

LNDC Freezes Rentals to Preserve Jobs

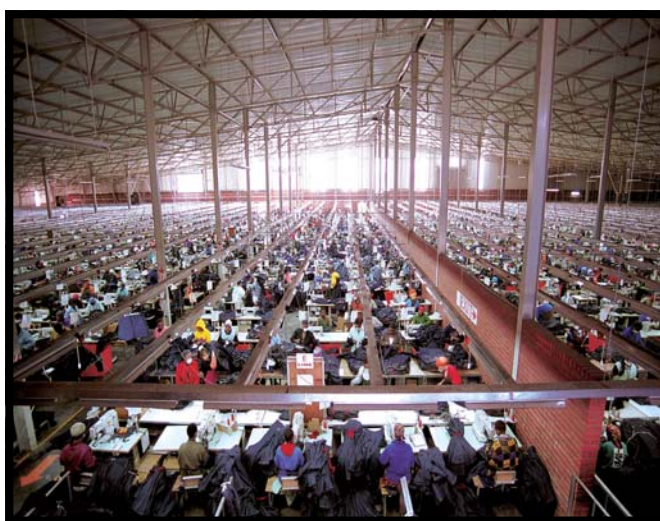
The Lesotho National Development Corporation has decided to address the cost of doing business in Lesotho by implementing a rental freeze for a second consecutive year on all industrial buildings.

The LNDC Chief Executive, Mr. Peete Molapo says "This is just but one of the measures that the Corporation is taking to ease the burden of investors during these financially difficult times to ensure preservation of as many jobs as possible for Basotho".

While this move is not financially rewarding to the Corporation, it is however, necessary to retain and curb the closure of companies due to the unfavourable exchange rate and competition in world markets caused by the expiry of the Multi-Fibre Agreement (MFA) in December, 2004.

In addition, the uncertainty in 2004 with regard to the extension of the African Growth and Opportunities Act (AGOA) was also responsible

sufficiently to weather the strengthening of the Rand against the Dollar and expiry of the MFA storm.



Employment in a Jeans Manufacturing Company

for loss of orders as buyers adopted a "wait and see" attitude. Some companies suffered financial stress at that time and did not recover

Todate, four LNDC-assisted companies have closed down resulting in jobs losses of 4,570 and wages amounting to M35,000,000 per annum.

Lesotho Trade and Investment Mission to the United States

In January, 2005 LNDC participated in a Government-led delegation to the United States of America to hold discussions with various stakeholders on securing Lesotho's foothold on the U.S. market.

The delegation was led by the Minister of Trade and Industry, Cooperatives and Marketing, Honourable Mpho Malie and also included the U.S.

Ambassador to Lesotho, Her Excellency, Mrs. June Carter-Perry; the Principal Secretary of the Ministry of Trade and Industry, Cooperatives and Marketing, Mr. Mohlomi Rantekoa; the LNDC Chief Executive, Mr. Peete Molapo; the Chairman of Lesotho Textile Exporters Association, Mrs. Jennifer Chen as well as a representative of organized labour.

Lesotho held discussions with

the U.S. buyers to cement the existing business relationship and explore opportunities for increasing the volume of orders by identifying more buyers as well as to get an insight into what problems are perceived by the buyers in sourcing Lesotho-made products. In addition, sourcing of U.S. textile and apparel equipment to support new factories and related projects in Lesotho was explored.

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LNDC Headquarters

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The U.S. buyers expressed concern about the lead time of orders coming from Lesotho which is about six months compared to three months on products from China. It was also noted that Lesotho-made products were very simple and not fashionable or stylish. Labour costs in Lesotho were also cited as being high at \$100 per month compared to China at \$58.

The delegation also held meetings with the U.S. Administration to discuss policy related matters.

On his return to Lesotho the

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LNDC Introduces Measures to Curb Closures of Factories

The Corporation has stepped up its monitoring system to closely gauge the performance of its assisted manufacturing portfolio as a proactive measure to provide swift remedial and back up support where it is necessary.

Visits by LNDC Project Managers are being carried out on a more regular basis to collect crucial data that will help to assess signs of distress in the op-

erations of companies and what remedial measures should be taken. This is done by documenting and analysing information on key indicators which provide a snapshot of the health of companies.

The LNDC strategy is proving to be effective in that the Corporation is more aware of the problems encountered by the companies in their day-to-day operations.

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Embroidery factory

Production in Full Swing at Basotho Cannery

Basotho Cannery has been in production for the last four months processing canned peaches and apricots for export to the United Kingdom and Germany.

Two types of packs were processed; namely Canned Unpeeled Apricot Solid Pack Organic and Canned Peach Solid pack Organic. In the United Kingdom, the packs are used for production of baby food and that is why the fruits have to be organically grown.

Basotho Cannery is under contract with a South African company, Bio-Fresh which supplies the raw material for processing at the factory. Under the agreement, Bio-Fresh will also market processed peaches from Lesotho provided no inorganic fertilizer is used in their growth or maintenance. Organically grown produce is bought at premium prices in the European Union (EU) market.

Basotho Cannery, in consultation with the Ministry of Agriculture and the Marketing Department of the Ministry of Trade and Industry, Cooperatives and Marketing intends to inform Basotho peach farmers on how to prune and prepare their fruit trees in winter to ensure good quality fruits that will meet the market demands for the coming canning season.



Peaches

Production at Basotho Cannery has been leveled to ensure all-year processing. Bio-Fresh has agreed to assist interested local farmers

to grow vegetables such as carrots, potatoes, pumpkins, among others organically, to be processed at the Cannery and exported to the EU. These vegetables will be processed in addition to peaches, apricots, citrus fruits, baked beans and asparagus. So far, a total of 17 hectares of asparagus land has been planted in Butha-Butha, Moshoeshoe II Airport area and around Thaba Bosiu.



Asparagus

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Findings of these regular inspections reveal that companies have expressed their desire to remain in production and would rather opt for cost cutting measures such as temporary or permanent staff reduction rather than close down completely.

The Government of Lesotho through the Inter-Ministerial task team is also putting in place measures to enhance the incentive regime and other investment and trade facilitation processes.

The end of 2004 saw the closure of three factories and an additional one closed early in the new year. This resulted in job losses, significantly reducing the total number of jobs in the manufacturing sector from 47,754 in April, 2004 to 41,294 in April, 2005. This number includes retrenchments in companies which are still operational.

In the wake of all this uncertainty with regard to the clothing and textile industry, the Corporation realises that an additional pre-emptive measure to reduce Lesotho's reliance on one market, (U.S.) and one product (clothing) is to diversify and aggressively promote other products as well as other sectors and channel Lesotho's exports, including clothing to other markets besides the U.S.

Construction of a Canteen for Circuit Breaker Industries

LNDC has constructed a 200m² two-storey canteen for employees of Circuit Breaker Industries at Ha Nyenye Industrial Estate. This in compliance of the requirements of the Labour Code and Customer Codes of Conduct.

Construction works commenced in October, 2004 and the project was completed in February, 2005 at a cost of more than M800,000 financed from LNDC internal resources. The main factory building occupies an area of 2,000m² constructed at a cost of M3.8 million.



Circuit Breaker Industries started operations in September, 2004 producing low voltage switchgear and surge arrestors for the South African market.

Since its inception, the number of employees at the factory has quadrupled from 18 to 95. It is expected that by the end of 2005, the number of jobs at the factory will have increased to 200.

The canteen has been leased to a local operator to provide food for the factory workers.

With this in mind, efforts to redevelop two of the Corporation's commercial sites has gained momentum. The sites are Clifford Complex and Sanlam Centre Complex both located in the Maseru Central Business District (CBD). This will achieve the desired aim of expanding the commercial sector.

LNDC's strategy in respect of these two properties is to identify property developers who will develop the sites under the Build, Own, Operate and Transfer (BOOT) or Build Operate and Transfer (BOT) concepts. To this end, requests for proposals (RFP) have already been issued in respect of the Clifford Complex site through the media.

LNDC has also proactively initiated the creation of a Utilities Coordinating Forum comprising the Water and Sewerage Authority (WASA) and the Lesotho Electricity Corporation. The Forum is chaired on a rotational basis between LNDC, LEC and WASA and aims to address matters pertaining to industry and to facilitate harmonization and coordination between the utility corporations and the industrial sector. Meetings have already been held between the Forum and some companies to explore ways of providing solutions to their problems or giving advice where necessary. A by-product of the meetings will be an enhanced communication environment on both sides.

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Honourable Minister of Trade and Industry and the Chief Executive of LNDC held a briefing session for industrialists on the outcome of the trip to the U.S.

The Minister impressed upon the industrialists that Lesotho companies would have to significantly increase their productivity and improve on the lead time. The latter problem is caused mainly by the unavailability of raw material (e.g. fabric—this has to be imported mostly from the Far East),

On the question of productivity the LNDC Chief Executive, Mr. Peete Molapo explained, "The LNDC ComMark Lesotho Apparel Project is already addressing the situation through training of factory workers in a number of factories which have applied for such training". The training includes the levels of production managers, line managers and supervisors. Increased productivity will significantly cut production costs and render the companies more profitable.

During the trip, LNDC concluded negotiations and engaged a U.S. company to carry out trade and investment promotion activities on behalf of the Corporation in the U.S., especially in Atlanta, Georgia.

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.

