CENTRAL BANK OF LESOTHO
SUPERVISION DEPARTMENT
ANNUAL REPORT FOR 2002

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PART I

COMMISSIONER'S REVIEW

The Supervision Department carried out its duties, which, mainly entail supervising and examining the conduct of the financial institutions affairs in Lesotho. In the weekly meetings, the Department presented to the Financial Institutions Supervision Technical Committee (FISTC), analysis reports on the numerous prudential and statistical returns that the Central Bank of Lesotho (CBL) receives from licensed financial institutions. In addition, examination reports were tabled before the Reports Review Sub-Committee of the FISTC.

From these reports it can be confidently concluded that the performance of the financial sector during 2002 has been satisfactory as detailed in this document. The financial institutions have generally performed well. However, there are still many areas that need further improvement.

Despite the good performance, the analysis reports clearly underscored that the mainstream-banking sector considers the informal sector as risky and not commercially viable. The Department therefore continued, throughout 2002, to examine unceasingly the role the CBL should play in broadening and deepening financial intermediation.

The Bank has, therefore, acknowledged the attempts of micro-finance institutions to bridge the gap between formal commercial banks and the informal sector by providing credit to the latter. This, they have done by applying some workable though not conventional financial credit delivery mechanisms. The features of this delivery mechanism, which are unique to micro-finance institutions, present difficulties in developing a suitable policy and regulatory framework for the micro-finance sector.

In the year under review, the CBL joined other regional financial groupings in debates and exchange of experiences on the need and requirements for regulation and supervision of the micro-finance industry. We have been greatly sensitised, encouraged and equipped with tools to understand the industry better in order to develop a clear framework for this new and dynamic industry. We are slowly but confidently, finding our feet and our own path towards ensuring that these institutions operate effectively for the growth and development of the sector as a whole.

The CBL stayed focused on the efforts to advance the reform process and to promote parallel and complementary initiatives with an objective of establishing an efficient and stable financial system that can fully perform financial intermediation as well as other functions required. A workshop on Financial Intermediation was held in May 2002 to bring together stakeholders in the financial sector to share ideas and experiences on the problems and causes of poor financial intermediation in Lesotho.

The workshop recommendations included most of the initiatives commenced in the previous year like the resuscitation of the Post Office Savings Bank, establishment of the Development Fund and the enhancement of operations of the Commercial Court. These initiatives were further pursued in 2002. As promised in the 2001 Annual Report, the workshop on the Credit Bureau was held and by the end of 2002 all necessary preparations for the establishment of the bureau were made.

The CBL has been confronted with a complex regulatory dilemma of how to treat unregulated activities of an insurance character. It so happens that these unregulated activities have a good degree of public acceptance as they serve a very particular purpose to which conventional plans do not reach. These activities guarantee an "honourable" burial in case of death. Should these activities be regulated or not?

If they are not regulated, the public is exposed to the usual abuse, by unscrupulous people, who take advantage of the opportunity to mobilise easy funds. As such, the public remains at the mercy of any law that can protect them. In debating whether to regulate or not, we are mindful that regulatory requirements may burden these entities to a point where they may fail to fulfil their mission. At the same time compliance with the regulations will ensure protection of clients.

The year 2002 was particularly characterised by special attention paid to efforts to ensure completion of a successful financial reform process. The dedication, hard work and support of the staff of the Supervision Department, in this daunting task have not gone unnoticed.

PART II

STRENGTHENING OF THE SUPERVISION DEPARTMENT

The emphasis on strengthening the Department through staff training, development and recruitment was sustained in 2002. This was in line with the conscious effort to continuously enhance the capacity of the Department to cope with the ever increasing demands and sophistication in the financial services sector.

Every employee in the Department underwent training in 2002. This training, both short term and long term, covered a wide spectrum of courses. The regular courses, such as those offered by the Federal Reserve Bank of New York, Eastern & Southern African Bank Supervision Forum (ESAF), the International Monetary Fund, Financial Stability Institute and the World Bank were all attended.

There has been notable participation of the Department in the ESAF Bank Supervision Application project which involves the design, development and implementation of IT Solution for the management of bank supervision business processes in ESAF countries.

The challenges posed by the rapidly growing financial sector have compelled the CBL to commence designing an appropriate framework and strategy that would guarantee the desired growth and efficient performance of the micro-finance sector, through adequate and effective surveillance and monitoring. Consequently, the previous initiatives taken by the CBL to address non-bank financial entities such as Micro Finance Institutions and Collective Investment Schemes were complemented by attendance of conference and Capital Adequacy Asset Quality Management Earnings Liquidity (CAMEL) training course on the regulation and supervision of Micro

Finance Institutions in Southern & Eastern Africa; attendance of a course on Rural Micro Finance held in the Netherlands; and staff participation in an in-house training on Collective Investment Schemes conducted by the African Capital Markets Forum. The CBL acknowledges the role played by Southern Africa Micro-Finance Capacity Building Facility and Non Alignment Movement (SAAMCAF and NAM) in enhancing capacity and efficiency of MFIs through provision of technical resources and information and has nominated participants to their course on Technical Aspects of Micro-finance.

In addition to the training courses mentioned above, the significance of attachment training and study tours was not overlooked in 2002. One staff member, through the assistance of African Rural and Agricultural Credit Association (AFRACA), was attached to the Cooperative Bank of Kenya. Two staff members went on a study tour of Development Fund activities in Maputo.

One staff member successfully completed a Masters Degree in International Development and Finance.

Notwithstanding the above-mentioned capacity building initiatives, adapting regulatory and supervisory frameworks to rapidly changing financial markets will remain a daunting challenge that requires additional resources in terms of skilled personnel and technical training. Nevertheless the Department remains positive regarding the high level of commitment, dedication and willingness to learn that has been demonstrated by staff in 2002.

In December, 2002 the number of staff employed in the Department of Supervision was 20 compared to 13 in the previous year. The seven new staff members comprised the Head of a Division, One Section Head and five professionals.

Adequate resources in terms of suitably qualified personnel play a very important role within the Department and will continue to be an integral element of the CBL human resource policy.

PART III

ACCOMPLISHMENTS FOR THE YEAR 2002

3.1 *LIQUIDATION OF LESOTHO BANK*

It will be recalled that one state-owned commercial bank, Lesotho Bank, was finally put under liquidation on 31 January 2001. The liquidators were given an initial period of two years to wind up the bank. The liquidators have made significant collections from the Bank's debtors between February 2001 and December 2002. Collection efforts were intensified with various properties and movable assets being repossessed and sold by public auction. Repayment arrangements were entered into with those debtors who were willing to pay while legal action was taken against those who refuse to honour their obligations. With the approval of the Master of the High Court, a first cash distribution of M25 million has been paid to the Government of Lesotho as the sole shareholder of the bank.

3.2 *OFF-SITE SURVEILLANCE*

Introduction

The Financial Institutions Act of 1999 (FIA) empowers the Supervision Department through its Off-Site Surveillance Section, to monitor the activities of the licensed institutions. The main functions, which the section pursued during the reporting period, were:

- ensuring that institutions operated in a financially sound manner; and
- that they complied with the laws and regulations.

Objectives

The three major objectives of the Off-Site Surveillance Section were to:

a) serve as an early warning device to identify problem financial institutions;
b) monitor very closely those financial institutions already identified as having significant problems; and
c) assess broader patterns and trends in the financial sector.

The FIA 1999 allows the Section to get returns on a regular basis from the licensed institutions. The Section reports to the Financial Institutions Supervision Technical Committee (FISTC) weekly. During these weekly meetings of the FISTC, compliance review reports as well as the financial analysis reports were presented. During the period under review the following reports were tabled before the FISTC for consideration:

Name of the Report	***Reporting Frequency***
Liquidity Requirements	Weekly
Abandoned Funds and Properties	Yearly
Loan Portfolio Summary	Biannually
Loans to Directors, Officers	Biannually
Shareholders and Other Related Persons	Quarterly
Exposure to top 20 borrowers	Quarterly
Capital Adequacy Report	Quarterly
Minimum Local Assets	Quarterly
Foreign Currency Exposure	Weekly

Liquidity Requirements

Under the Liquidity Requirements Regulations of 2000, banks are required to keep cash reserves of 3% and liquid assets 25% based on the deposit liabilities and other borrowings of the previous week. During the reporting period banks continued to keep high levels of liquidity.

Abandoned Funds and Properties

The Abandoned Funds and Properties Regulations of 1999 require banks to submit a report once a year to the Accountant General. A copy of the same report is given to the Commissioner of Financial institutions. In this report, banks disclose dormant accounts, which have been in that status for fifteen years and above.

Loan Portfolio Review Summary

This is a bi-annual report, which is submitted to the CBL by all licensed banks operating in Lesotho. It contains an evaluation of loans and advances, which have been classified using an objective classification criteria.

At the end of the reporting period, the total loan portfolio amounted to M318.5 million and the total provision required was M26.0 million. The total amount of non-performing loans amounted to M35.8 million.

Loans to Directors, Officers, Shareholders and Related Parties

This report assists the CBL to regulate insider lending within the banks. According to reports submitted by banks, it was observed that, on the one hand, banks complied with statutory requirements in relation to Directors and Officers while, on the other hand, they reported excessive exposure to related parties.

Exposure to Top Twenty Borrowers

The report helps the CBL to determine the extent of exposure of the banking industry to the amount of loans granted to the business community. During the reporting period, the banking sector remained highly exposed to the corporate sector.

Capital Adequacy Report

The statutory capital adequacy ratio per the Capital Adequacy Regulations of 1999 is 8 per cent of risk-weighted assets. Licensed banks during the year under review, continued to keep ratios, which were above 20 per cent. Even though they seemed to be adequately capitalized, there was a need for banks to inject more capital because of the single borrower limit imposed by section 25 of the FIA 1999. This restriction renders it impossible when banks want to make loans to large corporate clients because they easily exceed the 25 per cent of capital as prescribed under section 25 of the Act. This section restricts banks from lending the excess of 25 per cent of their capital, in order to avoid excessive exposure to certain customers.

Minimum Local Assets Ratio

This ratio is gradually being phased-out by the CBL. During the year 2001, the local asset ratio was 40 per cent of the aggregate value of the banks' liabilities to the public in Lesotho and its required paid-up capital or assigned capital and reserve account. In the reporting period the ratio was reduced to 25 per cent. Even after the revision was made, the banks continued to keep high ratios, which are way above the set limit. The

Minimum Local Assets return is submitted monthly by commercial banks and analyzed for consideration by the FISTC on a quarterly basis.

Foreign Currency Exposure

The Foreign Currency Exposure Regulations of 1999 were amended during the current period. Originally, the banks were required not to have an exposure exceeding 10 percent of capital and reserves on a single currency and 20 percent of capital and reserves on the overall exposure. The limits were revised up-wards in the amendment that was introduced in 2002, to 15 percent and 25 percent of capital and reserves on a single currency and total currencies respectively. The revision was made in the regulation after the banks faced problems in observing the set limits, which resulted from the strengthening of the United States dollar against the rand. Following the amendment, the banks complied with the regulatory requirements.

3.3 ON-SITE EXAMINATION DESCRIPTION AND OBJECTIVES

1. Description

On-Site Examinations were conducted by teams of examiners who visited a supervised institution to extract, verify, and assess information obtained from institutions' records and discussion with institutions' staff. The team and duration of the examinations varied according to the size and complexity of the institutions as well as the scope of the examination. In instances where supervisory resources were scarce, supervisors targeted institutions and activities that presented greater risks to the financial system.

2. Objectives

The objectives of financial institution examinations vary from country to country. In Lesotho On-Site Examinations focused on verifying compliance with regulations and directives, as well as prudential concerns for safety and soundness. The On-Site Examinations usually involved the evaluation of capital adequacy, asset quality, the quality and depth of management, earnings, liquidity/asset and liability management.

3. Methods for On-Site Examinations

The examination approach in a given country will depend to a great extent, on the level of sophistication within the financial system. If the financial institutions are not adequately identifying problem assets, establishing provisions for potential losses, measuring and controlling risks and planning for the future, then it may be appropriate to focus examination efforts on determining the financial institutions' condition and performance using a "bottom-up" approach which requires a greater emphasis by verification authorities at the level where transactions are recorded.

For more sophisticated systems, it may be appropriate to place greater emphasis on a "top-down" examination approach which focuses on the assessment of a bank's management systems for identifying, measuring and controlling risks. Adherence to these systems by the financial institutions' managers and staff must also be tested. During 2002, the On-Site Examination Section used the bottom-up approach, because most of the financial institutions could neither adequately identify the problem assets, establish adequate loan loss provisions, nor adequately measure and control risks.

4. Financial Institutions Subject to Examination/Inspection by On-Site Examination Section

a) Banks

The FIA 1999 and its implementing regulations pave the way for the enforcement of prudential banking standards and practices based on internationally accepted standards such as the Basel Core Principles for effective Bank Supervision.

Full scope examinations of the three normally operating commercial banks were conducted in 2002. One examination was conducted for each of the ten branches and three head offices. The three commercial banks were generally found to be in a healthy and sound financial condition. However, the following weaknesses were also observed:

i) Loans and advances classification

in all the banks the following weaknesses were common:

- inadequate loan documentation;
- non-adherence to lending limits; and
- inadequate internal review process.

Banks continued to use their own classification systems which were different from one prescribed in the loan portfolio classification regulations. The banks were however directed by the Commissioner to review their loan classification systems, in terms of complying with the Loan Classification Regulations.

ii) Provisioning

In all the On-Site Examinations conducted during 2002, banks were required to increase their loan loss provisioning.

iii) Exposure to Shareholders and Related Parties

All the banks did not comply with Section 25 (1) of the FIA 1999 during 2002. This section states that, "No financial institution shall directly or indirectly grant to any of its shareholders any advance or credit facility or give any financial guarantee or incur any other liability on behalf of such shareholders". They however, submitted their compliance plan to the Commissioner of Financial Institutions. These compliance plans were approved by the Commissioner.

iv) Internal Controls

The banks continued to show deficiency in the internal controls particularly in the area of physical security in all the On-Site Examinations conducted during 2002. Frauds were also experienced as a result of breakdown in internal controls.

The following factors during 2002 were considered in prioritising the institutions to be examined:

- severity of previous examination findings; and
- market intelligence.

As a matter of principle, the On-Site Examination section endeavours to examine prioritised branches according to their risk profile, at least once in 12 to 15 months. The banks with a high risk profile need to be examined more frequently than others. The banks examinations included the overall assessment of CAMELS factors, namely, Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Sensitivity to market risks. The examination techniques and procedures continued to be geared towards risk-based approach to supervision.

The Commissioner had issued directives to the banks to strengthen their internal control systems in the area of physical security.

b) Insurance Companies

A follow-up on the examination directives issued by the Commissioner of Insurance to one insurance company was made from 2002 November 27 to 28 pursuant to an examination which was conducted in 2001. The follow-up visit disclosed that this insurance company had made progress in addressing most of the directives issued by the Commissioner.

A full scope examination of one insurance company was conducted in the year 2002. The company did not comply with many provisions of the Insurance Act 1976 and some of its implementing regulations. The Commissioner of Insurance issued some directives of which a follow-up will be made in 2003.

The drafting of an On-Site inspection manual for the examination of insurance companies which commenced in the fourth quarter of 2001 was completed during 2002. The manual was prepared as part of the capacity building for staff of the Supervision Department who are charged with the inspection of insurance companies.

c) Money Lenders

Money Lenders examinations were not conducted in 2002 because of the problem of understaffing.

d) Collective Investment Schemes

Collective Investment Schemes Examination was also not conducted in 2002 because of the problem of being understaffed.

3.4 EXPORT FINANCE SCHEME

After the adoption of the Blueprint of the new Export Finance and Insurance Scheme by Cabinet in 2001, the Memorandum of Understanding (MOU) between the CBL and the commercial banks was negotiated and signed in 2002. Following the signing of the MOU, a joint publicity campaign to promote the scheme was embarked upon. Under the new Scheme, the commercial banks will advance loans to eligible exporters. The CBL will guarantee 50% of loans to individual exporters to finance their working capital needs. Small and Medium sized Enterprises can take loans ranging from M50,000 to M1,000,000 while large scale exporters can borrow up to M5,000,000.

Insurance against both commercial and political risk is one of the key features of the revised scheme. The CBL continued to monitor the progress made by insurance companies in making arrangements to offer insurance against political risk. Exporters can now obtain the required cover through their respective brokers.

The main objectives of the New Scheme were to:

i) provide working capital for production of exportable goods and services to Lesotho based exporters;

ii) give Lesotho based exporters a competitive advantage in international markets and establish internationally competitive industrial projects;

iii) encourage commercial banks to extend credit to exporters;

iv) stimulate development of new products and services with good potential for growth;

v) attract more foreign exchange earnings in order to improve the balance of payments current account; and

vi) create employment for Basotho.

In order to ensure that as many exporters and potential exporters as possible knew about the scheme, the Division stepped up its publicity campaign during the year.

3.5 RURAL FINANCIAL INTERMEDIATION

Introduction

Rural Finance Division (RFD) was charged with the responsibility of supporting rural communities through a policy that linked the Rural Savings and Credit Groups (RSCGs) to commercial banks. The policy was a result of a discrepancy between savings mobilisation and resource utilisation in both rural and urban areas, as evidenced by co-existence of excess reserves in the banking sector. Through this policy, RSCGs were to be linked with the banking sector under a linkage banking programme by first attaining registration status and opening bank accounts.

Linkage Banking

In the year under review, RFD continued with efforts towards creating a deeper understanding of the requirements for linkage banking. The strategy for achieving this was through district visits whereat RSCGs were sensitised about the linkage programme. Discussions which ensued examined all fields of performance and served to bring forth grey areas that impede progress. The most popular subjects were savings mobilisation, level of funds in circulation within groups, registration requirements and efforts towards opening bank accounts. During the visits, the Division was able to assess the extent of preparedness by groups to operate bank accounts. It was established that about 45% of existing groups were ready for linkage banking, with active bank accounts that have been in existence for more than one year. The implementation of the linkage banking programme is, however, not yet ready, pending the establishment of the Credit Guarantee Fund.

Contractual Relations

As part of the ground work for activating linkage banking, the Division further pursued the preparation of various contractual documents that would facilitate lending to groups, amongst which the following were prepared:

a) completion of the Memorandum of Understanding between the Central Bank of Lesotho and participating banks;

b) follow-ups and development of investment criteria in preparation for future administration of the Credit Guarantee Fund;

c) liaison with the Rural Finance & Enterprise Support Project (RF & ESP), RSCGs and the Law office to effect and speed up registration process;

d) RFD continued to maintain close relations with both indigenous and international NGOs in furtherance of training and capacity building for RSCGs; and

e) the Division, during the IFAD July Supervision Mission, and as part of the RF & ESP reviewed progress on rural financial intermediation. Participation in the Needs Assessment study was another major activity of the Division. The study analysed financial needs in the rural areas and outlined key potential areas for RSCGs.

Poverty Reduction Strategy Paper

The Division participated in sub-working groups that contributed in the preparation of the Poverty Reduction Strategy Paper (PRSP). Policy and operation modalities of the PRSP were amongst issues addressed. Contributions made by RFD also formed part of the Government's Vision 2020 programme.

The African Rural and Agricultural Credit Association (AFRACA)

AFRACA is an association whose mandate is to promote rural development by fostering cooperation among African Governments and financial institutions in Agricultural credit and banking aimed at rural and financial development. The association is involved in designing, organising and coordinating training programmes for members. During the year under review, the AFRACA Secretary General and the Chairman of the Sourthern African Sub-region visited the CBL. During their visit the following issues were discussed:

a) requirements of the CBL from AFRACA;
b) the role of commercial banks in rural finance – a study that is to be carried out in the sub-region;
c) Southern Africa sub-regional workshop planned for July 2002 including other programmes;
d) AFRACA General Assembly and Workshop in Abuja, Nigeria.

Through AFRACA, certain achievements have been possible with major strides including appointment of CBL to the status of Deputy Chairman of AFRACA Executive Committee.

3.6 COMMERCIAL COURT IN LESOTHO

Following the establishment of the Commercial Court in May 2001, CBL realised that progress was very slow with regard to the operation of the Court, and that the legal practitioners were also reluctant to comply with its procedures. These problems prompted the CBL to convene some consultative meetings with the High Court of Lesotho in order to identify and recommend measures that could be taken to solve the difficulties with the intention of accelerating the operation of the Court.

As a result, it was agreed that a six day Trial Advocacy Course be held for legal practitioners. The Black Lawyers Association and South African Law Council have been approached with regard to providing resource persons in conducting the proposed course. The course was scheduled for June or July 2003. CBL requested financial assistance to sponsor the course from the World Bank under the auspices of the Lesotho Utilities Reform Project.

3.7 THE FINANCIAL INSTITUTIONS TRIBUNAL

During the year under review, the status of the Financial Institutions Tribunal established in the previous year remained the same, with the appointment of the third member still pending. No cases were brought before the Tribunal.

3.8 ANCILLARY FINANCIAL SERVICE PROVIDERS

The Supervision Department has completed draft Ancillary Service Providers (Licensing Requirements) Regulations. The purpose of the Regulations is to establish clear and objective criteria for regulation and supervision of the persons or institutions to be licensed to provide ancillary financial services. The Draft Regulations are presently being discussed internally by the FISTC. Following their adoption by CBL, the Regulations will be submitted to the Attorney General's Chambers for further processing in preparation for their publication in the Government Gazette and presentation before Parliament.

PART IV

ON-GOING STUDIES AND SPECIAL PROJECTS

4.1 INSURANCE SECTOR REFORM

In Lesotho, the insurance industry was supervised by the Supervision Department of the CBL. Supervision, regulation and monitoring of the industry was subjected to the provisions of the Insurance Act of 1976, which was substantially out of date.

Since the enactment of the insurance legislation in 1976, there have been substantial changes in the scope of operations by the insurance sector. Hence, the CBL recognised a need to commence a project to reform the sector. The goal of the project was to ensure that the insurance industry in Lesotho was strengthened through appropriate regulation and supervision so that it could prudently meet the demands of the economy for risk protection and stimulate growth in the investment sector. The aim was to provide a legislative, regulatory and supervisory policy framework, which effectively monitored the insurance industry in order to ensure that it became stronger and operated prudently.

The scope of the project was divided into four phases. The first phase will be dealing with the development of a revised policy framework for the industry including the review of the existing legislation. In the second phase, concentration will be on designing enabling legislation and core regulation, and assisting in domestic consultation for the proposed legislation. The third phase will address the development of supervisory systems, including organizational structure, and capacity building while the last phase will focus on market development issues which include the feasibility of micro-insurance. The expected outputs of the project are, for the four respective phases, a policy framework for the industry and legislative style; enabling legislation and regulation supplemented by industry code of practice including market conduct rules; effective supervisory systems; and market policy and strategy, respectively.

CBL, in its endeavour to implement this project, has requested the World Bank and IMF to provide technical assistance for the purpose of strengthening the insurance sector in Lesotho. The technical assistance is offered under a programme called the Financial Sector Reform and Strengthening Initiative (FIRST). Emerging Markets Economics Limited has been appointed to be the Management Unit (MU) of FIRST and it reports to FIRST's Governing Council. Following approval of the application of CBL by the Governing Council of FIRST, Technical Assistance Grant Agreement was signed between CBL and MU. Subsequent to the signing of this Agreement, MU will engage two consultants to provide technical assistance to CBL.

4.2 CREDIT BUREAU

Following the visit of one of the reputable bureaux in South Africa, a workshop was held on 6 March 2002. Various stakeholders participated at the workshop amongst which were banks, utility companies, retailers, the Government of Lesotho and licensed money lenders. The purpose of the workshop was to sell the idea of establishing the bureau to all stakeholders.

The workshop resolved that the CBL should spearhead the process of establishing the credit bureau while the licensing would be done by the Ministry of Industry, Trade and Marketing (MITM). The credit bureau would first need to be registered as a company under the Companies Act 1987. The MITM would then provide a trading licence at a later stage.

In the event that a number of bureaux are licensed, they would be encouraged to form an association which would need a code of conduct in order to protect the integrity of the industry. Whether one or more credit bureaux are licensed, the following arrangements will be necessary:

- Confidentiality Agreement between the users and the credit bureau;
- Warrantee Agreement between the supplier of information and the credit bureau;
- A credit bureau would only collect information from other credit institutions e.g. retailers except commercial banks as this service is entrusted to CBL only as provided in the Financial Institutions Act (FIA) 1999;
- In order to facilitate the completeness of information, an agency agreement between the CBL and the credit bureau would be required. CBL would appoint one of the credit bureau as its agent to collect information from banks;
- The credit bureau appointed as an agent of CBL would be required to release the information to members of the association.

It is anticipated that the establishment of the bureau would commence in the year 2003, since consultations are still on-going.

4.3 MONEY LENDERS ACT 1989

The CBL is charged with the responsibility of regulating Money Lenders through the Money Lenders Act of 1989. In pursuance, the CBL received concerns raised by the industry. These included the provision, which disallowed money lenders from advertising their business. Another concern related to stipulation of interest rates at 25% per annum, which was deemed to be on the low aide. Based on these concerns the CBL organised a workshop, with the aim of discussing the current act and to chart the way forward for the enhancement and organisation of the money lending sector.

The underlying conclusion reached at the workshop was that there was a need for coordination among the key participants to enhance dialogue and dissemination of information. It was resolved that the regulator and industry would meet regularly to discuss regulatory and supervisory aspects.

The CBL has still to pronounce itself on whether to continue to regulate this industry or not, since the players do not take deposits. The adoption of the Vision Paper will lay clear ground as to which types of money lenders will be regulated by the Bank if they will be regulated at all.

4.4 VISION PAPER LEGAL FRAMEWORK

As reported in the previous annual report, this paper was to be tabled for debate before the FISTC during the period under review. The first draft of the paper was completed during the middle of the year and tabled before the Committee for deliberation. A number of issues emanated from the deliberations and were pending inclusion in the document.

The objectives of the paper have been outlined as follows:

a) to capture the current institutional and regulatory frameworks of the financial sector in Lesotho;
b) to identify deficiencies, conflicts and inconsistencies inherent in the frameworks;
c) to improve and upgrade the existing frameworks;
d) to create new or expand existing frameworks to accommodate new innovations; and
e) to provide policy choices and models that can be adopted in order to achieve an effective and efficient institutional, legislative and supervisory framework.

Once adopted by the CBL, the paper would lay the ground for the improvement of the existing legislative and supervisory frameworks.

4.5 POST OFFICE SAVINGS BANK

Since the last reporting period the task team, renamed the Project Management Council (PMC), continued to work on the re-establishment of the LPB.
The following activities were carried out:

a) Blueprint

The blueprint was finalised and presented to cabinet for consideration. The Lesotho Government reacted positively to the recommendations made by the PMC and approved the blueprint. This paved the way for implementation. However, the implementation process was stalled by various factors as reported hereunder such that the launching of the postbank was deferred.

b) Number of Pilot Post Offices

Initially, it had been proposed that 23 pilot post offices in seven districts be targeted. However, this target was later scaled down to ten due to budget constraints. PMC was to embark on an exercise to visit the selected sites to check for their adequacy in accordance with the CBL branching requirements. The checklist entailed issues of security including surveillance systems, staff calibre, structural designs and others. Already in three of the selected pilot post offices, refurbishments had started to satisfy the branching requirements.

c) Capital Requirement

The initial capital requirement for PSB was expected to be determined on its level of operations which were envisaged to be restricted to savings products only.

d) Consultancy

Consultancy work continued during the review period and various documents were produced. These included a fact finding report, and a business plan covering diagnostics, legal and institutional framework, strategy, operational and implementation plans. The implementation plan was drawn by a joint team of consultants with PMC.

e) Staffing

An organisational structure was designed to suit the operational requirements of LPB. For the executive management level a good experience in banking was set as a prerequisite while intensive screening and training of the counter staff had been proposed. The recruitment process was dependent on the approval of the budget by Cabinet.

f) Shareholding

The LPB is expected to be a public company in which the Government of Lesotho will initially be the sole shareholder and later divest the majority of its shares to a technical partner

4.6 DEVELOPMENT FUND

Recognising that Venture Capital would be too costly to Basotho entrepreneurs, the Government has opted for the establishment of the Development Fund. In order to enhance the development and growth of the private sector, so as to create more jobs for Basotho with the ultimate goal of reducing the level of poverty in the country, the Government assigned the Central Bank of Lesotho to make arrangements for the establishment of the Development Fund. Broad consultations were held which included all the stakeholders. A Steering Committee consisting of key stakeholders was established. Its functions are to:

- formulate policy governing the Fund; and
- administer the Fund.

The Steering Committee, in carrying out its mandate established a Task Team whose responsibility is to see to it that the Fund will be able to achieve the following:

i) assist Basotho entrepreneurs to venture into new and established businesses with potential for growth;

ii) provide Basotho with capital for purchase of shares so that they can become owners and shareholders in the formerly state owned enterprises or any other enterprises; and

iii) attract foreign investment and enhance technology transfer through establishment or expansion of joint ventures between Basotho and foreign enterprises.

With a view to develop a comprehensive policy document, study tours in the neighbouring countries were undertaken. Some of the lessons from these study tours have been incorporated in policy formulation. The document is expected to be ready by the end of first half of 2003.

To support this initiative, the Government, consistent with the Finance Act of 1988 and the Privatisation Act of 1995, will transfer a certain amount from the proceeds of the privatisation process to the Fund in order to finance viable projects. Funding will be in the form of loans to indigenous business people.

4.7 BANK SUPERVISION APPLICATION

Introduction

In 1997 ESAF initiated a program of action for the harmonisation of the banking supervision within the region. The SADC IT FORUM together with Information and Communications Technology (ICT) SOLUTIONS were requested to assist. In 1998, a Bank Supervision Strategic Framework for ESAF was developed, this included: Vision, Principles, Critical Success Factors and Strategies. In 1999, a detailed draft of Business, Application and Technology Architecture was completed while a final version was completed in 2000. In December of 2001, ESAF approved a project for the development of the Bank Supervision Application (BSA) based on the approved architecture, the meeting was held in Maputo, Mozambique. Banco de Mozambique became the sponsor of the project. T-Systems, an information technology company, was contracted by ESAF to develop the BSA.

A resolution was passed in Maputo that in January 2002 a kick off meeting be held in Pretoria, South Africa. The objectives of the kick off meeting were to identify the team members, clarify the roles and responsibilities of team members, planning involvement of other ESAF/SADC banks, defining a clear communication plan, identifying critical success factors and planning the approach to the development methodology.

The development and implementation of the Bank Supervision has been divided into the following phases:

Definition Phase

Bank supervisors from the participating countries assembled in Pretoria in February and April 2002 where they defined all the processes involved in the banking supervision function. The supervisors during the definition phase were laying ground for the ESAF developers and T-systems to start their work of designing the Bank Supervision Application. Central Banks which took part in the definition phase were Banco Nacional de Angola, Central Bank of Lesotho, Central Bank of Malawi, Banco de Mozambique, Bank of Namibia, South African Reserve Bank, Central Bank of

Swaziland, Bank of Tanzania, Bank of Zambia, Reserve Bank of Zimbabwe and Central Bank of Democratic Republic of Congo.

Development Phase

The development phase kicked off with the training, which was provided to the ESAF team by T Systems. The training was on Lotus designer and Microsoft net. During the development phase Bank Supervisors attended review sessions in Pretoria, the main objective of the review sessions was to ensure that high quality of the product was maintained by the developers. The development phase was not completed in 2002 as planned, it is hoped that this phase will be finalised early in 2003.

The countries which participated in the development phase were: Mozambique, Angola, Democratic Republic of Congo, Tanzania and Swaziland.

Deployment Phase

The deployment is scheduled for early next year and Mozambique will be the first country where the solution will be rolled out.

Review Sessions

The following Central Banks participated in the review workshops:

Banco Naciaonal Angola
Central Bank Of Lesotho
Central Bank Of Malawi
Banco de Mozambique
Bank Of Namibia
South Africa Reserve Bank
Central Bank Of Swaziland
Bank Of Tanzania
Bank Of Zambia
Reserve Of Zimbabwe
Central Bank Of The Democratic Republic of Congo

PART V

GROWTH AND TRENDS

5.1 BANKING INDUSTRY

The banking industry currently comprises three normally operating banks, namely Lesotho Bank (1999) Ltd, Standard Bank Lesotho Ltd and Nedbank (Lesotho) Ltd. Standard Bank Lesotho Ltd is a major shareholder in Lesotho Bank (1999) Ltd. at 70% and together the two banks form the Standard Bank Lesotho Group. There is another bank, old Lesotho Bank under liquidation, which operates under a restricted license prohibiting it from engaging in deposit taking and granting credit to the public.

5.1.1 Total Assets

Total assets in the banking industry grew by 8% to M3,140 million as at December 2002, compared to M2,908 million as at December 2001. The previous year ended 31 December 2001 had recorded a 1% increase as shown in Table 1.

Table 1
BANKING INDUSTRY

(In million Maloti)	1997	1998	1999	2000	2001	2002
Total Assets	1,918	2,165	3,012	2,885	2,908	3,140
% change	31%	13%	39%	-4%	1%	8%
Total Deposits	1,433	1,688	1,592	1,607	1,785	1,957
% change	12%	18%	-6%	1%	11%	10%
Number of Banks	4	4	5	4	4	4
Operating Normally	2	2	3	3	3	3
Under Conservatorship	2	1	-	-	-	-
Under receivership/liquidation	-	1	1	-	1	1
Restricted licence	-	-	1	1	1	1

The reported rise in total assets in the industry was mainly resulting from increased deposits during the reporting period. Deposits rose by 10% from M1,785 million as at December 2001 to M1,957 million as at December 2002.

Figure 1 shows the components of total assets. Investments in securities comprised the largest part of assets at 36%, the same as the previous year, followed by loans and advances at 32%, showing a 3% increase compared to 29% reported in the previous year. Balances due from banks declined slightly from 20% reported last year to 19% in the reporting year and other assets also fell marginally from 7% to 5% in the same period. It should be noted that only 9% of the total loan portfolio belonged to normally operating banks, and the rest comprised loans of the old bank, which are bad loans. Deposits with Central Bank of Lesotho were kept at the minimal 3%, and cash items stood at 2% of total assets.

FIGURE 1: TOTAL ASSETS AS AT 31 DECEMBER 2002

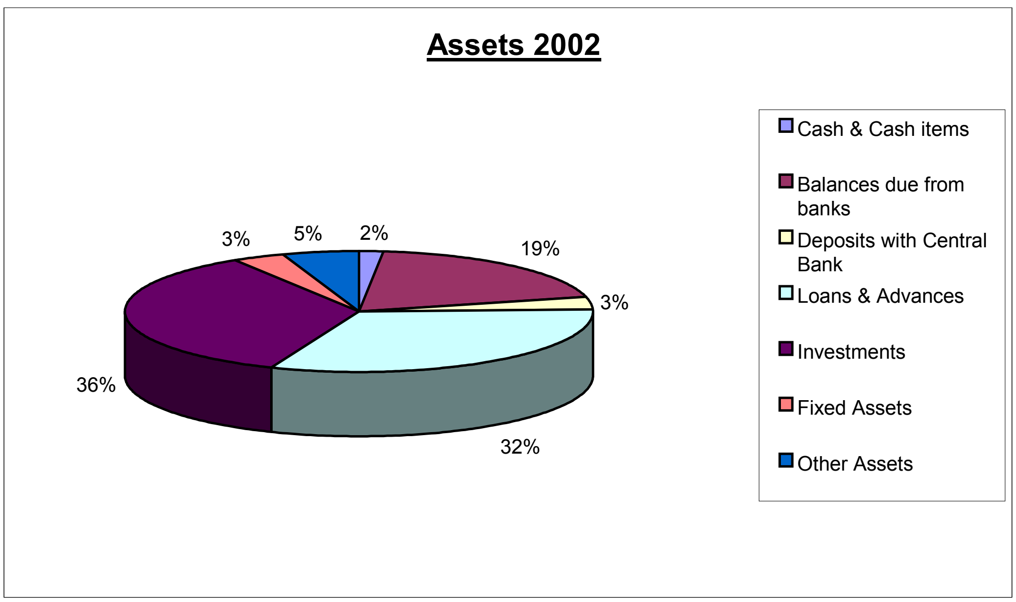


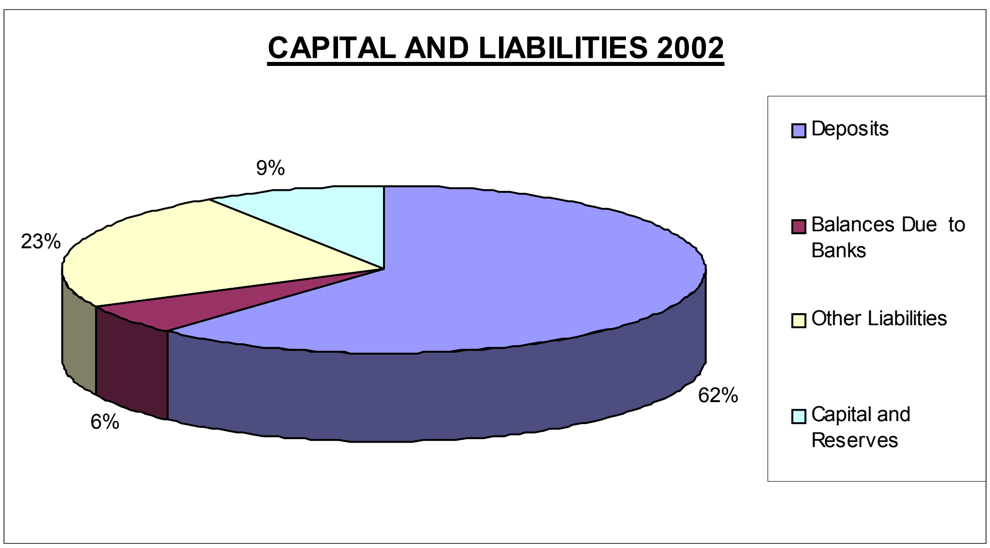
Table 2 below indicates clearly the industry's preference to invest in risk free government securities. The industry reported a 60% increase in this asset item. Banks also opted to place more funds with other banks, especially parent or subsidiary banks, and this led to a 31% rise in balances due from banks. Loans and advances recorded a 16% growth in the industry during the financial year ended 31 December 2002.

Table 2								
BANKING INDUSTRY	GROWTH IN SELECTED ACCOUNTS 31 DECEMBER							
Selected Accounts	(In Million Maloti)			(% of Total Assets)				Growth
(In Million Maloti)	2000	2001	2002	1999	2000	2001	2002	2002/2001
Due from Banks	429	464	608	13%	15%	21%	19%	31%
Loans and Advances	849	856	996	28%	29%	34%	32%	16%
GOL Securities	586	690	1102	20%	20%	38%	35%	60%

5.1.2 Capital and Liabilities

Total deposits comprised 62% of total capital and liabilities, a 17% drop compared to 79% reported in the previous year. Other liabilities rose substantially to 23% in the reporting year in comparison to 9% in the previous year. Capital and reserves remained intact at 9%. Figure 2 shows the breakdown of capital and liabilities.

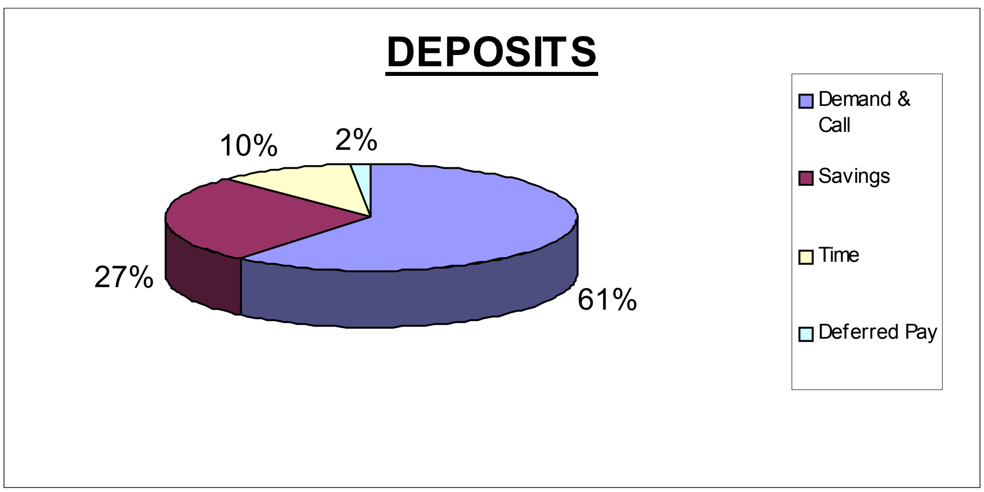
FIGURE 2: CAPITAL AND LIABILITIES- DECEMBER 2002



5.1.2.1 Total Deposits

Demand and call deposits comprised 61% of total deposits, a slight 2% increase compared to last year. Savings dropped marginally from 29% as at December 2001 to 27% as at December 2002 and time deposits remained unchanged at 10%. The composition of total deposits is illustrated by Figure 3.

FIGURE 3: DEPOSITS



5.1.3 Compliance Ratios

Table 3 shows four statutory ratios, namely reserves, minimum local assets, liquid assets and capital adequacy ratios. The ratio of available reserves to required holding fell by 25% from 137% to 112% during the review period. Banks kept more assets locally, following the establishment of the attractive treasury bills auctions conducted by the Central Bank of Lesotho, and the available local assets to required holdings ratio rose from 172% in 2001 to 279% in 2002. For the same reason as above, available liquid assets to required holdings ratio improved by 32% from 130% in 2001 to 162% in 2002.

Table 3	COMPLIANCE RATIOS				
Statutory Ratios	**1999**	**2000**	**2001**	**2002**	**Variance**
Available Reserves to Required Holdings	106%	104%	137%	**112%**	**-25%**
Available Local Assets to Required Holdings	146%	178%	172%	**279%**	**107%**
Available Liquid Assets to Required Holdings	216%	181%	130%	**162%**	**32%**
Basel Capital Ratio	34%	33%	30%	**25%**	**-5%**

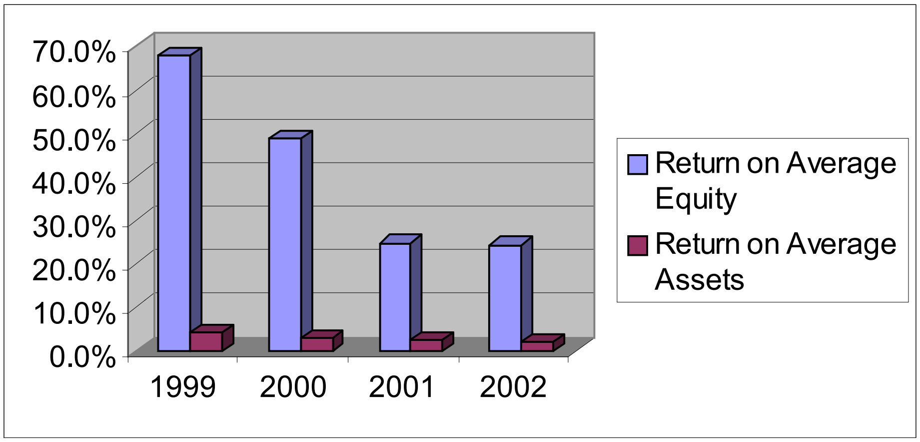
Banks were adequately capitalised at 25% as at December 2002, compared to the required 8%. However, a 5% decline in the industry capital adequacy was reported between 2001 and 2002. The decline was primarily due to the payment of dividends during the review period.

5.1.4 Profitability

Profitability ratios are illustrated in Table 4 and Figure 4 below. The three normally operating banks remained profitable in the year ended December 2002. Return on average equity remained at 24%, while the return on average assets fell marginally to 2.2% in 2002 from 2.6% reported in 2001. Both ratios have been on a downward trend since 1999, reflecting among other things, declining operational efficiency in the industry.

Table 4	**PROFITABILITY RATIOS**			
	1999	**2000**	**2001**	**2002**
Return on Average Equity	67.9%	48.7%	24.9%	**24.4%**
Return on Average Assets	4.4%	3.0%	2.6%	**2.2%**
Net Income After Tax	61.7m	62.2m	57.4m	**53.1m**

FIGURE 4: PROFITABILITY RATIOS



5.2 INSURANCE INDUSTRY

The insurance industry grew from six companies to seven, following the new entrant – Sentinel Insurance Company Ltd. The other companies were Lesotho National General Insurance and Lesotho National Life Assurance which form the Lesotho National Insurance Group, Star Lion Insurance, Alliance, Metropolitan Life and Customer Protection.

The Central Bank of Lesotho requested assistance from World Bank through Financial Sector Reform and Strengthening Initiative (FIRST), to develop a legislative and supervisory framework and capacity that will enable the Bank to properly supervise the insurance market in Lesotho. This project will review legislation, regulations, draft codes of practice, and make recommendations concerning the adequacy of insurance coverage within Lesotho.

5.3 *MONEY LENDERS INDUSTRY*

During the year under review, the Monthly Banking Statistics Form which is used for reporting purposes by money lenders, was reviewed to include one form in Sesotho for those who may not understand English. The legislation and supervision of the industry are under review.

PART VI

DEVELOPMENTS RELATED TO SUPERVISION

6.1 RECENT ECONOMIC DEVELOPMENTS

The domestic economy in 2002 registered higher performance than the previous year, although famine threatened to engulf the lives of many Basotho. According to preliminary estimates, real gross domestic product (GDP) grew by 4.0 per cent against a growth rate of 3.4 per cent registered in 2001.

Performance of the domestic economy as in the previous year was supported by the increased access of locally manufactured textile and clothing to international markets particularly the US under the Africa Growth and Opportunities Act (AGOA). This gave way to a significantly high growth of the manufacturing sub sector, as well as an addition of more than 15,000 jobs by the sub-sector in 2002. Economic growth also received a boost from the construction sub sector, largely supported by public roads construction activity and on-going reforms in the financial and utilities industries.

Gross national income (GNI) registered a real positive increase in 2002 following four consecutive years of negative growth. GNI, which is GDP and factor income from abroad, grew by 2.6 per cent in real terms, marginally surpassing the country's population growth rate of 2.1 per cent. GNI per capita also registered a positive annual growth of 0.9 per cent. GNI performance in Lesotho is largely determined by the growth of labour income from abroad. Miners' remittances, which constitute the largest share of net factor income from abroad, increased moderately in 2002 as retrenchments of Basotho in the South African mining industry stabilised.

Inflationary pressures in 2002 were strong. Inflation rate registered double digits for the first time in about 7 years. Average annual inflation rate for the year was recorded at 11.9 per cent. The hike in the inflation rate was largely due to the following factors: (i) a poor harvest in the Southern Africa region; (ii) a depreciation of about 37 per cent in the South African rand (hence the loti) in the last quarter of 2001 and; (iii) a sustained increase in international oil prices.

The balance of payments (BOP) position deteriorated significantly during 2002. The level of official reserves fell from 11.4 months of import cover at the end of 2001 to 6.3 months at the end of 2002. This resulted mainly from the appreciation of the rand and hence the loti against major currencies, particularly the US dollar, the UK pound sterling and the Euro, in which the bulk of the country's foreign reserves were held in the latter part of the year. Another contributing factor to the BOP situation during the year, was increased government expenditure.

Preliminary estimates of Government budgetary operations pointed to an overall deficit of M342.9 million during the 2002/03 fiscal year. This was mainly a reflection of increased expenditure pressures that were not matched by equal rises in government revenue. The overall fiscal balance for 2002/2003 was estimated to be a deficit of 4.4 per cent of GDP. The deficit was financed primarily by running down Government deposits with the Central Bank. Net foreign borrowing was anticipated to contribute only 4.2 per cent towards financing of the deficit

The Impact on Financial Sector Activity

The impact of overall economic activity on the financial sector in 2002 was reflected in the performance of total domestic credit and net foreign assets (NFA). There was a strong growth in domestic credit that directly led to a reduction in net foreign assets (NFA). The NFA was further negatively affected by the appreciation of the loti in the latter part of the year. All these developments led to a fall in broad money supply (M2).

Total credit extended in 2002 was 92.6 percent higher than its level a year earlier. This growth was largely influenced by net claims on Government, which constitutes the greatest share of total domestic credit. At the end of 2002, net claims on Government increased by an annual 48.8 per cent against a growth of 14.4 per cent in December 2001. This signaled increased reliance by Government on domestic financing. Government substantially ran down its deposits with the banking system to finance its deficit, due mainly to famine relief and agricultural support.

During 2002, private sector credit excluding the non-performing loans increased by 22.1 per cent despite an upward trend in interest rates. The increase in lending to the private sector may be an indication of increased commercial banks' confidence in the local private sector. To enhance this confidence, the CBL has among others been instrumental in the creation of a commercial court. The Bank is further working towards the establishment of a credit bureau and efforts are on-going to operationalise the development fund.

The net foreign assets of the banking system declined by 26.9 per cent at the end of 2002 following an increase of 48.2 per cent at the end of 2001. A fall in the banking system's NFA was largely attributed to a huge decrease in the CBL's foreign asset holdings due to the appreciation of the local currency against major world currencies as well as increased Government expenditure abroad.

In 2002, major money market rates in Lesotho generally followed an upward trend. This trend, which also prevailed in the region, was due to inflationary pressures that resulted from a precipitations decline of the rand in 2001. The Lesotho average prime lending rate in 2002 was 17.7 per cent, which was only marginally higher than 16.3 per cent in 2001. The changes in this rate tracked those in the RSA prime lending rate that increased from 13.0 per cent in 2001 to 17.0 per cent in 2002.

The Lesotho 91-day treasury bill rate ended the year at 12.19 per cent. This was the highest level it had reached since the introduction of the treasury bills auction system in September 2001. The banks' deposit rates however, moved only slightly upwards.

6.2 LESOTHO NATIONAL PAYMENTS SYSTEM MODERNISATION PROJECT (LNPS)

In accordance with the initiative of the Governors of the SADC Countries Central Banks, the Central Bank of Lesotho is committed to the modernisation process of its Payments System. The progress however, has been slow and as a result, Lesotho is lagging behind in terms of the SADC Payments System Project Team Timetable.

As a first step towards the reform process, CBL engaged the services of experts on payments systems. The experts' main task was to review the current Clearing and Payments System and advise CBL on the best way forward in addressing the reform process. On the basis of issues raised in the review report by experts, concerted effort was channelled to addressing weaknesses observed both on short and long term basis. For this purpose, CBL jointly with local commercial banks, established a Steering Committee, consisting of officials from CBL and local commercial banks. The terms of reference of the steering committee would be, to document the current payment and clearing system in Lesotho, highlight strengths and weaknesses of the system and to propose measures to improve the system.

As a leader and facilitator of the national payment system reform, CBL set up structures to support the reform process. The following committees were established:

a) National Payments Council charged with leading the reform process. It is made up of the Governor of the Central Bank, Chief Executives of the three commercial banks, and the Principal Secretary for the Ministry of Finance. Efforts are underway to include Chief Executives of the following sectors; telecommunications, electricity and post office.

b) National Payments Steering Committee charged with developing the vision and strategy and ensuring that all perspectives of the payment system are taken into account. The committee is made up of senior members from the central bank, commercial banks, Government Treasury department, and Lesotho Chamber of Commerce and Industry.

c) Expert Teams/Focus Groups composed of people with expertise and capacity were to address specific issues in the payment system. These have been grouped into Audit, Legal, Information Technology, Public Relations, and Risk Management sub-committees.

National Payments System Division, coordinates the work of the different committees and performs secretariat functions.

Based on the timetable of the SADC Project Team, CBL has managed to follow the initial phases of the project. For example the project launch was undertaken in 1998 and the sensitisation workshop was duly undertaken with the assistance of the SADC Project Team.

Though the information gathering, stock taking and situational analysis were initially undertaken in 2001, some major problems that were encountered resulted in re-doing the exercise. So by the end of the year 2002, the stocktaking programme was made and agreed upon, where all the expert committees were assigned specific tasks for information gathering.

A National Payments System division was established and Head of this division was recruited in August 2002. The consultant Project Manager left the services of the central bank in October 2002.

In an effort to speed up the payments system modernisation process, it was decided to dedicate the year 2003 to catching up with the rest of the region. As a result a very ambitious work plan was made, and the success depends on the level of commitment of the committee members of the project.

The salient features of the work plan are as follows:

TASK	METHOD	START DATE	COMPLETION DATE
1. Information gathering and stocktaking	Questionnaires and interviews. Committees assigned specific tasks for this phase.	November 2002	31 May 2003
2. Formulation of the Vision and Strategic Framework document	Stocktaking and Situational Analysis to form basis for this. The Steering Committee was assigned this task and agreed draft with all other committee members and stakeholders.	June 2003	June 2003
3. Review of the legal framework	Legal sub-committee with assistance of consultants	January 2003	September 2003
4. Conceptual design	Involve all committees and consultants	July 2003	July 2003
5. Business and technical specification	Assistance of consultants	August 2003	August 2003
6. Systems and applications	Assistance of consultants	September 2003	September 2003
7. Test Run solution	Consultants	October 2003	December 2003

Though, of late, there has been an improvement in the show of commitment by members of the payments system committees, the project faces the following challenges:

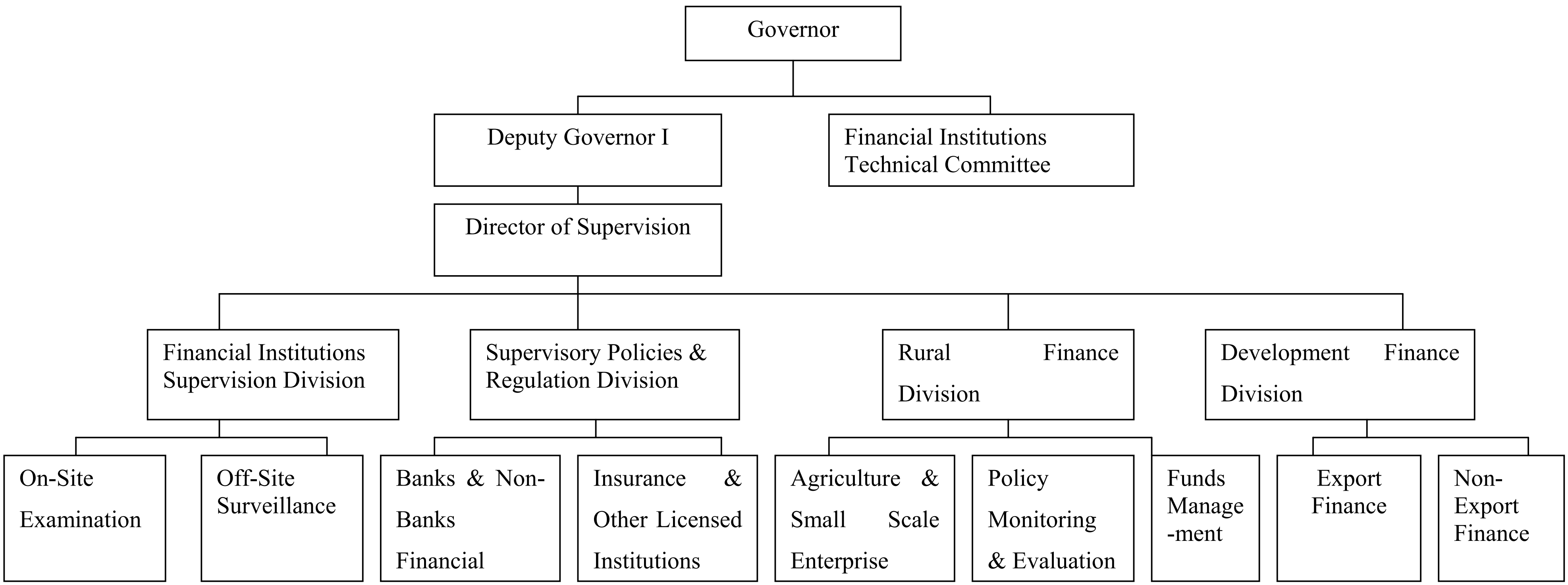
1. The speed at which the project has to move in order to catch up with the rest of the region.

2. Lack of full dedication to the project assignments by members of the National Payments System Modernisation Project.

3. A need to further sensitise members of the working committees on the payments system operations and its reform.

Appendix 1

ORGANISATIONAL STRUCTURE
SUPERVISION DEPARTMENT



Appendix 2

LIST OF BANKS IN LESOTHO AS AT 31 DECEMBER 2002

NAME OF INSTITUTION	TITLE AND NAME OF CHIEF EXECUTIVE	POSTAL ADDRESS	TEL NO. FAX: CODE (O9266)	BRANCH NETWORK
1.Lesotho Bank (1999) Ltd	Mr. D. Allan Managing Director	P. O. Box 1053 Maseru 100	22315737 22310268	14
2. Nedbank (Lesotho) Ltd	Mr. P. Opperman Managing Director	P. O. Box 1001 Maseru 100	22312696 22310025	3
3. Standard Bank Lesotho Ltd	Mr. V. Kennedy Executive Director	P. O. Box 115 Maseru 100	22312423 22310068	5
4. Lesotho Bank Under Liquidation	Liquidators – KPMG Harley & Morris Joint-Venture, Represented by A. S. McAlpine & S.C. Harley	P. O. Box 7755 Maseru 100	22313840 22310076	

Appendix 3

LIST OF INSURANCE COMPANIES IN LESOTHO AS AT 31 DECEMBER 2002

NAME OF INSURANCE COMPANY	POSTAL ADDRESS	TELEPHONE FAX:	AGENTS
1. Lesotho National Insurance Group	Private Bag A65 Maseru 100	(+266) 22313031 (+266) 22310008	50
2. Alliance Insurance Company Ltd	P. O. Box 01118 Maseru 100	(+266) 22312357 (+266) 22311381	0
3. Metropolitan Lesotho Ltd	P. O. Box 645 Maseru 100	(+266) 22323970 (+266) 22317126	373
4. Customer Protection Insurance Company	P. O. Box 201 Maseru 100	(+266) 22312643	-
5. Star Lion Insurance (Pty) Ltd	P. O. Box 12634 Maseru 100	(+266) 22325185	0
6. Sentinel Insurance Ltd	P. O. Box 699 Maseru 100 Lesotho	(+266) 22327940/1	0

Appendix 4

LIST OF INSURANCE BROKERS IN LESOTHO
AS AT 31 DECEMBER 2002

NAME OF INSURANCE BROKERS	POSTAL ADDRESS	TELEPHONE FAX
1. AON Lesotho (Pty) Ltd	P. O. Box 993 Maseru 100	(266) 22313540 (266) 22310033
2. Insurcare Brokers (Pty) Ltd	P. O. Box 11007 Maseru 100	(266) 22321973 (266) 22310669
3. Lesotho Insurance Brokers (Pty) Ltd	P. O. Box 01052 Maseru 100	(266) 22322060 (266) 22325489
4. Maluti Insurance Brokers (Pty) Ltd	P. O. Box 1515 Maseru 100	(266) 22310557
5. Mamoth Insurance Brokers (Pty) Ltd	P. O. Box 1659 Maseru 100	(266) 22322380 (266) 22310897
6. Prosperity Insurance Brokers (Pty) Ltd	P. O. Box 14173 Maseru 100	(266) 58842861
7. Thebe Insurance Brokers (Pty) Ltd	P/Bag A244 Maseru 100	(266) 22313018 (266) 22310513
8. Southway Insurance Brokers Lesotho (Pty) Ltd	P. O. Box 4564 Maseru 104	(266) 62032037
9. DIB International (Pty) Ltd	C/O Naledi Chambers Incorporated P. O. Box 478 Maseru 100	(266) 22312576
10. ABC Insurance Brokers (Pty) Ltd	P. O. Box 9036 Maseru 100	(266) 22324061 (266) 22310970
11. AON Consulting Lesotho (Pty) Ltd	P. O. Box 993 Maseru 100	(266) 22313540 (266) 22310033

Appendix 5

LIST OF MONEY LENDERS IN LESOTHO
AS AT 31 DECEMBER 2002

NAME	POSTAL ADDRESS
1. African Credit (Pty) Ltd	P/Bag A418, Maseru 100
2. Mary Palesa Makakole	P. O. Box 1650, Maseru 100
3. Jemina Thuso Takane	P. O. Box 9506, Maseru 100
4. Makhulong Financial Services	P. O. Box 14401, Maseru 100
5. Mankekeletse E. Molapo	P. O. Box 1574, Maseru 100
6. Thuso Loan Services (Pty) Ltd	P. O. Box 9506, Maseru 100
7. Edwin ‘Mota Mothala	P. O. Box 316, Qachas Nek 600
8. TCL Loans	P. O. Box 14367, Maseru 100
9. Star Lion Gold Coin Investments (Pty)	P/Bag A332, Maseru 100
10. Masekoala Motanyane	P. O. Box 60, Maseru 100
11. Letsema Investment Holdings (Pty)	P. O. Box 2470, Maseru 100
12. E. T. Lekhanya	P. O. Box 887, Butha-Buthe 400
13. MBTS Excellence Fund (Pty) Ltd	P. O. Box 9251, Maseru 100
14. Tumane Mojapela	P. O. Box 563, Butha-Buthe 400
15. SMT Investment Co. (Pty) Ltd	P. O. Box 1710, Maseru 100
16. Vigilius Lerata Pekane	P. O. Box 0459, Maseru West 105
17. Letsete Financial Services	P. O. Box 0936, Maseru West 105
18. Moeketsi Kabelo	P. O. Box 4576, Maseru 100
19. Mokorotlo Financial Services (Pty)	P. O. Box 10286, Maseru 100
20. Mantšo Panya	P. O. Box 599, Mafeteng 900
21. Afrisure Personal Loans Lesotho (Pty)	No. 10 BNP Centre, Maseru 100
22. Mabeane Samuel Koetje	P. O. Box 15, Ha Mamathe
23. Maria Mahloane	P. O. Box 22, Butha-Buthe 400
24. Motjoka Jeremia Mokhoro	P. O. Box 473, Mohale’s Hoek
25. Tsoloane Lekata	P. O. Box 132, Maseru 100
26. Edu-Loan Lesotho (Pty) Ltd	P. O. Box 1939, Maseru 100
27. Mamoth Financial Services	P. O. Box 1659, Maseru 100