



The ComMark Trust is a major regional initiative, which focuses on market development activities in Botswana, Lesotho, Namibia, South Africa and Swaziland. ECIAfrica manages the implementation of ComMark.

ComMark Trustees are Paul Zille, Anthony Evans, Hixonia Nyasulu and Nonkululeko Nyembezi-Heita.

INSIDE THIS ISSUE

Lesotho Conference	1
The Entrepreneurial Spirit of the Mountain Kingdom	1
Growing wool using Market Development	2
This is where ComMark is heading	3
Clotrade – supporting SA Apparel	3
Fill in this form	4
ComMark turns one	4

Lesotho Conference aims to develop burgeoning textile industry

The mountain kingdom of Lesotho is home to spectacular vistas, vast open spaces – and a thriving apparel industry producing garments for some of the best known brands in the world. The ‘Sharpening the Competitive Edge’ conference and trade fair is scheduled to take place at the Lesotho National Convention Centre in Maseru, on the 14th and 15th May. Apart from highlighting this growing sector, the main purpose of this conference is to develop markets for service providers to the Lesotho garment industry. These services will in turn increase the competitiveness of the Lesotho based industries, with a corresponding impact on poverty reduction and development for the people of Lesotho.



According to Andy Salm, Textile and Apparel Sector Specialist at ComMark, the main aims of the event include development of a market for private sector service providers to support the garment industry in Lesotho; providing incentives to industrialists to use the services of manufacturers across the Kingdom and development of vocational education and training strategies to ensure the long term sustainability of the industry.

continued on page 2 ►



Thabiso Mothabeng

The Entrepreneurial Spirit of the Mountain Kingdom

Thabiso Mothabeng is a representative member of independent Basotho entrepreneurs on the Steering Committee for the *Sharpening the Competitive Edge* Conference. He is responsible for developing market linkages between international industry leaders and the emergent apparel sector in Lesotho.

The Conference aims to link providers, suppliers and clients of various services and products in the apparel industry. Thabiso however, has managed to establish these business and market linkages between his own business and the international apparel industry through hard work and his entrepreneurial spirit. The growth of his business is a testimony to development and growth through market-led opportunities.

Throughout the ten years that he worked as a technician for the Lesotho Telecommunications Authority Thabiso knew that one day he would be a successful businessman. This entrepreneurial drive first drew him into making concrete blocks while still working at the LTC. Today he owns and runs Mountain Textile Screen Printers; one of the largest and most successful Basotho owned companies supplying the needs of the South East Asian dominated apparel industry in the country.

The money Thabiso made from blocks he used to start a taxi business back in 1989. He sold this business in 1995 when he realized the sector was becoming saturated. Returning Basotho, retrenched from the South African mines, were using their savings to buy taxis and so create employment for themselves.

He thought about entering the chicken business and approached the LNDC for assistance. The LNDC dissuaded him from this dream and encouraged him to link up with a South African investor who was interested in silk screen printing in Lesotho. Despite a setback where the investor was placed in liquidation, Thabiso persevered. As part of his investment in the business Thabiso had financed a printing machine and had also picked up the knowledge he needed to set up on his own.

continued on page 4 ►

Lesotho Conference

Continued from page 1

Conference content will focus on productivity, training and ways of mitigating the effects of HIV/AIDS. Recent studies of the Lesotho garment industry have identified the risks and constraints as well as the opportunities facing the industry. Furthermore, with the workforce profile of the garment industry at particular risk from the impact of HIV/AIDS, the conference will draw attention to comprehensive programs which can serve as blueprints for similar interventions throughout the country.

Key speakers will discuss factors relevant to maintaining the textile industry's competitiveness, noting that the advantages from which Lesotho has in the past benefited – such as preferential trade agreements – may undergo some change as a result of changes to the AGOA agreement. At present the special preferences under AGOA for Lesotho come to an end at the end of September 2004 but the AGOA agreement lasts until the end of 2008. The extension of the special preferences for two or three years and the extension of the whole of AGOA to 2015 are currently under review by the US Congress.

Aiming to link regional service providers such as training, productivity, HIV/AIDS specialists, financial, freight forwarding, work aids, spares and repair suppliers, with local industrialists, ComMark anticipate the formation of

valuable partnerships which will create permanent, well resourced, professional private-sector service providers within Lesotho.

The trade fair will be an exhibition of both local and international service providers. Visitors to the fair will have access to specialists in human resource management; industrial relations; communication skills; supervisory and line management training; operator training; works study methods; industrial engineering techniques; corporate compliance; change management; staff induction; negotiation skills; productivity enhancement; and workplace HIV and AIDS programmes amongst others.

To increase the accessibility of the event to all participants, from individual entrepreneurs in rural areas through to large international corporations, the conference offers several packages which offer good value at reasonable costs to all players.

More information about the Conference, including the programme, registration forms and information for exhibitors is available on the ComMark website, www.commark.org. For more information regarding the Conference, please contact Andy Salm at the ComMark offices or email him on andy@commark.org

Growing Wool using Market Development

Aubrey Bomela is one of ten thousand sheep farmers in South Africa's Eastern Cape province who earns a living from a number of sources, including his fifteen sheep. Each year he shears his flock at home and sells the fleece for two Rand a kilogram to a trader, who travels between the surrounding communities. After sorting, classing and baling this wool, the trader can realise between twelve and twenty-five Rand per kilogram, (depending on quality), by placing it on the auction floor in Port Elizabeth through a broker. Aubrey, unaware of prevailing market prices and the crucial importance of proper shearing, sorting, grading and baling, is failing to reap the substantial returns associated with the commercial wool trade in South Africa.

In the wool sector ComMark is partnering with the National Wool Growers Association in the Eastern Cape and Teba Development in Lesotho. While the organisations have slightly different methodologies, the objectives for each programme are identical: to provide business and technical support to emerging wool producers which will stimulate effective demand from service suppliers and wool buyers on a sustainable basis. Both programmes aim to improve poor sheep farmers' livelihoods in a sustainable manner, reducing poverty in those communities.

ComMark's partner organisations will train smaller emergent farmers to improve the health of their flocks, in international grading and baling requirements, and will begin to stimulate the market to provide these services over the long term. These value added services improve the quality of the wool and its market value. Then they will provide an opportunity for these farmers to sell their wool at market related prices, creating an incentive for the farmers to care for their flocks to ensure higher prices at next year's shearing. In this way ComMark and its partners, through providing market related services and linkages, allow farmers like Aubrey to participate in a global market, where previously they were uninformed observers.

Crucially under this programme, the farmers are required to pay market-related prices for the services they receive. But they do so willingly, given the improvements in yields and returns that they derive from these transactions. The emergence of a viable market of small farmers simultaneously encourages a variety of local business service providers to develop, and raises the interest of commercial pharmaceutical companies and brokers to offer products and services in previously non-viable areas. Over time, the temporary mentorship and market facilitation role adopted by ComMark's partners will be wound



down, with the aim of leaving behind functioning local wool markets, populated by informed and discerning farmers who are directly linked into commercial supply chains and the benefits that accrue from these.

ComMark has also met with the Minister for Agriculture and Food Security in Lesotho regarding possible support for development of different market-based approaches to facilitate government withdrawal from direct management of woolsheds. We believe some flexibility is necessary given the very different capacities and potential of individual woolsheds and we are offering, as a first step, to assist in the design and financing of a feasibility study on 'commercialisation' options.

For more information on either of these projects, please contact Norma Tregurtha at the ComMark offices or email her on norma@commark.org

ComMark recruits new skills!

ComMark is pleased to welcome Norma Tregurtha as the new agribusiness sector specialist.



Norma was previously with the Department of Agricultural Economics at Stellenbosch University where she was responsible for implementing their industry and community outreach programmes. In addition she brings to ComMark a wealth of research expertise having worked on projects covering e-commerce, trade in natural products, agricultural labour issues and public sector support for agriculture. She recently completed a SADC-based investigation into domestic support for agriculture within the context of the Doha Round.

Norma is currently working with the NWGA and TEBA in ComMark's wool sector investments, as well as coordinating the Red Meat and Natural Product sub-sector studies.

This is where ComMark is heading...

Before ComMark invests in a sector, certain criteria have to be satisfied. One of the ways in which we assess the suitability of a sector is to conduct sub-sector studies. These studies indicate the potential for growth in the sector, whether there are leverage points which would allow ComMark to address imbalances in the sector, and the potential for the sector to promote pro-poor growth.

At the moment ComMark has two sub-sector studies "on the boil", gauging whether ComMark's involvement would be appropriate and valuable.

■ NATURAL PRODUCTS

The term 'natural products' is normally used to cover wild-harvested plants (including roots, grasses, bark etc) used in skin and hair care, flavourings, medicines etc, often undergoing fairly sophisticated processing elsewhere in the world.

The natural products industry in southern Africa has received substantial donor support in terms of research and product development, but rather less support in terms of market exploitation. In part, this is due to concerns that 'commercialisation' serves to disadvantage the poor, reflecting an attitude that has characterised the industry. However, the very nature of the natural occurrence of these products makes them potential resources which poor communities can exploit.

The main successes in natural products have been where commercialisation has taken place, (with the exploitation of hoodia by arrangement with Pfizer, CSIR and the San community as a particularly ground breaking example). But not all natural products have the commercial appeal of a slimming aid without harmful side-effects.

ComMark, together with the International Union for the Conservation of Nature (IUCN), has commissioned a sub-sector study of a number of naturally occurring veld products. The IUCN has already conducted a survey of organisations and products engaged in the trade in natural products, and this survey has identified requirements for further 'pro-poor' development. One of these requirements is business development services to enterprises involved in the sector, facilitating their access to capital, processing and markets.



The study is designed to assess the relevance of a three-year Natural Resources Enterprise Development Programme for IUCN which would include a number of partnership agreements with producer organisations or service providers across a range of products.

From ComMark's point of view, by selecting a small number of products for investigation, the study will provide an empirically-based assessment of the growth potential of natural products, the nature of any market constraints and the likely returns, and possible pitfalls, to future potential ComMark investment in supporting market development in the sector.

■ RED MEAT

Livestock holds a position of great importance in poorer rural communities across the region. However, these livestock owners generally exhibit low levels of participation in the formal commercial red meat industry. Since ComMark is designed to identify restrictions and obstacles to market development and participation in sector markets, an investigation into this sector was a prime opportunity.

The investigation focuses principally on barriers that prevent entry into higher value markets accessed by smaller, less formal producers, whether they are emergent commercial farmers or smaller owners who only sell occasionally. A draft report focussing on small farmer cattle ownership, production and marketing in the Eastern Cape has been produced in collaboration with the Triple Trust Organisation.

The findings of this report suggest there may be a potential role for ComMark to provide support to assist emerging commercial farmers to stimulate their off-take rates and to assist in the development of auctions and direct contract sale to abattoirs. In addition there may be potential to increase the flow of information on prices, grading systems and marketing mechanisms to farmers. However, various issues relating to the motivations for holding and farming cattle, cloud the potential success of any intervention.

A workshop on the report is planned for later this year and most major industry players are expected to attend.

For more information on either of these projects, please contact Norma Tregurtha at the ComMark offices or email her on norma@commark.org

CloTrade – Supporting Growth in the South African Apparel Sector

ComMark has recently approved an application from CloTrade, an organisation representing the South African clothing manufacturing industries, focussed on meeting the demand of the South African domestic market.

The main goal of the initiative is to develop a macro environment conducive to the growth of the clothing industry in South Africa. Smaller manufacturers face huge obstacles, among them dealing with illegal imports which swamp the domestic market and forces local producers to compete against trade practices which are contrary to international agreements. These practices, together with other factors which influence the domestic industry's prices and levels of productivity, mean that CloTrade has an active agenda in not only ensuring its members become more competitive, but are also given fair access to the marketplace.

ComMark's market development approach involves various facets, one of which is facilitating or removing unreasonable restrictions to growth. In many cases these restrictions involve access to information, facilities or markets. CloTrade has argued that its sector faces unfair competition, and that this impedes growth.

To combat this threat, CloTrade assists the South African government with industry related policy formulation. For this year the organisation has prioritised research into the introduction and implementation of "country-of-origin" labelling. This instrument will assist in identifying imports from foreign suppliers that are often "imported" from an interim state, circumventing tariff restrictions. Ultimately this will allow locally manufactured goods to compete on an equal footing with imported goods, promoting competition, efficiencies and growth in the South African industry, securing jobs in a sector that has been in decline for some time.

Earlier this year, draft proposals for the introduction of country-of-origin labelling were drawn up together with the new fibre content requirements for care-labelling. These proposals have since been discussed within the industry and necessary amendments made. After submission to the Department of Trade and Industry for consideration, it is hoped that the finalised regulations will be published by the middle of this year. If accepted, these proposals will allow local manufacturers equal access to a market that has been flooded by cheaper imports.

The Entrepreneurial Spirit

Continued from page 1

By 1999 Thabiso was back in business, printing for local promotions. He started in a 200 square metre building and then turned his sights on the large export orientated apparel industry. There were no independent silk screen printers servicing the industry. "People often ask me how I managed to get all these orders," he says. "All I did was prepare a company profile and emailed it to the Gap Inc. offices in Singapore. Next time they were in Lesotho they came and visited and now I am an accredited supplier to Gap."

Mountain Textile Screen Printers now operates out of a new 525 square metre building and Thabiso is building another factory of the same size next door. Inside are three state of the art automatic silk screen machines imported from

America and Austria. Each machine along with its ink setter costs in excess of M500, 000. The factory is capable of printing in excess of two million pieces per month. The company employs 100 workers on a three shift system working 24 hours a day and seven days a week. Two more printing machines are on order. "There is no shortage of work," Thabiso says.

The apparel sector is one of ComMark's investment areas in Lesotho and South Africa. The Trust's commitment to the apparel industry in Lesotho, its liaising and facilitating between the different stakeholders and its encouraging the sector's move towards international competitiveness ensures that Thabiso will continue to use his entrepreneurial bent. The combination of these factors, together with increased efficiency and competitiveness means that international brands may well continue to choose Lesotho as their country of choice for production.

"Fill in this form, pay the application fee at the counter, then take it to ..."

How often have statements like this or its close cousin, "It will be ready in weeks", hampered development and growth? With its ultimate goal of reducing poverty firmly in mind, ComMark has identified the need to examine regulatory and policy issues that both encourage and hinder growth.

While regulation is often seen as a hindrance to growth and development, sustainable growth only occurs in a stable economic climate. Part of this stability is the establishment of ground rules which everyone recognises understands and practices – in other words regulation. Regulation can become a hindrance to growth. It can do this through impeding innovation, exploiting an established structure or practice and taxing efforts of smaller entrants to a market by imposing unnecessary, restrictive barriers to entry.

Regulatory compliance costs raise business costs and divert the energies of business managers away from growing business. Even necessary regulations can be costly for business and may need to be revised and simplified to make it easier for businesses to comply with requirements. Both organised business and government policy-makers need to be fully informed about the effects of regulations on business and, through business, on the economy.

ComMark has co-financed an investigation undertaken by the Small Business Project into the cost to business of complying with various regulations. This survey is the first comprehensive survey of regulatory compliance costs to be conducted in South Africa and may well establish a new international benchmark. The current research is based on a recent ten country study of private sector development and regulation in Africa and central Europe undertaken in 2002 by Bannock Consulting.

In encouraging government to adopt pro-growth regulation, it is sometimes necessary to illustrate which regulations stimulate growth and development. Numerous indices track the impact of different policies adopted by various governments, but for the most part, this information remains widely dispersed. Surprisingly little work has focussed on the individual policy variables which have the greatest correlations and causal relationships with policy objectives. In other words there is no comprehensive analysis indicating which combination of policies encourages growth.

To this end, ComMark has recently co-funded a research study by the Law Review Project which details an international comparison of economic

indicators that are used to guide and develop national economic policy. This study involves the processing of the information in the indices to find out which policies have which consequences, or which policies give governments the greatest likelihood of achieving goals such as economic growth, increased export-led growth or poverty reduction.

Both studies will be widely dispersed to inform policy makers and to provide vital information for these individuals to make informed changes to their economic plans. In addition, the private sector has expressed interest in promoting the dissemination of the findings of both studies to various interest groups.

When finalised, both studies will be published on the ComMark website. For information on either of the studies, please contact Gordon Freer at the ComMark offices, or on gordon@commark.org.



ComMark turns One

In May 2004 ComMark will celebrate its first birthday. By then, approximately one-third (R18m) of its three-year grant budget (R50m) will be contractually committed, as will three-quarters (R16m) of the budget earmarked for sub-sector studies, training and research into policy and regulatory reform. The relatively high commitment rate reflects the rapid growth, from a standing start, of ComMark's research and grant portfolio, but also is the result of a one-third reduction (to £10m / R120m) in UK-DFID's funding commitment to ComMark which was confirmed in the last quarter.

Over the next quarter, ComMark will concentrate on researching intervention and partnership opportunities in high potential service sub-sectors –

business process outsourcing and call centres; investment incentives for community-public-private partnerships in Namibia's high-value tourist conservancies as well as, possibly, franchising as an instrument to facilitate micro-enterprise start-ups. This research, together with sector studies already underway, will determine the content of the next round of grant investments.

ComMark will continue its focus on a limited number of high pro-poor sub-sectors or theme areas where there is strong public-private partnership potential. However, we are aware that this focus may overlook important niche sectors, initiatives and opportunities, and to this end we will remain highly receptive to good ideas and opportunities that emerge from outside the project. Spread the word.

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