esotho, a country of 1.9 million people, has been quite successful in capitalizing on the African Growth and Opportunity Act (AGOA), the economic partnership agreement between the United States and Africa launched in 2000 to increase African exports to the U.S. market. Lesotho’s experience with its apparel exports demonstrates that competitiveness is not only about firm-level costing but about developing a broader coordination mechanism through which the government delivers public goods necessary for overcoming market failures in such a way that private sector investment is triggered and sustained.

A notable aspect of Lesotho’s experience is the government’s decision to combine an apparel industry competitiveness initiative with a series of early-stage incentives for investors—a tactic that has yielded positive results for Lesotho thus far. The sequencing and balancing of such policy measures has differentiated Lesotho’s apparel export path from those of other African countries in recent years. Its proximity to South Africa and its membership in the Southern African Customs Union offers Lesotho unique geographic and fiscal advantages that other countries may not have, but the industrial policy measures and institutional reforms undertaken by the government of Lesotho are relevant for several African countries. Lesotho’s success can especially be attributed to its direct engagement with global and regional apparel buyers and an overall policy acknowledgement of the rapidly changing structure of the global apparel trade. Over time, Lesotho has started to climb the apparel value chain and overcome issues of corporate social responsibility.

To better understand the policy measures behind the success factors involving Lesotho’s apparel trade, this chapter asks three main questions. First, how are spatial and economic factors balanced in pursuing a coherent competitiveness strategy in Lesotho’s apparel sector? Second, what were some of the industry-specific strategies employed by the government of Lesotho in overcoming the government and market failures? How are they complemented with economywide measures and socioeconomic measures? And third, what public-private collaborative efforts have led to reforms that maximized private sector investments? How have bottlenecks related to transportation, logistics, innovation, and quality been overcome to produce the success of the apparel industry in Lesotho?

In exploring these questions, this chapter takes as a basic premise that international trade is no longer a random phenomenon where anonymous producers and buyers engage in exchange of what they produce and consume. Rather, international trade and investment decisions increasingly depend on a successful ecosystem of producers, suppliers, and providers of specialized services and infrastructure, along with cooperation from the public sector on essential issues of tax, finance, innovation, and quality control. There is a growing tendency for global apparel investors, buyers, and producers to rely on concerted public support

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that harnesses new production methods, facilities, and logistical models. Beyond macroeconomic soundness, countries should also give attention to micro- and mesolevel issues related to delivery of necessary public goods for private investment. All of these factors add up to a better business-enabling environment necessary for sustained competitiveness.

Not only is the apparel industry an entry point for a broad range of light manufacturing industries but, if managed well, it has the capacity to unleash the growth and competitiveness potential of an economy. Growth of the apparel industry makes immediate contributions to employment and creates tremendous potential for backward and forward linkages that are important to developing countries such as Lesotho.

Lesotho exported just under $350 million worth of apparel to the United States in 2008, approximately 29 percent of apparel exports (Edwards and Lawrence 2009) from all of Sub-Saharan Africa to the United States for that year (figure 13.1). Although this marks a dip from the amount exported in 2004, Lesotho still exports substantially more apparel than its closest rivals in the sector, Madagascar and Kenya. The value of Lesotho’s apparel exports to the United States is about three times higher than those of Swaziland, a country that has similar geopolitical conditions and that follows Lesotho’s growth path to a certain extent. Lesotho is also far ahead of neighboring Mozambique, which exported less than $400,000 worth of apparel to the United States in 2008, approximately 0.1 percent of the amount Lesotho exported.

Other African countries, such as Cameroon, Ghana, and Tanzania, lag far behind Lesotho in apparel exports, and even middle-income countries in Sub-Saharan Africa such as Mauritius and South Africa are rapidly losing their comparative and competitive advantages in the apparel sector. Although both these countries exported amounts comparable with that of Lesotho in 2001, the situation changed dramatically in 2008, when Mauritius exported only about $100 million worth of apparel and South Africa exported a negligible amount to the United States. While South Africa exports some of its apparel to the European Union (EU) and has a significant domestic market, it is quite striking that Lesotho, a country with a very small domestic market, exports three times as much apparel than Mauritius and is decisively ahead of larger African countries Madagascar and Kenya. Even though the global financial crisis negatively affected Lesotho’s apparel exports in 2008 and 2009, it is difficult to challenge the country’s success between 2001 and 2007.

Figure 13.1 shows that Lesotho’s apparel exports to the American market grew exponentially in the late 1990s and early 2000s, before more or less stabilizing in recent years. A brief slowdown due to the uncertainty in international trade agreements resulted in the closure of six firms and a moderate compromise on exports in 2004 and 2005, but four new firms entered the market at the same time, and there was a significant increase in total employment in the apparel industry. Despite the impact of the 2008/2009 global financial crisis recovery has been relatively quick.

The magnitude of Lesotho’s apparel industry success becomes clearer when its export figures are weighed against the size of its population. While high population density and availability of cheap labor explain the success of the apparel industry in Bangladesh, China, and India, the situation is not that straightforward in Africa. As measured by apparel exports per capita, smaller countries with lower population density are outperforming larger countries with large labor forces (figure 13.2). Lesotho, in fact, outperforms other apparel-producing countries in Sub-Saharan Africa, with apparel exports per capita of $177 as of 2009. Swaziland and Mauritius have the second- and third-largest per capita apparel exports, respectively, among Sub-Saharan African countries.

The apparel industry represents a significant proportion of Lesotho’s gross domestic product (GDP), trade, and employment. Clothing, in fact, has represented the majority of Lesotho’s total exports since the late 1990s (figure 13.3). In addition to Lesotho’s successful entry into the U.S. apparel market, investors are producing higher-value-added items such as woven shirts and men’s trousers and are now targeting the regional (South African) and EU
markets. Lesotho has also emerged as one of the few African countries where regionally grown cotton is processed into denim and exported as part of final apparel products to the United States.

Beyond economic considerations, direct employment benefits make Lesotho’s apparel industry an important part of the national economy. In 2010 just under 40,000 of a total population of 1.9 million people were employed in the apparel industry. Figure 13.4 shows the extent to which labor conditions in the apparel sector dictate the overall employment conditions in Lesotho.

GLOBAL AND REGIONAL TRADE AGREEMENTS SET THE STAGE FOR APPAREL TRADE

AGOA, which went into effect in October 2000, designated 34 “least developed” countries in Sub-Saharan Africa as eligible for specialized trade benefits in the United States. Swaziland was designated as the 35th AGOA-eligible country in January 2001. Under AGOA, Lesotho’s apparel exports enjoy duty-free access to the American markets until 2012, making them up to 15 percent cheaper in the U.S. market than exports from non-Sub-Saharan African countries. And because Lesotho is still categorized as a least developed country under AGOA, it is exempt from the rules of origin clause, meaning that it is free to import fabrics and other inputs from anywhere in the world.

Because it was among the first countries to put necessary systems into place, Lesotho was among the first African countries to reap the benefits of AGOA. It was not until February 2002, for example, that neighboring Mozambique was technically qualified for the U.S. apparel provision. To qualify for the AGOA, each country must ensure the United States Trade Representative’s office that it has the administrative capacity to effectively monitor against possible abuse of the privileges granted under AGOA.

The period from 2000 to 2004 was a unique time for African countries seeking to seize opportunities in the global apparel market. During these years African countries not only received preferential treatment in the U.S. market under AGOA, but the preference came at a time when quota-based restrictions were being imposed on exports from large Asian countries to the United States under the Multifibre Agreement (MFA). For some large Asian countries, the MFA-imposed quota meant that they could only export less than half of what they had historically exported.
The MFA quota, however, could be borrowed from the forthcoming year and any unused quota from one year could be carried over to the next. More importantly, quotas could be transferred between countries (that is, countries wishing to export more could purchase quotas from countries not using them). At times the value of quota reached up to 30 percent of the original value of apparel being traded. Over time, this quota system encouraged large Asian manufacturers to relocate their operations to less-developed countries, such as Lesotho, that could participate in preferential trade arrangements with the United States. In addition to the tariff-based preferences it offered, Lesotho’s historical ties to East Asian countries made it attractive as a location for apparel manufacturing.

**KEY FACTORS BEHIND LESOTHO’S COMPETITIVENESS IN APPAREL**

There is no set formula to explain why some countries are more competitive than others in a given industry. In general, competitiveness stems from sophisticated firms engaging in productive ventures, supported by a policy and institutional environment in which firms are able and encouraged to forgo rent-seeking behavior and government and market failures are overcome. In this regard, competitiveness is a kind of continued filtration process through which well-performing firms and markets distinguish themselves from weaker firms.

Although a sound macroeconomic environment is necessary for increased competitiveness of a sector, that alone will not create competitiveness when the basic building blocks of industrialization, such as having a critical mass of firms that can develop a sustainable economic ecosystem, are missing, as is often the case in Sub-Saharan Africa. Development of a critical mass of firms, however, is subject to public support for necessary institutional and infrastructural mechanisms. In the case of Lesotho’s apparel industry, the institutional framework was created through a coordinated public-private partnership.

To answer the question of why Lesotho succeeded in apparel while most other African countries failed, despite having equally preferential market access through AGOA, a closer examination of the costs of apparel manufacturing is needed. Beyond having the appropriate macroeconomic fundamentals in place, success in apparel manufacturing is related to labor and overhead costs, which together represent the bulk of the cost of apparel manufacturing. Figure 13.5 shows that while labor makes up as much as 49 percent of the nonmaterial costs of apparel manufacturing, overhead

![Figure 13.5 Breakdown of Nonmaterial Costs of Apparel Production in Lesotho](source: World Bank 2006)

and utilities are 20 percent of such costs. Both of these costs are dependent on the presence of public goods that are necessary for factories’ efforts to reduce cost and enhance competitiveness.

**Factory market**

A typical apparel factory in Southern Africa spends approximately 20 percent of total production costs in overhead and utilities, including land, electricity, and transportation. Land ownership in Southern Africa was historically under a communal system, and later a public system, hence there is no commercial land market. Availability of land is a major problem for any foreign investor seeking to start a business venture in Southern Africa. In Lesotho, even if land becomes available, the cost of renting it is sometimes as high as in developed countries, and obtaining a permit to construct a factory or other commercial building on the land takes an average of 16 months. According to the *Doing Business* report, it takes 601 days to obtain a construction permit in Lesotho, compared with the Sub-Saharan African average of 260; and 157 days in developed countries. The cost of obtaining a construction permit in Lesotho is 670 percent of per capita gross national product, compared with 56 percent in developed countries, while the unsubsidized rate of renting a factory shell in Lesotho is more than twice the rate for a comparable facility in South Africa and other developed countries.

While national land ownership systems are not likely to be reformed overnight, it seems logical for governments to offer transitional arrangements for commercial land use in the form of hassle-free leasing contracts. This point was highlighted in a study commissioned by the government of Lesotho in 2002 to develop a comprehensive apparel industry development plan. Among the 11 principal constraints to the growth of the apparel industry in Lesotho identified
in the report, lack of industrial land and factory shells were the top two constraints.

To compensate for high land costs, the government of Lesotho constructed industrial zones and serviced factory shells available for rent by foreign investors, allowing investors to avoid cumbersome bureaucratic processes. Two large industrial zones—Maputsoe on 29 hectares of land and Ha on 10 hectares—were built between 1991 and 1995. Additional zones were built subsequently on the Lesotho–South Africa border areas of Mohale’s Hoek, Mfeteng, and Butha Buthe. Currently these fully functional industrial zones in Lesotho together house about 60 factories and employ just under 40,000 workers (figure 13.6).

The industrial zones provide a range of real estate services to assist manufacturing and commercial enterprises, including fully serviced industrial plots, customized factory buildings, and development of commercial properties for leasing. The buildings are fully serviced with electricity, telephone, water, and sewerage. All six zones can be reached by tarred road, are within reach of the public transport system, and have access to rail links connecting them to apparel distribution hubs in Johannesburg.

Because the land tenure system in Lesotho does not provide for land being bought or sold, investors were offered long-term leases within these zones and were given the option to sublease if necessary. Rental procedures and regulatory processes were simplified and centralized so that the export promotion agency, Lesotho National Development Corporation (LNDC), could undertake all necessary administrative procedures and cater to the business needs of potential foreign investors. In fact, LNDC’s success as an export promotion agency draws enormously on its success as a property developer and service provider, which catalyzed development of a critical mass of first-generation apparel manufacturing companies in Lesotho. After managing these services in house for several years, LNDC recently began subcontracting day-to-day property operation and maintenance tasks to JHI Real Estate, a prominent estate management company active in several other African countries.

Timing was crucial to the success of industrial zone construction in Lesotho, a point that is often omitted from policy discussions. After AGOA became effective in 2000, and foreign investors operating in East and South Asia

Figure 13.6 Industrial Zones in Lesotho

Source: Government of Lesotho.
began to operate factories in Africa, and Lesotho was among the few countries that already had industrial zones with well-equipped and serviced factory shells. As a specific response to AGOA, Lesotho offered the apparel investors subsidized rent for at least the first five years of operation. While the sustainability and macroeconomic rationale of this policy decision may be questioned, it virtually preempted the efforts of other countries in the region to attract foreign direct investment (FDI).

**Export and investment promotion**

Observers often claim that export and investment promotion activities have not yielded results and that they have instead become rent-seeking activities. This is true in several cases both in Africa and elsewhere in which export promotion agencies are captive to poor leadership due to heavy government involvement, inadequate funding, cumbersome bureaucracy, and lack of client orientation. At times, countries suffer from strong antitrade bias and anti-FDI sentiment. By many measures, Lesotho’s success in export and investment promotion defies the general trend in developing countries. The LNDC is the main wing of the government charged with the implementation of export and investment promotion programs. Founded in 1967 by an act of parliament, LNDC was amended in 1990 and again in October 2000. LNDC is primarily owned by the government of Lesotho (90 percent); DEG, a German finance company, owns the remaining 10 percent. The LNDC is part of the Ministry of Trade and Industry, Cooperatives and Marketing, which is responsible for overall policy direction on industrialization in Lesotho.

The LNDC works with medium and large companies in the manufacturing and services sectors to strengthen Lesotho’s exports and generate foreign investment in Lesotho. Rather than relying on a broad strategy to promote all exports, the LNDC focuses on nontraditional exports. Because of Lesotho’s extreme concentration in apparel, the LNDC has functioned as a de facto garment promotion agency in the past several decades, developing with it several sector-specific skills and insights. Such insights have proved instrumental in ensuring that incentive packages offered to investors are not poorly utilized or captured by rent-seekers.

In addition to the LNDC’s role as real estate developer, facilitator, and service provider, it acts as a one-stop shop that covers most aspects of company operations, ranging from business inquiries, site selection, firm registration, regulation and facilitation on various aspects of production and sales, and management of government incentive schemes and tax procedures (box 13.1). Through its Investment Promotion Center (IPC), the LNDC markets Lesotho as a destination of choice to potential manufacturers. To achieve this, it has developed an information dissemination system that reaches out to potential investors within Lesotho, Southern Africa, and beyond. The LNDC has sent trade missions to South and East Asia to mobilize networks of firms that are already invested in Lesotho. One factor behind the success of Lesotho’s export and investment promotion is that the IPC has adopted tailor-made strategies to attract and sustain investments from very different investors, including those from South Africa; China; Taiwan, China; and elsewhere. In recent years, the IPC has also sought to attract yarn, trim, zipper, button, bag, hanger, and carton manufacturers to Lesotho. To some extent, these specialized manufacturers can assist Lesotho in taking full advantage of AGOA and allow a structured approach to inward investment.

**Labor coordination and skill development**

At 49 percent, labor is the largest nonmaterial cost in Lesotho. It goes without saying that labor costs directly influence investors’ decisions about where to locate their operations and buyers’ decisions about where to choose suppliers. In the case of Lesotho, however, labor costs are not the primary point of consideration for investors and buyers. In other words, investors have chosen Lesotho despite its relatively higher labor costs compared with other Sub-Saharan African countries. Nonetheless, because production and sourcing dynamics are constantly changing in the global apparel market, it is important that Lesotho takes measures to reduce labor costs while improving labor productivity.

Labor costs are high in Lesotho compared to other Sub-Saharan African countries. Hourly wages range from approximately $0.14 to $1.80 in apparel-producing African countries as well as in several non-African countries with significant apparel sectors such as Bangladesh, China, and Sri Lanka. Wages in Lesotho average $0.46 an hour, lower than those in Mauritius and South Africa but significantly higher than those in Ethiopia, Kenya, Madagascar, Mozambique, and Swaziland. Even when productivity is taken into account (labor costs per shirt), Lesotho still is an expensive manufacturer compared with Ethiopia, Kenya, Madagascar, and Mozambique (figure 13.7).
### Box 13.1 LNDC as a One-Stop Shop

**Company support**

- Business registration procedures
- Acquisition of permits and manufacturing licenses
- License and residency paperwork for foreign workers, managers, and owners
- Arrangement of site visits and assistance in selection of suitable sites
- Key focal point for contact with relevant ministries on business regulations
- Facilitation of contact with business companies supplying services
- Facilitation of skill and technology development programs
- Industrial relations if disputes arise with workers

**Management of incentive schemes**

- Unimpeded access to foreign exchange
- Export finance facility

Source: Consultations with LNDC officials.

**Tax management oversight**

- No tax on income generated from exports outside the Southern African Customs Union
- Permanent maximum manufacturing tax rate of 10 percent on profits
- No tax on dividends to local or foreign shareholders
- Free repatriation of profits
- Double taxation agreements with Germany, Mauritius, South Africa, and the United Kingdom

**Investment attraction**

- Information dissemination to targeted investor pools
- Trade missions to targeted markets and investor pools

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Labor unions in Lesotho have undergone a major transition. The first apparel factories were set up in Lesotho by South African companies in the 1980s, and were, for the most part, subsidiaries of bigger industrial conglomerates that had specialized for decades in the South African market. Primarily located in Maputsoe, these companies initially established higher labor standards for Lesotho. They negotiated recognition agreements with the trade union of employees at the LNDC and the Department of Labor. While those negotiations were frequently difficult and protracted, they inevitably resulted in pay increases for workers. Over the years, negotiations with trade unions became commonplace among apparel companies in Lesotho, even among those where the majority of employees were not union members.

The new generation of apparel manufacturers and buyers that moved to Lesotho in response to the MFA and AGOA provisions created a demand for a very different set of labor skills and expectations. In short, the industry became less regulated by local labor codes and more influenced by the global momentum around labor-related corporate social responsibility. The apparel industry in Lesotho underwent a major labor crisis in the 2000s as a result, one that involved policy deadlocks and street riots. On one hand, workers were upset that job stability was no longer guaranteed; on the other, factory owners were frustrated about low labor productivity. Fueling the antagonism were several cases of exploitation of workers by foreign factory owners and foreign supervisors.

The Lesotho Clothing and Allied Workers Union (LECAWU) is the predominant union representing employees of the apparel industry. It was formed under the terms of the national labor code of Lesotho in 1992 and is recognized by the government of Lesotho as the representative of labor. Historically, anti-union sentiment has made it difficult for LECAWU to organize workers; the unwillingness of management, particularly in Maseru and Thetsane, to engage in meaningful negotiation also impeded the union. Nevertheless, LECAWU membership has grown in recent years as a result of AGOA provisions, changes in apparel companies’ codes of conduct, and increasing interest in labor relations among company owners and managers. The labor movement in Lesotho encouraged the government to create the legislative framework that set up the Industrial Relations Council, the Directorate for Dispute Prevention and Resolution, and the Labor Appeal Court. This important piece of legislation provides for the settling of labor disputes through mediation, conciliation, and arbitration,
effectively creating an independent authority that is representative of the government, employees, and employers.

The global labor movement has benefited the local labor movement in Lesotho. As manufacturing has shifted from developed to developing countries, there has been growing concern among developed-country consumers, as well as from activists and nongovernmental organizations (NGOs), regarding the wages and work conditions under which products are manufactured. As a result, most major multinational companies have adopted codes of conduct they require their suppliers to meet. In addition, a number of NGOs have devised codes of conduct in partnership with the multinationals: these include the U.K.-based Ethical Trading Initiative (sponsored, in part, by the Department for International Development, or DFID), the Institute of Social and Ethical Accountability, the Global Reporting Institute, the Netherlands-based Clean Clothes Campaign, the U.S.-based Fair Labor Association, the U.S.-based Worker Rights Consortium, and the EU’s European Code of Conduct. A major private initiative called Social Accountability 8000 (SA8000), along with the nonprofit organization Accountability’s AA1000, are attempting to create a benchmark for social accountability much like the ISO9000 has done for quality. Meanwhile, several multinational apparel manufacturing companies have formed the Worldwide Responsible Accredited Production (WRAP) principles to accredit suppliers. In addition, all major multinational apparel manufacturing companies have their own codes of conduct.

The need to comply with the various codes of conduct has created a major change in most apparel factories in Lesotho. And though the inspections surrounding such codes of conduct can measure a degree of compliance, industrial relations will be smooth and sustainable in the long term only if they contribute to productivity.

Labor productivity must increase. A typical apparel factory now works with its workers, regulators, and service providers as a group to drive down costs and improve standards. By working with providers of training and skills, factories are able to shift to new production methods that reduce costs, improve product quality, and enhance factories’ commitment to their workers. Nike’s shift from a normal assembly line production system to “lean manufacturing,” for example, has been marked with

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**Source:** Labor productivity figures and costs are from Eifert, Gelb, and Ramachandran (2005) except for those for Ethiopia, which were calculated using Global Development Solutions (2005). Hourly wages were collected from government sources.

**Note:**
- Daily productivity is the number of men’s casual shirts made by a machine operator in one day.
- Mozambique wage indicates the minimum industry wage specified under the national labor law.
- Data for China is for export processing zones only.

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**Figure 13.7 a. Factory-Floor Productivity and Labor Costs in Apparel Assembly; b. Hourly Wages for Apparel Assembly (US cents)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Daily productivity</th>
<th>Labor cost per shirt ($)</th>
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</thead>
<tbody>
<tr>
<td>Mozambique</td>
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<td>.16</td>
</tr>
<tr>
<td>Ghana</td>
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<td>.12</td>
</tr>
<tr>
<td>Ethiopia</td>
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<td>.12</td>
</tr>
<tr>
<td>Kenya</td>
<td>12–15</td>
<td>.18</td>
</tr>
<tr>
<td>Madagascar</td>
<td>14–15</td>
<td>.16</td>
</tr>
<tr>
<td>Lesotho</td>
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<td>.19</td>
</tr>
<tr>
<td>South Africa</td>
<td>15</td>
<td>.65</td>
</tr>
<tr>
<td>India</td>
<td>16</td>
<td>.17</td>
</tr>
<tr>
<td>China</td>
<td>18–22</td>
<td>.29</td>
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**Table:**

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<th>Daily productivity</th>
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</tr>
<tr>
<td>South Africa</td>
<td></td>
<td>179.4</td>
</tr>
</tbody>
</table>

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**Source:** Labor productivity figures and costs are from Eifert, Gelb, and Ramachandran (2005) except for those for Ethiopia, which were calculated using Global Development Solutions (2005). Hourly wages were collected from government sources.

**Note:**
- Daily productivity is the number of men’s casual shirts made by a machine operator in one day.
- Mozambique wage indicates the minimum industry wage specified under the national labor law.
- Data for China is for export processing zones only.
significantly higher productivity and better labor conditions. The initiative has been followed by the incorporation of more sophisticated production planning and merchandising systems, such as “Just in Time,” that aim to eliminate inefficiencies in space, time, and activity and also manage the inventory stock.

Most buyers of apparel assess their producers on four key criteria: cost, quality, timeliness, and corporate responsibility (that is, labor and environmental standards) (figure 13.8). After an initial baseline is developed, buyers regularly measure factories’ performance to track delivery, quality, and prices over time. Indicators are typically expected to improve each quarter. Such proactive measures toward labor productivity are not yet under way in Lesotho, although a number of initial steps have been taken. The fact that Lesotho is at the lower end of productivity in apparel manufacturing means that it needs to develop systematic analyses to diagnose bottlenecks and then design institution measures to tackle those bottlenecks accordingly.

Successful skill development initiatives. In 1999 the Lesotho Garment Center (LGC) was opened to provide necessary training for the apparel workforce. Developed with funding from the DFID, the LGC had the objective of training workers and entrepreneurs in the management of industrial apparel production in anticipation of their participation in the opportunities presented by AGOA. Although the LGC succeeded in training hundreds of machinists, its primary aim of launching entrepreneurs into the formal garment subsector was not successful, and it was terminated in 2003. Lesotho’s experience with the LGC is similar to that of several other developing countries, where the public sector has developed channels to support the private sector that turn out to be ineffective. Coordination and incentive structures have been major problems in making public sector efforts useful for the private sector.

No other training institutes have been created to fill the void left by the termination of the LGC. Several other training establishments, such as Leretholi Polytechnic and the Institute of Development Management, offer a range of generic management and general studies, although none are tailored to the needs of the formal garment sector. Leretholi Polytechnic offers a two-year series of courses related to the apparel industry, for example, but the focus is on design, pattern construction, and bespoke tailoring. The Commercial Training Institute offers similar courses that lead to the award of a certificate in tailoring and dressmaking. The Basotho Enterprise Development Corporation (BEDCO) also runs a series of short courses, including marketing skills and, actively seeks to identify and focus on the future needs of the garment industry. Saint Luke’s Mission in Maputsoe offers a three-year course providing students with a range of apparel industry skills, including pattern construction, machine knitting, small business studies, leadership, management skills, and industrial garment production on the appropriate machinery.

Upon completion of these courses, many students are employed in the local craft industry or their own enterprises, but very few graduates from these institutes end up working on the apparel shop floors. The training institutes are seldom approached by apparel manufacturers to train managers, workers, or technicians, underscoring the need for sector-specific contents and modules in training institutes for them to be truly useful to employers. This scenario highlights a larger problem in the apparel industry in Lesotho: while existing training institutes do not cater to the apparel industry, apparel factories report that their in-house training facilities are not sufficient. For the most part, trainees in factories are taught single machine skills rather than being cross-trained.

Most apparel factories in Lesotho also acknowledge the need for trained supervisors and indicate that they are prepared to pay for it. In the factory survey, 69 percent of interviewees confirmed that they would support training programs that addressed their particular sector needs if such programs were delivered in a way that minimized employees’
time away from the workplace. Approximately 11 percent said they might support such a facility, while 20 percent said they would not. Only one of the companies surveyed had actually developed a supervisory training course, and is using its own staff to deliver the training. The course covers a range of topics, from organization and planning to industrial relations and health and safety. The most common reasons companies gave for developing their own courses were that no such courses were available locally and that they had concerns about quality of delivery and training materials provided by third parties.

The fact that services offered by existing training institutes are not used by apparel factories while the same factories acknowledge need for more effective training indicates a coordination gap. While an initiative is under way in Lesotho to develop broader public-private coordination on skill development, it is too early to comment on its success. Among the commendable initiatives in this direction has been the development of an interactive database that would collate information on leading global and regional experts in specific areas. Depending on the interest from the private sector, selected experts would be invited to develop training modules that would feed into this interactive database. Eventually, private sector participants would be expected to use those modules to commission training at their own expense. The success of such an initiative will depend on the degree of collaboration among various stakeholders. A breakthrough in this area will be necessary for Lesotho to climb up the global apparel quality value chain.

Transport, logistics, and customs

The time and cost of transport is often an important barrier to competitiveness in the apparel industry. A smooth transport corridor supported by competent logistical service providers and punctuated by efficient border crossing mechanisms is a prerequisite for any exporting economy. Thanks to the critical mass of apparel producers that regularly use the corridor between Maseru and Johannesburg, Lesotho has made enormous strides in developing systems for transport, customs, and logistics.

The road infrastructure in Lesotho is substantially developed and is well connected to the extensive road networks of South Africa. Trucking services are provided by private operators that cater to a wide range of apparel producers. Although there is only one railhead in Lesotho, it is located in Maseru, just across the river border with South Africa. Railway lines, station buildings, and handling facilities in Lesotho are owned and operated by Spoornet, the South African rail service.

Customs processes in Lesotho have significantly improved since AGOA took effect. The government has put in place a rigorous training and regulation system among the customs staff to meet the requirements of exports under the AGOA visa scheme and now offers duty rebates on fabrics imported in the production of apparel exports. Further, a duty credit scheme was put in place for exporters of manufactured goods that use raw materials sourced from Southern African Customs Union countries. For certain factories, customs requires closer inspection of waste and offcuts disposal before rebates on imported materials are issued, though such inspections are expedited after factories establish a good track record or after in-factory inspections are streamlined with other regulatory measures. Such multiple inspection requirements necessitate an efficient, well-trained customs team to ensure smooth implementation.

LESSONS FROM LESOTHO’S APPAREL INDUSTRY EXPERIENCE

Integration into global supply chains has been an important avenue for growth and competitiveness for Lesotho’s apparel industry. Geographical advantages and disadvantages—of weather, location, and connectivity—cannot be ignored, but discovery and pursuit of new opportunities through correct formulation of policies and development of effective public-private partnerships has been the key channel through which Lesotho has achieved apparel industry success. Several key features of this success story can be identified.

First, the government of Lesotho was successful in attracting foreign investors through its policy of constructing industrial zones and serviced factory shells. Throughout this process, the government has remained cognizant of the geographical implications of such facilities, ensuring that they are not far from the public goods necessary for industrialization. Construction and effective management of the factory shells compensated for inherent inefficiencies in the land market in the form of prohibitions on private ownership and sales-based transactions of land.

Second, when AGOA-related opportunities became available, Lesotho made stronger, clearer efforts to attract FDI than other countries in Southern Africa. Lesotho not only moved quickly to administer AGOA in country but also offered generous tax and financial incentives to early investors to help develop a critical mass of apparel manufacturers that then made way for service providers and regulatory bodies to join in.
Third, Lesotho's export and investment promotion efforts would not have been effective without the LNDC, which pursued promotion measures through appropriate information dissemination models and targeted interest solicitation. Once a critical mass of apparel investors came to Lesotho, the LNDC developed an effective one-stop shop for business development, firm registration, financing, and state-industry coordination on issues such as tax management and access to state industrialization incentives.

Fourth, when labor disputes arose around the industrial transition, the government of Lesotho quickly stepped in to mediate among multiple stakeholders who were nurturing mutual antagonism.

And fifth, although it is too early to make informed verdicts, the government of Lesotho has acknowledged its past mistakes on skill development and is developing a coordinated skill development initiative in conjunction with the private sector. If successful, the initiative will compensate Lesotho for its competitive disadvantage in labor costs.

NOTES
1. As per the definition as used in AGOA, a least developed country in Sub-Saharan Africa is a country with gross national product (GNP) per capita of less than $1,500 in 1998. This provision was renewed in 2006 for the period 2007–12.

BIBLIOGRAPHY