



Denim Fabric Mill at Thetsane Industrial Estate

We build industry

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LNDC Headquarters

General Performance of the Manufacturing Portfolio

Despite the challenges that face the manufacturing sector, especially companies that produce garments, existing investors in Lesotho have expressed their intention to remain in business.

Encouraged by this positive attitude, LNDC has gone the extra mile and reduced rentals on buildings across the board for the industrial sector by 10% with effect from 1st July, 2005. This is in addition to a rental freeze which has been in operations for the past two years.

Keeping the existing firms open is a top priority for LNDC while other strategies are being explored to diversify Lesotho-made products and markets.

LNDC is very vigilant in its monitoring of companies in order to provide timeous intervention where problems arise. Inspections of all LNDC assisted companies are undertaken every month. This monitoring includes the employment status of each company, existence of orders, extent of debts with utility companies, banks etc. The Corporation is doing everything in its power to assist companies to negotiate payment terms and attend to queries or misunderstandings with utility companies.

Other problems such as the Maloti/Dollar exchange rate and the high costs of utilities are, however, beyond LNDC's control.



Factory Shell

In the three months, April to June, 2005 only one firm closed as a result of insufficient orders to sustain its operations. The company was engaged in screen printing and located at Ha Nyenye Industrial Estate. Fifty jobs were lost as a result of this closure. Since January, 2005 to September, 2005 the garment sector has lost three companies. In the majority of companies, job losses are a result of retrenchments.

It is, however, not all gloom and doom; while on the one hand there are job losses, there are also new jobs being created through new companies and expansions in some existing companies.

A new company has started operations at the Maseru Industrial Estate to manufacture blankets and duvets for the local market. It will generate employment for 50 people, initially.

Another company is due to start training at Ha Nyenye Industrial Estate as soon as machinery has been installed. It will initially employ 352 workers and manufacture knitted garments for the Southern African Customs Union (SACU) market.

Total employment in the LNDC portfolio of companies in August, 2005 was over 37,000.

On the home front, the downward review of rental income has necessitated expenditure adjustments by LNDC in its internal housekeeping. Since the beginning of January, 2005 a call management system was put in place to control telephone expenditure. Back-to-back photocopying has been introduced to reduce the amount of paper used on a day-to-day basis.

Waste Management Projects

The growth of industry in Lesotho has had major impacts on the environment, human health and safety. Water supply, wastewater treatment, solid waste disposal and air quality have become areas of serious concern of which LNDC is acutely aware of.

Lesotho does not have developed waste treatment and disposal facilities to handle domestic and industrial waste. The generation of wastes at the industrial estates has surpassed the existing capacities. Huge investment in machinery, disposal facilities and human resources is, therefore, urgently required to curb the current environmental degradation in Lesotho.

The severity of these environmental issues varies in some industrial estates. Solid and waste water discharge is a major concern in Maseru and Thetsane estates, while solid waste is a major concern in Maputsoe and Ha Nyenye. These are the estates where the main textile industries are concentrated.

Altogether, LNDC administers five fully serviced industrial estates and three partially or undeveloped estates. The fully serviced estates are located in:

- Maseru
- Thetsane
- Ha Nyenye
- Maputsoe
- Mohale's Hoek

While the partially and undeveloped estates are in:

- Mafeteng
- Tikoe
- Butha-Buthe

LNDC secured funding from the World Bank in 1996 to establish wastewater recycling plants at Thetsane and Maputsoe. These funds were, however, exhausted through the construction of advance factory shells to meet the demand of buildings by investors at that time.

In 1997 technical assistance was sought from the Danish Cooperation for the Environment and Development (DANCED) to conduct a study on effluent treatment at Thetsane Industrial Estate.

The study aimed to find the most cost-effective environmentally friendly and sustainable solution to the problem of uncontrolled generation and disposal of effluent from textile industries in the area.

A resource management survey was conducted for all wet industries.

The outcome of the study was a recommendation that cleaner technology options be implemented before investing in the end-of-line treatment.

The cleaner technology methods that were proposed were: re-use of chemicals and proper house-keeping in the short term; chemical substitution in the medium term and establishment of a central chemical precipitation plant in the long term.

No projects were implemented from this study.

Biological Wastewater Treatment

A feasibility study was conducted in 1999—2002 to establish an integrated Wastewater Treatment Management System for Maseru and Thetsane. This



Effluent Treatment Plant at Presitex

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Malaysian Company Researches Growing of Cotton in Lesotho

LNDC and TLWAY TEXCO signed a Memorandum of Understanding (MOU) on the 16th of July, 2005 to set up a fully integrated outfit which will manufacture garments from locally sourced raw material.

TLWAY TEXCO, a group of companies operating its business in Central Asia, is based in Kuala Lumpur, Malaysia.

The promoters of the company intend to grow cotton in Lesotho and soil samples have been taken for testing to find out if cotton can be grown in Lesotho.

In this regard the company has fielded a cotton specialist to Lesotho for a period of 6 to 12 months to set up a pilot project and grow cotton. The Ministry of Agriculture and Food Security has allocated a patch of land at the Lesotho Agricultural College



to facilitate these trials.

In terms of the MOU, the company has undertaken to employ former employees of T.W. Garments, one of the companies which closed down in late 2004 at Ha Nyenye Industrial Estate.

Mr. P. Molapo, LNDC Chief Executive and Mr. K. Ramamurthi, Director and CEO of TLWAY Texco, signing the MOU

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was done with financial assistance from the European Investment Bank (EIB).

The study revealed that treatment of effluents from textile industries at the Ratjomose Wastewater Treatment Works was the least-cost solution. A new tariff structure was recommended to compensate the Water and Sewerage Authority (WASA) for the additional costs

that would be incurred for treatment of the effluent if the wastewater was of a higher strength than the specified standards.

Two industrial wastewater pre-treatment plants were established at C & Y Garments and Presitex. In addition, a separate trunk sewer was constructed to convey treated effluent to Ratjomose wastewater treatment plant.

Water Recycling

EIB sponsored a second study for recycling of wastewater covering Maseru, Thetsane and Tikoe Industrial Estates.

It was found that it would not be viable to set up a recycling plant at the Maseru Industrial Estate. Recycling of water at Thetsane and Tikoe Industrial Estates was found to be a viable option. A water recycling pro-

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4th AGOA Ministerial Forum

Lesotho delegation led by the Minister of Trade and Industry, Cooperatives and Marketing (MTICM), Honourable Mpho Malie left for Dakar, Senegal to attend the 4th AGOA Forum from 18—20 July, 2005. The delegation included the Chief Executive of LNDC, Mr. Peete Molapo, Mrs. Jennifer Chen, Chairman of Lesotho Textile and Exporters Association (LTEA) as well as officials from MTICM, LNDC and members of LTEA.

The theme of the Forum was “Expanding and Diversifying Trade to Promote Growth and Competitiveness”. It was aimed at institutionalising a dialogue

between all parties involved to foster closer economic ties between the United States (US) and sub-Saharan Africa as well as to provide opportunities for economic growth through increased trade.

The Forum focused on how to encourage beneficiary countries to diversify their exports by taking advantage of the broad range of products qualifying for preferential treatment under AGOA.

Discussions centred on issues intended to:

- Foster greater interest and investment in sectors other than textiles and apparel;

- Provide practical information about how to meet US export requirements and sell successfully into the US markets;
- Encourage those countries that have not yet taken advantage of AGOA benefits to do so.

The Ministerial meeting targeted a government audience, but also included opportunities for dialogue between the public sector, private sector and civil society groups.

Following the Forum, LNDC is developing trade and investment promotion programs and how to use market research to identify profitable opportunities.

A Walk for Life

In this day and age of health awareness, the staff of LNDC got physical and walked for life on the 24th September, 2005. The fun walk was organised by the Sports Committee as one of the activities under the Corporation’s sports and recreation programme.

Addressing the participants of the fun walk, the Chief Executive, Mr. Peete Molapo emphasized the importance of maintaining healthy bodies to improve productivity at the workplace.

“Activities of this nature promote team spirit, and I would like to encourage you to channel your minds into other avenues

of productive participation such as planting trees in dongas”, Mr. Molapo said. He said an en-

hanced corporate image will be a favourable spin-off effect of such community activities.



Participants at the Fun Walk with the Chief Executive, Mr. P. Molapo (back row centre)

International Fair for Investment and Trade

The Minister of Finance and Developing Planning, Honourable Dr. Timothy Thahane, led a delegation from Lesotho to Xiamen, China on the 6th September, 2005 to attend the China International Fair for Investment and Trade (CIFIT).



Some members of the Lesotho delegation at the Lesotho Exhibition Stand



The fair provided a platform for China as well as other countries, including Lesotho, to promote international investment, trade and tourism.

Other members of the delegation were the Principal Secretary, Ministry of Trade and Industry; the LNDC Chief Executive; President, Lesotho Exporters' Association; senior officials from the Lesotho Embassy in China; Ministry of Trade and Industry; LNDC; Lesotho Tourism Development Corporation and the private sector.

The Honourable Thahane made a presentation in a Seminar on South—South Cooperation and Investment in Africa. He high-

lighted the need for African countries to have fabric mills to enhance the competitiveness and profitability of the clothing and textile sector. He also had discussions with a telecommunications company which showed great interest in investing in Lesotho.

In Hong-Kong, Minister Thahane met with Carry Wealth Holdings which is a majority shareholder in Shinning Century, a textile company operating in Lesotho. He appealed to the company to retain its investment in Lesotho and to consider diversifying into other products.

On the trade promotion side, Lesotho showcased its exhibits which included mohair, grass and leather products, horn ornaments, seshoeshoe, pottery, and aloe products.

The event was also designed to link investors with African countries wishing to host overseas investments.

Lesotho made 11 key contacts which were considered to be "hot prospects" for new investment. These contacts comprised foreign investment and trade associations with a membership of over 2,000 businesses.

The associations expressed interest in investing in areas such as:

- Agro processing
- Cement and glass manufacturing
- Pharmaceuticals
- Furniture
- Property development
- Electronics and electrical assembly
- Garment manufacturing

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ject has been recommended for the new Tikoe Industrial Estate to supplement the fresh water supply from WASA.

Solid Waste Management

LNDC secured funding from the Government of Lesotho (GOL) in 2005 for a feasibility study of industrial solid waste management. The study covered environmental impacts of uncontrolled disposal of industrial sludge, washstone (pumice) and blasting sand.

Both industrial sludge and blasting sand were classified as hazardous as per a chemical analysis that was performed. They cannot, therefore, be disposed of with domestic wastes. Special treatment facilities have to be set up within Lesotho or the waste has to be exported to the Republic of South Africa where such disposal facilities exist.

Projects emanating from the study comprise upgrading of existing wastewater pre-treatment plants to be able to treat the sludge produced; the development of a landfill in Lesotho. Maseru City Council is currently carrying out feasibility studies for setting up a landfill at Ts'oeneng.

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.

