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*Philips Lighting Maseru Factory Building and Infrastructure Under Construction
at
Tikoe Industrial Estate*



Production of
CFLi Energy
Saving Light
Bulbs

We build industry

Overview of 2008/2009

Performance of the Manufacturing Portfolio

Despite the global economic melt down, the manufacturing portfolio remained almost constant at 74 companies, marked by only slight variations from quarter to quarter but not falling below 70 in 2008/2009. Likewise employment levelled off at over 48,000 in the first two quarters of the year; experiencing a slight drop of about 3% to just over 47,000 in October to December, 2008 and a further drop to 44,135 up to March 2009.

Expiry of China Safeguards Quotas

The majority of companies had orders up to the second quarter of 2009 while a few had secured orders for the whole of 2009. However, a looming threat which has recently taken effect is the expiry of safeguard quotas that were imposed by the U.S. on China's textile and apparel imports. This new development has opened up Lesotho's garment exports to fierce competition from China which will put further pressure on the already struggling industry through plummeting orders resulting in additional job losses.

Sector	No. of Companies (as at March, 2009)	Employment over April 2008—March 2009			
		June 2008	September 2008	December 2008	March 2009
Clothing & Textiles	42	42429	42517	39064	37971
Footwear	4	2189	2189	2388	2067
Packaging	3	107	107	89	89
Construction	3	172	172	173	169
Agro	6	893	893	921	907
Electronic	4	1601	1601	1566	1277
Commercial	2	195	195	214	1210
Hospitality	4	415	415	444	446
Other	7	597	597	999	999
Total	75	48598	48686	47204	44135

AGOA Performance

Notwithstanding the lack of orders, Lesotho continued to be the leading exporter of apparel and textiles to the United States of America. According to the U.S.—Africa Trade Report of 30th

April, 2009, the top six AGOA garment exporters collectively accounted for 94% of U.S. apparel and textiles imports from Africa during January—February, 2009 as measured by volume and 95% as measured by value.

U.S. Textile and Apparel Imports from Africa (January—February, 2009)

COUNTRY	MSME	% SHARE	\$MILLION	% SHARE
LESOTHO	12.267	24.8%	\$43.831	26.9%
KENYA	11.642	23.6%	\$36.698	22.5%
MADAGASCAR	10.757	21.8%	\$36.369	22.3%
SWAZILAND	5.396	10.9%	\$17.541	10.8%
SOUTH AFRICA	3.930	8.0%	\$3.200	2.0%
MAURITIUS	2.405	4.9%	\$16.225	10.0%
TOTAL	46.397	93.9%	\$153.864	94.5%

Source: U.S.—Africa Trade Report: 30th April, 2009

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Even as Lesotho holds the number one position, her performance has continued to decline due to the unfavourable global economic climate over the five-year period from 2004 when Lesotho's garment exports to the United States peaked at US\$456 million followed by US\$391 million in 2005, US\$387million in 2006, US\$384 million in 2007 and US\$340 million in 2008.

While previously, companies could trade their earned certificates to boost their cash flow, under the extension, tradability of certificates for cash has been factored out all together. The garment industry can now only use the certificates to source raw materials that will form inputs into the manufacturing process. Negotiations are on-going to reverse the situation before the revised scheme is finally gazetted.

veloping a Business Confidence Model as an early warning system that will gauge the business mood in the garment industry. This is in the form of a research questionnaire which will elicit responses that will signal early distress situations.

Statistics Data Team

LNDC has been co-opted by the Bureau of Statistics to be part of a team to develop a data collection strategy aimed at ensuring accurate, timely and efficient statistical data collection.

Growth Strategy Meetings

The Ministry of Finance and Development Planning coordinates Growth Strategy meetings where inputs are provided into the Government budget. The role of LNDC in these meetings is to present its priority projects for Government funding.

Production of T-shirts bound for the United States Market



Investment Climate

Duty Credit Certificate Scheme (DCCs)

The DCCs as an incentive to the garment industry was due to expire at the end of March 2009, however it has been extended by one year up to end of March 2010. But, the extension carries additional restrictions which are not beneficial to Lesotho.

Trade Finance Facility

Given the current "financial tsunami" which is threatening the survival of the industry, the Government of Lesotho is in the process of establishing a trade finance facility to support working capital requirements of companies.

Business Confidence Model (BCM)

LNDC is in the process of de-

Local Private Sector Development Project

Skills Development

Skills Development for the Garment Industry took off in July 2008 when the Maputsoe Skills Development Centre launched a six week pre-employment training program on basic sewing skills.

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The Centre has so far trained 80 people since its inception. Some of the trained people have been recruited by manufacturing firms. LNDC has allocated one of its factory buildings for the Centre.

The Maseru Skills Development Centre commenced training in the first quarter of 2009.

The Centres will provide high quality training and development services to the industry through the engagement of experienced and qualified training providers who are experts in their respective fields.

Training courses have also been offered to farmers and extension officers from the Ministry of Agriculture on pruning, principles of irrigation, recognizing pests and diseases, basic plant nutrition, application of fertilizers and basic business principles.

The World Hotel Link online booking system has registered 19 local hotels and guest houses to enable tourists to make reservations online.

Lesotho Enterprises Assis-

tance Programme (LEAP)

LEAP has been promoted through the local media and road shows in various districts. It is an umbrella private sector association whose main function is to empower the private sector 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.

Partial Credit Guarantee Scheme

LNDC has developed a Credit Guarantee Scheme for Basotho-owned enterprises with a turnover of less than M2.0 million per annum.

The Scheme will work with the commercial banks

whereby the banks will share risk with the Corporation. Projects which need assistance through this Scheme will be expected to apply directly with the banks and the banks will in turn, apply for a guarantee to LNDC.

A proposal for the Scheme has been submitted to the Government for part capitalization. The advantages of the Scheme will be to:

- * Mitigate risk to encourage banks to lend funds to Basotho-owned businesses.
- * Utilize the liquidity of local commercial banks.
- * Provide financial leverage for local businesses.
- * Promote a better investment climate.

Capacity Building for the Private Sector



Business Training in Progress

(Continued from page 4)

LNDC collaborated with IDC, BEDCO and SMME Network to train SMME's in Business Management between November 2008 and February, 2009. More than 139 participants were awarded certificates on completion of the training. Training of trainers was also done for resource persons from Mohloli Business Chamber, Mine Workers' Development Agency, SMME Network, BEDCO and the National University of Lesotho. These trainers will assist with the roll-out of the programme across the country. The initiative was the result of a cooperation agreement between LNDC and IDC which was signed in November, 2005.

LNDC Private Sector Forum

The annual LNDC Private Sector Forum was attended by 107 participants from the private sector and the public sector in December 2008. LNDC exchanged ideas with the private sector on topics of mutual interest. Institutions such as the Industrial Development Corporation (IDC) of South Africa made presentations on access to finance, BEDCO and the local Business Chambers also presented their services to the private sector.

Philips Lighting Maseru

Construction started on the new Philips Lighting 5,000 m² factory shell in August, 2008 at the Tikoe Industrial Estate. The M27.0 million factory shell was completed in March, 2009 and production of CFLi Energy Saving light bulbs has started.



So far, 170 Basotho are employed of which 40 are from the Itjareng Rehabilitation Centre. The company currently produces 20,000 bulbs a day but the target at full production is aimed at 50,000 while employment is estimated at 500.

The energy-saving light bulbs manufacturing facility is a joint venture between Royal Philips Electronics of Netherlands; Karebo Systems, a South African company specializing in energy efficiency



programmes and the Central Energy Fund (CEF), a South African parastatal. Shareholding in the company is 40% Philips and 30% each for CEF and Karebo Systems.

Outlook for 2009/2010

The current global financial crisis is threatening to undermine one of Lesotho's largest employment sectors, the Clothing and Textile Industry, which is largely supported by the lucrative U.S. market through the African Growth and Opportunities Act, AGOA. Although Lesotho continues to be a leader in the Sub-Saharan garment exporter countries to the U.S., the steady decline in exports to the U.S. from AGOA beneficiary countries since the end of the Multi Fibre Agreement, MFA in December 2004, poses a major threat to the survival of Lesotho's garment sector. Orders are declining and employment creation is being eroded.

The Corporation has been sacrificing its own financial survival to cushion the industry and preserve jobs. With effect from 1st April, 2009 another rental freeze for industrial tenants will be implemented. Rental concessions to industrialists have steadily been given since 2002.

LNDC Pipeline Projects as at March 2009

No. of Pro- jects	Required Factory Size m ²	Estimated Factory Cost (Maloti)	Estimated Invest- ment Values	Jobs at Full Capacity	Estimated Annual Exports (Maloti)
20	49,100	153,850,000	352,700,000	3,650	697,500,000

LNDC Pipeline Projects with Definite Commitment to Invest as at March 2009

No. of Pro- jects	Required Factory Size m ²	Estimated Factory Cost (Maloti)	Estimated Invest- ment Values	Jobs at Full Capacity	Estimated Annual Exports (Maloti)
11	26,100	91,350,000	26,700,000	2000	277,500,000

Infrastructure Projects in 2008/2009

Project Name	Size	Location	Value	Status
Installation of automatic fire sprinkler system	2000m ²	Plot 22, Nyenye Industrial Estate	M0.76 million	Commissioned in April, 2008
Refurbishment and restoration of Kingsway Mall (Block C) air-conditioning system	N/A	Kingsway Mall, Maseru	M1.5 million	Commissioned in June, 2008
Redevelopment of Site No. 32	6 units of 428m ²	Maseru CBD	M28.4 million	Five buyers have been secured
Construction of Satellite Fire Station	250m ²	Nyenye Industrial Estate	M2.79 million	Building completed and due for handover to the Police Fire Brigade in June, 2009
Maseru Industrial Relief Road Project Studies	1.2 km of Road	Maseru Industrial Estate	M12.5 million	Route selection process completed. Land acquiring process has commenced.
Reconstruction of Reflex Footwear	1018m ²	Nyenye Industrial Estate	M2.33 million	Completed in June, 2008
Re-development of ex-Fairways Site	Plot size 7000m ²	Maseru CBD	M26.3 million	No agreement was reached with the developer. New proposals are being evaluated.
Construction of Philips Lighting Maseru	5000m ²	Tikoe Industrial Estate	M26.9 million	Practical completion of the building was in March, 2009
Construction of Tikoe Advance Infrastructure	2km of Road	Tikoe Industrial Estate	M21.0 million	Construction started in February, 2009 and completion is scheduled for June, 2009

Staff Movements

The year 2008/2009 was fraught with a high turnover of staff. There were six resignations, three recruits and one staff member passed away.



May His Soul Rest in Peace

Molupe Mohale joined LNDC on 1st March, 1981 as a Project Officer. In 1985/86 he spent a year in Canada under the Pearson Fellowship, an award given then to young professionals making a contribution to development through public service.

He was later promoted to Senior Executive Officer position in 1989. In 1992/93 he left for the United Kingdom on study leave to pursue an MBA degree with the University of Wales.



Tsepang Sekhesa
Investment Promotion Manager
 January 2005—April 2008



Sam R. Mphaka
Chief Corporate Services Officer
 October 2003—July 2008



Lithlokoe D. Mohlomi
Information and Communication Technology Manager
 January 1995—July 2008



Abel Ndabambi
Systems Administrator
 February 1995—October 2008



Seretse Mohlouoa
Financial Accountant
 January 1992—December 2008



Phomotso Sematlane
Domestic Investment Promotion Officer
 March 2003—December 2008



'Mabeibi Jasina
Investment Promotion Officer
 July 1998—January 2009



'Matamatama Mohapi
Research Officer
 Started in September 2008



Thabang Khabo
Head Finance & ICT
 Started in February, 2009



Letlafuoa Lephoto
Systems Administrator
 Started in November 2008

New Recruits

(Continued from page 7)

Mr Mohale was appointed Acting Deputy Director Operations Division in January, 1998 and confirmed as Deputy Director Operations (Appraisal) in the year 2000.

He was also seconded to the Industrial Development Corporation of South Africa for three (3) months in 2007 where he was exposed to various Project Management processes.

At the time of his passing on 18th October 2008, he was

holding the position of Projects Manager which he had secured in 2001 following an extensive restructuring exercise by the Corporation.

He is survived by his Mother, 'M'e 'Mamolupe and four brothers.



Wanted: Factory Buildings for Rent

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 the LNDC, P/Bag A96, Maseru, Development House, Block A, 5th Floor.

Tel. : +266 22312012

Fax: +266 22310038

email: info@lndc.org.ls

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

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