



Embroidery at Chainex

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LNDC Headquarters

We build industry

LNDC and IDC Sign a Cooperation Agreement

The Lesotho National Development Corporation (LNDC) and the Industrial Development Corporation (IDC) of the Republic of South Africa signed a landmark collaborative agreement on the 3rd November, 2005.

In terms of the agreement, the two organisations will cooperate on matters of mutual benefit. Specifically, the agreement focuses on areas such as corporate risk management, capacity building and technical assistance in economic research and project financing.



From left to right: Mr. Geoffrey Qhena, IDC CEO; Mr. Mohlomi Rantekoa, LNDC Board Chairman and Mr. Peete Molapo, CEO LNDC.



Left to right: Mr. Qhena and Mr. Molapo after signature of the Cooperation Agreement

Speaking at the ceremony, Mr. Geoffrey Qhena, IDC CEO said, “It is in the spirit of regional development and cooperation that we enter into partnership with the LNDC. It is humbling that the LNDC saw us as the fitting organisation to share our technical knowledge and skills. In the long term, we shall explore opening a line of credit to LNDC”.

In response, the LNDC CEO, Mr. Peete Molapo said, “Given the IDC’s long history and pedigree in the area of development finance, LNDC saw in it the most appropriate partner from which we could leverage our efforts and capacity in our quest to support and promote economic development in Lesotho”.

The IDC is a self-financing national development finance institution whose primary objectives are to contribute to the generation of balanced, sustainable economic growth in Africa. It also ensures the economic empowerment of South Africans by promoting entrepreneurship through the building of competitive industries and enterprises based on sound business principles.

IDC has approved investments outside South Africa in the region of over US\$1,1bn and of this amount, US\$31m has been invested in Lesotho’s mining industry.



Left to right: Mr. M. Rantekoa presenting a “Seanamarena” blanket to Mr. Qhena

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“It is my desire to see LNDC establishing long-term strategic alliances with regional development finance institutions in order to leverage its resources and capacity to achieve its objectives”, Molapo said.

The mandate of LNDC is to initiate, promote and facilitate the development of manufacturing and processing industries, mining and commerce in a manner calculated to raise the level of income and employment in Lesotho. LNDC also promotes Lesotho as an attractive invest-

ment location for both foreign and indigenous investors.

The ceremony was attended by the Chairman and Board of Directors of LNDC as well as IDC and LNDC top executives.

Positive Results Achieved Through Training

The LNDC/ComMark Apparel Project has to date trained a total of 27,092 factory workers employed in the garment industry in Lesotho.

The impact of this training has been:

- an average of 25% increase in productivity in the participating firms.
- garment reject rates have been reduced by 5%.
- communication and labour relations have improved significantly resulting in decreased number of grievances in the workplace.
- most importantly, some companies have now embarked on a process of releasing their expatriate supervisors replacing them with trained Basotho personnel. The first (7) expatriate supervisors were released in December, 2005. According to plan, more than 50 expatriate supervisors will have left Lesotho by the end of 2006 having been replaced by trained Basotho.

The training scheme was launched in August, 2004 in response to findings of two studies that were funded by the Department for International Development (DFID). The studies revealed that the Lesotho garment firms had a range of problems, which could be solved by training of the workforce. If appropriate action was not taken, it was concluded that the firms would become uncompetitive and lose orders.

Mr. Andy Salm, ComMark’s Regional Textile and Apparel Specialists says, “The LNDC ComMark Apparel Project has allocated funding in the region of M7.5 million over a period of three (3) years to help industrialists to develop the skills of their workforce through training”.

“This money is allocated on a co-financing basis, effectively funding half of the costs of training”, he says.

Thirty-four (34) manufacturing companies employing over 36,000 employees are currently registered with the scheme.

Eighteen (18) service providers have registered with scheme and they provide training in the areas of:

- Productivity improvement
- Labour relations
- Health and safety
- Leadership and management development
- Quality control
- Fire fighting
- Financial management

The LNDC CEO, Mr. Peete Molapo says, “The contribution of the scheme in transferring supervisory and other skills to Basotho will render Lesotho more competitive in the international investment promotion arena”.

“Increased productivity levels in the firms will enhance investors’ attraction to Lesotho as a profitable investment location”, he says.

So far the scheme has completed 18 courses, while 10 are in progress and five are due to start. The total cost of this training is over M3 million.

Malaysian Prime Minister Visits Lesotho Cotton Plantation Pilot Project

LNDC hosted the Malaysian Prime Minister, the Honourable Abdullah Ahmad Badawi at the Lesotho cotton plantation pilot project located at the Lesotho Agricultural College. The Prime Minister was attending the Smart Partnership International Dialogue which was held in Lesotho from the 9th—12th November, 2005.

In July, 2005 LNDC signed a Memorandum of Understanding with a Malaysian company, TLWAY Texco, to set up a fully integrated outfit which will manufacture garments from locally sourced raw material (cotton).

The Ministry of Agriculture and Food Security allocated a 20 x 20 metres plot to facilitate the planting of cotton seeds. The seeds germinated in October and it is expected that the cotton will be ready in March, 2006.



Left to right: Mr. P. Molapo, LNDC CEO; Mr. D.R. Arunasalam, Asia-Pacific Triumph; Mr. K. Ramamurthi, TLWAY Texco; Hon. Badawi, Malaysian Prime Minister

A successful harvest will result in the growing of cotton in Lesotho on a large scale as one of the cash crops.



Cotton plants at the Lesotho Agricultural College

LNDC Gives Hope to Destitute Children

As part of its social responsibility, the Corporation identifies groups of needy children to assist during the festive season. A request for assistance was received from “Love in Action”, a ministry of the Christian Revival Church which has embarked on

Khubetsoana in addition to Ha Abia. It currently provides care for 78 children and two babies in these areas. It assists in various ways from provision of clothing and feeding, formal and informal education as well as general counseling of the children.



Some of the clothing donated by the staff of LNDC to the children of “Jewels of Hope”



Handing over the donation, Mr. Molapo said, “What is unique about this project is that it strives to change the lives of the orphans from a life of dependency to self-sufficiency.”

“For this reason we, at LNDC, have decided to adopt this project and provide assistance on an annual basis”, he said.

an income generating project “Jewels of Hope” at Ha Abia, Maseru. The project trains aids orphans and vulnerable children to make jewels out of beads. Through this self-sustaining project, the participating children receive money from the sale of the jewels that they make to support themselves.

LNDC CEO, Mr. Molapo hands over a donation of M5,000.00 to assist “Jewels of Hope”

Training is conducted at the premises of the home cell leader in the afternoons when some of the children are home from school. “Love in Action” also sponsors the children to attend school. It has established outreach home cells in the areas of Thibella, Tšosane, Mazenod and

The contribution by LNDC would be used to buy enough beads and other requirements to



Production and packaging of finished jewellery

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General Performance of the Manufacturing Portfolio

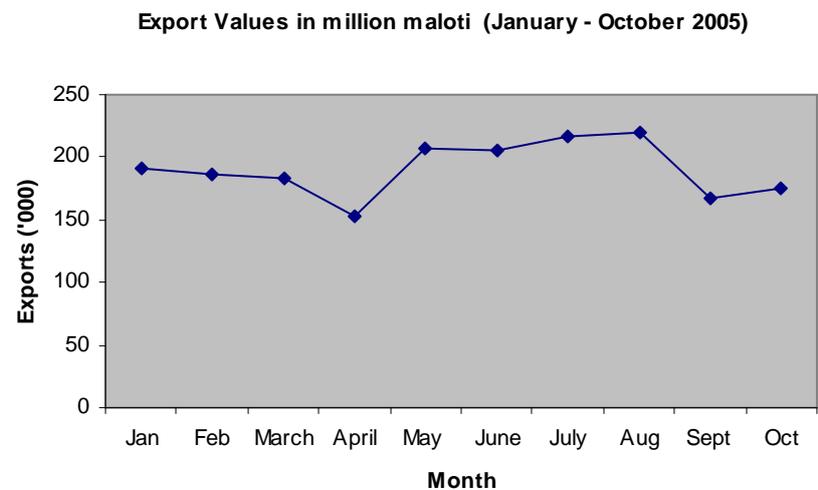
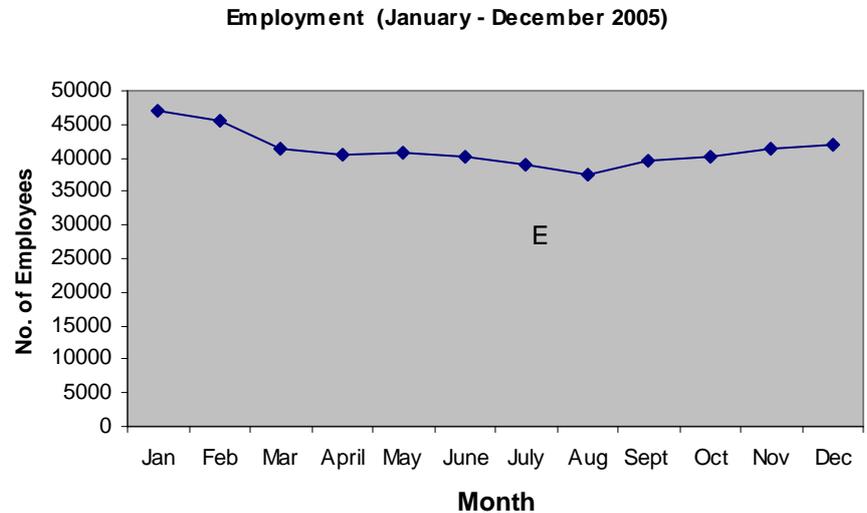
As a result of the generally unfavourable international market conditions and strengthening of the Rand/Loti, employment in the manufacturing sector has continued to decline from 46,928 in January 2005 to 42,317 in December, 2005.

Clothing and textile companies, the largest employers in the manufacturing sector, have been battling to stay in business. The expiry of the Multi Fibre Agreement in December 2004 has left Lesotho open to strong competition in the market place from countries such as China. The strength of the local currency has meant that Lesotho's clothing exports have become too expensive for buyers in the United States.

Job losses have occurred through closure of some companies and retrenchments due to insufficient orders.

This decline has adversely affected spin-off activities such as road freight transport, courier services, shipping and forwarding agents, security services, passenger transport, street vendors, residential accommodation and utility services.

The chart on export values illustrates exports of garments only to the United States market under the Africa Growth and Opportunity Act (AGOA). Lesotho's other garment markets are



Canada, European Union, Dubai, Qatar, Chile, Japan, Taiwan and South Africa.

Exports to the US market rose from US\$140 million in 2000 to US\$456 in 2004 before declining in 2005 due to the expiry of the Multi Fibre Agreement and the continued strengthening of the Rand/Loti, among others.

This state of affairs presents major challenges to LNDC and the Government of Lesotho. LNDC is embarked on an intensive refocusing of its operations to explore all avenues that can be employed in providing sustainable solutions.

Block A, Development House
Kingsway Street
Private Bag A96
Maseru 100, Lesotho

Phone: +266 22312012
Phone: +266 52000214
Phone: +266 52312012
Fax: +266 22310038
E-mail: info@lndc.org.ls

We're on the Web!
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sustain 10 children and two trainers for a period of three months. Production generated out of the LNDC donation is equivalent to 650 pieces of necklaces, bracelets and earrings with a retail value of M21,000.00. The balance will provide the children with a hot meal after training sessions for a period of 11 weeks.



from left to right: Mr. Molapo; Mr. Andrew O'Callaghan, a visiting Advisory Leader in Investment Management and Mrs. Pulane Nkhabutlane, the children's home cell leader at Ha Abia

The staff of LNDC also donated new and used clothing to supplement the Corporation's efforts.

**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

- 15% corporate tax on profits earned by manufacturing companies and 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.

