



CDS RESEARCH REPORT

LED & SMME DEVELOPMENT

Economic linkages between Lesotho and Mangaung



2008 · NO 2



Economic linkages between Lesotho and Mangaung

Centre for Development Support (IB 100)
University of the Free State
PO Box 339
Bloemfontein
9300
South Africa

www.ufs.ac.za/cds

Please reference as: Centre for Development Support (CDS). 2008. Economic linkages between Lesotho and Mangaung. *CDS Research Report, LED and SMME Development, 2008(2)*. Bloemfontein: University of the Free State (UFS).

Table of contents

1. Introduction.....	1
2. Methods	2
3. Demographic trends in Lesotho	3
4. Lesotho's economy	4
4.1 Main characteristics of the Lesotho economy:	4
4.2 The industrial sector	9
4.3 AGOA as driver for textiles: the case of Lesotho and SA.....	14
5. Imports and exports.....	19
6. Cross-border services	24
7. Traffic linkages	25
7.1 Maseru	25
7.1.1 Taxi routes	25
7.1.2 Bus transport.....	26
7.1.3 Vehicle transport.....	27
7.1.4 Maseru: summary.....	28
7.2 Van Rooyenshek	29
7.2.1 Taxis	29
7.2.2 Bus linkages.....	29
7.2.3 Vehicle linkages.....	29
7.2.4 Van Rooyenshek: Summary	30
7.3 Ficksburg	31
7.3.1 Taxis	31
7.3.2 Buses	32
7.3.3 Vehicles	32
7.3.4 Summary.....	32
8. Assessing the role of visitors from Lesotho	32
8.1 Basic profile of interviewees	33
8.2 Origin of visitors from Lesotho	33
8.3 Destination in Mangaung.....	34
8.3 Mode of transport.....	34
8.4 Reasons for visiting Mangaung.....	35
8.4.1 Overall reasons.....	35
8.4.2 Gender, age and the reason for visiting Mangaung.....	36
8.4.3 Destination and reason for visit	36
8.4.4 Reasons for the visit and the origin of visitors	37
8.5 Number of visits per year	38
8.7 Expenditure patterns.....	38
8.8 Aspects preventing more frequent visits	39
8.9 Satisfaction levels.....	41
9. The impact of Lesotho students on the MLM economy.....	41
9.1 Basic profile of students	42
9.2 Economic impact.....	42
9.3 Main reasons for studying in Bloemfontein	43

9.4	What can be done to attract more students to Mangaung?	44
10.	Conclusions & recommendations	44
10.1	Complementary industrial development:.....	45
10.2	Enhancing the service delivery sector of Mangaung:	47
10.3	Improving the attraction of Mangaung as a hub for educational service delivery.....	48

1. Introduction

Through its location Lesotho's economy has to be intricately linked to the South African economy. Lesotho is since inception of the Southern African Customs Union (SACU) - the oldest existing customs union in the world – a member thereof and received a beneficial customs share through this mechanism. In addition, Lesotho's economy has been mainly linked to the mining industry in South Africa. Thousands of male migrant mineworkers were employed in the mining industry in South Africa through a highly controlled migrant labour system. The nature of working conditions was such that mineworkers seldom travelled between the two countries and those remittances from mineworkers were paid directly from South Africa to relatives in Lesotho.

Lesotho citizens who remained in Lesotho were also restricted in terms of mobility. The demise of apartheid not only eased boundary controls but also went hand in hand with extensive improvements and changes in the transport sector as well as reforms in the working conditions of mineworkers. The result was that the taxi and bus industries expanded rapidly and long-distance commuting became easier and was relatively cheap.

Although Lesotho has always been highly dependent on South African goods, the relaxing of controls also ensured a larger degree of economic linkages between Lesotho and Mangaung. It became common for Lesotho citizens to travel to Bloemfontein for services and goods. Lesotho has moreover experienced extraordinary economic growth, especially in the manufacturing sector over the past fifteen years.

Given the above, a number of critical questions can be posed:

- What is the nature of these linkages?
- What aspects drive these linkages?
- What are the risks in retaining these linkages?
- What can be done to increase these linkages?

Against this background, the main aim of this report is to investigate the economic linkages (scale and nature) between Lesotho and Mangaung and to identify the implications for economic planning and positioning in Mangaung. In order to achieve these aims and objectives the report follows the following structure:

- It starts off by reflecting on the methods used to conduct the research.
- This is followed by a brief discussion of demographic trends in Lesotho
- Next the economy of Lesotho is discussed with specific reference to the rise of the manufacturing sector in this country. The main question in this section is

what the implications of a rising manufacturing economy in Lesotho are for Mangaung.

- Having profiled the economy of Lesotho, our emphasis shifts to an analysis of import and export trends between Lesotho and South Africa (and Mangaung).
- An attempt is also made to contextualise the provision of services in Lesotho and its linkages with Mangaung.
- The report then proceeds to discuss the economic impact of Lesotho citizens travelling to Mangaung for services and trade.
- As a large number of Lesotho citizens are enrolled at educational facilities in Mangaung, an assessment of the economic impact of this phenomenon is crucial.
- Finally, the report assesses the implications of the above analyses for development planning in Mangaung.

2. Methods

A range of methods were used in finalising the study. A brief overview of each of these methods is provided below:

- An extensive review of literature was conducted pertaining both to the Lesotho economy and to the growth of the manufacturing economy in Lesotho. This included a discussion of the latest statistical information and trends.
- Import and export data of goods were assessed for a month during 2008 (see Annexure 4.1 for the questionnaire used to access this information at the border post). This data set was compared with data previously collected by the CDS.
- An attempt was made to collect data from Mangaung-based service providers in Lesotho (the questionnaire is attached as Annexure 5.1). This attempt was not successful as only eight of Mangaung-based services providers managed to complete questionnaires. A decision was made also to supplement this with data on service providers entering the border posts (see Annexure 5.2).
- Traffic patterns between Mangaung and Lesotho were also assessed. This was done by means of two main methods. First, traffic counts were conducted at three points: 1) just outside Wepener on the road from the Van Rooyenshek border post; 2) at the Maseru / Ladybrand / Bloemfontein junction; 3) at Verkeerdevlei. Second, basic information on bus and taxi routes were obtained from the role players in the transport industry.
- A questionnaire to assess the economic impact of Lesotho citizens on Mangaung was completed with 400 visitors (see Annexure 8.1). The size of this sample, coupled with the basic information in respect of Lesotho-based vehicles visiting Mangaung, was used to determine the economic impact of Lesotho citizens visiting Mangaung. The size of this sample was big enough to make a generalised conclusion about the impact on Mangaung. The main approach to access these 400 visitors was to locate fieldworkers at petrol

filling stations in order to target people in vehicles with Lesotho registration numbers. This was followed by a similar exercise concentrating on Lesotho students enrolled at tertiary educational facilities in Bloemfontein.

3. Demographic trends in Lesotho

The Lesotho Census 2006 recorded a population of 1 880 661, which represents zero growth rate in respect of the 1996 Census figure of 1 880 147. This stagnation of the population size can be attributed to:

- Lower fertility rates
- Lower life expectancy (impact of HIV/AIDS)
- Accelerating migration, mainly to South Africa.

The latter aspect is also of specific importance for Mangaung. Considering the fact that in Lesotho there remains a deep-rooted belief that the Conquered Territory lost in one of the wars with the Free State Republic is part of Lesotho, the “right” to utilise resources on the South African side of the border is manifesting itself not only in raids on farms all along the poorly protected border, but also in accessing schools and hospitals, pensions and housing subsidies in the Free State. It has not been difficult for a Lesotho citizen to claim that she/he was born on one or other Free State farm, and then, with the assistance of a South African Sesotho-speaking ID holder, further to obtain a South African identity document. The border is definitely porous and Mangaung is housing a sizeable population in the informal settlements emanating from Lesotho.

The internal migration patterns within Lesotho are of further importance for this study: the Maseru and Berea districts (with Maseru town straddling the border between the two districts) as well as the mountain district of Mokhotlong are the only three districts displaying sizeable population growth in the period 1996 to 2006 - most of the other districts recorded population declines. It can be assumed that the bulk of the 44 700 people additional in the districts of Maseru and Berea reside in the urban area of Maseru town and the immediate surrounding areas that are not proclaimed towns, and are therefore still counted as rural (see Table 3.1).

Table 3.1: Internal population changes in Lesotho, 2006¹

		1996		2006		Change 1996 – 2006	
<i>District</i>	Area (km²)	Population	Density	Population	Density	Real	%
Berea	2222	246461	111	256496	115	10035	4.072
Leribe	2828	305313	108	298352	105	-6961	-2.280
Mafeteng	2119	216125	102	193682	91	-22443	-10.384
Maseru	4279	395150	92	429823	100	34673	8.775
Butha-Buthe	1767	110648	63	109529	62	-1119	-1.011
Mohale's Hoek	3530	187943	53	174924	50	-13019	-6.927
Quthing	2916	128974	44	120502	41	-8472	-6.569
Qacha's Nek	2349	73417	31	71876	31	-1541	-2.099
Thaba Tseka	4270	128836	30	129137	30	301	0.234
Mokhotlong	4075	87280	21	96340	24	9060	10380
Lesotho total	30355	1880147	62	1880661	62	514	0.027

If these figures are compared with those for 1986, 1976 and 1966 it is evident that, over the past 50 years, a massive movement of people has taken place from the Lesotho hinterland to the lowlands closest to South Africa (more specifically the Free State)². This movement has been accelerated by the following factors:

- The changes in employment contracts at mines, which gave mineworkers more weekends off and made it possible for them to visit their relatives in Lesotho more often;
- The changes in the transport industry and especially the rise of the taxi industry during the late 1980s made transport more flexible;
- The demise of a rural based economy in a country that is rapidly modernising and where interaction with South Africa accelerates this modernisation.

The move from Lesotho to Bloemfontein would probably be easier for people who have already exchanged a communal traditional rural lifestyle for life in an urban environment.

4. Lesotho's economy

4.1 Main characteristics of the Lesotho economy:

Since Lesotho is tied to the Common Monetary Area, Lesotho's macroeconomic policy environment is basically determined by the developments in South Africa. This eliminates monetary policy autonomy, which means that Lesotho's competitiveness depends on the fluctuations of the Rand. Whilst the most of the population are involved in agriculture, care should be taken not to depict agriculture as a sector of

¹ Marais, L., 1999: Urbanisation dynamics in Lesotho, *Africa Insight*, 29(1): 11-15.

² Marais, L., 1999: Urbanisation dynamics in Lesotho, *Africa Insight*, 29(1): 11-15.

employment. As some studies indicated that the average time devoted to agriculture by rural households amounts to less than three hours per day³.

For an overview, it is important to consider first of all the relative size of the respective sectors as a percentage of GDP (see *Table 1*). It should immediately be noted that Lesotho experiences a marked difference between GDP and GNP, mainly because of the large number of mineworkers employed in South Africa, which circumstances for decades also dominated the local internal economy.

³ Ruicon, 1998. Mafeteng District Development Plan

Table 4.1: The contribution of different sectors to the Lesotho GDP (percentages)⁴

	1982	1985	1988	1991	1994	1997	2000	2003	2006	
Primary sector		21.7	19.0	20.3	14.1	15.2	14.3	16.4	14.7	17.7
	<i>Agriculture</i>	18.7	18.8	20.3	13.9	15.2	14.3	16.2	14.5	17.3
	<i>Crops</i>	11.1	10.2	11.7	8.4	9.3	9.2	10.3	8.7	10.8
	<i>Livestock</i>	6.1	7.4	7.6	4.5	4.9	4.1	5.1	5.3	5.8
	<i>Agric services</i>	1.5	1.2	1.0	1.0	0.9	0.9	0.8	0.5	0.7
	<i>Mining & quarrying</i>	3.0	0.3	0.1	0.2	0.0	0.1	0.1	0.1	.04
Secondary sector		21.5	22.2	23.0	30.6	32.2	37.0	35.8	37.9	40.3
	<i>Construction</i>	12.4	11.6	10.6	17.6	16.4	16.2	15.9	15.8	17.7
	<i>Manufacturing</i>	8.7	10.1	11.6	11.5	13.6	14.2	14.7	17.7	17.9
	<i>Food & beverages</i>	6.4	6.9	6.1	5.7	6.3	6.5	5.7	0.0	
	<i>Textiles, clothing, footwear</i>	0.7	1.2	3.5	4.1	4.8	5.1	6.1	0.0	
	<i>Other manufacturing</i>	1.6	2.0	2.0	1.7	2.5	2.7	2.9	0.0	
<i>Electricity & water</i>	0.4	0.5	0.7	1.5	2.2	6.5	5.1	4.4	4.7	
Tertiary sector		44.6	45.9	40.9	38.6	39.5	37.9	38.8	38.1	41.3
	<i>Wholesale & retail</i>	5.5	6.7	6.4	6.8	7.8	8.2	7.9	8.4	
	<i>Hotels & restaurants</i>	1.3	1.1	1.1	1.1	1.0	1.2	1.3	1.3	
	<i>Transport & communication</i>	3.8	3.7	3.3	3.7	3.4	3.4	3.1	3.3	
	<i>Transport & storage</i>	3.3	3.4	1.8	2.3	2.1	2.3	1.8	2.0	
	<i>Telecommunications & post</i>	0.5	0.4	1.5	1.3	1.3	1.1	1.3	1.3	
	<i>Financial services</i>	4.1	4.3	3.9	4.8	4.3	2.6	4.2	3.9	
	<i>Real estate</i>	13.9	12.9	10.9	7.1	6.7	5.6	4.7	4.8	
	<i>Owner-occupied</i>	11.7	10.8	9.0	7.0	4.7	3.6	3.1	3.3	
	<i>Other services</i>	2.2	2.1	1.9	0.1	2.0	2.0	1.6	1.5	
	<i>Government services</i>	14.6	15.5	14.0	13.9	15.0	15.8	16.6	15.3	
	<i>Health services</i>	1.6	1.7	1.6	1.3	1.8	1.5	1.7	1.5	
	<i>Education</i>	5.6	5.8	5.4	6.3	7.3	7.5	7.6	7.5	
	<i>Other services</i>	7.4	8.0	7.0	6.2	5.9	6.8	7.3	6.3	
	<i>Community services</i>	1.6	1.6	1.2	1.2	1.2	1.0	1.0	1.0	
Indirect taxes	12.2	12.9	15.8	16.7	13.1	10.8	9.0	9.4		
GDP at purchaser prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Net primary income ex territory	42.4	37.5	36.3	30.9	25.9	20.5	17.4	n/a		
Net transfers	5.9	13.1	12.1	12.9	15.1	15.2	11.9	n/a		
GDP as % of GNI	51.7	49.4	51.6	56.3	59.0	64.3	70.7			
GNI	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

The following is of importance:

- Agriculture has been in constant decline despite substantial investments through development aid, for many years a higher subsidised maize price than in South Africa⁵ and ongoing input subsidies in the form of seed,

⁴ Central Bank of Lesotho, 2007

⁵ The aim was to promote-through high maize prices-production in an attempt to wean Lesotho from grain imports from South Africa. This attempt at self-sufficiency failed dismally, and in 1997 a market approach to grain prices was introduced.

fertilizer and mechanized services. In fact, agricultural production is not only in decline as a percentage of GDP: in respect of crop production, the yield in tons per hectare has been in decline over a period of 30 years.⁶

- Construction achieved extraordinarily high levels because of the impact of the massive first phase of the Lesotho Highlands Water Scheme that came to an end in 2003. A contribution of 18% by the construction sector (as recorded in the early 1990s) is not sustainable and was only a result of the fact that the largest single civil construction project in the southern hemisphere at that stage was implemented in a small country with no real diversified economy, though, admittedly, the LHWP Phase I had changed the country in many aspects, e.g. opening the rural hinterland by means of construction of good roads over impressive mountain passes; developing new and constant avenues of national income through both stimulating tourism and providing income from the water royalties paid by South Africa; accelerated urbanisation, and improved energy supply through hydro-power.
- Industrialisation has been a constant focus of the Lesotho National Development Corporation since the late 1960s with limited success until the industrial take-off in the mid 1980s (see Figure 4.1).
- Tourism remains relatively negligible in the overall context.
- There has been a dramatic narrowing of the original massive gap between GDP and GNI because of three concurrent developments, namely:
 - (i) The impact of the LHWP on the internal economy;
 - (ii) The increasing importance of industries in the local economy (see graph below);
 - (iii) The declining role of mineworker remittances.

⁶ Ruicon, 1998. Mafeteng District Development Plan

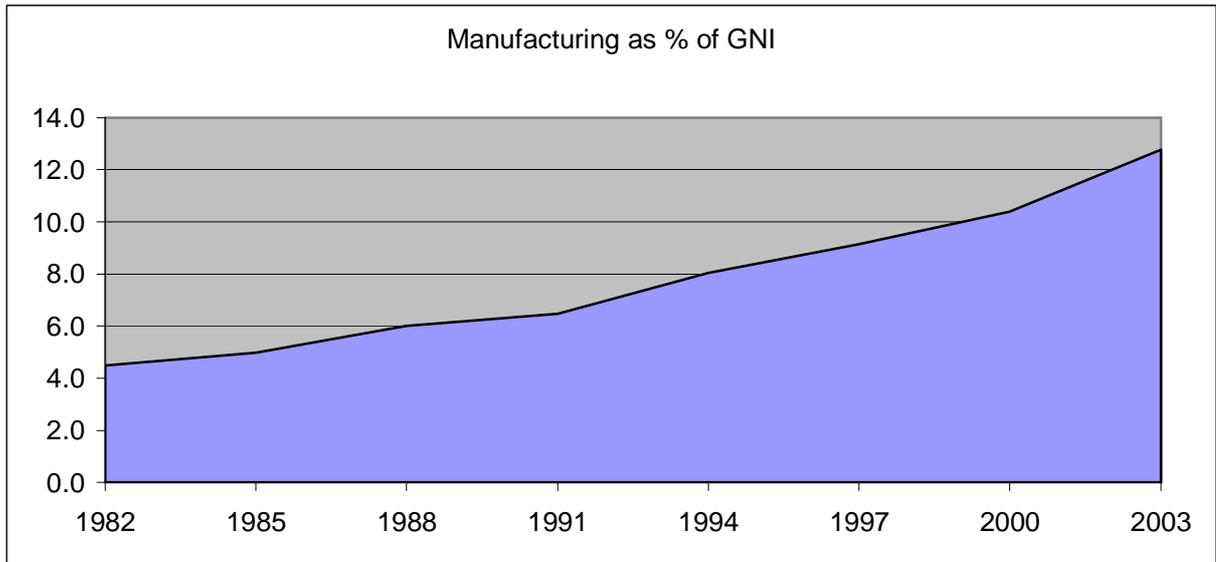


Figure 4.1: Manufacturing as a percentage of GNI, 1982 - 2005

Since the 1990s the number of Lesotho mineworkers employed on South African mines has declined drastically, mainly because of the general trend of retrenchments at South African mines, but also since mineworkers with a certain period of employment in SA also qualified for permanent residence for their families and thus became SA citizens.

The decline in the numbers of mineworkers is depicted in Figure 4.2. As a result of wage increases in the mining industry in the course of 20 years, the average value of remittances per mineworker increased up to 2002, but showed a slight decrease since then. However, it should be borne in mind that retrenchments in difficult years often result in an increase in the average value of remittances, since retrenchment money is often added to the normal retrenchments.

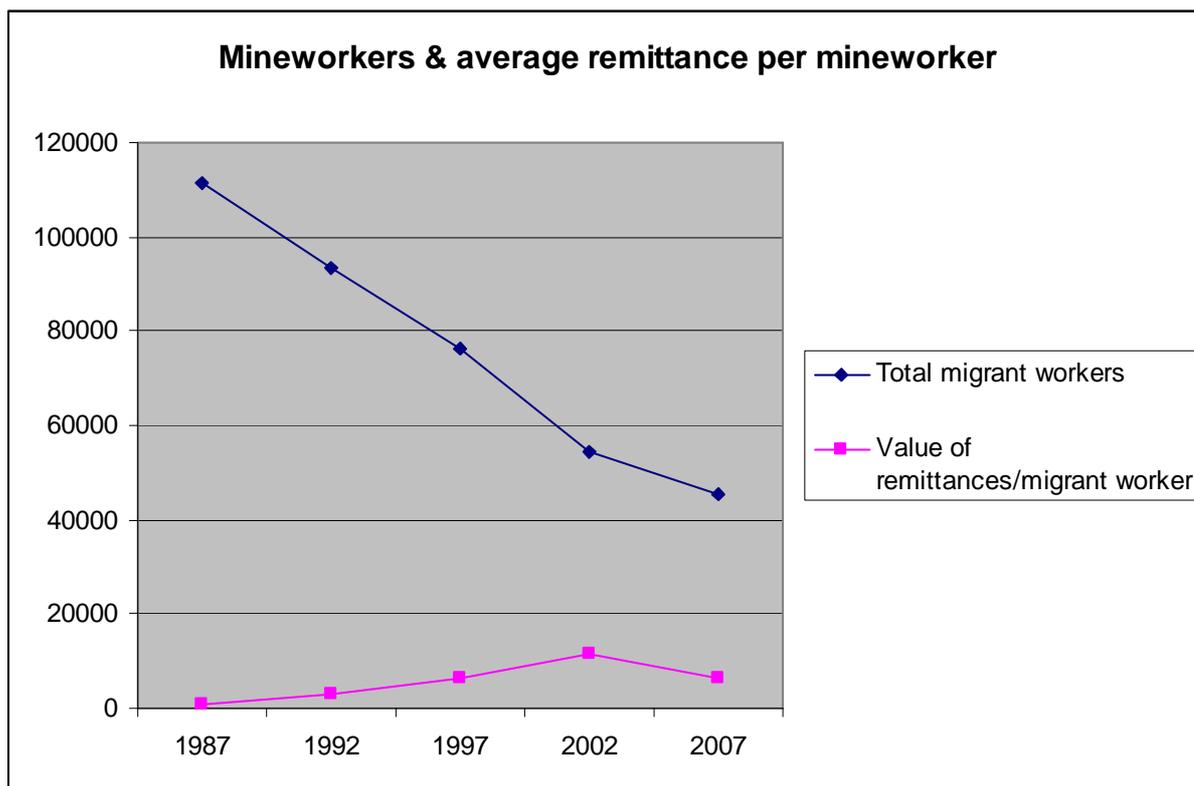


Figure 4.2: The decline in mineworkers and in average remittances per mineworker, 1987-2007

4.2 The industrial sector

The above section provided an overview of the Lesotho economy.

Before independence, Lesotho had really no industrial base except for a few cottage industries, with traditional beer brewing being by far the largest segment. The LNDC Act, No 20 of 1967, then established the LNDC to “*initiate, promote and facilitate the development of manufacturing and processing industries, mining and commerce in a manner calculated to raise the level of income and employment*”. After 18 years with the GoL as the only shareholder, the German DEG became the main co-investor.

In the early years impact remained very modest. An attempt was made to support cottage industries based on traditional weaving and pottery skills. Tapestries, carpets and pottery were produced and markets in South Africa and abroad were explored. In addition, Lesotho promoted import substitution industrialisation in the field of basic goods: food and beverages, construction materials and light engineering products. Several light industrial concerns – mainly engineering services - were lured and a few large endeavours aimed at agro-processing were also launched, fuelled partially by the desire to develop food self-sufficiency and also to promote crop diversification towards higher value crops. Lesotho Milling and Basotho Cannery were two examples. The latter was linked to attempts to promote cultivation of asparagus, beetroot, potatoes and fruit. In the field of construction materials, Loti Brick was

launched in 1979. Investments were also made in the pharmaceutical arena and the production of ceramic tiles and an entry, in the late 80's, into the textile arena. This industrialisation effort was supported by the incentive package described in Table 4.2.

Table 4.2: Incentives for manufacturing industrialists in Lesotho⁷

Land & Infrastructure	LNDC provides: <ul style="list-style-type: none"> Fully serviced industrial plots that could be leased for 30 years at a marginal ground levy if industrialists wanted to erect their own buildings. Property tax would then be payable to the local authority. General-purpose built factory shells that could be rented. Waiving of rent for several months was offered as an additional incentive when factory space was available
Capital Allowances	The following incentives are available: <ul style="list-style-type: none"> A 40% depreciation on building and plant capital expenditure in year 1 Low interest loans for financing of up to 60% of the cost of imported plant and machinery
Tax incentives	<ul style="list-style-type: none"> A 15% maximum tax rate on profits earned by manufacturing companies No withholding tax on dividends distributed by manufacturing companies to local or foreign shareholders Free repatriation of profits derived from manufacturing profits. A tax holiday of up to 10 years could be granted under certain circumstances
Other incentives	<ul style="list-style-type: none"> Training allowances of 50% of cost of certain training programmes for local employees.
Financial incentives	<ul style="list-style-type: none"> Unimpeded access to foreign exchange An export finance facility and guarantee scheme Long-term (up to 10 years) fixed interest loans

These incentives, coupled with a desire by several South African-based industries to escape the sanctions-net that was woven around South Africa, led to substantial industrial growth in the early and mid-1980s. Several SA firms established new endeavours in Lesotho with its preferential access to the EU markets. A second wave of industrialisation took place in the late 80's when the EU waived the cumulation formula for textiles of the Lome Convention for Lesotho for a period of 8 years. According to the cumulation formula, at least two manufacturing processes have to take place in the exporting country for access in terms of Lome, but the 8 year waiving enabled several Taiwanese firms to obtain fabric from India, Taiwan, Malaysia and China for processing in Lesotho. As this exemption expired after 8 years, several firms closed down, whilst others shifted their attention to the US market, although there a tariff of 17% and also quotas applied. A basis was laid for further development of the textile industry when negotiations on AGOA commenced. The road to industrialisation was also characterised by several failures:

⁷ Lesotho National Development Corporation, 2005

- The National Ceramic Tile Factory established in Mafeteng was liquidated within 3 years of commencing operations.
- Loti Brick is, after 30 years, still operating at a loss and the investment in one of the most modern computerised kilns in Southern Africa is not profitable.
- The Lesotho Pharmaceutical Company (also Mafeteng-based) has been running at a large loss and all attempts to find a strategic investor to recapitalise it and to ensure the full privatisation of LPC have failed, this resulting in the closing down of LPC.
- Basotho Cannery was liquidated.
- The once famous Kolonyama Pottery, which exported to the United Kingdom, Canada and South Africa, is no longer in existence; neither is the carpet weaving that was based on locally produced wool.

Table 4.3 provides an overview of the growth in manufacturing concerns since 1994.

Table 4.3: LNDC-assisted Manufacturing Companies⁸

				2008	2004	1999	1994		
Company	Year	Origin	Product	Number of Workers				Markets	Estate
				45392	42777	21500	9873		
Knit Garment Factories				24390	24574	10524	3171		
Ace Apparel	2005	RSA	T-Shirts	681				RSA	Maputsoe-Nyenyene
BA Tex	1997	RSA	Kidswear	376	272	235		RSA	Maputsoe-Nyenyene
Baneng Lesotho	2003	Singapore	T-shirts		600			USA	Maseru-Thetsane
C River	2001	Taiwan	T-shirts		805			USA	Maseru
Corporate Clothing	2006	RSA	T-shirts	194				RSA	Maputsoe-Nyenyene
Eclat Evergood				383					
E-River	2001	Taiwan	T-shirts		416			USA	Maseru
Ever Unison Garments	2003	Taiwan	T-shirts/pants	1980	1400			USA	Maputsoe-Nyenyene
Export Unlimited	2001	RSA	T-shirts	254	307			RSA/USA	Maputsoe-Nyenyene
Five-Eight	2002	China	T-shirts/sweaters	234	220			USA	Maseru
Hinebo/Atlantic				514					
Hippo Knitting	2000	Taiwan	T-shirts	646	1300			USA	Maseru
Hong Kong Int Knitters	2000	Taiwan	T-shirts		1049			USA	Maputsoe-Nyenyene
J&S Fashions	1996	Taiwan	Skirts/T-Shirts	559	580	585		USA	Maseru-Thetsane
Jee Clothing				0					
King-Ang	2001	Taiwan	T-shirts		900			USA	Maputsoe-Nyenyene
Kopano Textiles	2006	RSA	T-shirts, jeans	906				USA	Maputsoe
Lesotho Haps	1986	Taiwan	T-Shirts		1400	1400	1410	RSA	Maputsoe
Lesotho Precious Garments	1999	Taiwan	T-Shirts	4254	3878	3600		USA	Maseru
Lolita Clothing	2006	RSA	Knitwear	305				RSA	Maputsoe-Nyenyene
Maseru E-Textile	2001	Taiwan	T-shirts	457	430			USA	Maseru
N River	2001	Taiwan	T-shirts		562			USA	Maseru
New Epoch Knitting	2004	Taiwan	Knitwear	150				USA	Maputsoe
Nyenyene Clothing	2006	RSA	Men's clothing	920				RSA	Maputsoe-Nyenyene
P & T Garments	2001	Taiwan	T-shirts	2568	2695			USA	Mafeteng
Raytex Garments	2002	China	T-shirts	713	520			USA	Maseru
San Ti Kon	2002	Taiwan	T-shirts	828	700			USA	Maseru-Thetsane
Shinning Century	1997	Taiwan	T-Shirts	1105	1100	1494		USA	Maseru
Sun Textiles	1994	Taiwan	Pants/T-Shirts	961	1014	920	889	USA	Maseru-Thetsane
Super knitting	1989	Taiwan	T-Shirts	992	806	890	872	USA	Maseru
Sweatsun	2003	Mauritius	Garments	320	370			USA	Maseru
Tai Yuan Garments	2000	Taiwan	T-shirts	1455	945			USA	Maseru-Thetsane
Tern Sportswear	2006	RSA	T-shirts	666				USA	Maputsoe-Nyenyene
TW Garments	2002	Maylasia	T-shirts		833			USA	
TZICC Clothing Manufacturers	2000	Taiwan	T-shirts	1553	1975			USA	Maseru
Vogue Landmark	1996	Taiwan	T-Shirts		1142	1400		USA	Maputsoe-Nyenyene
Wonder Garment	2002	Taiwan	T-shirts	416	330			USA	Maseru
Woven Garment Factories				14165	14405	7991	5402		
Alleycat Lesotho	2003	RSA	Jeans		650			USA	Maputsoe

⁸ Lesotho National Development Corporation

C&Y Garments	1990	Taiwan	Jeans	1767	1950	2200	2130	USA	Maseru-Thetsane
CeeBee	1999	Lesotho	Jeans		332			RSA	Maputsoe
CGM	1987	Taiwan	Jeans	1755	1888	3300	3200	USA	Maseru-Thetsane
Chelsea West	2006	RSA	Knitwear	723				USA	Maputsoe-Nyenye
Global Garments	2002	Taiwan	Jeans	2193	1790			USA	Maseru-Thetsane
Humin Jeanswear	2002	RSA	Jeans	392	249			RSA/USA	Maputsoe-Nyenye
JW International	2002	RSA	Workwear	1779	240			USA/RSA	Maputsoe-Nyenye
Maluti Textiles	1998	Taiwan	Jeans		500	620		USA	Maseru-Thetsane
Nien Hsing	2001	Taiwan	Jeans	2441	2295			USA	Maseru-Thetsane
Peter Blond	2006	RSA		210				RSA	Maputsoe-Nyenye
Poltex	1986	Hong-Kong	Jeans				50	RSA	Maseru-Thetsane
Presitex Clothing	2000	Taiwan	Jeans	2905	2700			USA	Maseru-Thetsane
Supreme Bright	1991	RSA	Jeans				22	RSA	Maputsoe-Nyenye
United Clothing	1996	Taiwan	Jeans		1811	1871		USA	Maseru-Thetsane

Fabrics & Yarns; Embroidery; Screenprinting; Packaging; Home Textiles				1793	133	12	0		
Chainex (embroidery)	2001	Taiwan	T-shirts	358	70			USA	Maseru
Formosa Textile (denim fabric,yarn)	2004	Taiwan	Denim fabric / yard	1021				Local/Africa/USA	Maseru-Thetsane
Huang Qui (bed linen)	2005	China	Bed linen					Lesotho	Maseru
Lesotho Cartons (packaging)	2002	Taiwan	Paper carton	62	55			Lesotho	Maseru
Lesotho Paper & Box (packaging)				20					
MU Plastics	1998	Taiwan	Plastic	30	8	12		Lesotho	Maseru
Quality Garment Manufac. & Finishers	2007	RSA	T-shirts	150				RSA	Maputsoe-Nyenye
Shiang Bei (embroidery)	2003	Taiwan	Embroidery	152				Lesotho	Maseru-Thetsane

Footwear				2008	2226	1658	0		
Carca Footwear	1997	RSA	Shoes	174	597	360		RSA	Maputsoe-Nyenye
Maluti Mountain Leatherworks	2007	Lesotho	Footwear	17				RSA	Maseru
Reflex Footwear	2000	RSA	Shoes	303	353			RSA	Maputsoe-Nyenye
Springfield Footwear	1995	RSA	Shoes	1507	1276	1298		RSA	Maputsoe
Way Yare Footwear	2007	China	Footwear	7				RSA	Maseru

Construction				139	169	164	153		
Lekoaneng sandstone	1999	Lesotho	Sandstone	36	14	14		Lesotho	Berea
Lesotho National Tile Factory		German	Ceramic Tiles					RSA	Mafeteng
Loti Brick	1978	Lesotho	Bricks	103	155	150	153	RSA/Lesotho	Maseru-Thetsane

Electronics				1439	285	282	288		
Circuit Breaker Industries	2004	RSA	Switch gear	1043				RSA	Maputsoe-Nyenye
Crabtree	2007	RSA	Electrical accessories	122				RSA	Maseru
Kiota Electronics	1989	RSA	TV's	274	285	282	288	RSA	Maseru-Thetsane

<i>Food & Beverages</i>				888	761	651	640		
Astoria Bakery	2003	RSA	Confectionery	167	50			Lesotho/RSA	Maseru
Basotho Canners	1979	Lesotho	Agro-Products	21		0		Lesotho	Masianokeng
Lesotho Bakery	1988	RSA	Bread, Con f.	200	136	133	122	Lesotho	Maseru-Thetsane
Lesotho Brewing Co.	1980	Lesotho	Beverages	339	340	336	330	Lesotho	Maseru
Lesotho Milling	1980	RSA	Agro-Products	161	235	182	188	Lesotho	Maputsoe

<i>Other</i>				570	224	218	219		
CTM Orthopaedics	2003	Lesotho	Prostheses	4				Lesotho	Maseru
Hong Da Soap	2005	China	Soap	31				Lesotho / RSA	Maseru
Lesotho Motor Engine	1985	RSA	Auto parts		20	16	17	Lesotho	Maseru
Lesotho Pharmaceutical Company	1987	Lesotho	Pharmaceuticals		100	98	98	RSA/Lesotho	Mafeteng
Lesotho Steel	1984	Lesotho	Structural	464	20	20	20	RSA/Lesotho	Maseru
Lesotho Umbrella	1981	RSA	Umbrellas	71	84	84	84	RSA/EU	Maputsoe
Shake Universal									

It is clear that by 1994 textiles had already dominated the industrial scene in Lesotho, and that the demise of the small built-on-indigenous-skills cottage industries was already complete. Several factories in the industry have only come on-stream since 2005, when export to the US was hampered by the strong Rand (Table 4.4 provides an overview)

Table 4.4: Textile share of manufacturing concerns⁹

	2008		2004		1999		1994	
	Workers	% Share	Workers	% Share	Workers	% Share	Workers	% Share
Textiles & footwear	42356	93.3	41275	96.5	20173	93.8	8551	86.8
Food & beverages	888	1.9	761	1.8	651	3.0	640	6.5
Building materials	139	0.3	189	0.4	184	0.9	173	1.8
Electronics	1439	3.2						
Other	570	1.3	552	1.3	492	2.3	487	4.9
Total	45392	100	42777	100	21500	100	9851	100

It is interesting to note that the largest growth in employment between 2004 and 2008 was in electronics and it would be very worthwhile to follow whether there will be further diversification of the manufacturing sector into electronics.

4.3 AGOA as driver for textiles: the case of Lesotho and SA

AGOA was enacted on May 18, 2000 and became the cornerstone of the Bush Administration's interaction with Sub-Saharan Africa. It is in line with the growing US approach of "trade, rather than aid". AGOA took effect on 1 October 2000 and expires on 30 September 2008. The aim of the Act is to promote free markets and to

⁹ Based on data from the Lesotho National Development Corporation

lower trade barriers. It is a so-called-second-tier-preferential treatment arrangement, below free trade agreements but with better benefits than the Generalized System of Preferences (GSP) (see Table 4.5).

Table 4.5: The hierarchy of preferences in the US trade regime¹⁰

Level	Trade regime	Geographical focus	Ave. tariff on imports
Level 1: <i>Reciprocal preferences</i>	Free Trade Agreements (FTA)	Canada and Mexico in the North American Free Trade Agreement (NAFTA) Israel, Jordan.	0.1%
Level 2: <i>Non-reciprocal regional preferences</i>	African Growth and Opportunity Act (AGOA)	Countries in Sub-Saharan Africa enjoy duty-free access i.r.o nearly all goods. Some also have duty- and quota-free access i.r.o textiles and apparel.	0.7%
	Caribbean Basin Initiative (CBI)	Central America and Caribbean countries enjoy duty-free access for most goods, North American Free Trade Association.	2.8%
	Andean Trade Preferences Act (ATPA)	Four Andean countries enjoy duty-free access i.r.o most goods.	1.5%
Level 3: <i>Non-reciprocal global preferences</i>	Generalized System of Preferences (GSP)	Beneficiaries enjoy duty-free access i.r.o some goods, but many items are excluded. For least-developed countries (LDC) the product range is wider than for the rest of the countries.	3.6%
Level 4: <i>Non-preferential treatment</i>	Normal Trade Relations (NTR)	This covers most of Europe, the East and some erstwhile Communist countries.	2.2%
	Denied Trade Relations (DTR)	Cuba The Democratic People's Republic of Korea	35.1%
	Trade embargoes	Iraq (prior to the invasion). Iran	0.3%

To a certain degree, AGOA is a preferential treatment package for countries in Sub-Saharan Africa that are also eligible for GSP-treatment. Whilst AGOA in the first 2 years (2001 and 2002) of operation had little impact (with imports to the US under AGOA accounting for less than 1% of total US imports), the impact of AGOA on African export to the US is evident from Table 4.6.

Table 4.6: Sub-Saharan Africa: U.S. imports, total under the African Growth and Opportunity Act (AGOA-eligible countries only)¹¹

<i>(Thousands of dollars, Customs value)</i>			
Country	TOTAL 2002	TOTAL 2006	TOTAL 2007
<i>Nigeria*</i>	5819603	27863412	32525048

¹⁰ United Nations, 2006

¹¹ Source: Compiled by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce

<i>Angola*</i>	0	11513833	12210961
<i>South Africa</i>	4235974	7497257	9131863
<i>Congo (ROC)</i>	223824	3045473	3098745
<i>Chad</i>	5700	1904713	2238277
<i>Gabon*</i>	1622021	1330984	2146911
<i>Lesotho</i>	321457	408407	443018
<i>Madagascar</i>	215923	281065	337895
<i>Kenya</i>	189156	352804	326086
<i>Cameroon</i>	172057	223517	306742
<i>Namibia</i>	57353	115650	219743
<i>Congo (DROC)</i>	0	85111	206404
<i>Ghana</i>	115641	192228	198652
<i>Botswana</i>	29732	252107	187453
<i>Mauritius</i>	280433	218649	187020
<i>Swaziland</i>	114464	155807	147963
<i>Liberia</i>	0	0	115303
<i>Guinea</i>	71600	91689	95748
<i>Ethiopia</i>	25659	81120	88236
<i>Malawi</i>	68109	79010	69007
<i>Zambia</i>	7790	28969	48780
<i>Sierra Leone</i>	3833	35895	48104
<i>Tanzania</i>	25343	34567	46196
<i>Uganda</i>	15197	21787	26622
<i>Senegal</i>	3799	21450	18734
<i>Rwanda</i>	3086	8854	12675
<i>Seychelles</i>	26291	10121	10332
<i>Mali</i>	2583	7851	9712
<i>Niger</i>	897	123695	9082
<i>Mozambique</i>	8160	15594	5356
<i>Benin</i>	680	555	5076
<i>Djibouti</i>	1915	3295	4484
<i>Cape Verde</i>	1811	965	2193
<i>Burkina Faso</i>	0	1020	1466
<i>Burundi</i>	0	1866	1111
<i>Mauritania</i>	929	0	718
<i>Sao Tomi & Principe</i>	391	187	393
<i>Gambia</i>	0	287	148
<i>Guinea-Bissau</i>	35	470	38
Total	13671446	56010264	64532295

* *Mainly crude oil exports.*

African export to the US increased (in dollar value) by 472% between 2002 and 2007. It is important to realise that AGOA is a strategic trade regime for the US: it helps with the industrialisation of Africa, and it makes the US less reliant on China (textiles, etc.) and OPEC (oil from Nigeria, Angola, Gabon and Chad).

What is AGOA and how did it impact on South Africa and Lesotho? AGOA lowered the tariff barriers for exports to the US, but almost all countries qualifying for AGOA already had quota-free access to the North American market. Yet, in the textile sector-sub, quotas in terms of the Multi-fibre Arrangement had altogether vanished by 2005, after-where only tariffs remained to regulate access. Since 2005 the beneficiaries from AGOA only had a tariff advantage when competing with Chinese and Indian textiles for market share in the US.

Although, under AGOA, the US listed 1835 items for AGOA treatment (which enhanced the 4 650 products that already qualified for duty-free treatment under the GSP), the UN maintained that AGOA implied only limited preferences for 30 of the 48 countries eligible for designation under AGOA and that it potentially had more significance for the non-LDC countries.

The duty-free and quota-free access i.r.o textiles and apparel in terms of AGOA is subject to a strict arrangement concerning origin of fabrics and yarn: duty-free access to the US market depends on textiles and apparel produced from “fabrics wholly formed and cut in the United States from yarns wholly formed in the United States”. Moreover, the act provides for duty-free and quota-free apparel imports made from fabric produced by beneficiary countries in Sub-Saharan Africa. (The so-called ‘apparel’ clause). This clause further has a Special Rule for LDCs that offered a grace period till 30 September 2004 during which such countries could have duty-free and quota-free access i.r.o apparel produced from fibre and yarn sourced anywhere else in the world.

Lesotho qualified for the Special Rule, South Africa not. This window of opportunity for LDCs (disappearing within a few months) was seized by several (especially) industrialists from Taiwan, Hong Kong and Mainland China¹². This incentive led to the substantial expansion of the textile industry in Lesotho, but now also became its biggest threat: if Congress would not agree to an extension of the Special Rule, the textile industry in the AGOA LDCs could be jeopardised.

However, this cut off date was not intended to close the window of opportunity for Sub-Saharan countries: it is an example of how the US utilises international trade as a leverage to promote industrialisation in African countries and to diversify its own markets as well as diversify its import markets to lessen dependency on China. The threat of not being able to access cheap fabric outside AGOA countries provided all AGOA countries with an opportunity. Lesotho utilised this opportunity for gearing up its industrialisation programme: two Taiwanese textile industrialists decided that the end of the Special Rule would compel all textile industries in AGOA countries to source yarn and fabric from either the US or other AGOA countries. They therefore established a denim mill in Maseru, Lesotho. Construction on a US \$ 50 million factory by Formosa Textile, an affiliate of jeans producer Nien Hsing, commenced on the Thetsane Industrial Site in 2001. The denim mill currently employs more than 1000 workers, and ensures that Nien Hsing’s jeans factory (with almost 2 500 workers) and several other factories with almost 7 000 workers, comply with all the rules to ensure access to markets in both the US and the EU. Yet, many producers who still had to rely on the importation of fabric from China, India and elsewhere in the East closed their operations in Lesotho. This is vertical industrial integration that

¹² The reason why industrialists from these countries are flocking to Sub-Saharan Africa to benefit from AGOA is quite evident: their home country-based industries are limited in their textile exports to the North American market by both duties and quotas.

could enable the textile industry to become anchored in Lesotho. Nien Hsing, apart from the mill already has investments of US \$ 200 million and employs almost 10 000 workers (numerous smaller companies listed in Table 3 above belong to this group) in garment manufacturing in Lesotho. This development of a denim mill also persuaded a Mauritius textile firm, Sweatsun, to commence with a factory for apparel production in Lesotho, even though Mauritius has AGOA benefits (without the Special Rule exemption) – Sweatsun has however since terminated its operations in Lesotho.

South Africa benefited substantially from AGOA-with exports increasing from US \$ 923 million in 2001 to US \$ 1 669 million in 2004, and US \$ 9 132 in 2007 despite a strengthening Rand. South Africa’s AGOA exports are, in order of importance transportation equipment (almost 50% of BMW South Africa’s production is exported to the US), minerals and metals, chemicals, agricultural produce and then textiles.

Table 4.8: Exports under AGOA from 2001 to 2007 for South Africa and Lesotho in US \$ million¹³

		2001	2002	2003	2007	% Growth in export 2001 – 2007
South Africa	Transportation equipment	300	545	731	588	96.00
	Minerals & metals	317	372	397	785	147.63
	Chemicals & related products	126	130	175	307	143.65
	Agricultural products	79	124	133	196	148.10
	Textiles & apparel	33	88	131	24	-27.27
Lesotho	Textiles & apparel	130	318	373	380	192.31
	Chemicals & related products				1	

An interesting development is that in both these two top export sectors in South Africa, the first few years since the launch of AGOA in 2000 saw substantial investments. The automotive manufacturing industry in South Africa upgraded their production plants to the amount of US \$ 20 million. The South African textile industry, however, could not keep up with international competition since quotas in terms of the Multi-fibre Arrangement had vanished end 2005. The South African government even arrived at a special 2 year arrangement with caps on textile imports from China in order to try and protect the local textile industry, but to no avail. The decline of the SA textile industry with serious losses and closures is also evident in the decline of SA textile exports to the US. Lesotho has weathered this storm better than South Africa.

¹³ Agoa, 2008

The focus will now turn to Lesotho imports and exports to determine the extent of linkages between Mangaung and Lesotho. Thereafter the focus will fall on Mangaung businesses providing services to Lesotho.

5. Imports and exports

In this section we will first focus on macrodata regarding trade balance, the origin of imports to Lesotho and the destination of Lesotho exports. We will then focus on the total imports for individual consumption, since that is important for the Free State as a whole and specifically for Mangaung (see Figure 5.1). Next, there will be a short overview of Lesotho's border posts, and the section will conclude with microdata captured in the questionnaires (Annexure 4).

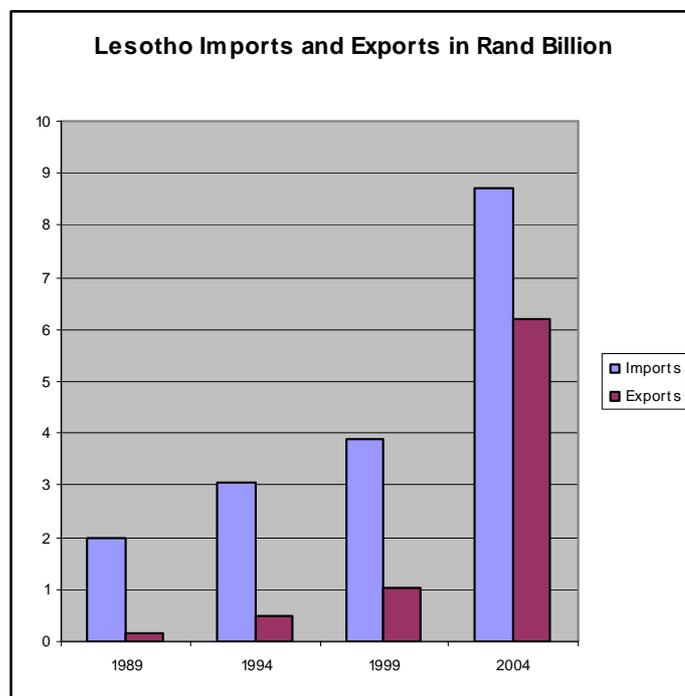


Figure 5.1: Export and import from and to Lesotho, 1989 - 2004

The following are important:

- The actual trade-balance gap in Rand billion has over the 15 years remained around R2.4 billion, ranging between R1.823 billion in 1989, a substantial increase to R2.841 billion in 1999, and a somewhat lower R2.509 billion in 2004.
- It is impressive to look at exports expressed as a percentage of imports: In 1989 exports comprised a mere 8.9% of the value of imports, it increased to 16.54% within 5 years and, by 1999 it had reached almost 27%. By 2004 it had already rocketed to an impressive 71.21%.

The focus now shifts to an assessment of the origins of imports to Lesotho (see Figure 5.2).

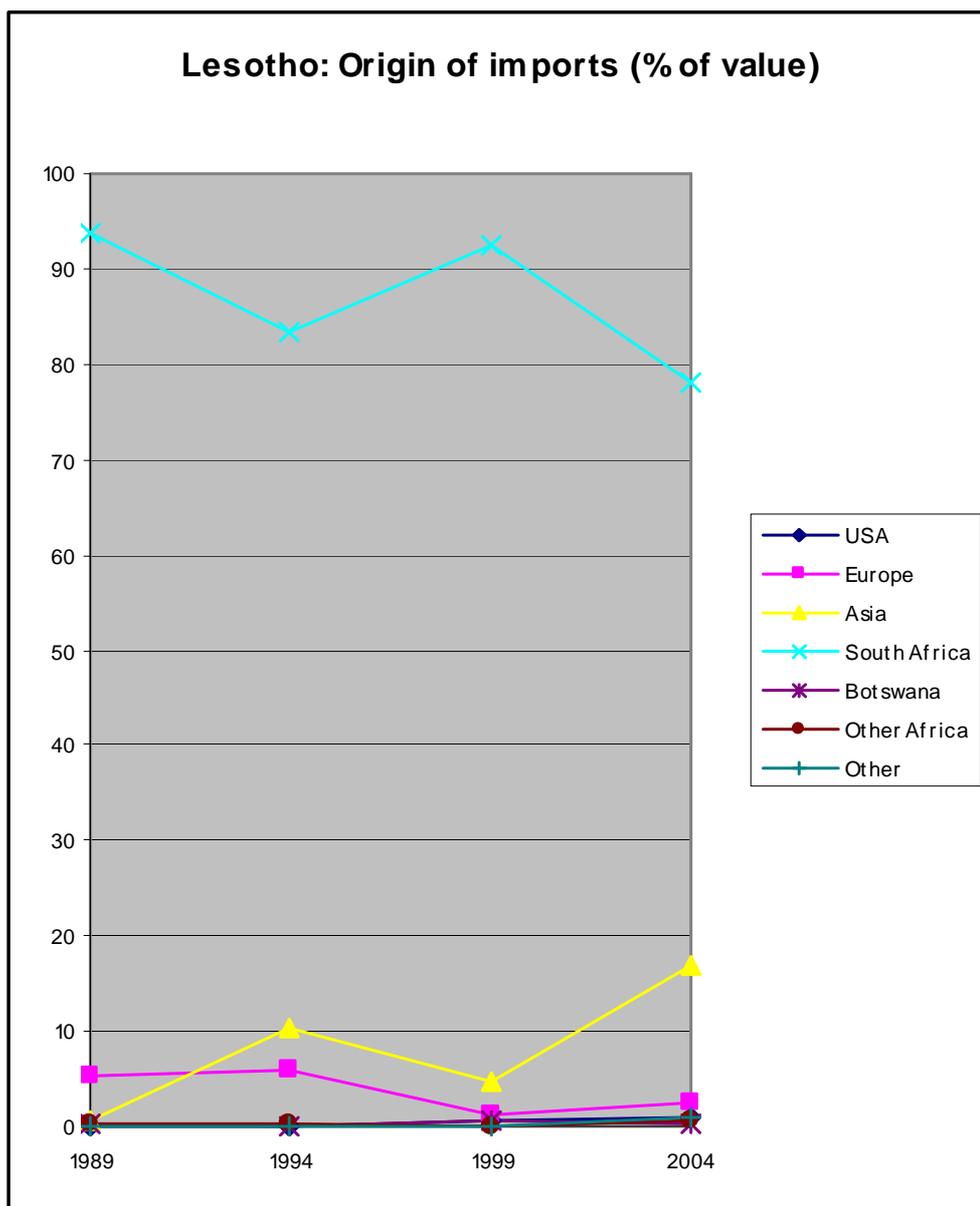


Figure 5.2: Origins of imports (%) in Lesotho, 1989 - 2004

The following should be noted in respect of the above table:

- South Africa is still the dominant trading party in respect of imports, but has shown a gradual decline from providing in excess of 90% of the value of Lesotho's imports in 1989, to providing only 78% of the value of imports to Lesotho in 2004.
- The European Union, which supported Lesotho significantly when it was an island within apartheid South Africa, phased out most of their subsidies for exports to Lesotho and dropped from providing 5% of imports in 1989 to providing a mere 2.4% in 2004.
- Asia (with Taiwan, Hong Kong, China, Singapore and Korea being the main contributors) increased as an origin of imports from 0.7% in 1989, to 16.8% in 2004. This is closely related to development in the textile industry.

Attention should also at the same time be devoted to the destination of exports (see Figure 5.3)

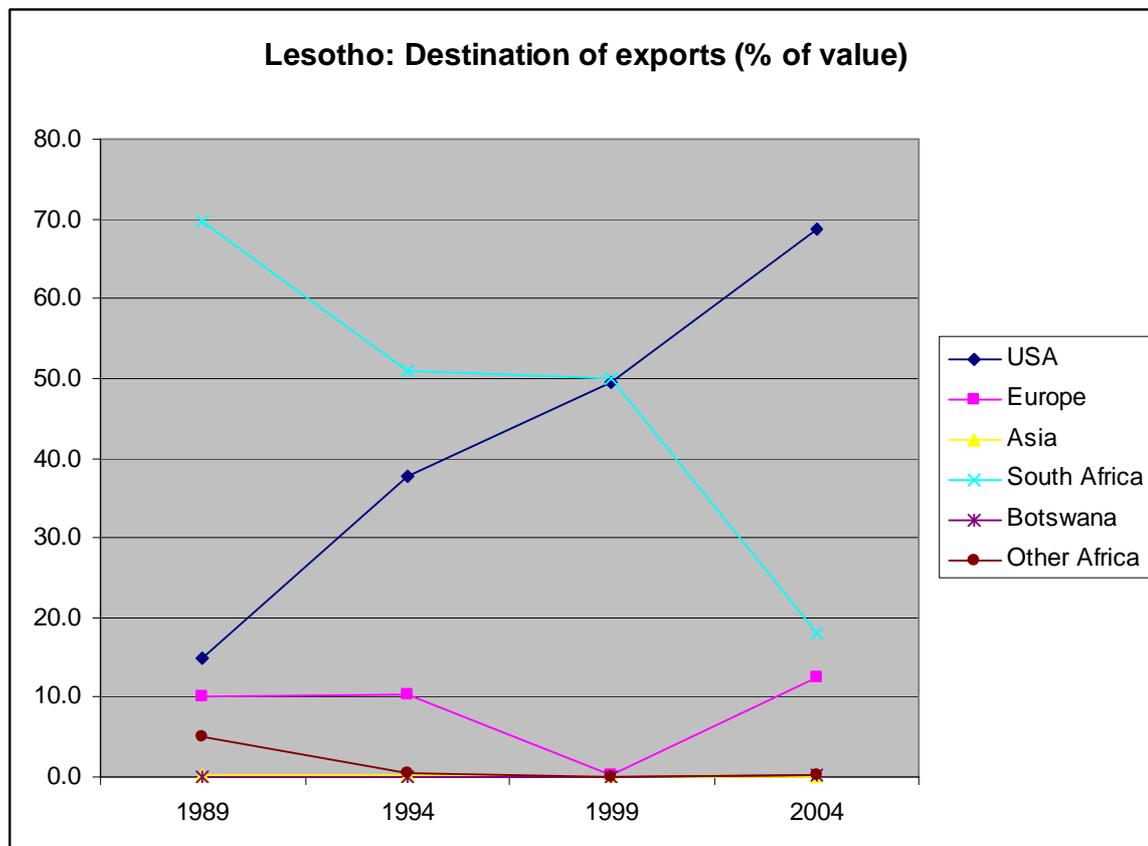


Figure 5.3: Destination of exports from Lesotho (%), 1989 - 2004

Concerning exports, the situation has changed dramatically since 1989:

- South Africa's importance as a destination of exports has plummeted from 70% in 1989, to 18% in 2004.
- The USA (as a result of AGOA) has grown in importance-from 14.8% of export value destined for the USA in 1989, to 68% of export value in 2004.
- Europe has (despite a dip in 1999) remained fairly constant around the 10% level.
- The trade balance with the East is very negative, with negligent exports there compared with the increase in imports.

In 2004, a quarter (25.4%) of the total imports for Lesotho were classified as individual declarations for home consumption. That is a high percentage and reflects the extent to which ordinary Lesotho citizens procure the products for their personal needs in South Africa. For the Free State, with linkages to the main border posts, this is of significant importance.

It is clear from Table 5.1 that Maseru Bridge (the road link between Mangaung and Lesotho) is by far the dominant border post for handling imports, with Maputsoe at Ficksburg in a clear second position.

Table 5.1: Value of imports in % handled per border post, 2004¹⁴

Maseru Bridge	67.2
Maputsoe	19.1
Maseru Station	3.6
Van Rooyen's	4.1
Caledonspoort	2.9
Maseru Post Office	1.1
Qacha's Nek	0.7
Makhaleng	0.6
Rama's	0.21
Tele	0.20
Moshoeshoe 1 Airport	0.18
Sani Top	0.10
Peka	0.10
M.M.B	0.02
Sephapho's	0.02
Mononts'a	0.00
Tsupane	0.01

The geographical position of Bloemfontein in relation to Maseru is therefore a factor that should be explored: To what extent can Mangaung's economy benefit more from the movement of goods across the Mangaung border post? Of an amount of R2 241 992 753 declared in 2004 as individual declarations for home consumption, a full 98.43% of that value was procured in South Africa. The breakdown of categories of goods procured, is fairly balanced, as can be seen from Table 5.2 below

Table 5.2: Individual declarations of imports for home consumption in Rand value and as % of imports in this category, 2004

	Food & Bev	Clothing & footwear	Furniture	Building materials	Petrol and other
Maloti	461 608 384	429 163 495	437 404 230	437 886 079	440 634 059
%	20.6%	19.14	19.51	19.53	19.65

Table 5.2 demonstrates that, as individuals, Lesotho citizens in 2004 bought in excess of R2 billion worth of ordinary household goods.

The results of the two-week survey (2008) of imports to Lesotho-to determine the origin of the goods as well as the nature of the products-are listed in the Table 5.3 below (see the overview of methods for a detailed description of methods employed to determine the figures).

¹⁴Ruicon, 2004. Border post data.

Table 5.3: Origin of imports to Lesotho for a two-week period in 2008

	Construction material, sand, stone	Durables, electric and household appliances, furniture	Fabrics, clothing, footwear	Food by-products, animal feed	Food, drink	Livestock	Missing cases	Non-food consumables	Paper products, packaging material, plastic, crates	Parts, steel	Grand total	
Bloemfontein	103999	38712	36275	2881	169983	132002	800	24366	340779	110877	960674	2.796
Botshabelo		803	74535		500			10739			86578	0.252
Thaba Nchu								53762			53762	0.156
Mantsopa	86242	23414	16805	17850	893			7409	1680	1458	155751	0.453
Naledi	19976	500		3190	1788		1500		450	7500	34904	0.102
Xhariep					5299			9477	100		14877	0.043
Fezile Dabi		3675			22838						26513	0.077
Lejweleputswa	21571	263			134470			25591		19900	201794	0.587
Thabo Mafutsanyana	171757	5820	362797	2277785	1531207		420	56789	11209	129171	4546954	13.232
Free State												
Total	403545	73187	490411	2301706	1866977	132002	2720	188134	354217	268906	6081806	17.698
Gauteng	156404	12970798	2142430		936842			59348	1600	49156	16316579	47.482
Kwazulu-Natal		592304	5713499		760780		45515	33075		24272	7169444	20.863
Western Cape	82339	535	2849700				144679		94643		3171896	9.230
Limpopo					55199			46422			101621	0.296
Eastern Cape	10515	21300	115583		3989			4464	483415		639265	1.860
Mpumalanga								44755			44755	0.130
North West					255674		1200	47793			304667	0.887
Northern Cape								6502		81104	87606	0.255
Elsewhere (Foreign)			446265								446265	1.299
	652803	13658124	11757887	2301706	3879461	132002	194114	430494	933875	423438	34363904	

The following key observations should be made in this respect:

- The Mangaung Municipality was the origin of only 3.2% of the value of imported goods to Lesotho.
- The Free State Province generated 17.7% of the value of imported goods, with the Thabo Mafutsanyane District Municipality being the origin of 13.23% of the total imports in the sample.
- Lejweleputswa – still housing more than 40 000 Lesotho citizens – generated a meagre 0.587% of the value of the imports.
- The economic powerhouse of South Africa, Gauteng, was the origin of 47.482% of the imports, followed by Kwazulu-Natal with 20.863%.
- The Western Cape, too, with 9.23% of value delivered an important contribution.

When considering the categories of goods procured, the Mangaung Municipality share is as follows:

- 100% of livestock (sample too small to make this a valid conclusion);
- 36.5% of packaging materials, paper, cartons and plastics (clearly supplying some of the factories – but note that in the last 3 years a carton manufacturer has commenced production in Maseru);
- 26.2% of engine parts and steel products delivered;
- 20.6% of non-food consumables;
- 15.9% of construction materials; and
- 4.4% of food and beverages.

6. Cross-border services

As indicated in the section on methodology, the collection of data from Mangaung based service providers in Lesotho by means of a questionnaire solicited too few responses to permit valid deductions. The information thus obtained was supplemented by conducting interviews with service providers when these entered border posts (see Annexure 5.2).

If the responses obtained from the 19 Bloemfontein-based firms who completed the questionnaire or were interviewed at the border are considered, the following comments are significant:

- Several of the service providers are providing the services in Lesotho as an integral function of their sales (and therefore export) of goods to Lesotho. Examples in this category include Barloworld (selling and servicing Caterpillar machinery) Afrisam (selling cement and advising on design mix, and testing of concrete strengths).
- Visits to Lesotho range from 1 every 2 months to 22 monthly (one visit per working day) with an average number of 8 visits per month.
- The value of services in Lesotho-as a percentage of the turnover of the Bloemfontein entity / branch-range from 2%, to as high as 97% with an average of 32%. This is a clear indication that Lesotho business is important for Bloemfontein firms, with 7 of

the 15 reporting firms indicating that more than 40% of their turnover is generated in Lesotho.

- The sectors in which most of the services recorded are being delivered are:
 - (i) Maintenance (air conditioners (2) / servicing of Government vehicles / telecommunication towers / etc.)
 - (ii) Construction (servicing of Caterpillar machinery / road-building engineering services / installation of glass and security doors / etc.)¹⁵

If the 19 non-Bloemfontein-based service providers who were interviewed at the border post are considered, it is important to note the following:

- Visits to Lesotho range from 2 to 10 per month, with an average number of 7 visits per month.
- The value of services in Lesotho-as a percentage of the turnover of the business entity / branch-range from 10% to 80%, with an average of 43.5%. According to ten of the 19 firms, more than 40% of their turnover is generated in Lesotho.

Issues that came through in the questionnaire as hampering economic ties, are:

- Poor condition of the road between Bloemfontein – Maseru;
- Delays at the border with passport control;
- The banking system in Lesotho is cumbersome, and better integration with the South African banking system is required for easier transfers.

7. Traffic linkages

This section provides a detail overview of the traffic linkages from and to Lesotho, with specific reference to taxis, buses and private vehicles and heavy vehicles at the three border posts, namely Maseru, Van Rooyenshek and Fickburg. Data for private cars are for the two-week period 09-22 June 2008. Data for taxis and buses are for a one-week period in June 2008. All data will be extrapolated to a monthly basis. It should be borne in mind that there might be considerable differences over the December holiday period, which are not reflected in this data.

7.1 Maseru

7.1.1 Taxi routes

Table 7.1 provides an overview of the taxi routes and the number of people who are transported from the border post at Maseru to locations in South Africa.

¹⁵ Not captured in the questionnaires, are professional services (except one engineering firm). From own experience, several Bloemfontein-based law firms, as well as advocates, render legal services in Maseru, whilst numerous consulting engineers (both civil and electrical) are also active in Maseru.

Table 7.1: Taxi routes and people transported from Maseru to destinations in South Africa, 2008

Destination	Trips per day	Trips per month	Number of visitors per trip	Number of visitors per month	Cost per trip	Total cost
Mangaung	8.0	240	15	3600	70	252000
Johannesburg/ Westonaria/ Pretoria	8.7	260	15	3900	150	585000
Carletonville	5.2	156	15	2340	150	351000
Klerksdorp	4.0	120	15	1800	145	261000
Rustenburg	8.5	256	15	3840	170	652800
Welkom	11.6	348	15	5220	100	522000
Total	46	1380		20700		2623800

A range of comments need to be made in respect of the above table:

- The taxi link between Maseru and Mangaung transported approximately 17% of all people who commute by this means from the Maseru border post. In terms of the rand value, this is less than 10% of the taxi business generated from the Maseru border post.
- The largest link in terms is the number of people commuting from Maseru Bridge to Welkom (the Free State Goldfields), with approximately 25% of the commuters travelling to this destination.
- The Free State Goldfields are followed by Gauteng, while Mangaung is in the third place.

7.1.2 Bus transport

The profile of commuters from the Maseru border post who use bus transport is provided in Table 7.2 below.

Table 7.2: Taxi routes and people transported from Maseru to destinations in South Africa, 2008

Destination	Trips per day	Trips per month	Number of visitors per trip	Number of visitors per month	Cost per trip	Total cost per annum
Mangaung	1.0	30	65	1950	40	78000
Carletonville	1.0	30	65	1950	160	312000
Klerksdorp	1.0	30	65	1950	155	302250
Rustenburg	1.0	30	65	1950	180	351000
Total	4	120		7800		1043250

A quarter of the bus commuters were destined for Mangaung, although the size of the Mangaung business is only 7.4% of the total transport business that originates from Maseru. It is also noteworthy that although there is a fair amount of competition between the taxi

industry and the bus service, no bus linkages exist between Maseru and between Johannesburg and Maseru and the Free State Goldfields.

7.1.3 Vehicle transport

The data collected for this assignment was collected for six days (Monday to Saturday) in June 2008 at the turn-off from Lesotho to Ladybrand and Bloemfontein. A distinction is made between vehicles travelling to Ladybrand and those travelling to Mangaung. Figure 7.1 reflects vehicles travelling from Lesotho to Mangaung.

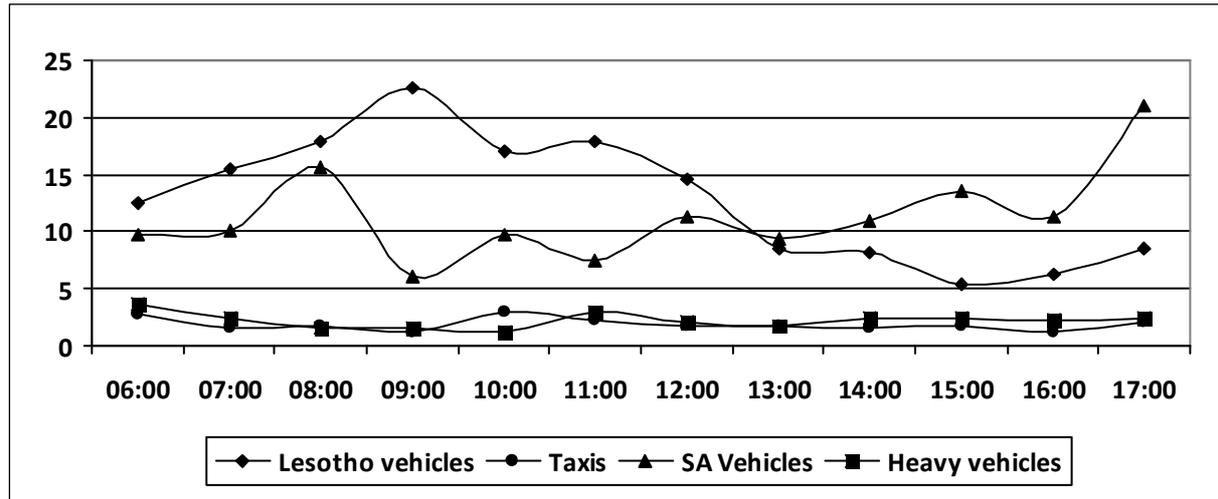


Figure 7.1: Vehicle transport per hour on the Maseru-Mangaung route (measured at the Ladybrand turn-off) for vehicles turning on to the N8 to Bloemfontein

The following comments should be made in respect of figure 7.1:

- Vehicles bearing Lesotho registration numbers reached a peak of nearly 22 vehicles per hour between 09:00 and 10:00 in the morning
- Then there was a decline to less than ten vehicles per hour after 13:00 in the afternoon.
- On average, 154 vehicles with Lesotho registration numbers travelled between Lesotho and Mangaung from 06:00 in the morning to 18:00 in the evening. Yet one should note the fact that many vehicles might not proceed to Mangaung and actually turn off at Tweespruit to proceed to Gauteng, North West and the Free State Goldfields. Assumptions based on figures suggest that nearly 50% of vehicles turn off at Tweespruit.
- This means that at an average of 3 people per vehicle 450 people (from Lesotho) travel to Mangaung on a daily basis. If this is extrapolated to number of people per month, it means that 6500 people travel between these two destinations on a monthly basis.
- The large number of taxis and heavy vehicles should be understood against the fact that many of the taxis destined for Gauteng, Rustenburg and the Free State Goldfields

use a turn-off at Tweespruit and do not actually proceed to Mangaung. The figures provided directly for buses and taxis are thus probably more reliable.

The return-traffic flow from Mangaung to Lesotho is portrayed in the Figure 7.2 below.

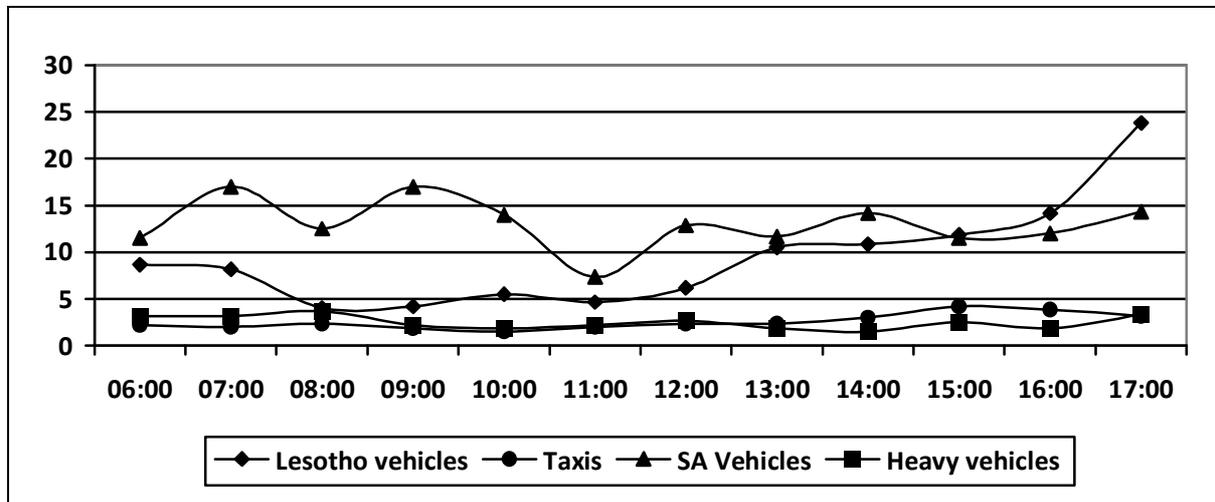


Figure 7.2: Vehicle transport per hour on the Mangaung-Maseru route (measured at the Ladybrand turn-off) for vehicles turning on to the N8 from Bloemfontein to Lesotho

As can be expected, the opposite trends are visible in the case of the return-traffic to Maseru. South African vehicles dominate the traffic flow between 06:00 and 15:00, but Lesotho-registered vehicles start to dominate the flow by 15:00 as visitors return to Lesotho. On average, 107 vehicles returned (compared with the 154 that left Lesotho). This can be ascribed to the fact that some vehicles will return later than 18:00. If another 30-40 vehicles return after 18:00 this confirms the fact that about 150 Lesotho-registered vehicles travel on this route on a daily basis (half of which probably come from Mangaung).

7.1.4 Maseru: summary

This section summarises the flow of traffic and people from Maseru to Mangaung. Table 8.3 provides a summary overview in this respect.

Table 7.3: Summary of Lesotho visitors to Mangaung from the Maseru Bridge border post, 2008

Mode of transport	Number of people per month	%
Bus	1 950	16.2
Taxi	3 600	29.9
Private vehicle	6 500	53.9
Total	12 050	100.0

More than 50% of the estimated visitors use private vehicle transport between Mangaung and Maseru, 29.9% use taxis, while 16.2% use buses.

7.2 Van Rooyenshek

7.2.1 Taxis

The profile of taxi linkages between Mangaung and Van Rooyenshek is reflected in Table 7.4 below.

Table 7.4: Taxi routes and people transported from Van Rooyenshek to destinations in South Africa, 2008

Destination	Trips per day	Trips per month	Number of visitors per trip	Number of visitors per month	Cost per trip	Total cost
Bloemfontein	2.3	70	15	1050	120	126000
Johannesburg / Carletonville	0.2	7	15	105	175	18375
Klerksdorp	2.3	70	15	1050	150	157500
Rustenburg	0.3	8	15	120	170	20400
Welkom	5.7	170	15	2550	110	280500
Total	10.8	325.0	75.0	4875.0	725.0	602775.0

The taxi link between Mangaung and Lesotho via the Van Rooyenshek border post seems, percentage-wise to be slightly larger than the one that through the Maseru border post-in that 21% of taxi passengers head for Bloemfontein. Yet, it should be borne in mind that a bus service is also in place between Maseru and Mangaung. In terms of scale, nearly twice as many passengers travel by taxi from Maseru to Mangaung than is the case between Van Rooyenshek and Mangaung.

7.2.2 Bus linkages

No bus service is available between van Rooyenshek and Mangaung.

7.2.3 Vehicle linkages

The linkages for vehicles moving from Wepener to Mangaung are reflected below (see Figure 7.3 and Figure 7.4). It should be noted that it is assumed that Mangaung is the destination. Later on, an formal assumption will be made that 25% of the vehicles do in fact have a different destination than Mangaung.

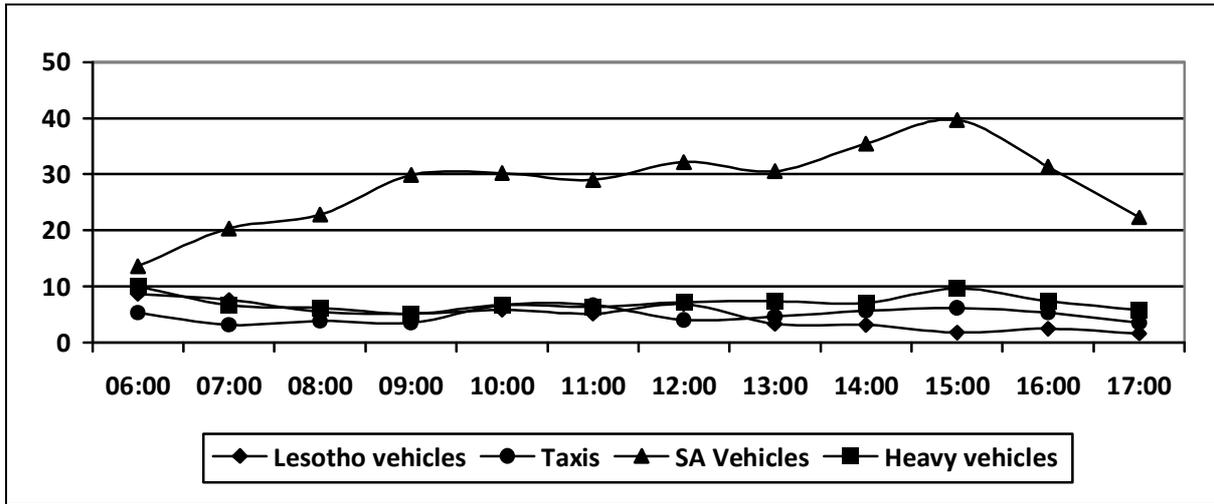


Figure 7.3: Vehicle transport per hour on the Mafeteng (Wepener)-Mangaung route for vehicles turning to Bloemfontein from Wepener

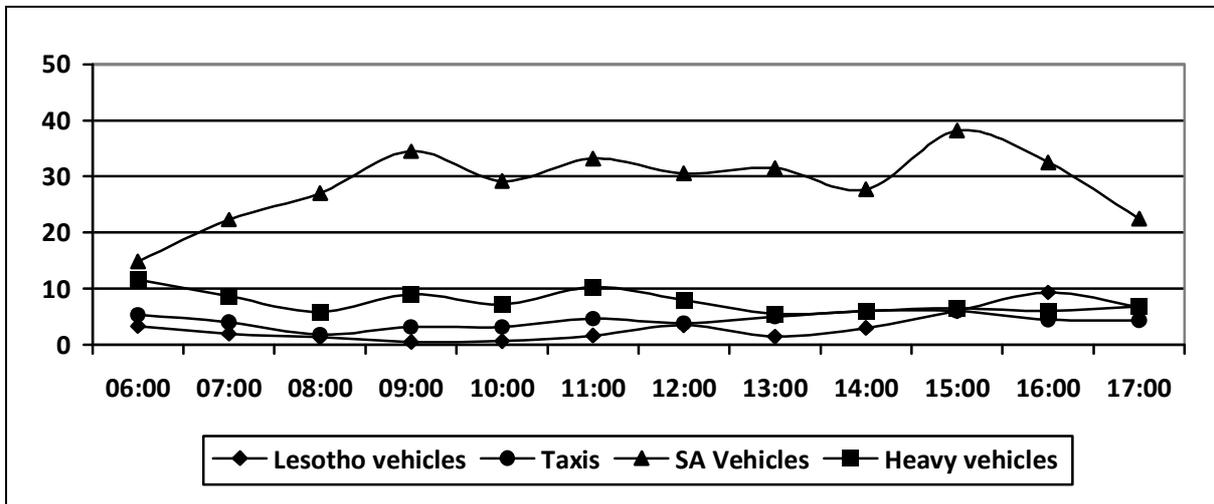


Figure 7.4: Vehicle transport per hour on the Mafeteng (Wepener)-Mangaung route (measured at the Ladybrand turn-off) for vehicles turning from Bloemfontein to Wepener and Van Rooyenshek

The number of South African vehicles that use the road outperforms the number of Lesotho-registered vehicles (see above Figures). The actual figures reveal that approximately 470 vehicles travel on the route to Bloemfontein per month. If it is assumed that three-quarters head towards Mangaung, then at an average of approximately 1057 people using vehicle transport visit Mangaung on a monthly basis (three people per vehicle).

7.2.4 Van Rooyenshek: Summary

In conclusion, Table 7.5 summarises the estimated number of people who visit Mangaung on a monthly basis via van Rooyenshek.

Table 7.5: Summary of Lesotho visitors to Mangaung from the Van Rooyenshek Bridge border post, 2008

Mode of transport	Number of people per month	%
Taxi	1 050	49.8
Private vehicles	1 057	50.2
Total	2 107	100.0

The above summary is viewed as a conservative estimate because one could expect a significant percentage of Lesotho citizens to be travelling in vehicles with South African registration numbers.

7.3 Ficksburg

Assessing the data from the Ficksburg border post was even more difficult: it is not always possible to determine the scale of movement to Mangaung.

7.3.1 Taxis

Table 7.5 summarises the taxi routes from the Ficksburg border post to the rest of South Africa (including Bloemfontein).

Table 7.5: Taxi routes and people transported from Ficksburg border post to destinations in South Africa, 2008

Destination	Trips per day	Trips per month	Number of visitors per trip	Number of visitors per month	Cost per trip	Total cost
Bloemfontein	5.7	170	15	2550	90	229500
Durban	1.9	56	15	840	160	134400
Germiston	0.9	28	15	420	150	63000
Johannesburg	5.1	154	15	2310	150	346500
Klerksdorp	3.0	90	15	1350	110	148500
Qwaqwa	4.4	132	15	1980	62	122760
Rustenburg	7.9	236	15	3540	170	601800
Secunda	2.7	82	15	1230	150	184500
Springs	2.2	66	15	990	150	148500
Vereeniging	2.7	80	15	1200	150	180000
Welkom	6.5	196	15	2940	150	441000
Westonaria	3.4	102	15	1530	150	229500
Total	46.4	1392.0	180.0	20880.0	1642.0	2829960.0

Thirty percent (30%) fewer visitors from the Ficksburg border post use taxis than do those from Maseru Bridge, and probably more than ably 2.5 times more than those from Van Rooyenshek. It should also be noted that the transport link with the rest of South Africa is far more extensive from the Ficksburg border post.

7.3.2 Buses

No bus service exists between Ficksburg and Bloemfontein although an extensive service is available to Klerksdorp, Carletonville and Rustenberg, with each transporting in the vicinity of 2000 people per month to said destinations.

7.3.3 Vehicles

It was virtually impossible to develop an idea of how many vehicles that originated from the Ficksburg border post. Therefore an estimate was made based on the following principles:

- In the case of Maseru 1:1.8 people travelled per car for every taxi commuter.
- In the case of Van Rooyenshek the ratio was 1:1 for taxis and private vehicles.
- It was assumed that the ratio for Ficksburg would be 1:1.4 for people travelling by taxi and by private vehicle. This suggests that approximately 3150 people originate from the Ficksburg border post and visit Bloemfontein.

7.3.4 Summary

The total in respect of the above traffic assessment for the three main border posts between South Africa and Lesotho, is reflected in Table 7.6 below

Table 7.6: A summary of traffic flow between Lesotho and Mangaung, 2008

Mode	Maseru	Van Rooyenshek	Ficksburg	Total	%
Bus	1950			1950	9.7
Taxi	3600	1050	2250	6900	34.5
Private vehicle	6500	1057	3150	10707	55.8
Total	12050	2107	5400	19557	100

The table confirms the following crucial aspects:

- More than half the commuters travel by private vehicle.
- Just over one-third travel by taxi.
- Less than 10% travel by bus.
- Overall, nearly 20 000 people (some might be the same) visit Mangaung from Lesotho per month. This figure will be used as the figure to calculate the total economic impact later in Section 8.

8. Assessing the role of visitors from Lesotho

The aim of this section is to determine the economic impact of Lesotho citizens on Mangaung. As already noted 400 Lesotho citizens were interviewed, and this sample size allows one to generalise the impact for Lesotho. The section starts off with a range of descriptive factors and ends with an assessment of the economic impact of Lesotho citizens on Mangaung.

8.1 Basic profile of interviewees

Two aspects are considered at this point: the gender and age profiles. Just less than 48% of visitors to Mangaung were females. Considering that males are usually the most mobile group, this seems to be fairly high and needs further evaluation throughout the report. Regarding age, the average age of visitors was calculated at 35 years. What was significant was that the median was 30 years – probably an indication of the link to educational facilities in Bloemfontein. A quarter of the visitors were younger than 25 year, half were 30 years or younger, while only a quarter were older than 42 years. Figure 8.1 is an overview of the age distribution of visitors to Mangaung.

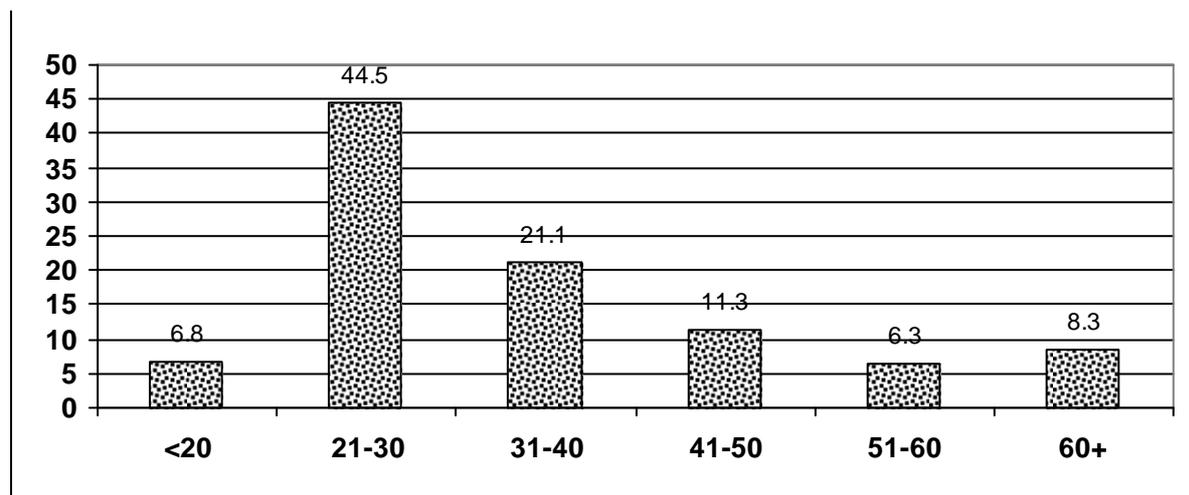


Figure 8.1: The age distribution of Lesotho visitors to Mangaung, 2008

The age distribution confirms the high percentage of visitors who are 30 years or younger and it moreover confirms the perception that a significant percentage of visitors visit Mangaung for educational purposes. Section 8.6 elaborates on this aspect, and at that stage the report will again use the age distribution to identify specific trends. No significant differences were recorded for the average ages of males and females.

8.2 Origin of visitors from Lesotho

The initial intention of this research project was to determine the implications of economic linkages for the envisaged N8 Corridor Project. The place of origin would provide some indication of the degree to which the N8 actually is the main road linkage between Lesotho and Mangaung. The results are portrayed in Table 8.1 below.

Table 8.1: District of origin for Lesotho citizens visiting Mangaung, 2008

District of origin	n	%
Maseru District	258	65.8
Mafeteng District	87	22.2
Berea District	18	4.6
Mohale's Hoek District	12	3.1
Leribe District	6	1.5
Other	11	2.8
Total	392	100.0

The above table indicates that 65.8% of the visitors to Mangaung originated from the Maseru District. A further 6.1% of visitors originated from district to the north of Maseru (Leribe and Berea). This means that nearly three out of every four visitors would use the N8 on a regular basis to visit Mangaung. Visitors from the two southern districts (Mafeteng and Mohale's Hoek) comprised only 25.3% of all visitors and they would most likely use the Dewetsdorp road. In terms of a gender analysis, a significantly higher than average percentage of males than females originated from Maseru District (55% vs. 52% average). In all of the other districts female visitors were in the majority. Visitors from Maseru were also, on average, younger than visitors from other districts (33.86 year), while visitors from Mafeteng were, at 38.6 years, older than the average. These statistics on gender and age might be an indication that the area of origin has distinct attributes that influence the reasons for visits to Mangaung – an aspect which needs to be investigated in more detail.

8.3 Destination in Mangaung

This section assesses whether visitors visited Bloemfontein, Botshabelo or Thaba Nchu. This assessment is important so as to understand the nature of visits within Mangaung. Just over three-quarters of the visitors visited Bloemfontein, while 15.2% visited Botshabelo and 8.6% visited Thaba Nchu. The remaining respondents indicated that they visited other areas. Other key findings from the data are:

- The data did not reveal any significant differences in respect of the origin of visitors in relation to the area that they visited.
- The same can be said in terms of the age distribution, although Botshabelo attracted slightly younger visitors (an average of 32.1 years)¹⁶.
- In terms of a gender analysis, significantly more males than the average of the sample visited Bloemfontein compared with Botshabelo and Thaba Nchu (57.2%).

8.3 Mode of transport

It should be remembered that the mode of transport was dependent on the survey strategy. A decision on how to divide questionnaire between different modes of transport was before hand against the background of the available knowledge in this respect. Not much should therefore be read into the main analyses. Yet, some of the results from the secondary analyses should be borne in mind. Approximately 45% of the visitors used a taxi, while nearly 30% made use of a car and one in four used a bus. Yet, it is though important to compare the type of vehicle with a few other key indicators (see Figure 5.2):

¹⁶ It should be noted that the average age of the respondents who answered the question on their destination was 33.5 years – slightly younger than that for the total sample.

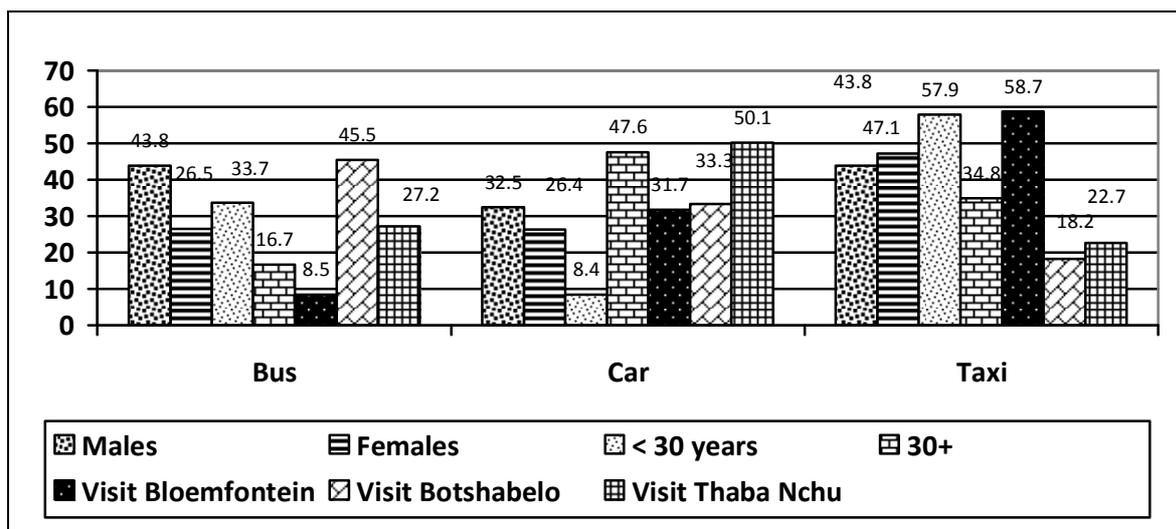


Figure 5.2: The type of transport use compared with a range of indicators, 2008

The following key points should be noted regarding the data in Figure 5.2:

- Compared with the average for bus transport males use bus transport, more often than females 43.8% of males who visited Mangaung used this mode of transport. Bus transport also seems to be the preferred mode of transport for visitors who travel to Botshabelo-45.5% of these visitors used bus transport.
- The main preference for car transport comes from those older than 30 years (47.6%) and from visitors to Thaba Nchu (50.1%).
- Taxi transport is more often used by those younger than 30 years (57.9%) and by people who visit Bloemfontein (58.7%).

The fact that 70% of the visitors use some form of public transport is significant and should be borne in mind when reflecting on the implications for the N8 route.

8.4 Reasons for visiting Mangaung

Having provided some of the basic information in respect of the profile of visitors, we now focus on a discussion of the reasons for visiting areas in Mangaung.

8.4.1 Overall reasons

First, there is a brief review of the main reasons (see Table 8.2), and this is then followed by a more detailed discussion focusing on the attributes related to the different reasons.

Table 8.2: Reasons for visiting Mangaung, 2008

Reason	n	%
Visiting friends/family, social occasion	112	27.9
Education	94	23.4
Doing shopping	78	19.5
Business/wholesale purchases	39	9.7
Employed /looking for employment	39	9.7
Medical / banking / legal services	23	5.7
Pay debt	6	1.5

Entertainment	4	1.0
Connect to other transport	3	0.7
Other	3	0.7
Total	401	100.0

Table 8.2 suggests that 27.9% of visitors interviewed visited Mangaung for social reasons (visiting either family or friends). This is significant in that other research has already indicated that a significant proportion of tourism takes place through such visits – especially over weekends. The second most prominent reason for visiting Bloemfontein was related to educational reasons (23.4%). A large percentage of respondents were either enrolled at one of the two universities in Bloemfontein or attended schools in Mangaung. The third most prominent reason is that of shopping: nearly 10% of the respondents indicated that the main purpose of their visit was to go shopping in Mangaung. A further 9.7% indicated that they were either employed or seeking employment. Nearly 6% of visitors indicated that the banking, medical and legal services provided in Mangaung were the main reasons for their visit. All of the other reasons accounted for less than 2% but it should be noted that entertainment was indicated by 1% of the interviewees and that a further 0.7% indicated “connection to other transport” – most probably air transport – as the reason for visiting Mangaung.

8.4.2 Gender, age and the reason for visiting Mangaung

An understanding of the reasons why visits have taken place will be incomplete if these are not substantially cross-tabulated with a range of variables. This section reflects on whether age and gender play any significant role in respect of the reasons why Lesotho citizens visit Mangaung. The following reasons were more prominent in the case of males:

- Working in Mangaung or looking for work (76% of males gave this as the main reason for visiting Mangaung).
- Furthermore, 82% of male respondents indicated that they came for business-related reasons / or for wholesale purchasing.

Female respondents were more inclined to visit Mangaung for educational purposes and 63% of females visited Mangaung for this specific reason.

In respect of age, the following should be noted:

- The main reason for those under the age of 30 was access to educational facilities in Mangaung. Nearly 45% of the respondents in this age category provided this reason.
- A significantly larger percentage of older respondents indicated that they visited Mangaung for business reasons (15.5%, compared with the average of 9.7%).

8.4.3 Destination and reason for visit

The areas of destination in Mangaung have already been outlined in Section 8.2. The question is whether there were different reasons for visiting the different areas. Table 8.3 summarises this aspect.

Table 8.3: The destinations and reasons for visiting Mangaung, 2008 (%)

Reason	Bloemfontein	Botshabelo	Thaba Nchu	Elsewhere
Visiting friends/family, social occasion	12.3	25.0	36.4	30.4
Medical / banking / legal services	6.6	6.8	18.2	0.0
Shopping/services	26.2	18.2	13.6	8.7
Education	28.2	20.5	18.2	21.7
Business/wholesale purchases	12.8	18.2	4.5	8.7
Entertainment	1.0	0.0	0.0	4.3
Catch other transport	0.5	0.0	0.0	0.0
Pay debt	1.5	2.3	0.0	0.0
Work/looking for a job	10.3	9.1	9.1	21.7
Other	0.5	0.0	0.0	4.3
Total	100.0	100.0	100.0	100.0

It should be borne in mind that approximately 75% of visitors came to Bloemfontein. A number of comments can be made in respect of the above table:

- Social reasons seem to be more prominent in Botshabelo and Thaba Nchu than in Bloemfontein. Maybe there is scope for further research to understand the impact of Lesotho citizens locating Botshabelo and Thaba Nchu
- By contrast, accessing shopping centres and educational services were more prominent in Bloemfontein than in the other two centres. The relatively higher percentage of respondents who indicated doing business or wholesale purchases in Botshabelo is significant and is most probably linked to the clothing manufacturing or construction material sector in Botshabelo
- The high level of medical / banking and legal services in Thaba Nchu is mainly related to access to banking services. Respondents who indicated medical services accessed these services exclusively in Bloemfontein.

8.4.4 Reasons for the visit and the origin of visitors

The focus now shifts to a comparison of the reasons for the visit and the origin of visitors (see Section 8.2). As Mafeteng and Maseru are the only two districts for which adequate scale of information was available, only data in respect of these two provinces will be applied. The following main findings should be noted:

- Visitors from Mafeteng are more inclined to visit Mangaung for social reasons than are visitors from Maseru. In the case of Mafeteng nearly 40% of the visitors visited Mangaung for social reasons compared with only 22.6% for Maseru.
- The opposite applies in respect shopping, business and educational purposes. These reasons are more prominent in the case of Maseru (21.9%, 26.5% and 12.3%) than for visitors from Mafeteng (11.3%, 18.2%, and 3.4%).
- It is significant that the half of the visitors who indicated that they visited Mangaung (more specifically Bloemfontein) for medical purposes originated from Mafeteng. The availability of private health care facilities in Maseru has probably reduced the demand in Bloemfontein for visitors from the Lesotho capital. The fact that Netcare has just taken over the private hospital in Maseru may to a certain degree have a further impact on this figure.

The above information is probably an indication that significant economic linkages exist between mainly Maseru and Bloemfontein – far more so than in the case of Mafeteng.

8.5 Number of visits per year

The average visitors from Lesotho sleep over in Mangaung for an average of 7.11 nights per annum – confirming that a large number of visitors are doing day trips – as already noted in the traffic data. Table 8.4 provides an overview of the number of visits per annum by Lesotho citizens.

Table 8.4: Number of annual visits for Lesotho citizens, 2008

Number of visits	n	%
1-4	112	27.9
5-12	141	35.2
13-24	69	17.2
>24	79	19.7
Total	401	100.0

Table 8.4 suggests that nearly 37% of visitors from Lesotho visit Mangaung at least more than once a month annually. In fact half the visitors visit Mangaung at least once per month. This trend probably suggests that a large number of visitors actually visit Mangaung for monthly groceries or service-related reasons.

8.7 Expenditure patterns

The aim of this section is to assess the total income impact of Lesotho citizens on the economy of Mangaung (see Figure 8.5). For this purpose the following procedures were used:

- The average expenditure per item was determined for the respondents' last visit to Mangaung
- It was then multiplied by the 20 000 visitors
- This figure was then multiplied by the percentage of respondents who recorded a response for the specific item.
- Finally, the figure was multiplied by 12 to get an idea of expenditure per annum.

Table 8.5: Total expenditure of Lesotho citizens per month and per annum in Mangaung, 2008

Items	Per month	Per annum	Percentage
Clothes	4,665,686.27	55,988,235.29	18.5
Wholesale purchases for shop	4,287,581.70	51,450,980.39	17.0
Groceries	3,485,294.12	41,823,529.41	13.8
Petrol	2,663,398.69	31,960,784.31	10.6
Vehicle-related expenses	1,733,006.54	20,796,078.43	6.9
Liquor	1,564,771.24	18,777,254.90	6.2
Friends	1,286,928.10	15,443,137.25	5.1
Housewares	8,901,96.08	10,682,352.94	3.5
Taxi / bus fares	708,496.73	8,501,960.78	2.8
Entertainment	630,392.16	7,564,705.88	2.5
Medical services	580,392.16	6,964,705.88	2.3
Construction materials	457,516.34	5,490,196.08	1.8
Accommodation	418,300.65	5,019,607.84	1.7
Legal services	130,718.95	1,568,627.45	0.5
Medicine	100,980.39	1,211,764.71	0.4
Other :	1,586,274.59	19,152,942.06	6.3
Total	25,189,934.72	302,396,863.63	100.00

The following key factors should be highlighted in respect of table 8.5:

- Overall, this means that Lesotho citizens contribute approximately R302 million per annum to the Mangaung economy. Approximately 80% of this expenditure occurs in Bloemfontein.
- The item with the highest percentage of expenditure is clothes, with 18.5% of the expenditure being on this item.
- Other items that recorded more than 10% of expenditure were wholesale purchases for shop, groceries and petrol, while other vehicle-related expenses (servicing cars) should also not be ignored.

Regarding the expenditure by students of approximately R60 million, it could be assessed that Lesotho citizens spend in the vicinity of R360 million per annum in Mangaung. Put differently, this is the equivalent of consumer spending of visitors for four rugby test matches against world's best sides in Bloemfontein.

8.8 Aspects preventing more frequent visits

Respondents were asked two more questions, namely what the single most important aspect is that prevents them from visiting Mangaung more often, and, what would have to change for them to make them visit Mangaung more often. The responses to these two questions are reflected in Table 8.6 and Table 8.7.

Table 8.6: Aspects preventing Lesotho citizens from visiting Mangaung, 2008

Reason	n	%
Nothing	152	43.9
Crime corruption	57	16.5
Personal/work restrictions	49	14.2
Border/passport difficulties /delays /costs	22	6.4
Transport problems	18	5.2
Don't like Bloemfontein /weather/there are better places	12	3.5
Issues with institutions/companies	11	3.2
Discrimination/xenophobia	10	2.9
Lack of entertainment/shops	7	2.0
Distance	5	1.4
Other	3	0.9
Total	346	100.0

Nearly one in two respondents mentioned that there was nothing. Yet, approximately 16.5% mentioned crime, while 14% mentioned the personal restriction and work restriction (closely related to border posts) as key inhibiting factors. More specifically, about 6% mentioned passport difficulties and delays at the border posts, while about 5% mentioned transport problems. The four aspects which could be considered from a planning point of view relate to:

- Reducing the restrictions of movement
- Border-post regulations
- Addressing crime and corruption
- Improving the transport system between Lesotho and Mangaung.

Table 8.7: Aspects which need to change to increase the visits from

Response	n	%
Nothing	111	33.1
Safety and security	41	12.2
More shops/entertainment/factories	30	9.0
Cleaner town	25	7.5
Better transport/trains	25	7.5
Other comments	23	6.9
Employment	21	6.3
Better customer service/care	17	5.1
Cheaper products	13	3.9
Better banking	9	2.7
Shops close together	8	2.4
Don't know	6	1.8
Reduce discrimination	6	1.8
Total	335	100.0

The responses did not differ much from those reflected in Table 8.6, with safety and security issues and transport aspects being prominent. The fact that a cleaner town is mentioned by 7.5% is significant. Considering that neither Maseru nor Mafeteng could be ranked as “clean” urban environments, it is quite telling that this is achieving such high priority – an aspect that

the Mangaung Municipality certainly has to take action on. The fact 5% mention better service / care should also not be disregarded.

8.9 Satisfaction levels

In addition to the above questions, respondents were also asked how they rate the service they received (on a Likert scale), whether Mangaung was their first choice of destination for specific project, and if not, what city or town was their first choice. The results are portrayed in Table 8.8 below.

Table 8.8: An overview of satisfaction levels per item, 2008

Items	Likert-scale rating	Mangaung preference (%)	Main alternative
Liquor	4.08	84.2	Maseru
Groceries	4.27	89.8	Maseru
Clothes	4.10	78.2	Gauteng
Housewares	4.07	88.2	Ladybrand
Entertainment	3.98	66.7	Gauteng
Petrol	2.79	16.1	Lesotho
Taxi / bus fares	3.84	99.6	-
Accommodation	4.28	88.5	-
Education	4.48	100.0	-
Medicine	4.00	50.0	Lesotho
Medical services	4.82	81.2	-
Legal services	4.00	100.0	-
Vehicle-related	4.00	84.6	Lesotho
Wholesale	4.00	92.9	Durban
Construction materials	5.00	100.0	-

A number of points should be noted in respect of the above-mentioned data:

- The lowest satisfaction rating was obtained for petrol. The main reason is that the cost of petrol in Lesotho is usually lower than in South Africa because a lower level of tax is levied on petrol in Lesotho.
- Although construction materials were rated highest it should be mentioned that only two responses were recorded.
- The high satisfaction levels with education in Mangaung are also significant. It is also the item displaying the highest preference for Mangaung (100%).
- Medical services received the third highest rating on the Likert scale – despite the fact that expenditure on this item was not very high.

9. The impact of Lesotho students on the MLM economy

Nearly 1700 students from Lesotho study at either the Central University of Technology (423) or at the University of the Free State (1267). The education sector is probably the sector that attracts most people from Lesotho to Mangaung. This section considers, in a broad

overview, the profile of students in mainly Bloemfontein and moreover assesses the economic impact of Lesotho-based students on the economy of Mangaung.

9.1 Basic profile of students

Before a more detailed assessment of the economic impact can be assessed, a broad overview of the profile of students is provided:

- The average age of students who participated in the survey was 26 years with a gender division of 35% male and 65% female.
- The majority of students originated from the Maseru District (64%).
- The sample consisted of 204 interviews of which nearly 70% were at the University of the Free State and 26% were at the Central University of Technology. The remainder were attached to the Motheo Further Education and Training College.
- Students were involved in a range of fields of study, the main field being Business and Management Studies (34.8%), Natural Sciences (15.2%), Education (13.6%), Social Sciences (10.6%), and Information Technology (9.6%).
- Overall, 99% were residing in Bloemfontein and 1% in Thaba Nchu.
- If the data on place of residence are broken down further, it is seen that one in every three Lesotho students resided in Universitas during their studies and 23% in Brandwag (the two suburbs closest to the University of the Free State).
- Only 13% resided in the University hostels.
- Approximately one in every two students resided in a student house, while nearly 20% resided in a flat.
- Approximately 90% of the students who were interviewed were full-time students, 5% part-time student but were residing in Bloemfontein on a full-time basis. The remaining 5% were part-time but were residing in Maseru or Lesotho.
- On average, students originating from Lesotho spent 286 days per annum in Mangaung (mainly Bloemfontein).

9.2 Economic impact

Taking into account the background provided above, the focus now shifts to an assessment of the economic impact that students originating from Lesotho have on the economy of Bloemfontein. Table 9.1 provides an overview of the expenditure of students who originate from Lesotho. The table is based on the following assumptions:

- The average number of days that Lesotho citizens spend in Mangaung was extrapolated to 9.5 months per year.
- The 9.5 months per year were multiplied by the average expenditure per month as indicated by the respondents
- It was assumed that 1500 students study full time (excluding PhD and Master's degree students who only visit Mangaung on an *ad hoc* basis)

Table 9.1: Expenditure by students originating from Lesotho, 2008

Type of expenditure	n	Min	Max	Mean	Total expenditure	%
Accommodation	204	0	9,000.00	1,282.72	18,278,755.81	28.1
Study fees	204	0	2,741.67	1,226.25	17,474,006.62	26.8
Groceries	203	0	3,000.00	670.05	9,548,249.00	14.7
Clothes	204	0	2,500.00	315.75	4,499,403.27	6.9
Entertainment	204	0	4,500.00	310.15	4,419,596.99	6.8
House ware	204	0	8,000.00	239.04	3,406,376.58	5.2
Taxi/Bus/ fares	203	0	1,200.00	146.88	2,093,053.34	3.2
Medical expenses	204	0	3,200.00	135.43	1,929,900.55	3.0
Petrol	204	0	4,000.00	133.05	1,895,924.78	2.9
Vehicle related	204	0	3,000.00	40.59	578,476.65	0.9
Other1	204	0	1,300.00	26.05	371,268.38	0.6
Other2	204	0	5,000.00	25.2	359,160.77	0.6
Legal expenses	204	0	1,800.00	20.92	298,039.45	0.5
Other3	204	0	20	0.1	1,397.06	0.0
Total					65,153,609.25	100.0

The above table reveals that Lesotho citizens spend over R65 million rand per annum in Mangaung (mainly in Bloemfontein). The majority of this expenditure is on accommodation (R18 million or 28%), followed by study fees (R17 million or 27%) and groceries (nearly R10 million or 15%).

9.3 Main reasons for studying in Bloemfontein

The interviewees were also asked what the main reasons were for studying in Mangaung (Bloemfontein). The results are portrayed in Table 9.2 below.

Table 9.2: Reasons why student originating from Lesotho study in Mangaung

Reason	n	%
Closest to place of origin	112	49.8
Quality/standards/facilities/support	36	16.0
Course/institution availability	31	13.8
Good area/like Bloemfontein and UFS /safe/low crime	24	10.7
Affordable	8	3.6
Other	8	3.6
Not accepted by other institutions	6	2.7
Total	225	100.0

The above table confirms that proximity is a key determining factor in choosing to study at the educational institutions in Mangaung (mainly Bloemfontein). This confirms the importance both of border posts that do not create lengthy waiting periods and of efficient

transport linkages between Mangaung and Lesotho. These are aspects which have a direct influence on how to improve the so-called N8 Corridor. Obviously, the availability of quality educational facilities and the availability of courses in Mangaung (Bloemfontein) also contribute in this regard: nearly 30% of respondents indicated these reasons. It remains in the interest of Mangaung to assist educational institutions in whatever way to retain their quality and also the range of available courses. It should also be noted that 10.7% of respondents indicated that they like Bloemfontein and/or the tertiary institutions, as well as the relatively low levels of crime.

9.4 What can be done to attract more students to Mangaung?

Finally, interviewees were asked what can be done to increase the numbers of Lesotho students studying at institutions in Mangaung.

Table 9.3: Recommendations to attract more students with a Lesotho origin, 2008

Type of changes	n	%
Internal changes to institutions	59	28.8
More, affordable accommodation	45	22.0
Crime prevention	36	17.6
More entertainment/shopping venues	20	9.8
Nothing	18	8.8
More tertiary institutions	7	3.4
Marketing	6	2.9
Other	5	2.4
Employment opportunities	4	2.0
Improved transport to cater for students needs	3	1.5
Being more inclusive of other cultures	2	1.0
Total	205	100.0

The most prominent recommendations made by existing students relate to internal changes that need to take place at the various institutions (28.8%), more affordable accommodation (22.0%), and crime prevention (17.6%).

The question that begs to be answered from the above is what the implications are for the Mangaung municipality. It would probably be safe to say that the first two reasons have no bearing on the municipality. And, although crime prevention is not a specific municipal function it is an area where the municipality could play an influential role.

10. Conclusions & recommendations

Before coming to conclusions and recommendations, it is important to reflect for a moment on potential modes of operation open to the Mangaung Local Municipality. One possibility would be for the Mangaung Local Authority to pursue an activist implementation role in various activities to maximise the advantages of economic linkages between Mangaung and Lesotho. This immediately raises questions about whether the relevant capacities exist or

whether the cost at which they could be provided would be offset against value added through those services. The other possibility is to determine to which extent the local authority could play a facilitation role to enhance the economic linkages with Lesotho and thereby benefits for the economy of the localities of Mangaung. This question will be asked in each of the sub-sections that will be reflected upon in this section.

In addition, in respect of each of these sub-sections, the question will be asked what could be done differently concerning the delivery of core municipal functions to enhance the economic benefits or potential of that sector.

10.1 Complementary industrial development:

Whilst Lesotho was successful in developing substantial industrial growth in textiles, this growth was driven mainly by a combination of factors:

- A generous tax regime for manufacturing;
- The AGOA window of opportunity;
- Eastern – mainly Taiwanese and Chinese – entrepreneurs in the textile industry utilising Sub-Saharan Africa as the springboard to access first the European and then the US market.
- Pro-active action to meet the requirements-after the lapsing of the Special Rule-by establishing denim mills. (This also enables Lesotho to meet the requirements of the EU cumulation requirement in apparel).

To date, local indigenous entrepreneurs have failed dismally in Lesotho to utilise the opportunities. In addition, local businessmen also failed to develop linkages or service industries to benefit economically from the changing scenario – e.g. cleaning and catering firms – that would also make life easier and therefore more attractive for foreign investors.

The story of Lesotho's industrial growth is also to a large extent a story of the Free State's inability (always in the context of the larger South African picture) to utilise or explore almost similar opportunities. The following aspects can be highlighted:

- The decline of the gold mine industry in the Free State Goldfields had a devastating impact economically on both the Free State and Lesotho. However, Lesotho was able to explore massive industrial potential by exploiting its opportunities in apparel first with the EU and thereafter with the US. The Free State Goldfields with existing infrastructure, spare electricity capacity, industrial infrastructure, etc., failed dismally to develop a manufacturing alternative (this is an indication that favourable tax regimes as well as more flexible labour laws were more of an incentive than existing capacities in electricity and infrastructure).
- The Free State is at a disadvantage concerning the tax regime applicable to manufacturing, labour costs in wages, as well as labour costs in terms of procedures, employee benefits and employer-employee negotiations.

- The restrictions concerning property rights for foreign entrepreneurs in Lesotho weigh less than their fear/concerns related to BEE in the South African context.
- The Free State failed to pursue complementary industrialisation efforts. If it realised in advance the implications for Lesotho when the Special Rule would lapse, it could have pursued the establishment of a denim mill in, say, Botshabelo or Thaba Nchu-where there is sufficient vacant industrial space. It is an opportunity lost, which Lesotho hopes to explore to its full extent.

It is clear that Lesotho's textile industry has performed better than the South African textile industry in the changing international context with Chinese and Indian firms after quotas in terms of the the Multi-Fibre Arrangement had vanished. It is also clear that the growth in industrial job creation in Lesotho for the past few years was more in the field of electronics. At this stage Mangaung local authority, especially because Bloemfontein has no real manufacturing base, could rather facilitate complementary industrialisation by supporting industrial investment in fields that could complement the Lesotho manufacturing sector. In this regard, the following are of importance:

- Are there any cross-border linkages with the Lesotho manufacturing sector that could be pursued, e.g. in the field of transportation of imports and exports, and/or the supply of raw materials – e.g. cotton or wool or plant fibres – that could be utilised by the new denim and knitting mills, etc.?
- What is the potential of the new thrust in electronics in Lesotho? Are the two new factories creating 1160 job one-off opportunities, or is there a new wave, in addition to textiles welling up?.

We propose that Mangaung engage in an exercise to determine the industrialisation strategies from the LNDC, as well as the restrictions hampering their industrialisation efforts, by commissioning a study to interview the industrialists in Lesotho so as to determine:

- (i) what kind of raw or intermediate products they require;
- (ii) what services they require.

This could provide an opportunity for a complementary industrialisation strategy in Mangaung. Such an investigation could also provide some answers whether there is potential in the vacant and/or substantially underutilised factory floor space in the Bloemfontein-Botshabelo-Thaba Nchu corridor to supplement the needs of the growing industrial estates of the Lesotho Lowlands? In short: how can underutilised industrial infrastructure currently rendering poor returns in employment and economic growth, be utilised to pursue opportunities in conjunction with Lesotho, especially since Lesotho's manufacturing sector being overweight in textiles and apparel remains vulnerable, Lesotho has not been able successfully to diversify its industrial sector (and the Free State Province's industrial sector has not effectively transformed its history of decentralisation and deconcentration incentives into a vibrant industrial sector). Could the Province and Lesotho find common ground in pursuing industrialisation options that could also benefit from AGOA ?

Concerning core municipal policies and services in this regard, the following are of importance:

- Is the Mangaung municipality currently the owner of unutilized serviced industrial sites (with or without industrial buildings) and if so, can such sites be marketed at a discount to targeted entrepreneurs (those who could play a complementary role for industry in Lesotho) with a local property tax holiday as an additional incentive?
- What can the Mangaung Municipality do to address the electricity shortages caused by Escom's lack of capacity?
- Has Mangaung sufficient bulk water supply capacity and are the water treatment works as well as the waste treatment works operating at acceptable norms?
- Is road infrastructure intact and is the stormwater infrastructure in the industrial areas well maintained to prevent losses and disruption during heavy rains?

10.2 Enhancing the service delivery sector of Mangaung:

The Mangaung Municipality could become a strong ally to enhance the service delivery capacity of Mangaung by lobbying for:

- (i) the urgent upgrading of the existing road between the border post and Bloemfontein, especially the section from the Maseru turn-off close to Ladybrand up to Tweespruit - this will enhance traffic flow between Maseru and Bloemfontein, which also holds economic advantages for Bloemfontein;
- (ii) the construction of the a new road to shorten the distance between Maseru and Bloemfontein from the turn-off to Van Stadensrus and Wepener up to the border post (this route was already surveyed several years ago) – which will not only shorten the distance between Maseru and Bloemfontein, but also cut out steep inclines and descents that eat into valuable commuting time;
- (iii) a more efficient one-stop border facility where officials from both countries could simultaneously inspect and process travel documentation.

Why an improved and shorter road link would have additional economic benefits for Mangaung?

Considering the fact that the Maseru International Airport is not considered as a safe or convenient airport, as well as the limited number of flights thereto, as well as the fact that Bloemfontein is also struggling with sufficient flights, attention to the following should be given:

Improved road conditions (well constructed broader road from Tweespruit eastwards) as well as the construction of the shorter direct link from the N8 to the border post, together with the introduction of a one-stop joint border post operated by both countries would make Bloemfontein Airport a more attractive location for passengers travelling to or from Maseru.

It would not only improve demand on flights between Johannesburg and Bloemfontein, but with proper marketing and lobbying it could lead to more flights between Bloemfontein & Durban, whilst also opening up opportunities for international flights between Bloemfontein and Maputo.

Concerning enhancing the attraction of Mangaung as a locality for service providers that would render services in Lesotho, the following is relevant:

The Mangaung Municipality could conduct a survey in LNDC factories to determine both the nature and the location of existing service providers. Of the 30 ad hoc interviews with service providers at the border post, 19 were with service providers from outside Bloemfontein. The following questions arise: Do they offer such specific services that Bloemfontein service providers cannot provide these? What would it take to get some of these (small and medium) service providers from Gauteng to relocate to Bloemfontein?

Concerning enhancing the attraction of Mangaung as a locality for services to visitors from Lesotho, the following is relevant:

- With an emphasis on buying (both retail for individuals and wholesale for entrepreneurs): are the services by the Mangaung Municipality to provide a clean and neat environment to the required standard? Filthy pavements with garbage blocking the side-drains, potholed streets that remain unrepaired for months, water bursts and even worse, blocked drains resulting in sewerage flowing in the streets are unfortunately fairly common sights. Simply by performing in these fields properly, the local authority would improve the image of Mangaung to visitors from everywhere, also those from Lesotho.
- Can the Municipality engage in activities that would improve safety for commuters at the bus and taxi ranks? A 24 hour monitored surveillance system contracted to a recognized and established security firm – rather than trying to run and operate that itself by the Municipality – could be considered in and around the taxi ranks and if that is successful in bringing crime substantially down, to be extended to other crime hot spots.
- Can the Municipality embark on institutionalizing an event that would not only bring in more Lesotho visitors to Bloemfontein, but also lure visitors from elsewhere to Bloemfontein? An example of this would be if the Mangaung Municipality could – with private sector sponsorship – launch an annual sporting event of two soccer tests between South Africa and Lesotho competing for the Moshoeshoe Cup with one test being played in Maseru and the other one played in Bloemfontein.

10.3 Improving the attraction of Mangaung as a hub for educational service delivery

If the expenditure by Lesotho visitors in Mangaung (Table 8.5 above) and the value of expenditure by Lesotho students in Bloemfontein (Table 9.1) are jointly considered, the value of Lesotho expenditure in Mangaung (and mainly Bloemfontein) amounts to R367 550 000 per annum. The share of the educational sector is the single largest sector with 18% or R65.15 million, followed by the buying of clothes (R55.988 million or 15%). One can also with certainty state that the 1 500 full time Lesotho students in Bloemfontein is a pull factor resulting in several visits by family members and friends to Bloemfontein, therefore a percentage of the expenditure captured in Table 8.5 is dependent on the enrollment of Lesotho students at tertiary institutions in Bloemfontein.

The question arises whether the Mangaug Municipality has any possible role in this field? Internationally there are several examples of local authorities understanding the importance of educational centres of excellence in their locality and where direct sponsorship of the university as a whole, or for specific faculties or even chairs or research programmes have been embarked upon. Lessons from such examples could be drawn to determine whether the

Mangaung Local Municipality could enhance the research capacity of the UFS and /or CUT in a specific field that would lure more students from Lesotho as full time students to Bloemfontein.