



*Second Phase of Successful Cotton Harvesting in Lesotho*

from left to right: Dr. V. Oehlbog, Malaysian Cotton Specialist; Mr. S. Mahase, Crop Production Officer; and Mr. L. Molahlehi, Chief Crop Production Officer at the Ministry of Agriculture

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**LNDC Headquarters**

## Second Season of Cotton Pilot Project

The second phase of the cotton pilot project in Lesotho has been successfully completed despite harsh drought conditions that were experienced throughout the cultivation period in 2006/07.

In contrast, the first phase in 2005/06 enjoyed abundant rain lasting up to harvest time. However, in terms of the research, these extreme weather conditions have proved that come rain or shine, cotton will grow in the Mountain Kingdom.

So far the project has been confined to the Main Research Centre of the Ministry of Agriculture in Maseru. A more elaborate research is planned for different parts of the country in order to



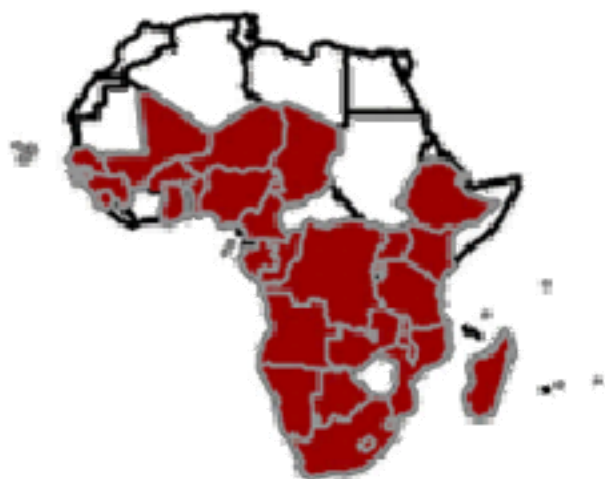
From left to right: LNDC CEO, Mr. P. Molapo; Minister of Trade & Industry, Hon. P. Lebesa and Dr. V. Ochilboy during the Minister's familiarization tour of the cotton pilot project

determine if cotton can be planted commercially in Lesotho.

The research on cotton cultivation was the result of a visit to LNDC by a Malaysian

company, TLWAY TEXCO (Pty) Ltd. in 2005. The company signed a Memorandum of Understanding with LNDC to establish a garment manufacturing operation using locally sourced cotton to make yarn into fabric.

## Extension Preferences for Africa by U.S.A.



On the 20<sup>th</sup> December 2006, President Bush signed legislation extending certain key provisions of the African Growth and Opportunity Act (AGOA). The new provisions of the Africa Investment Act 2006, including extension of AGOA's third country fabric provisions, underscore continuing U.S. support for boosting Africa's growth and development through trade and investment.

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A description of the individual provisions within the legislation is as follows:

### *Generalized System of Preferences (GSP)*

The GSP was set to expire at the end of 2006, and the legislation extends it by a further two years to the end of 2008.

### *Extension of AGOA*

Current provision allowing benefits for apparel made with fabric from third countries have been extended from 2007 until 2012, with a cap of 3.5% of total US imports.

Rules regarding the availability of locally produced fabric have been introduced. An annual determination is made that may stipulate that certain locally produced fabrics are available, in certain quantities, for use by Least Developed Beneficiary Countries (LDBC). These would require LDBCs to use such local fabrics prior to the use of foreign fabric, in the year following that when such a determination is made.

In particular, denim is

deemed to be in abundant supply because of known production in Lesotho. This provides an incentive for investment in fabric production in Africa.

the (duty-free) benefits previously available only under the Generalised System of Preferences (GSP) program. Duty-free access to the U.S. market under the combined AGOA/GSP program stands



*Denim Fabric Mill at Thetsane Industrial Estate*

Duty free treatment for lesser developed countries for certain non-apparel of wholly made African fabric has also been allowed.

The extension of AGOA, especially the 3<sup>rd</sup> country fabric provision has been a great relief to the Lesotho garment industrialists, who would have been faced with sourcing challenges given the fact that currently the bulk of their raw materials are imported from outside Africa.

AGOA builds on existing U.S. trade programs by expanding

at approximately 7,000 product tariff lines, including the roughly 1,800 product tariff lines that were added to the GSP by the AGOA legislation. Notably, these include items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, steel and others.

## Multifibre Agreement (MFA) Forum



Made in Lesotho Garments exhibited at the MFA Forum



The Lesotho Textile Exporters' Association proudly exhibited made-in-Lesotho garments including the ONE vintage-style T-shirt manufactured from 100% African cotton. The t-shirt is produced under the EDUN label in a clothing factory located in the Butha-Buthe district of Lesotho.

Part of the proceeds from the sale of the t-shirt are donated to ALAFA, an initiative to fight HIV/AIDS pandemic in the textile and clothing industries in Lesotho. In November, 2006 EDUN made a substantial donation of US\$276,330 to ALAFA from the sale of the ONE t-shirt.

Subsequent to many deliberations, the MFA Forum affirmed its support for LNDC infrastructure development programmes as well as its investment promotion programmes.

**T**he Minister of Trade and Industry, Cooperatives and Marketing, Honourable Popane Lebesa led a delegation from Lesotho to the MFA Forum held in Toronto, Canada from April 16–18, 2007.

The delegation comprised senior officials from the Ministry of Trade and Industry, Ministry of Labour and Employment, LNDC, Apparel Lesotho Alliance to Fight Aids (ALAFA) and ComMark.

At the meeting, Lesotho provided progress in relation to the action matrix agreed upon by the garment industry

stakeholders in Maseru in May, 2006.

The action matrix was designed to address key interventions that would facilitate sustenance and growth of the garment industry in Lesotho in the post Multi-Fibre Agreement (MFA) expiry era. The Forum was also structured to provide Bangladesh, Morocco and Romania the chance to give progress reports regarding programmes they have put in place to anchor garment industries in their respective countries. A workshop on global trading environment of the garment industry in the next three years also formed part of the agenda at the Forum.

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The Forum made a commitment to utilise its negotiation leverage to solicit funding on behalf of LNDC from the Group of Eight (G8).

An undertaking was also made to negotiate, on behalf of Lesotho with the European Parliament, more relaxed market access conditions for Lesotho


garment products destined for the European Union (EU) market.

In order to deliver on these commitments, the Forum requested Lesotho to make a submission regarding problems posed by Rules of Origin and cumulation issues. By the same token, LNDC was required to package and forward its garment industry infrastructure funding re-

quirements to support funding negotiations with the G8.

LNDC has already packaged and transmitted a motivation document to the MFA in this regard. A submission on Rules of Origin and cumulation issues is yet to be submitted to the MFA. The Ministry of Trade & Industry is preparing the document supported by LNDC.

## Renewable Energy Company to Invest in Lesotho

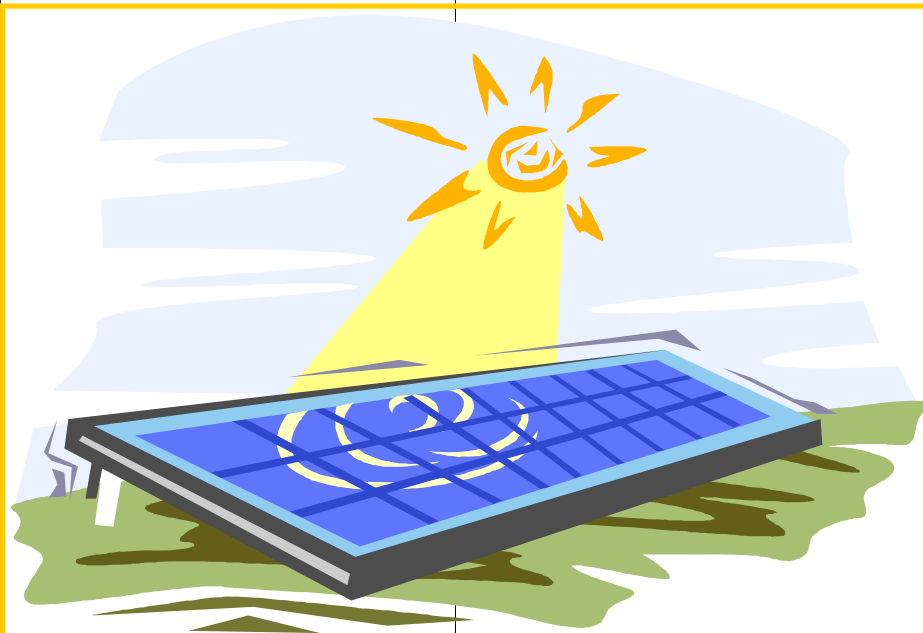
 Hungarian company has proposed to set up a joint venture company with

A delegation from Lesotho made up of LNDC, the Principal Secretary and a senior official in the Ministry

promoters of the company.

The company has submitted a proposal and LNDC has made a preliminary assessment of its viability. The Ministry of Natural Resources through the Department of Energy will also make inputs in the appraisal. In the meantime, a company, PV Solar Lesotho has already been registered and a manufacturing licence has been applied for.

Investment in the company is estimated at €15 million excluding factory buildings. The project will employ 150 Basotho initially and 1,200 at full production in the third year.



LNDC to produce renewable energy equipment in the form of wind turbines, solar panels and heat pumps, among others.

of Natural Resources as well as the Ambassador of Lesotho to Italy visited Budapest from 11- 13 April, 2007 to meet with the



## Lesotho to coordinate LDCs in WTO

Lesotho will take over coordination of the Least Developed Countries (LDCs) in the World Trade Organisation (WTO) from Zambia with effect from the 1st July, 2007. The assignment is based on a 6-month rotation among Geneva-based LDC members of the WTO. Lesotho is one of the 32 LDCs which are members of the WTO.

In preparation for its role, the Government of Lesotho, through the Ministry of Trade and Industry, invited WTO to Lesotho to conduct a workshop from the 11th–12th June, 2007. WTO elaborated on the obligations and other pertinent issues related to holding the position of Co-ordinator for LDCs.

LNDC attended the workshop as a member of the National WTO Steering Committee.

Lesotho, as a Co-ordinator, will liaise between the WTO its LDC members by taking the lead on different issues, coordinating

the LDC position, ensuring LDC representation in meetings, driving the post-Doha programme and reporting back to the LDC Consultative Group.

In order to successfully execute its mandate, Lesotho will be faced with the challenge of having an in-depth knowledge of all issues and political sensitivities of the LDC Group. She must develop an efficient support system within the Group.

Lesotho is required to draw up a concept paper with a plan of action to implement its role of Co-ordinator. A task team was selected from the Lesotho National Steering Committee to lead the process.

Ministers at Doha in November, 2001 made a declaration that recognised the particular vulnerability of the LDCs and the special structural difficulties they face in the global economy. A commitment was made to address the marginalisation of these countries in international

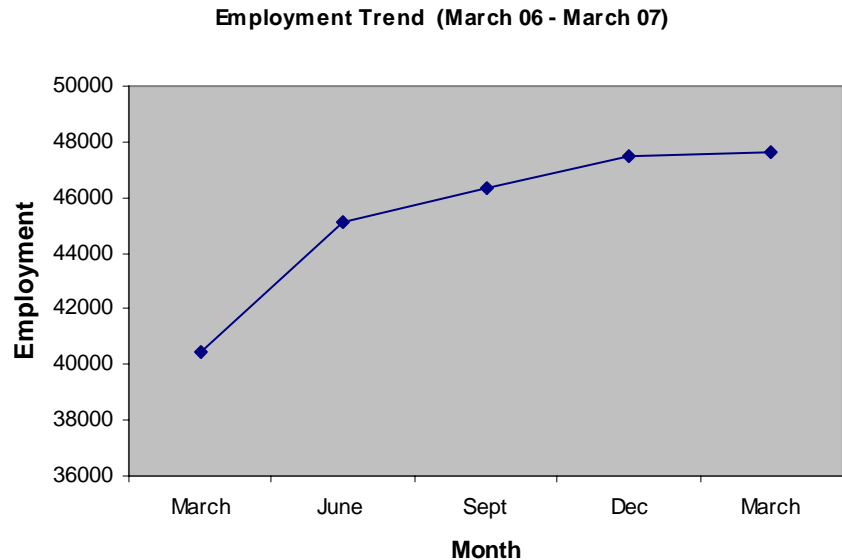
trade and to improve their effective participation in the multilateral trading system. The WTO designed and adopted a work programme for LDCs in February, 2002 to build effectively on these commitments.

## General Performance of the Manufacturing Portfolio

The general business performance has been improving during the year 2006/07 with employment figures rising steadily and exports mostly above M700 million during the reporting quarters.

Over the past twelve months employment grew by 19% from 40,000 in March, 2006 to 47,609 in March, 2007. Garment exports in March, 2007 were at M683 million compared to just over M200 million in March 2006.

The project pipeline as at March, 2007 comprised 41 projects out of which 14 were definite commitments to invest in Lesotho during



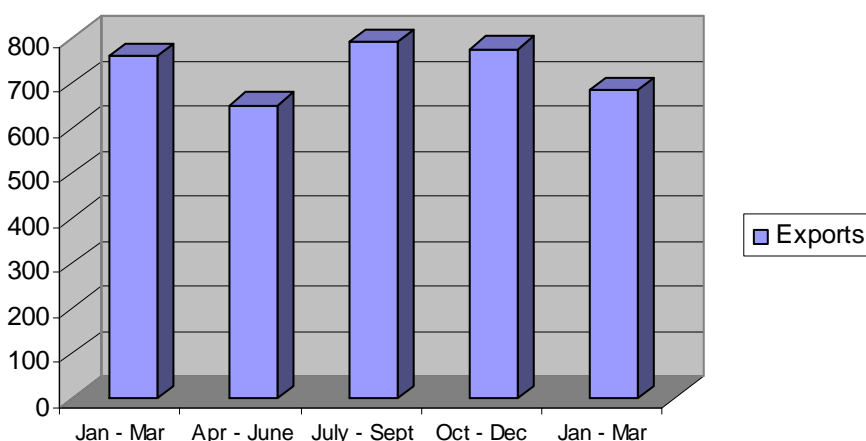
2007/08. Six of the 14 projects are expansions from existing industries. It follows, therefore, that demand for factory space continues to surpass expectations as new investment enquiries and expansions keep pouring in. Factory space required for 2007/08 for the 14 pro-

jects is 33,850 square meters at a cost of M118,475,000. Estimated employment from these projects is 5,000 jobs.

The projects are in various sectors such as electronics and electricals, agro, clothing & textiles and energy. They will be located in the Thetsane, Maseru, Nyenye and Tikoe industrial areas.

The total LNDC portfolio consists of 70 companies made up of 9 subsidiaries and associate companies as well as 61 leasehold companies.

**Exports in million Maloti (Mar 06 - Mar 07)**



## Lesotho's Official Visit to the Republic of South Africa



From Left to Right: The Right Honourable Pakalitha Mosisili and President Thabo Mbeki during the official visit by Lesotho's Prime Minister to the Republic of South Africa in Cape Town

**L**NDC joined a Government-led delegation for a three-day State Visit to the Republic of South Africa for bilateral talks between the Right Honourable the Prime Minister, Pakalitha Mosisili and the President of South Africa, Thabo Mbeki from the 18<sup>th</sup> - 20<sup>th</sup> June, 2007.

Other events during the official visit included the signing of Agreements and

a Business Forum organized and hosted by the South African Department of Trade and Industry.

The Lesotho delegation, led by the Rt. Hon. the Prime Minister, comprised four (4) Cabinet Ministers and eighteen (18) Senior Government Officials inclusive of the Chief Executive Officers of LNDC and Lesotho Tourism Development Corporation (LTDC) as well as the LNDC Public

Relations Manager. The Ministers represented the Ministries of Foreign Affairs and International Relations; Tourism, Environment and Culture; Finance and Development Planning as well as Trade & Industry, Cooperatives & Marketing.

This was the first state visit of Lesotho's Prime Minister to the Republic of

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South Africa. In his capacity as the Chairman of SADC, the Rt. Hon. the Prime Minister also discussed political situations in Lesotho and Zimbabwe with President Mbeki.



The Prime Minister and his delegation were received at Tuynhuys, the official residence of President Mbeki, where bilateral talks were held to review the progress of the South Africa-Lesotho Joint Bilateral Commission Cooperation Agreement (JBCC). The JBCC was signed on the 19<sup>th</sup> April, 2001 during the official visit of President Mbeki to Lesotho. This strategic partnership was intended to assist Lesotho to graduate from a Least Developed Country in five years' time as well as strengthen relations between the two countries.

Areas of cooperation in the agreement include agriculture, natural resources, labour, employment, skills training, revenue collection, industry and local government. On-going discussions at the time, on immigration, access to health services, education, communications, trade and industry were also included in the agreement.

### Bilateral Talks

It was pointed out that South Africa and Lesotho were inextricably linked, both politically and economically, as Lesotho was in the unique position of being South-Africa locked.

The following Agreement/MOUs were signed on the 19<sup>th</sup> June, 2007:



Agreement on the Facilitation of Cross Border Movement of Citizens (signed by Lesotho's Foreign Minister, Hon. M. Tsekoa and H.E. N. Mapisa-Nqakula, RSA Minister of Home Affairs).



Memorandum of Understanding (MOU) on Cooperation of Wild Fires and other Forest Management Issues (signed by Hon. M. Tsekoa and H.E. B.P. Sonjica, Minister of Water Affairs and Forestry).



MOU on Cooperation in the Field of Correctional Services (signed by Hon. M. Tsekoa and H.E. B.M.N. Balfour, Minister of Correctional Services).

The MOU on Cooperation in the Field of Agriculture was ready but was not signed due to the absence of the South African Minister of Agriculture. It was reported that the Agreement on Economic Cooperation and Agreement on Promotion and Protection of

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Investments had already been approved by the South African Cabinet but had not been prepared for signature yet.

In addition to signature of Agreements, the following issues were also discussed:

- ⇒ Ways that Lesotho can benefit from the 2010 World Cup (RSA to assist Lesotho to lobby countries to use facilities in Lesotho; construction of RSA 2010 stadia using Lesotho sandstone)
- ⇒ Sani-Top - Mokhotlong Road (funding by RSA through the African Renaissance Fund)
- ⇒ Rail infrastructure under the SADC Transport Master Plan
- ⇒ Metolong Dam (RSA committed itself to provide funding through the African Renaissance Fund)
- ⇒ The synchronization of the RSA E-NaTIS (National Traffic Information System) with the system used in Lesotho.



### South Africa-Lesotho Business Forum

The Prime Minister co-chaired the RSA-Lesotho Business Forum with the Deputy President of South Africa, H.E. P. Mlambo-Nquka on the 20<sup>th</sup> June, 2007 at the Mount Nelson Hotel in Cape Town.

The Forum was organized and hosted by the RSA Department of Trade & Industry. Business people from Lesotho attended the Forum to network with their counterparts in RSA.

Opening remarks were made by both the Prime Minister and Deputy President followed by Power-Point presentations by Lesotho's Minister of Trade and Industry, Cooperatives and Marketing, Hon. P.

Lebesa and the RSA Deputy Minister of Trade and Industry, H.E. Dr. R. Davies. Hon. Lebesa presented an Overview of Investment Opportunities in Lesotho while his RSA counterpart presented South Africa's Macro-Economic & Business Environment and RSA-Lesotho Economic Relations.

Arrangements are on-going to hold a follow-up meeting of the Lesotho and South African business community in Maseru, Lesotho later this year.

## World Economic Forum on Africa



The 17<sup>th</sup> Annual World Economic Forum on Africa, under the theme **“Raising the Bar”** was held in Cape Town from the 13<sup>th</sup>—15<sup>th</sup> June, 2007. The Forum focused on how Africa can build the capacity to sustain growth.

LNDC attended the Forum as part of a Government delegation led by the Deputy Prime Minister, Honourable Lesao Lehohla who was accompanied by the Honourable Dr. T. Thahane, Minister of Finance and Development Planning; the High Commissioner of Lesotho to South Africa, H.E. M. Moteane as well as Senior Government officials, the Chief Executive

Officer of LNDC, Mr. Peete Molapo and two LNDC officials. The Deputy Prime Minister replaced the Right. Honourable the Prime Minister who was not able to attend due to other priority matters.

The World Economic Forum (WEF) is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas. Following the WEF Annual Meeting 2007 in Davos, it was highlighted that against a backdrop of enhanced growth and improved governance, Africa was raising the bar to set new and highly ambitious goals geared towards further growth.

In addition to plenary sessions at the Forum there were also group discussions centered around 35 sessions on various topics running parallel over the three-day period. Each session had a panel and a moderator. Lesotho's Deputy Prime Minister, Hon. Lesao Lehohla and the Minister of Finance, Hon. Dr. T. Thahane were panelists in some of the sessions. Members of the delegation from Lesotho spread themselves to attend the parallel sessions.

Highlights on some of the sessions in which Lesotho participated:

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### Raising the Bar on Competitiveness in Africa

The Deputy Prime Minister, Hon. Lesao Lehohla was a panellist in this session whose interesting feature was the launching of the Africa Competitiveness Report 2007. Participants were expected to use the results and framework of the Report to suggest ways and means of strengthening African countries' long-term economic performance. The report is available on the internet as a PDF file on the WEF website [www.weforum.org](http://www.weforum.org)

conomic growth and poverty reduction. The Minister highlighted the importance of a high, sustained, broad-based, employment-creating growth for Africa to address poverty. It was concluded that Africa should create strong and decisive institutions to support economic growth and management. The institutions would have to be shared as Africa did not have the capacity to staff separate institutions in each country.

### Philanthropy

The session on Philanthropy highlighted the need to focus

In this regard, LNDC has already started on the right foot in a very modest way by supporting, annually, the Jewels of Hope project which makes a difference in the lives of destitute children by giving them income and a sustainable life skill.

### TB: The Achilles' heel in HIV/AIDS Efforts

It was carefully noted that TB and HIV/AIDS were spiraling towards being co-epidemics and had the potential of crippling efforts in the fight against both diseases. There was a need to converge and tackle the joint

Extreme right: The Honourable Dr. T. Thahane, panellist in the "Rethinking Growth" Session



### Rethinking Growth

Lesotho's Minister of Finance, Hon. Dr. T. Thahane was a panellist in this session which discussed policy choices and strategies that underpin rapid eco-

more on making a difference than image building or improving the bottom line through tax deductions.

epidemics. It was reported that 2% of the world's population was affected by TB; but in Africa, the incidence was as high as

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40%. This presented an added challenge of fighting the threat of TB in conjunction with HIV/AIDS.

The problem of proximity of those who are infected with TB to others, results in the easy spread of the disease, not to one person but to a large number of people at the same time. This is perpetuated by confined unventilated living conditions and customs which require people to be together in groups over long periods of time e.g. a "Wake", especially in Africa, more than anywhere in the rest of the world.

The importance of having a comprehensive HIV/AIDS and TB work place programmes has now become a necessity.

### Africa Global Risks

Research showed that one of the risks facing Africa countries was limited exposure to the digital world. It was disclosed that only 2% of internet users are online at any one time in Africa. This presented a risk of African countries being left behind in a highly digitized environment and, therefore, compromising their competitiveness.

It was therefore, imperative, for African countries to take a quantum leap in order to keep up and compete in the modern-day digitized world. Information, Communications and Technology in African countries will have to be aggressively strengthened to meet this challenge.



Ms. Rosa Whitaker, (with the microphone) CEO of The Whitaker Group which is contracted by LNDC as a Consultant in the United States to promote trade and investment flow between the U.S. and Lesotho

### Raw Materials - Avoiding a race to the bottom

The session focused on the standards that should be applied by companies operating in Africa. Some participants argued that African countries should not enforce application of unrealistic standards as these retard foreign investment.

Questions were also raised whether newer investors such as China could or should apply different standards than existing investors in African countries; and, whether the Western standards are in the best interest of countries that cannot yet afford to implement them. It was further argued that standards must be applied flexibly to avoid counter-productive outcomes.

However, the meeting concluded that international standards have to apply to Africa even though they may have to be defined in a way that makes them applicable to African coun-

tries. It was agreed that a balance should be struck between application of standards and generation of investment.

More than 800 participants from 42 countries participated in the Forum.

## 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!**  
[www.lndc.org.ls](http://www.lndc.org.ls)

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