

# Land Acquisition for Industrial Projects in Lesotho: A Guide to Leasing vs. Purchasing

Navigating Leasehold Structures for Foreign Investors

Content Partner: J. v. G. technology GmbH

*Turnkey solar module production lines — since 1997*

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# Technical Overview: Leasing vs. Purchasing Land for Lesotho Industrial Projects



Created as part of the PVKnowHow Knowledge Network



Prepared by J.v.G. Technology GmbH



European specialists in turnkey solar module production lines

# Key Project Data

**90 yrs**

**Max Lease Duration**

Industrial leasehold for  
foreign investors

**20%**

**Min. Local Ownership**

Required Basotho  
shareholding under Land Act  
2010

**2010**

**Legal Framework**

Land Act 2010 – governing  
legislation for foreign land  
titles

**0**

**Freehold Rights**

No freehold available

# Legal Framework: Land Act 2010

Lesotho operates under a leasehold-only system, where all land is vested in the Basotho Nation and administered by His Majesty the King. The **Land Act 2010** is the governing legislation, meaning no freehold land is available, especially for foreign investors.



## Replaced Land Act 1979

Modernized land governance and legislation, providing a more current framework.



## Clearer Leasehold Titles

Introduced more precise and secure leasehold titles, enhancing investor confidence.



## Established Land Administration Authority (LAA)

Centralized land administration for greater efficiency and transparency in land transactions.



## Conditions for Foreign Land Access

Clearly set out specific conditions and requirements for non-citizen access to land for industrial projects.





# Leasehold Structures for Foreign Investors

Navigating Lesotho's leasehold system is key for industrial development, with specific options tailored to foreign investment.

Lease Type	Max. Duration	Primary Use & Features
Industrial Lease	Up to 90 years (renewable)	For industrial and manufacturing projects. Registered with LAA; terms are negotiable; annual ground rent; usable as collateral for financing.
Commercial Lease	Up to 60 years	For commercial operations (retail, offices). Registered with LAA; annual ground rent; usable as collateral.
Residential Lease	Up to 90 years	For residential purposes. Registered with LAA; annual ground rent.
Sublease via LNDC	Up to 25 years (initial)	Available through LNDC-managed industrial estates; ideal for investors testing the market; includes pre-built factory shells; faster setup with reduced administrative burden.
Special Economic Zone (SEZ) Lease	Negotiable	For projects within designated SEZs; may include tax incentives and streamlined regulatory approvals; governed by SEZ Act alongside Land Act 2010.

Foreign investors primarily engage with Industrial Leases, which offer long-term security and essential financial leverage for large-scale projects.

# Local Ownership Requirements

Foreign industrial projects in Lesotho must meet specific local shareholding mandates to foster national economic participation.

## Mandatory 20% Basotho Shareholding

All foreign-owned industrial projects require a minimum local equity stake.

## Eligible Basotho Partners

Partners must be a Lesotho citizen or a citizen-owned entity.

## Enforced by LRA & LNDC

Compliance is monitored by the Lesotho Revenue Authority and Lesotho National Development Corporation.

## Flexible Structuring Options

This can be achieved through joint ventures, direct equity participation, or management agreements.

## LNDC as a Partner

The Lesotho National Development Corporation can act as the Basotho partner in specific cases.

# Land Acquisition Process: Step by Step

Understanding the sequential process for foreign investors to secure an industrial lease in Lesotho is crucial for efficient project rollout.

01

## Identify Suitable Land

Work with the Lesotho National Development Corporation (LNDC) or the Land Administration Authority (LAA) land bank to find appropriate sites.

03

## Establish Local Partnership

Secure a Basotho partner to fulfill the minimum 20% local shareholding requirement, often through a joint venture.

05

## Environmental Impact Assessment (EIA)

Undertake an EIA if required by the nature and scale of the proposed industrial project, ensuring environmental compliance.

07

## Lease Registration

Register the executed lease agreement with the LAA to formalize the land tenure and ensure legal recognition.

02

## Conduct Due Diligence

Perform title searches, check for encumbrances, and verify zoning regulations to ensure site suitability.

04

## Apply for Lease Allocation

Submit a formal application to the Land Administration Authority (LAA) for the allocation of the industrial lease.

06

## Negotiate Lease Terms

Finalize the specific terms, conditions, and annual ground rent with the LAA, tailoring them to the project needs.

08

## Commence Development

Begin construction and development activities on the leased land within the agreed-upon timeframe specified in the lease.

# Role of LNDC in Industrial Land Projects

The Lesotho National Development Corporation (LNDC) is the primary governmental agency facilitating foreign industrial investment and land acquisition.



## Manages Industrial Estates

LNDC oversees state-of-the-art industrial estates with ready-to-use factory shells available for lease.



## Pre-Serviced Plots

Designated industrial zones (e.g., Maseru, Maputsoe, Thetsane) offer fully serviced plots with essential infrastructure.



## One-Stop-Shop Services

LNDC provides comprehensive support, streamlining permits, approvals, and other regulatory requirements for investors.



## Fast-Track Land Allocation

Qualifying industrial projects benefit from expedited land allocation processes, significantly reducing setup time.



## Basotho Partner Co-Investment

LNDC can act as the local partner, fulfilling the mandatory 20% Basotho shareholding requirement for foreign investors.

# Case Study: European Textile Investment

A European manufacturing company successfully established a garment factory in Lesotho, demonstrating the feasibility of industrial projects under the Land Act 2010. This case highlights key parameters and challenges encountered during the process.

**5,000**

**Factory Size (m<sup>2</sup>)**

State-of-the-art facility in Thetsane

**80%**

**European Equity**

Majority stake by the foreign investor

**20%**

**LNDC Partnership**

Fulfilling local ownership requirements

**60**

**Years Lease Term**

Secure, renewable industrial lease

**14**

**Months to Lease Reg.**

Efficient process from contact to title

**200+**

**Local Jobs Created**

Significant economic contribution

Despite initial challenges with title search delays, environmental impact assessment (EIA) requirements, and partner structuring, the project achieved full operational status, creating over 200 local jobs and significantly contributing to the local economy.

# Risks & Mitigation Strategies

Foreign investors can encounter several challenges when acquiring industrial land in Lesotho. Proactive strategies are essential to navigate these complexities and ensure project success.

## Key Risks

### Title/Registration Delays

Bureaucratic processes can slow down the formal registration of leases.

### Partner Risk

Challenges with securing and managing the mandatory Basotho shareholder.

### Lease Renewal Uncertainty

Potential for non-renewal or unfavorable terms at the end of the lease period.

### Ground Rent Escalation

Uncontrolled increases in annual ground rent can impact project profitability.

### Political/Regulatory Change

Shifts in government policy or land laws could affect investment stability.

### EIA Delays

Environmental Impact Assessment (EIA) requirements can cause project timeline setbacks.

## Mitigation Strategies

### Engage Early

Appoint an LAA-registered conveyancer from the outset to streamline the title and registration process.

### Strategic Partnerships

Conduct thorough vetting, draft comprehensive shareholder agreements, and consider LNDC as a preferred local partner.

### Negotiate Clauses

Proactively negotiate clear lease renewal clauses upfront and ensure continuous compliance with lease conditions.

### Cap Escalation

Include specific clauses in the lease agreement to cap or define the terms for annual ground rent escalation.

### Monitor & Engage

Continuously monitor LNDC announcements and government policy updates, and retain local legal counsel for advice.

### Parallel EIA

Initiate the Environmental Impact Assessment study in parallel with the lease application to minimize delays.

# Key Takeaways & Next Steps

## Key Takeaways

Lesotho offers a stable leasehold framework for foreign industrial investors under the Land Act 2010.

Industrial leases of up to 90 years provide long-term security.

The 20% Basotho shareholding requirement is manageable – LNDC is a reliable partner.

LNDC is the key entry point for land, permits, and partnerships.

Proper legal structuring and early due diligence are critical to success.

## Next Steps

01

Engage LNDC for site identification and explore available industrial estates and pre-serviced plots.

02

Appoint local legal counsel early to navigate the land acquisition process and ensure compliance.

03

Commission a detailed feasibility study to assess project viability and environmental impact.

# About the Content Partner

## **J. v. G. technology GmbH** – The DESERT Company

Founded in 1997 in Bavaria, Germany. Family-owned engineering company specializing in turnkey solar module production lines.

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### **Key areas:**

Turnkey PV manufacturing lines | DESERT Technology® |  
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