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EU Commissioner of Trade, Peter Mandelson hands over a cheque for ALAFA to Hon. Popane Lebesa, Minister of Trade and Industry, Cooperatives and Marketing

We build industry



LNDC Headquarters

EU Grant to Apparel Lesotho Alliance to Fight Aids (Alafa)

The Honourable Popane Lebesa received a cheque for €500,000 (M5.7 million as at February, 2008) which was presented by the EU Commissioner of Trade, Peter Mandelson for further roll out of the ALAFA HIV/AIDS program on the 29th February, 2008 at CGM Group, Thetsane Industrial Area.

The three-year grant forms part of the European Development Fund (EDF) and will help in fighting HIV/AIDS in the most important workplace in Lesotho: the textile industry.

Handing over the cheque, the EU Commissioner said, "While this takes place in the framework of the European Commission's normal development assistance program for Lesotho, it has an extra importance as it links to the opening up of possibilities for duty-free and quota-free export of textiles to the EU under the Economic Partnership Agreement (EPA) which Lesotho signed up to the end of 2007".

He went further to say that Article 3 of the Interim Agreement recognizes the



importance of a healthy workforce in meeting the competitiveness challenges of the 21st century.

This is precisely what ALAFA seeks to promote in the garment industry by:

- ⇒ Implementing comprehensive HIV/AIDS programs in the factories;
- ⇒ Informing and empowering the mainly female workforce facing the epidemic;
- ⇒ Offering acceptable testing facilities and accessible treatment options.

By the end of 2007, prevention programs were available to 29,000 workers, while 17,000 workers had access to all programs including medical management of HIV. The program has provided HIV

tests to 4,000 workers and 1,000 are registered with ALAFA. During 2007, a total of 777 were registered as patients for HIV treatment with ALAFA.

As a result of ALAFA, all workers in the textile industry will have direct access to health clinics in the workplace which provide primary health care services and HIV/AIDS treatment including anti-retrovirals. So far, 18 apparel factories have an HIV policy in place or are in the process of developing one.

This reduces the impact of HIV/AIDS on workers and ensures that the largest employer in Lesotho remains competitive and productive,

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and at the same time protecting the livelihoods of the roughly 200,000 people who are directly dependent on these factory workers.

The partnership of the Government, private sector, European Commission, Irish Aid and UK's Department for International Development (DFID) will ensure long-term support and sustainability with substantial amounts being made available to the program for the next 5 years.



Left to right: His Excellency Paul Boateng, British High Commissioner with the Hon. Popane Lebesa, Minister of Trade & Industry, Cooperatives & Marketing

Progress on the Private Sector Competitiveness and Economic Diversification Project

In April, 2007 the Government of Lesotho and the World Bank (IDA) entered into a five year Financing Agreement to fund the Private Sector Competitiveness (PSC) and Economic Diversification Project which became effective in October, 2007.

The five-year project is supported by a specific investment loan of US\$8.1 million of which US\$4.2 million is a grant. In addition, the Government of Lesotho is providing counterpart funding in the amount of US\$2.0 million.

The project is split into two main components:

Improving the Business Environment

comprising the following activities which are being implemented:

- * Company registration and licensing reform
- * Immigration and passport service reform and the design of the National ID Card System
- * Improving access to finance for SMMEs

Supporting Economic Diversification:

- * Horticulture Out-grower Scheme
- * Tourism Development
- * Establishment of Garment Skills Centres

The third component which is implementation support, ensures effective and efficient project management. Under this component, LNDC is responsible for the provision of procurement, financial management as well as monitoring and evaluation services.

Achievements so far:

Skills Development for the Garment Industry

Two skills development centres are being established in Maputsoe and Maseru. Buildings have been acquired and refurbishment is underway. The Northern Region Skills

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Centre Association for the Maputsoe Centre has been established and a Manager has been recruited. The Maseru Centre is in the process of registering the Maseru Skills Centre Association. About 300 hundred sewing machines have been acquired for the two centres.

Horticulture

Fruit trees have been planted in 7 pilot locations in Northern, Central and Southern parts of the country. Farmers in three pilot sites have received basic training on plant maintenance and care, soil management, pruning and application of pesticides.

The Government of Lesotho has signed a contract with Denmar Estates for provision of technical support to farmers in the three pilot areas. Denmar has prepared specifications for installation of irrigation equipment, hail nets and fences in the three pilot areas, and the Project Management Unit has sought quotations for irrigation equipment and fencing.

Tourism Industry Support

The World Hotel Link has been recruited to facilitate the establishment of an online booking system for local tourism facilities. The portal operators, owners of local hotels, guesthouses and

tour operators have all been trained.

The Lesotho Council for Tourism, an umbrella body representing Lesotho tourism private sector is being revived; and, an interim steering committee has been elected to facilitate the establishment of a new umbrella organisation, the Lesotho Tourism and Hospitality Association.

Lesotho Enterprise Assistance Program (LEAP)

LEAP is being established within the PSC Project Management Unit to strengthen the human and institutional capacity of SMME's and professional associations. This will be done through provision of financial and technical assistance to build international competitiveness within private firms; build the capacity of private business, professional associations and chambers to better serve their members. LEAP will also support the Secretariat to the Lesotho Business Council, the newly-established institution for regular public-private sector dialogue.

An international advisor has been recruited to provide technical support to LEAP and the position of LEAP Manager has been filled.

The Lesotho Private Sector Foundation (LPSF), an umbrella private sector association has been established to empower the Lesotho private sector. The PSC project will fund the establishment of a Secretariat for LPSF for a period of five years on a sliding scale. The CVs of the preferred candidates for the positions of LPSF Executive Director and Secretary have been dispatched to the World Bank for a "No objection".

Improving Access to Finance

LNDC is about to finalize the design of a Credit Guarantee Scheme with the assistance of the PSC project. The scheme will provide guarantees in the form of collateral to SMMEs to access loans from commercial banks. Two consultants have been to Lesotho to finalize the concept and their report is being studied by the LNDC Management. It is envisaged that the facility will be operational by the third quarter of 2008.

Company Registration and Licensing Reform

To reduce the time and cost of registering companies, a draft Company Law has been prepared and submitted to the Ministry of Law for review prior to submission to Parliament. Another draft law on business reporting and manufacturing licences has

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been prepared and also forwarded for review before submission to Parliament.

The One-Stop-Shop was set up in the Ministry of Trade & Industry, Cooperatives & Marketing in September, 2007 with the support of the Department for International Development. The centre is intended to bring together the functions of approval for trading licences, import and export issuances, residency visas and work permits.

Immigration and Passport Service Reform and Revitalization

The PSC project in collaboration with project partners has initiated the process of procuring the services of a consulting firm to undertake a feasibility study to determine the viability of developing a National Identification Card System for Lesotho. Technical proposals from two short-listed firms have been evaluated and submitted to the World Bank for a "No Objection".

The Government is also in the process of recruiting consultants who will assist with the streamlining and simplification of procedures for issuance of basic documents such as visas, work permits and residence permits.

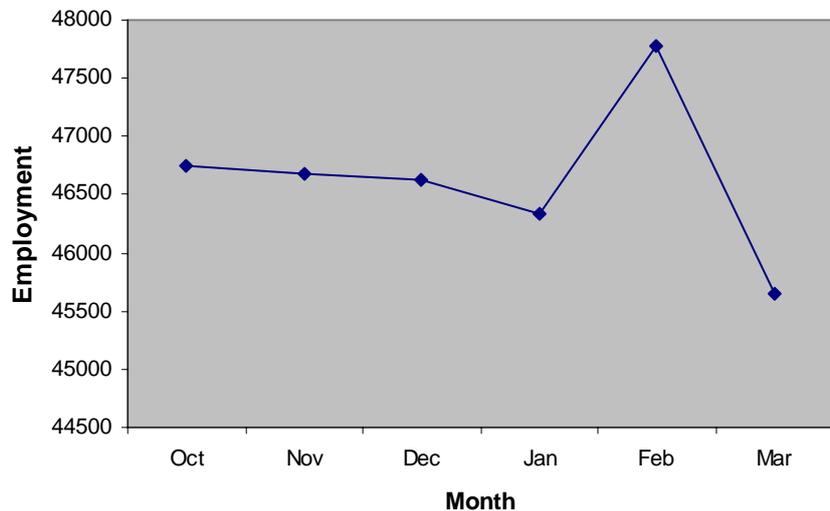
Although there was a significant time lag between project approval and project effectiveness, most project implementation structures are in place and all stakeholders are actively involved to bring it to fruition.

General Performance of the Manufacturing Sector

The LNDC portfolio of companies comprises 61 leasehold companies and 9 subsidiaries as well as associate companies. The general performance of the leasehold companies is still fraught with shortage of orders resulting in some companies having to retrench and or put workers on short time employment.

Employment is heavily reliant on availability of orders as can be seen from the fluctuating figures in the opposite chart. The current situation is that more than half (40) of the leasehold companies have orders up to the end of December, 2008.

Employment Trend (Oct 07 - Mar 08)



For the quarter ending March, 2008, permanent employment in leasehold companies decreased by 2.9%, casual employment increased by 4.4% while short-time employment increased by

239.5% and retrenchments increased by 235.2%. This was a result of declining orders. No new projects were implemented but two companies were registered and a

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building has been identified for one of them in Maputsoe Industrial Estate while the other project will wait for a factory to be available.

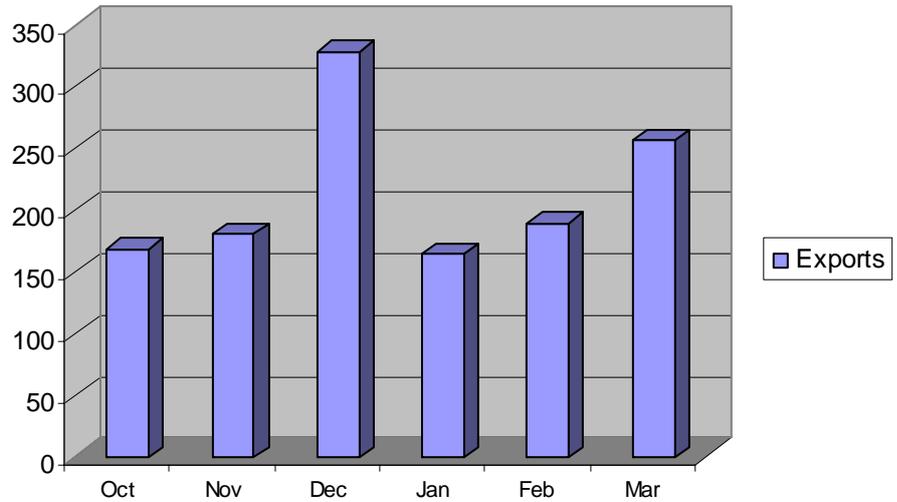
The increase in exports during March in the opposite chart is due to orders received in February resulting in high employment experienced during that period.

The occupancy rate at the industrial estates has remained at 100% with the exception of Mohale's Hoek Industrial Estate. A building of 1,000m² in the Estate has already been earmarked for one potential tenant and two other potential tenants have expressed interest in occupying other buildings. There are on-going efforts to market the Estate by promoting non-wet industries and commercial businesses both locally and outside the country.

Industrial stability continued to prevail and most of the cases which finally went to the Directorate of Dispute Prevention and Resolution (DDPR) were won by employers which is an indication that they are complying with the provisions of the law.

Infrastructure projects completed during the financial year 2007/08 include a 6,000m² factory building at

Exports in million Maloti (Oct 07 - Mar 08)



Nyenyne Industrial Estate and two staff canteens also at Nyenyne Industrial Estate. In addition, valuation of the LNDC property portfolio was completed and a study on property management options was started in November 2007. A feasibility study on fire management infrastructure has also been completed.

The outlook for 2008/09 is very challenging and full of hikes and spikes as evidenced

by a consistent sharp rise in fuel and transport costs, increase in electricity and water tariffs, a spike in toll gate fees, global food crisis resulting in price hikes, a likely recession in the United States (US) market and expiration of safeguards on Chinese exports to the US by the end of 2008. The end of restraints on Chinese exports does not bode well for the Lesotho textile industry as it creates tough competition



for exports to the US.

Obituary

It was with great sadness that LNDC learned of the untimely death of Dr. Vakhidov Ochilboy (popularly known at LNDC as Ntate Lefa) in a road accident on his way from Lesotho to Johannesburg on the 28th March, 2008.

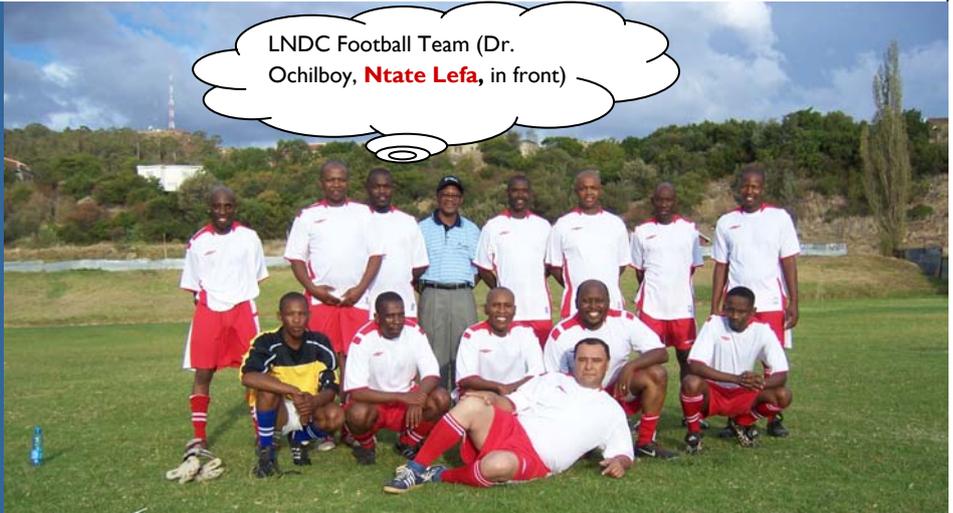
Dr. Ochilboy was born in Tajikistan on the 29th October, 1947. He graduated in Tajik Agricultural Institution in 1970 where he obtained a qualification in Agro-Mineral Organic and Soil, specializing in Agronomy.

He was employed by the Soil Agric Research Institute of Tajikistan from 1970 to 2004 as an Agronomist. His main duty was to carry out soil organic and cotton testing.

In 2005 he joined CottonCorp SDN BHD, a subsidiary of J L Way Texco, a Malaysian-based company specializing in cotton production. He was seconded to Lesotho in October of the same year to conduct a research study on cotton production in Lesotho for CottonCorp Lesotho (Pty) Ltd., a joint venture company between CottonCorp SDN BHD and Lesotho National Development Corporation (LNDC).

He is survived by his wife, Omina and three children—2 boys and a girl. The Management and staff of LNDC extend their heartfelt condolences to Dr. Ochilboy's family.

May His Soul Rest in Peace !!!



Ntate Lefa at the cotton field at Lesotho Agric College



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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