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(Below) A Delegation of Lesotho Private Sector at the EU-SADC Investment Promotion Programme (ESIPP) (above)



We build industry



LNDC Headquarters

ESSIP Agro Industry 2008 Sector Partnership Meeting

LNDC facilitated participation of six local companies in a business to business ESSIP Agro Industry 2008 Sector Partnership Meeting held in Dar es Salaam, Tanzania from the 5th–9th May, 2008.

The companies were assisted to secure 75% financial sponsorship from the SMME Support Network—Lesotho and ESSIP. In addition, relevant training on negotiation skills was provided to the participants prior to attendance at the ESSIP meeting.

The Vice President of the United Republic of Tanzania officiated at the event and highlighted the need to open trade between EU and Africa to develop agro industries especially in view of the high cost and shortage of food crisis.

A Policy Dialogue Workshop held during the meeting came up with proposals to:

- * Improve the competitiveness and productivity of small scale growers and commercial enterprises.
- * Increase the regional market for local suppliers



Participants at ESSIP Agro Industry 2008

ers of agricultural products.

- * Meet and comply with the requirements of the international market and improve the institutional capacity of SADC countries to promote investment and exports in the agricultural and agro-industry.

Match-making sessions resulted in 58 meetings and the signature of twelve (12) Letters of Intent for the Lesotho delegation.

A post-mortem meeting held by LNDC and the six local participants on the 23rd May, 2008 mapped the way forward and highlighted is-

sues that LNDC should focus on in its follow-up action.

All participants came back with valuable leads which will further develop their businesses. One company secured free training for its officials on issues of Hazard Analysis and Critical Control Points (HACCP). Invitations to invest in other countries were extended and contacts with participating financial institutions were initiated.

More than 60 companies in machinery, equipment and agro industry technology; 12 financial services institutions and donors as well as 18 consulting companies in the field of Agro Industry attended the meeting.

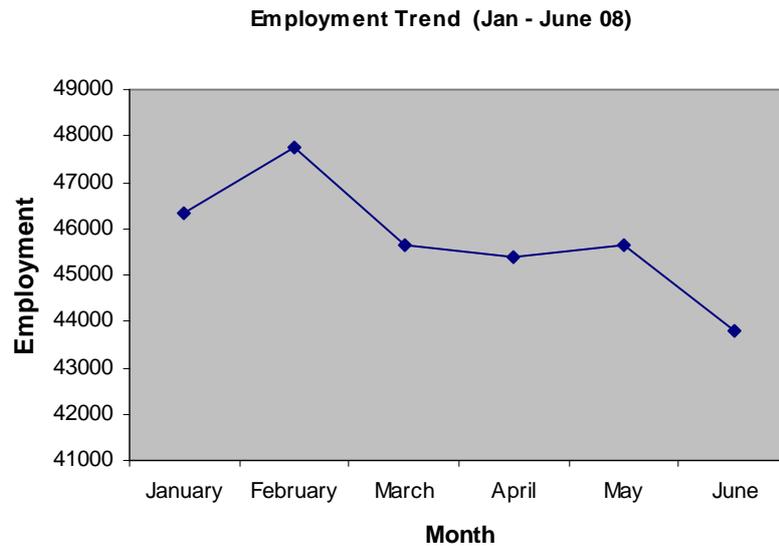
General Performance of the Manufacturing Sector

The LNDC portfolio of companies dropped from 70 to 68 due to closure of two companies which were struggling to get orders. The companies operated in the Thetsane and Nyenye Industrial Estates respectively. However, job losses were avoided as all workers from these companies were absorbed by Maseru and Maputsoe companies.

All, but two, of the nine subsidiary and associate companies performed above budget during the reporting period. The 59 leasehold companies continued to experience a shortage of orders and as a result job losses were inevitable. The current employment, as can be seen from the opposite chart, has steadily declined from a peak of 47,769 in February to 43,796 in June.

Over a period of twelve months, exports have also slowly declined from M765 in July, 2007 to M601 million at the end of June, 2008.

The occupancy rate at the industrial estates has remained at 100% with the exception of Mohale's Hoek Industrial Estate which is currently at 25%. LNDC is continuing to market the estate by promoting non-wet indus-



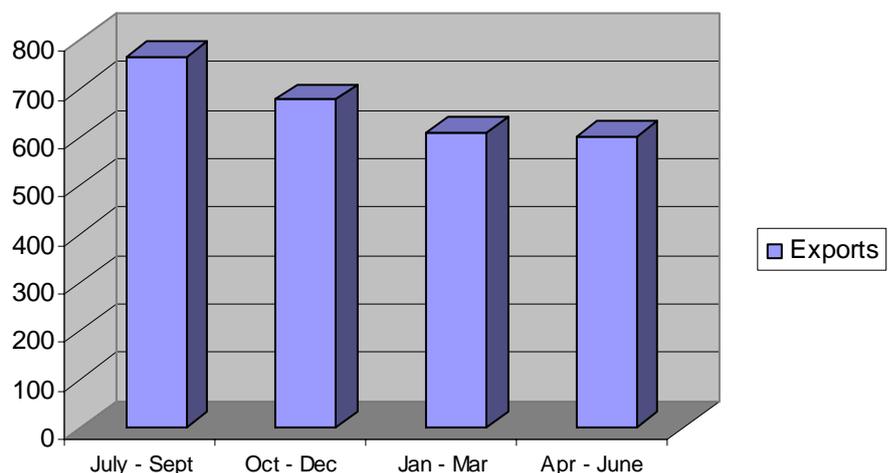
tries as well as commercial businesses both locally and externally.

Infrastructure projects during the reporting period include the installation of fire sprinklers which was completed in May, 2008 and was within budget. Negotiations are on-going for the development of LNDC sites at Fairways and Old Europa. A developer for the reconstruc-

tion of LNDC Mall has been identified and designs are already being drawn up.

A feasibility study and preliminary designs for a relief road at Maseru Industrial Estate have been completed. The relief road is meant to facilitate smooth traffic flow at the industrial estate and control entrance points into the estate for security purposes.

Exports in million Maloti (July 07 - June 08)



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The Corporation is taking pro-active measures to safeguard its industrial estates against perilous fire incidents. In this regard, a study on Fire Prevention and Management Strategy has been completed. Installation of fire detectors and alarm systems for all LNDC industrial buildings has been approved by the LNDC Board at a cost of approximately M4 million. Tenders for the construction of a mini fire station at the Nyenye Industrial Estate have been evaluated

and a recommendation will be presented to the Board for approval in September, 2008.

the labour situation with a view to ensuring harmonious relations between employers



LNDC also offers pre-investment and after-care services to both prospective and existing investors to simplify and shorten the processes related to investment issues. Factory inspections are also carried out to assess

and their employees as well as compliance with the country's labour laws by investors. A checklist of all labour-related issues has been designed to facilitate prompt detection and intervention where necessary.

Reforming for Competitiveness



The Deputy Prime Minister, Ministers, Senior Officials and the International Delegates

The Deputy Prime Minister, Honourable Lesao Lehohla officially opened the workshop which was attended by Ministers, Chairs of Parliament Portfolio Committees, Principal Secretaries, representatives of the Private Sector, NGOs, Civil Society and the Media.

The theme for the workshop "Reforming for Competitiveness: Experiences from Four Continents" brought together 10 international experts who have had "hands-on" experience in driving successful policy reforms in their own countries or in their previous careers. The workshop focused on their international

The Government of Lesotho through the Ministries of Finance and Development Planning; Trade and Industry, Cooperatives and Marketing as well as LNDC hosted a High Level Policy Workshop

from 23rd–25th June, 2008. The workshop was jointly organized with the Brenthurst Foundation, a think tank on contemporary development issues, created by the Openheimer Family.

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experiences and at the relevance of those experiences to Lesotho if it is to accelerate growth, create jobs and reduce poverty. They came from Chile, Colombia, Costa Rica, El Salvador and Georgia, Vietnam, United States of America and the Republic of South Africa.

The experts received an economic briefing on Lesotho including visits to textile factories and Mohale Dam. The visits and briefing were meant to enable them to relate their experiences to Lesotho in the roundtable discussions.

The workshop discussed policies and strategies that governments should adopt in order to promote private sector-led development. It was acknowledged that the key variable that distinguishes success from failure is the quality of implementation.

Why have some developing countries had more success

than others in this regard?

While solutions cannot simply be transposed from one environment to another, the outlines for successful approaches can be. It is one thing for donors to preach the merits of reform; it is quite another to learn about the successes and pitfalls of reform from a peer of similar rank from a country facing similar challenges and constraints.

Particular emphasis was put on the overall investment climate (including building a domestic political consensus for reform), specific policy measures, how strategic sectors were chosen (were winners picked?), relations with donors and strategic use of aid as well as regional approaches to development.

By focusing on these issues it

was planned that Lesotho would benefit in at least two ways:

Firstly, it would help position Lesotho as a thought leader

and a hub of knowledge transfer from officials of high-growth developing economies, away from the gaze of donors and consultants;

Secondly, the workshop would assist in developing a cutting-edge strategy for competitiveness for Lesotho.

Before their departure, the delegation paid a courtesy call on His Majesty King Letсие III.

Hon. Dr. T. Thahane and Dr. G. Mills, Brenthurst Foundation



Hon. L. Lehohla and Hon. Dr. Thahane with some of the delegates



From left to right: Hon. T. Chakela, Hon. P. Lebesa & Hon. S. Sekatle



Trade and Investment Related Meetings

During the reporting period, LNDC attended meetings/seminars/workshops to discuss various trade and investment related issues. Attendance at the meetings enabled the Corporation to make inputs on these issues to facilitate effective investment promotion.

Workshop to Validate the Draft National Strategy for the Development of Statistics (NSDS)- 2nd April, 2008

The Government of Lesotho, through the Bureau of Statistics is preparing a National Strategy for the Development of Statistics, a framework for strengthening statistical capacity across the entire National Statistics System for result based management. It is a five-year plan covering all sectors, presenting priorities for statistics and building the capacity required to meet the priorities in a more coordinated and effective manner.

The workshop was beneficial to LNDC because it provided the opportunity to ensure that future statistics will include information which is critical to the operations of LNDC, but which was not be-

ing adequately recorded in the past.

Seminar on Textile Planning and Management for Officials from African Countries, Beijing 1st–20th April, 2008

The seminar was designed to assist participating countries to draw on China's experiences in textile planning and management. The event was funded by the Chinese Government for East, Central and Southern African countries which are strong in textile production and export. Lesotho was represented by the LNDC Head Foreign Investment Promotion and the Deputy Director of the Ministry of Trade and Industry, Cooperatives and Marketing.

World Investment Economic and United Nations Conference on Trade and Development XII Conference 18th–22nd May, 2008

The conference which was held in Accra, Ghana provided an opportunity for policy makers, investors and investment promotion agencies to meet and interact through a series of conferences and networking. The forum focused on trends and future

prospects in foreign direct investment. Particular emphasis was placed on how countries and/or companies can maximise the opportunities generated by investment processes.

LNDC will align itself with the performance benchmarking report prepared by GDP Global Development, evaluate and improve its performance in investment promotion.

SADC Economic Partnership Agreement (EPA) on Services and Investment, 6–8th May, 2008 in Maseru

Consultations were held among SADC member states senior officials on the forthcoming first round of negotiations of the services and investment chapter and what strategy to follow in negotiating the chapter with their EU counterparts. These negotiations were scheduled to take place in Brussels from 19th–23rd May, 2008.

The negotiations would be guided by an approach that is geared towards the creation of predictable, transparent and secure regulatory framework for services and

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investment. This would be complemented with a comprehensive and result oriented process aimed at investment promotion and addressing supply side constraints. All SADC member states are required to earmark one sector that they wish to liberalize.

LNDC was specifically invited to form part of the technical team on investment in this round of negotiations. LNDC's role is to make inputs into the investment component and to advocate for liberalization of a service that is crucial to the enhancement of the investment environment.

3rd Turkey Africa Foreign Trade Bridge: 12–17th May, 2008, Istanbul

A delegation led by the Hon. Minister of Trade and Industry, Cooperatives and Marketing represented Lesotho at the Confederation of Businessmen and Industrialists of Turkey.

The annual event is aimed at contributing to the development of the African continent through trade. Activities comprised an exposition where companies exhibited their products and services, pre-arranged business meet-

ings, country presentations and the signing of the Istanbul Declaration by countries which had not yet endorsed it.

Since the inception of this initiative, the annual trade volume between Turkey and Africa has increased from US\$10 billion to US\$15 billion. One hundred and fifty Turkish companies have invested in 23 African countries including; Ethiopia, Guinea, Benin, Egypt, Morocco, Malawi and the Republic of South Africa.

5th Meeting of the SACU Task Team on Textiles and Clothing: 20th May, 2008 Pretoria

Lesotho presented a motivation to the Southern African Customs Union (SACU) Clothing and Textile Committee and the SACU Trade and Industry Liaison Committee to reinstate the original benefits of the Duty Credit Certificate Scheme, a vital component of the competitiveness of the garment industry in Lesotho. A decision on this matter is yet to be taken.

Investment Promotion Mission to South Africa 21st May 2008

LNDC accompanied the Honourable Minister of Finance and Development Planning in an investment promotion mission to South Africa. The Minister addressed the Southern African German Chamber of Commerce and Industry on investment opportunities in Lesotho.

Contacts made at the meeting are being followed up to secure firm commitments to invest.

SADC Workshop on EPA Rules of Origin for Textiles and Garments 17–18th June, 2008

The workshop brought together stakeholders in public and private sectors from the SADC EPA region to enlighten them about procedures in the various segments of the European Union (EU) market.

A consultant has been engaged to develop a strategy to assist manufacturers to tap into the EU market efficiently.

LNDC's role, among others, is to develop promotional material tailored to target EU buyers and also to facilitate visits for EU buyers who wish to source from Lesotho garment manufacturers.

Why Lesotho?

Political 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 260 million consumers in the Southern African Development Community (SADC) market.
- The Cotonou Agreement gives access to more than 480 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.

Tax / Financial Incentives

- 0% corporate tax on profits earned by manufacturing companies exporting outside SACU.
- Corporate tax rate of 10% on profits earned on exports within SACU.
- No withholding tax on dividends distributed by manufacturing

companies to local or foreign shareholders.

- Unimpeded access to foreign exchange.
- Export finance facility.
- Training costs are allowable at 125% for tax purposes.
- Payments made in respect of external management skills and royalties related to manufacturing operations are subject to withholding tax of 10%.
- No exchange controls on the repatriation of profits.
- 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. and U. K.
- A duty credit is a rebate of the duty of the importation of specified products into the Customs Area. The duty credit is an absolute value by which import duty can be reduced. Exporters of specified textile and clothing products may earn credits based on the value of exports of the specified products.

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.

We're on the Web!
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