesotho Alliance to Fight Aids (ALAFA).

ALAFA, a groundbreaking industry-wide health intervention programme, has been designed for the ComMark Trust with funding from the UK's Department for International Development to fight HIV/AIDS in the garment industry by increasing awareness and providing treatment for those infected with the virus.

A gala dinner on the evening of May 16th showcased Lesotho's fashion industry. Lesotho's Deputy Prime Minister, Honourable Lesao Lehohla, the British High Commissioner Paul Boateng and the US Ambassador to Lesotho, June Carter-Perry, were guest speakers at the gala.

The conference was a collaborative effort of the MFA Forum, the ComMark Trust, the United States Trade & Development Agency and the World Bank's Foreign Investment Advisory Services.

The MFA Forum is an open network of multilateral and national public institutions, labour and civil society organisations, businesses and multi-stakeholder initiatives. The Forum was formed in 2004 to collaborate on the impact of the end of quotas on countries whose garment industries could suffer in the face of open competition and increased uncertainty.

The ComMark Trust is a regional development agency which, in partnership with the Lesotho National Development Corporation, provides the apparel industry in Lesotho with technical assistance and operates a co-financing training scheme.

From left to right: Hon. M. Malie, Mr. Bono, and Mr. Andy Salm—ComMark

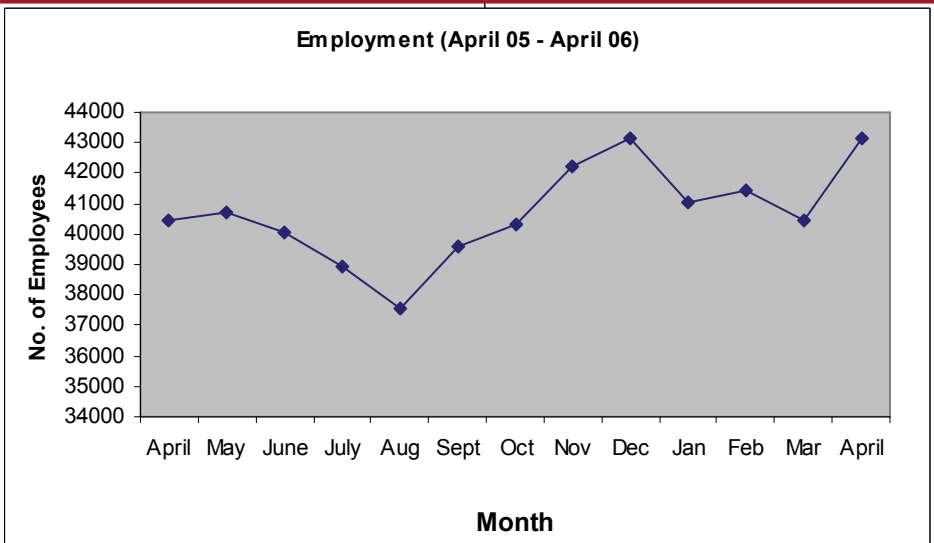
GENERAL PERFORMANCE OF THE MANUFACTURING PORTFOLIO

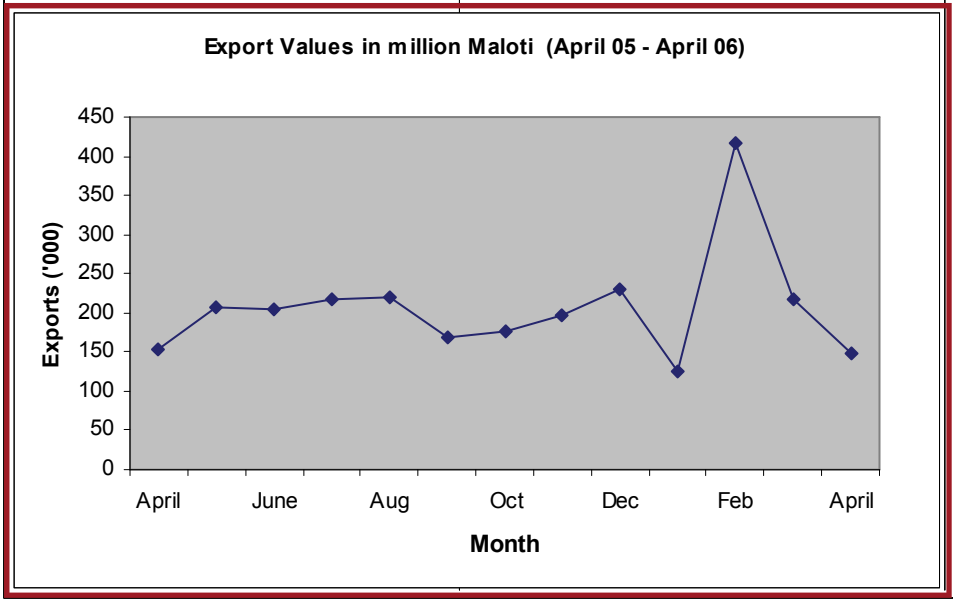
The general business outlook has been positive with orders for garments and related products picking up as well as an increasing demand for factory space.

Over the past twelve months 17 companies have signed factory leases and/or commenced operations. This figure includes expansions into larger factories by existing companies. The total factory space required by these companies is approximately 45,000 m².

Employment grew by 8% between March and April, 2006 as a result of mobilising additional manpower to process the increased export orders by buyers.

Lesotho continues to be the largest exporter of garments to the United States in Sub-Saharan Africa (SSA) with exports from Lesotho accounting for 25% of total SSA garment exports in the period January—February, 2006.





As a means of further improving its service delivery to investors, LNDC, through its Customer Service Desk, has prepared a comprehensive *Guide to Establishing a Business in Lesotho*. The publication is meant to guide potential investors through local administrative procedures. It has been designed to consolidate step by step, all the processes to be followed in order to set up a business in Lesotho. Availability of this type of information beforehand will greatly reduce the lead time between the indication to invest and the actual procurement of the necessary approval/services required to start a business.

Through this publication, the investor will be able to access information on obtaining entry visas, company registration, issuing of licences, registering for taxes, applying for work and resident permits, connecting to utilities, to mention a few. The LNDC Customer Services Desk handles most of these activities for the investor or provides support where the investor is required to be directly involved.

The Guide will be posted on the LNDC website to make it readily accessible to potential investors.

President of Tanzania Visits Nien Hsing Group Projects

From left to right.: Mr. Peete Molapo, LNDC Chief Executive Officer and His Excellency J. M. Kikwete and his wife examining finished jeans at Global Garments

LNDC arranged a guided tour to some of its manufacturing industries for the President of the United Republic of Tanzania, His Excellency Jakaya Mrisho Kikwete during his visit to Lesotho on the 20th April, 2006.

The President visited two of the Nien Hsing Group of Companies, namely Global Garments and Formosa Textile Co. at the Thetsane Industrial Estate.

Formosa Textile Co. is the first denim fabric mill to set up in Lesotho at a cost of USD 100 million (approximately M700 million) in 2000. The denim fabric is exported to Kenya, Madagascar and the Republic of South Africa. The mill also supplies local denim jean factories with fabric.

In 2002 an additional investment of USD 30 million was made by the Nien Hsing Group to set up a yarn spinning mill. The yarn spinning mill is vital for the survival of the knitted fabric garment factories in Lesotho because it supplies AGOA compliant yarns to any weaving factory inside and outside of Lesotho. Production of the yarn is the most expensive part of the knitted fabric-making process. The yarn is currently exported to African countries including the Republic of South Africa.

The Nien Hsing Group also comprises two additional denim jean manufacturing companies, namely C & Y Garments and Nien Hsing International Lesotho. The denim jeans are for export to the United States. Collectively the four Nien Hsing companies have created approximately 10,000 jobs for Basotho.

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People on the Move

LNDC bid farewell to two of its personnel in April and May, 2006 respectively. Mrs. Cecilia Ramalitse resigned from the Corporation in April, 2006 after 10 years of service. When she left she was holding the position of Office Assistant. Ms. Maipato Mokemane went on retirement in May, 2006 after serving LNDC for a period of 30 years. Her last position was Personal Assistant to the Chief Executive Officer.

The Management and Staff of LNDC wished them success in their future endeavours.

From left to right: Mrs. Ramalitsie and Ms. Mokemane receiving their farewell gifts from Mr. S. Mphaka and Mr. P. Molapo respectively.

Why Lesotho?

Stability

- A stable social and political environment which is investor friendly.
- A free enterprise and free market economic system which forms the basis for sustained development and growth.

Labour

- A young abundant predominantly English speaking, literate and well motivated labour force with a tradition of manual dexterity at competitive wage rates.

Market Access

- 50 million consumers in Southern African Customs Union (SACU).
- Preferential access to 170 million consumers in the Southern African Development Community (SADC) market.
- The Cotonou Agreement gives access to more than 400 million consumers in the European Union (EU) market.
- Duty and quota-free access to the United States market through the African Growth and Opportunity Act, (AGOA).
- Preferential access (quota and duty-free) to the lucrative Canadian market of all eligible goods manufactured in Lesotho.
- Highly concessionary Generalised System of Preferences (GSP) to: Japanese, Nordic and other developed markets.

Financial Incentives

- 0% corporate tax on profits earned by manufacturing companies exporting outside SACU. 10% corporate tax on profits earned on exports within SACU. Free repatriation of profits.
- No withholding tax on dividends distributed by manufacturing companies to local or foreign shareholders.
- Long-term loans and/or equity participation.
- Unimpeded access to foreign exchange.
- Export finance facility.
- Import VAT credit facility that provides for an input tax credit upon importation and local purchasing of raw materials and capital goods.
- Bank administered foreign currency accounts are permissible.
- Double taxation agreements with R.S.A., Mauritius, U. K. and Germany.
- Export processing zone status for exporters.

Industrial Infrastructure

- Serviced industrial sites and factory shells are available for rental at competitive rates.
- Special incentives for construction of investor-financed factory buildings.
- Easy access to Gauteng and the Durban harbour.
- Full government support on trade and investment issues.
- Backstopping services from the Lesotho National Development Corporation.