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We build industry

New Generation LNDC

The LNDC Board of Directors and Management are working on a five-year Strategic Direction document mapping the way for a fully developed Strategic Plan that will cover 2011–2015. This Strategic Plan is expected to be completed in June 2011.

Opening the initial Strategic Direction Planning Workshop which was held at Mmelesi Lodge on the 15th and 16th January 2011, the Chairman of the LNDC Board of Directors, Mr. Teleko Ramotšoare, impressed upon all participants to stay fully engaged and contribute actively and constructively to the brainstorming exercise.

The Chairman went further to say, "Let us remember that in the rapidly changing economic and social environment, we, the LNDC community will be held jointly accountable for the extent to which we have fully embraced and are implementing the plans that

we are going to start developing here today".

The workshop was attended jointly by the Board of Directors and LNDC Management to map out the path for the new generation LNDC.

On behalf of the Acting CEO, Mr. Thabang Khabo said the strategic direction planning exercise would create a better future for LNDC and Lesotho; optimize organizational systems; provide guidance for day-to-day decisions and provide a means for assessing progress.

A task team made up of some members of the Board and Management spearheaded the strategic direction planning process and worked together with consultants from the Centre for Management Development and Professional Studies. The first phase of the strategic planning process has developed a new vision, mission, broad strategic goals and corporate values.

The LNDC Strategic Direction 2011–2015 was approved by the Board at its sitting on the 24th March, 2011 paving the way for the development of divisional business plans. A change management strategy will also be developed to assist management to implement the Strategic Plan.

The new Strategic Direction defines the direction towards strengthening of the Corporation's effectiveness and improvement of its productivity as a leading institution in industrial and commercial developments in the country. The document elaborates a new strategic direction towards the achievement of the goal of wealth and job creation for Basotho.

Another Rental Freeze for LNDC Industrial Tenants

Once again LNDC will forego rental income to the tune of M2.3 million in the next financial year 2011/2012 to assist all industrial companies which are currently operating in difficult economic conditions.

At its sitting in March 2011, the LNDC Board approved a rental escalation waiver for industrial tenants in a bid to reduce the cost of doing business in Lesotho and preserve much needed employment for Basotho factory workers. LNDC recognizes and appreciates the perseverance by industrialists to stay open for business even under stressful global economic conditions.

The unfavourable economic climate which is impacting

adversely on the operations of industrial companies is mainly a result of:

- ⇒ Uplifting of quotas in the world apparel markets which came into effect from the beginning of 2005 after the expiry of MFA at the end of 2004;
- ⇒ the expiry of Duty Credit Certificates (DCCs);
- ⇒ the unfavourable Rand/Dollar exchange rate and
- ⇒ the increasing cost of transport and utilities, particularly water and electricity.

Companies that are exporting to the United States are struggling to get orders, but despite this, Lesotho continues to be the leading garment exporter in Sub-Saharan Af-

rica.

According to the U.S.—Africa Trade Report of 28th February, 2011 Lesotho exported 72.741 million square meter equivalents (msme) of apparel worth US\$280.754 million (the highest in Sub-Saharan Africa) to the United States under AGOA during 2010. This is compared to 73.359 msme of apparel worth US\$278.345 for the same period in 2009.

In the face of all these challenges/constraints, manufacturing companies value the stable industrial peace that prevails in the country and they have adopted a strategy of cutting operating costs by alternatively putting workers on short time and recalling them rather than close down completely.

Notice is hereby given to all interested Basotho who have suitable buildings that can be rented and used as factory shells by industrialists to register such buildings with the LNDC. The required buildings should conform to the LNDC's standards and other legal requirements.

When registering, the following features should be clearly stated: plot number, location, size (strictly 500m² or bigger), title deed, height, and available infrastructure such as installed electricity in kva, water in kilolitres, etc. For further details, contact the office of the Head – Investment Services Division at LNDC, P/Bag A96, Maseru, 5th Floor, Block A, Development House, Kingsway Street, Maseru.

Tel. : +266 22312012

Fax: +266 22310038

email: info@lndc.org.ls

LNDC Assistance to the Private Sector

Partial Credit Guarantee Scheme

The Board of Directors of LNDC, at its sitting in March 2011, approved a pilot Partial Credit Guarantee Scheme Risk Sharing Agreement to be entered into between LNDC and the local banks in a bid to assist the local private sector to access funds for projects.

Numerous studies done on the constraints to private sector development in Lesotho have highlighted access to finance as one of the major inhibiting factors. These studies have shown that this problem persists despite the local banks being highly liquid.

In line with its mandate of supporting private sector development in Lesotho, the LNDC embarked on a study to examine various options through which it could make positive and effective intervention to foster development of the private sector in Lesotho. The study entitled Enterprise Development Framework (EDF) was duly done and approved by the Board in 2007. The study proposed three financial instruments through which LNDC can make a meaningful contribution:

- ⇒ Partial Credit Guarantee (PCG)
- ⇒ Equity Fund
- ⇒ Wholesale Financing

LNDC has since decided to implement EDF in phases starting with PCG. In this regard, LNDC made a proposal to the Board to approve M10 million that will be rolled out in the financial year 2011/2012 to pilot the scheme.

The PCG pilot project will be implemented once LNDC has finalised the risk sharing agreement with local bank(s); the timing of which is expected to be around July, 2011.

Investment Promotion Sponsorships

LNDC has an obligation to support the private sector to effectively take part in investment promotion missions and present their projects on a one-to-one basis to potential foreign investors.

In order to extend this support, LNDC will provide partial sponsorship to local investors to meet eligible costs. Management's proposal was approved by the Board

for implementation in the 2011/2012 financial year for qualifying applicants in line with pre-determined criteria.

The sponsorship will achieve the following:

- ⇒ Facilitate joint venture partnerships with foreign investors;
- ⇒ Establish export and import linkages with African and other target markets;
- ⇒ Attract external funding to support Basotho-owned businesses, and
- ⇒ Support learning and innovation in product development.

Brief to Parliament on Investment Opportunities

LNDC made a presentation to the National Assembly on investment opportunities for Basotho on the 15th February, 2011.

The Honourable Members of Parliament as leaders of their Constituencies will be able to impart the information to a larger public and create awareness on a wider scale regarding these opportunities.

LNDC also highlighted its key mandate of promotion and facilitation to develop industrial and commercial projects in order to create jobs and income for Basotho.

Services offered by LNDC to develop opportunities into projects

- ⇒ Facilitation of development of business plans, pre-feasibility studies and feasibility studies;
- ⇒ Assistance with markets, conditions for access, standards and documentation;
- ⇒ Assistance with identification and linkages with financiers;
- ⇒ Brokering of joint ventures with technical partners and
- ⇒ Assistance with entrepreneurship development.

Briefly, these investment opportunities are:

Water Bottling

An opportunity exists to procure plant and equipment to bottle water for local, regional and international markets. LNDC and the Department of Water Affairs are currently facilitating a joint venture partnership between locals and a European company.



Agro Processing Projects

Basotho Fruit and Vegetable Canners (BFVC):

Local farmers should at least plant 360 hectares of land to supply BFVC with asparagus and peaches. In addition, Baso-



tho are invited to run the company.

Dairy Processing: Local farmers are also encouraged to supply fresh milk to Leso-



tho Dairy Products for processing of high value dairy products including cheese and yoghurt.

Sandstone Processing

Sandstone deposits are found all over Lesotho e.g. Berea. This natural resource provides an opportunity to proc-

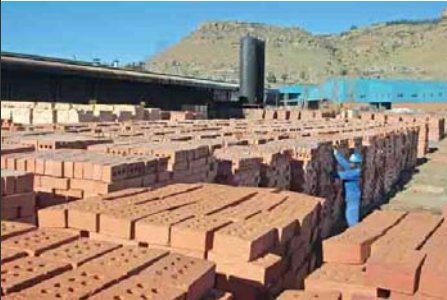


ess the sandstone for distribution in Lesotho and regional markets to construct buildings and roads. An agreement is also in place to build RDP houses in the Free State.

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Clay Processing

Clay deposits with a maximum lifespan of over 30 years are also in abundance and they



present an opportunity to manufacture bricks and ceramic tiles for Lesotho and regional markets.

Infrastructure Development

LNDC owns prime commercial and industrial sites in various



parts of the country. The private sector is invited to develop these sites with LNDC on a public private partnership (PPP) basis.

Phase II of the Lesotho Highlands Water Project

The construction of Polihali Dam at an estimated cost of

M14 billion presents numerous business opportunities in the pre-construction, construction and post-construction phases. These opportunities are in catering, transport etc., to mention a few.

Energy Sector

While Lesotho produces only 80 mega watts of electricity, the demand in winter goes as high as 120 mega watts. This



gap can be bridged by electricity generation through hydro, solar and wind power. Excess power can be sold to neighbouring countries.

Linkages/Integration of Garment Sector

Production of Accessories and Packaging Materials:



The garment industry uses 220 metric tons of knitted trims, and accessories such as buttons, collars,

zips etc. per annum. Large quantities of packaging materials such as cartons and plastic bags are also consumed by the industry. All these items are currently be-



ing imported while only a limited production of cartons is being manufactured in Lesotho by foreign-owned companies.

Services Industry: The garment industry also generates a demand for transport



and freight services, courier services, security services, occupational health services, cleaning services, property (industrial and different classes of residential) as well as construction of hotels for foreigners.

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Waste Management

Annual production in the garment industry is 26 million



pairs of jeans and 70 million knitted garments. In produc-



ing these items, a lot of waste which needs to be disposed of, is generated.

The solid and liquid waste can be exploited profitably. For example, off-cuts can be used to produce mattresses, pillows, shoe linings and patchwork bedspreads to mention a few; while sludge can be used to produce fertilizer and bricks.

More detailed information on these project opportunities can be obtained from the

LNDC Domestic Investment Promotion Division.

email: ed@lndc.org.ls

Presentations were also made by the Basotho Enterprises



Development Corporation (BEDCO) and the Lesotho Tourism Development Corpo-



ration (LTDC) in respect of their projects.

Lesotho Embassies in the European Union Promote Investment into Lesotho

His Excellency, His Royal Highness Prince Seeiso Bereng Seeiso visited the University of Plymouth on a fact find mission to explore how the University could work with organizations in Lesotho to help improve the country's economic growth and social well being.

The High Commissioner was in Plymouth on 23rd–24th February, 2011. He met the University staff and students to discuss his vision for Lesotho.

According to the Plymouth University Press, the potential partnership could see academics at the University and the National University of Lesotho co-developing programs to help in the development of small and medium-sized businesses to drive the country's service and manufacturing economy thereby reducing reliance on agriculture.

LNDC provided Lesotho's High Commission in London with information on investment opportunities in Lesotho and top priority sectors for promotion in the European Union market.



His Excellency HRH Prince Seeiso Bereng Seeiso , Lesotho's High Commissioner to the United Kingdom shaking hands with Pro-Vice Chancellor, David Wheeler, Dean of the Plymouth Business School

Meanwhile, Her Excellency, Mrs. Mamoruti Tiheli, Lesotho's Ambassador to the Benelux countries is also making arrangements for the First Lesotho–Benelux Business Forum to promote business and investment opportu-

nities for Lesotho. The event is planned for the second half of 2011.

A fact finding pre-mission made up of LNDC, Lesotho Tourism Development Corpo-



Lesotho's Pre-mission to Belgium. From left to right: Mrs. Sekone Masia, Department of Trade; Mrs. Tsireletso Mojela, Department of Industry; Ms. Olesya Gavryluk, Trade and Investment Office, Lesotho Embassy in Brussels; Mr. Pierre Van Mol, Director of European and International Economic Affairs; Mrs. Marina Bizabani, LNDC; Mrs. Mamello Morojele, LTDC

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ration (LTDC) as well as the Ministry of Trade and Industry, Cooperatives and Marketing officials traveled to Brussels on 21st -23rd February, 2011 to prepare for the Benelux Business Forum. The pre-mission was supported by the Trade and Investment Officer at the Embassy of Lesotho in Brussels.

The forum is being organized by the Lesotho Embassy in Brussels under the theme, "The Kingdom of Lesotho Promises, A day in the Future; Discover Lesotho, the Mountain Kingdom in the Sky as your best preferred destination of choice in Africa for business and tourism activities".

Meetings were held with business associations, chambers of commerce and business sector specific organizations to gather data to inform preparations for the forum. Delegates that are most likely to attend the Lesotho forum in Brussels are in food processing, agro industry, textiles, wood and furniture products, construction, tour operation sectors as well as development finance.

Lesotho's advantage is that the cost of labour in Europe is very high and their SMEs

The Lesotho delegation in Belgium all dressed up to tour Roo Foods, a group of 7 companies which manufacture waffles, biscuits and other confectionaries.



can be encouraged to invest in Lesotho as a cost competitive production location and a gateway to Southern African markets.

In 2009 the Embassy of the Kingdom of Lesotho in the Republic of Ireland organized a visit of 11 Irish businesses to explore Lesotho-Irish pri-

vate sector partnerships in the areas of infrastructure, communications, financial services, agri-business, health training and quality management systems.

Lesotho received orders from a clothing retailer, Primark (branded as Pennys in the Republic of Ireland).



Irish Mission paying a courtesy call on the Ministry of Trade and Industry

LNDC Engages Enterprise-wide Risk Management Services

From left to right: Mr. R. Laubscher, PWC; Mr. C.T. Poopa, LNDC Head, Legal & Corporate Governance, Mr. M. Mokoaleli, LNDC CEO a.i.



The timeline for completion of the assignment is approximately two months.

ERM, as opposed to traditional separate, "silo" based risk analysis, recognizes that risks are inter-related and often have common drivers.

LNDC has realized that some businesses have collapsed through risks posed by competitors, economic developments and natural conditions that are beyond anybody's control. This has resulted in wake-up calls prompting leading companies to abandon their traditional approach of "managing risk by silos" whereby different types of risks are the responsibility of various corporate and business units. Instead, companies are now adopting an enterprise-wide risk management approach.

LNDC has appointed a risk management consultant, PricewaterhouseCoopers Inc. (PWC), to provide Enterprise-wide Risk Management (ERM) Services to enable the Corporation to proactively prioritize, control and respond to both its key internal and external risks.

An engagement letter appointing PWC was signed by the Acting Chief Executive Officer, Mr. Motebang Mokoaleli and Mr. Rudolph Laubscher, Associate Director, PWC Risk Advisory Service on 23rd March, 2011.

In terms of the agreement, PricewaterhouseCoopers will provide ERM services to increase LNDC's prospects of success through managing its

risk effectively and minimizing negative outcomes. The scope and approach of the advisory services will include the following:

- ⇒ **Facilitation of risk assessment workshops covering all the divisions and sections of LNDC, including reporting on outcomes.**
- ⇒ **Development of a Risk Management and Mitigation Strategy with recommendations for its implementation.**
- ⇒ **Development of a Risk Management Policy.**
- ⇒ **Development of an ERM Communication Policy.**
- ⇒ **Defining ERM technology requirements.**
- ⇒ **Development of an ERM Framework.**

Construction of Water Supply Scheme to Tikoe and Thetsane Industrial Estates

The Government of Lesotho is funding the construction of the Tikoe and Thetsane Industrial Water Supply Scheme which is aimed at improving the existing water supply to industries.

The project is currently at an advanced stage and comprises:

⇒ raw water abstraction

from the Mohokare River near Ha Ratjomose,

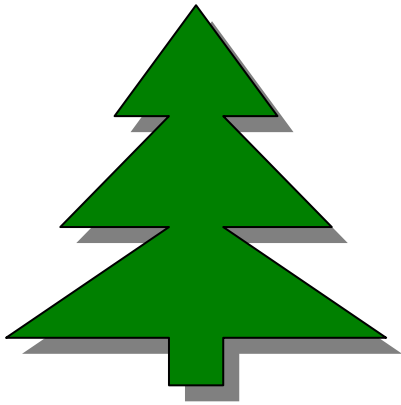
⇒ water treatment works,
⇒ potable water pump station and

⇒ a pumping mainline of 3.3 km to the storage reservoir which is located at a higher ground above the existing Thetsane Industrial Estate storage reservoir.

The higher storage reservoir will feed the Thetsane Industrial Estate storage reservoir by gravity. Tikoe Industrial Estate will also be fed by a 4.1 km long gravity main.

This new source of industrial water supply will be accessible during 2011.





LNDC Goes Green

The Management and Staff of LNDC organized a tree planting event on the 1st April, 2011 to honour the United Nations declaration of making 2011 the International Year of Forests. Members of the Board of Directors of LNDC also participated in planting trees.

The Corporation collaborated with the Ministry of Forestry and Land Reclamation which provided 2,500 trees and

Some of Masowe High School pupils in T-shirts and sporty hats bearing the LNDC and Forestry Logos



Ready to start watering the trees

also took part in the tree planting at the Tikoe Industrial Estate.

In implementing its social re-

ship/buy-in for whatever improvements are being made. In this regard, Masowe High School which is across the road from Tikoe Industrial



Mrs. N. 'Mota,
Principal Secretary,
Ministry of Forestry & Land
Reclamation



Mr. T. Ramotsoari,
LNDC Board
Chairman and PS
Ministry of Trade & Industry

sponsibility activities, LNDC

strives to involve communities where the activities are being undertaken in order to instill a sense of owner-

Estate, was approached to be part of the tree planting. By sheer coincidence, the parents of most of the 250 pupils at the school are factory workers at clothing industries located at the Thetsane Industrial Estate which is not very far from Ha Tikoe. LNDC provided brochures to inform the pupils about indus-

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trial development in Lesotho.

Tree planting in Lesotho for 2011, was spearheaded by His Majesty King Letsie III and the Right Honourable the Prime Minister on the 28th February, 2011 at Ha Petlane in the Mafeteng district where 20,000 trees were planted.

In support of the Government of Lesotho through its Ministry of Forestry and Land Reclamation, LNDC intends to actively participate in the tree planting drive to improve the country's landscape and combat land degradation.

In his remarks at the tree planting, the Acting LNDC Chief Executive Officer, Mr.

"The benefits of trees can be grouped into social, communal, environmental and economic categories", Mokoaleli said. "In particular, and in relation to Tikoe Industrial Estate where LNDC is going to construct factories that will emit some pollution, the trees that we have planted today, will help to improve air quality, prevent soil erosion and enhance the scenery of the estate", he said. He

decisions to place orders.

Tikoe Industrial Estate is a new undeveloped LNDC estate with only three factories that have been built so far. However, starting this year in August, construction of infrastructure on the estate will commence and be completed in about 12 months. This will be followed by construction of advance factory shells with a total rentable space of 30,000 m²

Mr. S. Sekaleli, Director of Forestry



Mrs. M. Motiki, Community Councillor

went further to say that the enhanced scenery will make the industrial estate more marketable to potential investors and to buyers of Lesotho exports. These days when buyers are assessing

in various sizes to accommodate investors in the LNDC pipeline of projects. At full capacity these projects will create over 5,000 jobs for Basotho.

The development of Tikoe Industrial

Estate is being financed by the Government of Lesotho, the Arab Bank for Economic Development in

Africa (BADEA) and the Overseas Fund for Interna-

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LNDC CEO, a.i. Mr. M. Mokoaleli planting a tree, Masowe students ready to water the tree



LNDC Board Member, Mr. T. Bohloa



Motebang Mokoaleli outlined some of the many benefits of trees to the environment.

ethical sourcing destinations, the environment plays a major part in influencing their

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tional Development (OFID) to the tune of US\$18 million. LNDC has already awarded a contract to Consulting Engineering Centre/Mafube Consulting (Pty) Ltd. to design, review and supervise the construction of infrastructure and factory shells.

Mr. Mokoaleli ended his remarks by extending the Corporation's gratitude to the sponsors of the tree planting event, namely; the Ministry of Forestry and Land Reclamation for providing the trees and logistical support, the Water and Sewerage Company for contributing a tanker of water to irrigate the newly planted trees, the Principal and pupils of Masowe High School for their participation, the Board of Directors of LNDC for leading by example and demonstrating their commitment to team building activities and lastly, the LNDC staff and the community.



Water and Sewerage Company contributed a tanker of water for watering the newly planted trees



The Directory of Forestry, Mr. Sekoati Sekaleli commended LNDC's initiative to plant trees, adding that his Ministry was being inundated with requests from other organisations to participate in tree planting.

He said that this overwhelming response was encouraging as it would make it easier for the Ministry of Forestry and Land Reclamation to effectively and efficiently fulfil its objective of transforming the landscape of the country and improving the quality of the environment.

He appealed to the community to protect the trees against vandalism and wild fires.



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

- 52 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 are on the Web!
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