



Lesotho: the Promise of Africa

INVESTMENT IN AFRICA'S GUIDING LIGHT

Lesotho is a country paving a new path for development, one that successfully takes into account its social as well as economic assets. With duty and quota free access to regional and global markets, the emergence of its apparel and textile industry, and an upcoming branding initiative to make "Made in Lesotho" a global trademark, Lesotho is quickly becoming an African investment destination of choice, while still achieving globally-recognized fair and ethical labor standards. With its democratic institutions and dynamic economic growth resulting from trade, Lesotho is a beacon of promise and progress in a continent all too frequently dismissed as hopeless.

SOUTHERN AFRICA'S HIDDEN JEWEL

Although small and landlocked with a population of only two million, Lesotho is incredibly integrated into the Southern African and international economies. It is located completely within the borders of South Africa, the continent's most developed economy, and is well connected by air, rail and road links to all of South Africa's major centers. Maseru, Lesotho's capital, is only 375 miles from Durban, South Africa's busiest harbor, and one hour by air or four hours by road to Johannesburg. A member of the Southern African Customs Union and the Rand Monetary Area, Lesotho enjoys unparalleled ease of access to the \$212 billion South African market with few barriers to trade and a common currency. For those looking to sell in South Africa, Lesotho's location, infrastructure and market access make it a prime investment destination. Most importantly in terms of Lesotho's impressive growth and development, however, is that

the country qualifies for duty and quota free access to the U.S. market under the African Growth and Opportunity Act (AGOA), a trade preference program that provides the most liberal access to the U.S. market of any region in the world. Lesotho has maximized this trade advantage to become the largest sub-Saharan exporter of apparel to the United States, transforming AGOA benefits into employment, income and opportunities for its people. AGOA is the cornerstone of U.S. policy in Africa, championed by bipartisan leaders in Congress and notably by Ways and Means Committee Chairman Charles B. Rangel and former Chairman Bill Archer.

LESOTHO AND AGOA: A DYNAMIC PARTNERSHIP

Lesotho qualified for AGOA in October 2000. The trade preference program's generous rules of origin allow retailers to source garment inputs globally, thereby keeping down costs, while still substantially transforming the product in Lesotho. From 2001 to 2004 alone, 30 firms set up operations in Lesotho with 22 of them directly targeting the United States, all due to AGOA. This more than doubled the number of foreign firms operating in the country. Taking advantage of AGOA trade preferences, Lesotho's apparel and textile manufacturing industry has become a driving economic force. The industry is now the largest formal sector employer in the country, employing more than 45,000 people. In 2006, Lesotho's exports to the United States totaled \$408.4 million, 94 percent of which were exported under AGOA.

Lesotho's successful utilization of AGOA benefits and the remarkable growth of the apparel industry is the result of conscientious efforts to attract investment and make the most of

competitive advantages. The Lesotho National Development Corporation (LNDC) has also played a pivotal role in vigorously promoting the country's industrialization, courting investors and providing start-up services in the mining, commerce, manufacturing and processing industries. LNDC, which actively seeks partners in Lesotho's development, organizes site visits, keeps investors abreast of policy changes and liaises with government departments on their behalf. In effect, LNDC is a one-stop shop for investors and development partners, making it easy to identify opportunities, avoid pitfalls and get operations up and running efficiently.

LESOTHO: A HUB FOR ETHICAL APPAREL SOURCING

Looking only at the growth of Lesotho's apparel industry, however, misses an important part of its success story. As opposed to some countries experiencing rapid industrialization, the Lesotho apparel

cost of inputs by reducing labor standards, manufacturers instead set out to rejuvenate the sector by establishing a dominant market niche, focusing not only on the quality of their products, but on the environment in which these products are produced.

Lesotho now prides itself on its ethical labor standards and a socially conscious approach to integration into the global economy—the foundation of the “Made in Lesotho” branding and awareness campaign. Child labor, a plague in the apparel sectors of many developing nations, is non-existent in Lesotho. Lesotho's labor laws regulate maximum working hours to 45 normal hours per week and 11 overtime hours, with a minimum leave of 12 days per annum. The industry is also one of the lead drivers of poverty reduction through its high female employment rates. LNDC runs an Industrial Relations Office which aids investors in adhering to labor laws. Brands such as

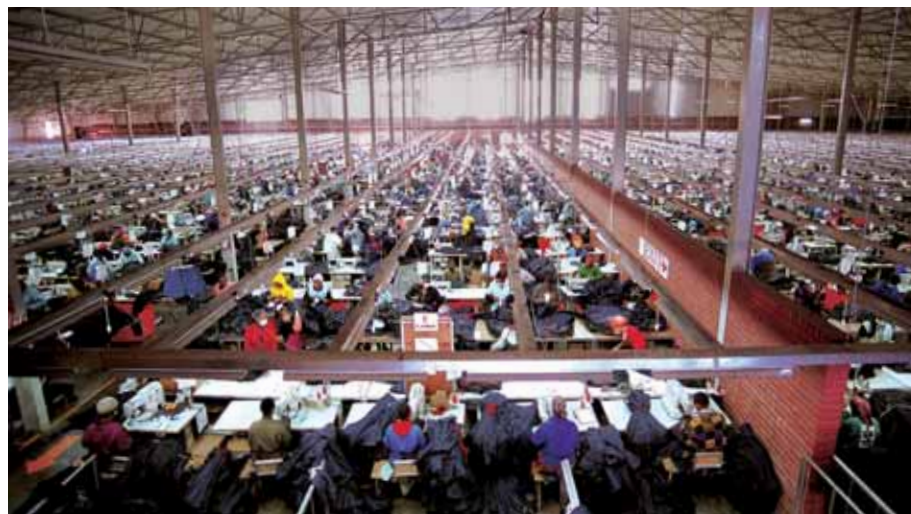
The GAP and Levi Strauss have recognized this commitment and consistently sourced apparel from Lesotho.

Apparel manufacturers in Lesotho have begun to carve themselves a niche, tapping into the growing global market for products manufactured under exemplary working conditions. By appealing to brands and consumers that take into consideration not only the product, but the lives of those who produce it, the industry has recouped the losses it suffered with the end of the MFA and set off on a new growth path. Lesotho is not simply marching toward development; it is marching toward a new kind of ethical development, and the rest of the world is taking note.

In addition to The GAP, which sources from Lesotho for (PRODUCT) RED, and

Levi Strauss, merchandising companies such as Calvin Klein Jeanswear, Chaps Ralph Lauren, Chef Works Inc., Children's Place, Edun, Footlocker Inc., Gloria Vanderbilt Apparel Corp, J.C. Penny, Jones Apparel, Jordache Ltd., Kids “R” Us, K-Mart, Mast Industries, Regatta Athletic, Saks Inc., Timberland, and Wal-Mart have all bought from Lesotho, reinforcing both Lesotho's and their own commitment to ethical business and corporate social responsibility. As more and more retailers take note of the expanding market of socially conscious consumers, more and more are turning to Lesotho to tap into this niche and join the global movement toward ethical sourcing.

Lesotho's economic and social accomplishments are receiving validation outside of the business world as well. In June 2007, the Millennium Challenge Corporation, a U.S. government initiative that promotes sustainable economic growth



Lesotho's apparel sector is FDI done right.

industry's expansion did not come at the expense of labor standards, at the exploitation of workers, or through the abuse of human rights. It was, in fact, a result of something quite the opposite. Lesotho's economic growth actually affirmed the country's commitment to fair labor standards and showed the world that by tapping into the rapidly growing global market of socially conscious consumers, businesses can be both profitable and ethical.

Lesotho's recent history in this realm bears witness to this unflinching commitment. In December 2004, the Multi Fiber Arrangement (MFA) which imposed quotas on textile exports globally expired. Asian textiles flooded the U.S. market, drowning out smaller producers who were unable to compete with lower-cost labor and economies of scale. Lesotho's apparel industry was hard-hit with exports dropping, factories closing and employees losing their jobs. Rather than slashing the



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by reinforcing good governance, economic freedom and capacity building, approved a Millennium Challenge Compact for Lesotho. The five-year, \$362.6 million grant serves as global recognition of Lesotho's commitment to democratic governance, economic growth and investment in its people. Bono, the celebrity who has taken African issues to heart, also turned the world spotlight on Lesotho when he visited the country in 2006. In addition to rallying support for poverty alleviation and HIV medication, Bono supports the apparel industry, recognizing it as a means for Lesotho to help itself in more ways than one.

Bono and his wife Ali Hewson, as well as a number of other celebrities, are not just talking about change in Lesotho, however. They are taking action. Hewson launched her new clothing line Edun in June 2006. Edun has also committed to pay the Apparel Lesotho Alliance to Fight AIDS (ALAFI) \$10 for each T-shirt sold from the ONE T-shirt campaign. ALAFI is a private sector initiative to combat HIV/AIDS in the apparel industry. This high-end men's and women's clothing line is produced in countries, including Lesotho, that adhere to ethical production standards and to free and fair trade regulations. Great Britain's Prince Harry has also been particularly active in bringing attention to Lesotho through his participation in various aid programs. Especially significant was his lead role in founding Sentebale with Lesotho's Prince Seeiso in April 2006. Sentebale is a charity which helps children and young adults in Lesotho, particularly those orphaned by AIDS, and it was one of the three beneficiaries of charitable funds raised by the July 1, 2007 Concert for Diana. Other prominent figures who also visited Lesotho in 2006 to draw attention to the country and diminish poverty and AIDS were Bill Clinton, and Bill and Melinda Gates. Through the country's own economic progress along with the powerful spotlight drawn to it by these key figures, change in Lesotho is being rapidly catalyzed.

LESOTHO: FOREIGN DIRECT INVESTMENT DONE RIGHT

Lesotho's apparel sector is an example of investment done right. While establishing their commitment to good labor practices, investors have also turned a handsome profit. LNDC and the government have done their part by easing the path for investors entering the country and by creating a friendly investment climate. In 2004, LNDC partnered with The Whitaker Group (TWG), www.thewhitakergroup.us, a Washington-based consulting firm dedicated to facilitating trade, investment and commerce in Africa

and, in this case, in Lesotho. TWG's principle Rosa Whitaker was the driving force in the development and implementation of AGOA.

"Lesotho is providing hope and inspiration to all of Africa," said Ms. Whitaker. "With a population of two million people, if the world comes together and is able to make a difference in this small country with big dreams and tremendous promise, then all will know that the total transformation of the human condition is possible."

TWG and the Government of Lesotho are partnering on the "Made in Lesotho" branding campaign, which will be launched at the Material World Fair on September 25-27 in New York. TWG, with its expansive network of contacts in the retail sector, plans to work with retailers to join the march for the ethical and socially conscious retailing and sourcing. As part of this effort, LNDC is also seeking university and NGO's partnerships.



LNDC is a one-stop shop allowing investors to **identify investment potential** and get operations up and running.

Every retailer that decides to source from Lesotho, every university and NGO that sets up internship programs and partners with LNDC, and every teenager that walks out the door wearing clothes stamped "Made in Lesotho" is not only contributing to Lesotho's development, but is sending a message that in a world of global integration and open markets, economic growth and social standards can indeed go hand-in-hand. Lesotho has taken a stand, declaring what it sees for its own future and providing a guiding light for what we all may achieve both individually and collectively: ethical and sustainable development and growth. ●

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