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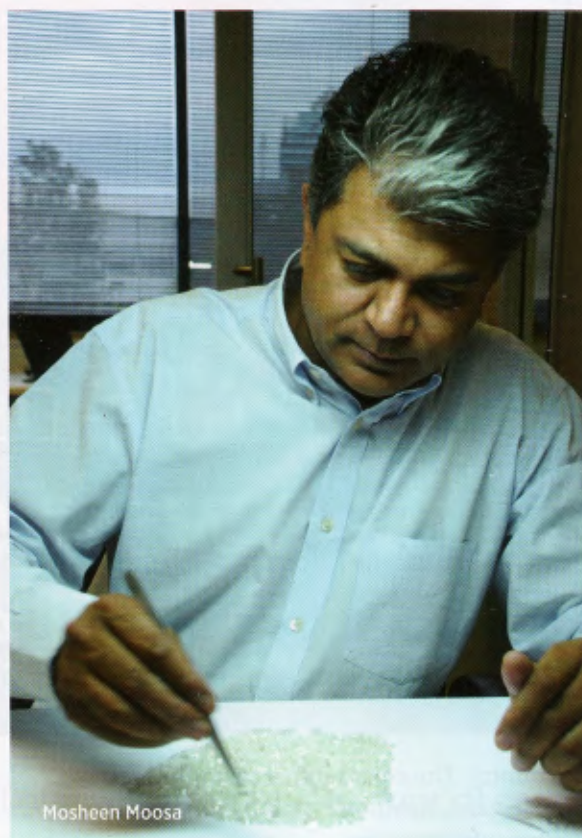
South Africa ZAR 39.90 (incl VAT) | Kenya KES 380 | Nigeria NGN 900 | Ghana GHC 6 | Angola AOA 435
Ethiopia ETB 65 | Tanzania TZS 7000 | Tunisia TND 6 | Uganda UGX 10000 | Zimbabwe USD 5
Zambia ZMK 23500 | Mauritius MUR 150 | Botswana BWP 30 | Namibia NAD 40



Selling The Place Of Gold



Alfonso Ippolito



Mosheen Moosa

Gauteng, South Africa. In Setswana it means 'the place of gold' and if it were a country, it would be the fifth-richest in Africa. But the selling of the golden province to investors is harder than you may think.

BY LERATO SEKO

Alfonso Ippolito wakes up in another hotel room in Johannesburg; his Italian home is eight hours away by plane. He checks his email anxiously for updates and prepares for another day of meetings and frustration. A double-breasted suit, tie, shiny shoes and he's on his way.

At the same time, in another part of Johannesburg, Mosheen Moosa is gearing up for another sparkling day

surrounded by diamonds and African jewelry. No tie around his neck. This man is as laid-back as he is passionate about his business.

One Italian, the other South African; both at either end of the long investment chain in Gauteng—South Africa's place of gold, as the name says. The former has money to invest—the latter needs it like a shot in the arm.

Ippolito—the provider—has been traveling in Africa

since 1982. He is the president of Convivium Africa, a non-profit organization carrying out social impact projects in Africa. South Africa's Gauteng province wants this kind of investment to build the infrastructure and skills to attract more.

"Gauteng contributes a minimum 25% to South Africa's gross domestic product; if it were a country, it would be the fifth-largest economy on the continent," says Ebrahim Patel, South Africa's Minister of Economic Development.

Gauteng competes with countries like Nigeria, Brazil, India and Ghana for this precious foreign investment. Size doesn't always matter. Gauteng needs a high growth rate, ease of doing business and good infrastructure to have any hope of winning.

This is where Ippolito comes in. In 2004, he was invited by the South African ambassador in Italy to attend a session on investment opportunities in Gauteng. He took on the job of selling the province to European companies. It wasn't easy.

"We tried many projects but didn't succeed," says Ippolito.

In 2009, he hit the jackpot. Italgest SpA, an Italian company specializing in renewable energy, took a keen interest and set up Italgest Energy in South Africa. The proposed project is a \$520.5 million photovoltaic plant in Bronkhorstspuit, Gauteng. Italgest has spent at least \$2.6 million over two years on the project that fits into South Africa's target to reduce its carbon emissions by 34% by 2020.

Italgest's plan is simple enough. The land in Bronkhorstspuit will have 1.3 million solar panels placed 1-1.5 meters from the ground. The panels will be manufactured by Sharp in Italy and shipped to South Africa.

The proposed 18-month project has run into numerous road blocks. The constant change in rules and requirements are making Italgest's project that much harder to see through. A 75 megawatt cap has been placed on the plant's capacity. The former 150MW project has had to be split in two, forcing the costly set-up of a second company.

Despite chasing a moving target for the past two years, Italgest is still interested in the project and connecting it to the power grid. The construction could create 1,000 jobs, plus the 120 needed to run the plants.

The company projects returns of 17-21%, but this will depend on the electricity tariff and the bank's rate for the project financing.

Ippolito's only problem with investment in Gauteng is the bureaucracy. Despite help from the Gauteng Economic Development Agency (GEDA), he feels that there is a lack of co-operation between provincial and national governments.

"More facilitation and help are needed on a national level; even more, the bank system is slow and conservative," he

says.

Ippolito says one of South Africa's top four banks sent an email approving the financing for the project on a Friday; by the Monday morning, a second email arrived pulling the financing.

Italgest missed the November 4 deadline to submit its final bid for the two photovoltaic projects because it did not receive the documents on time.

Another sign of bureaucracy that may lead to a squandered opportunity. Italgest hopes to return in March and try again.

While Italian Ippolito is investing in the province of Gauteng, South Africa's Mosheen Moosa needs investment for his business, African Romance.

Moosa is a lawyer. He was a young activist during South

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Africa's apartheid era, with a law degree from the University of Witwatersrand. He is a human rights lawyer who joined Parliament after the country's first democratic elections in 1994. In his five years as a senator, he chaired the Justice Committee that drew up the Bill of Rights and the Courts and Administration of Justice of South Africa's Constitution.

Moosa left all of this to set up African Romance, which cuts and polishes diamonds.

It is a rare business in Africa—most diamonds are exported to the likes of Cartier, Chopard and Tiffany & Co for cutting.

"Exporting raw materials is exporting jobs," says Patel.

According to the Kimberley Process statistics, Russia was the top producer of rough diamonds globally in terms of volume, 32.86 million carats, and Botswana the top producer by value, \$2.59 billion. The 2011 global rough diamond production rose 39% by value and approximately 7% by volume to 133.12 million carats.

A total of 13.67 million carats valued at \$1.8 billion were produced in South Africa in 2010, ranking the country fourth by value. Most of Africa's diamonds are exported for cutting and polishing. The top global importers in 2010 were Europe, India, Israel, Dubai and China.

African Romance stands against this tide. The South African company is bent on beneficiation at home and this needs investment to do so.

African Romance was launched in 2007, after two years

of preparation. Moosa and his team started with an investment of around \$6.5 million, followed by \$10.6 million in 2008-2009. The capital went into factories, equipment and rough diamonds.

African Romance buys its rough diamonds in South Africa. These are cut and polished by South Africans, adding further value before export. Some 50% of the diamonds are exported.

The diamond industry is a very closed one; the barriers to entry are high and it takes years to break in.

In buying South African diamonds, African Romance competes with international buyers that are paying as little as 2% interest rates, giving them an advantage over the 11% rate that the Industrial Development Corporation (IDC) demands from Moosa.

The company has retail stores in Johannesburg's Rosebank Mall, Sandton and OR Tambo International Airport. "We want people to know that Africa is more than just masks and baskets," says Moosa.

In the last three months of 2008, African Romance brought in approximately \$650,745, followed by \$4.5 million in 2009 and \$11.7 million in 2010.

WakeHold is the holding company for WakeGem, which owns the African Romance brand. The shareholders are the WakeGem Workers Trust, 5%, and the Gauteng Department of Economic Development, 30%. The stakeholders are GEDA and the IDC.

African Romance needs \$13 to \$19 million in investment in the next three years. This will go towards increasing its exports and setting up more stores in the continent and further afield.


African Romance has come a long way in development funding and will need deep pockets for its dream of listing on the Johannesburg Stock Exchange (JSE) by 2015.

Doors and cheque books have not opened easily for Moosa and his vision. South African banks have not been a part of African Romance's story. "South African banks are not builders... they are spoilt, want easy money and are not creative enough," says Moosa.

It all comes down to investment. Is Africa's richest province selling itself well enough?

The institution responsible for selling Gauteng to investors is GEDA. According to its acting CEO, Sipiwe Ngwenya, its financial system, large and industrialized economy, transport, infrastructure, natural resources and stability make it an ideal investment destination.

GEDA, which held the Gauteng Investor Conference in Johannesburg, in October, stands against the storm. In 2010, \$247.2 million in investments flowed into South Africa's Gauteng province. The target for 2011 is \$260.3 million.

In these difficult times, it is going to take a lot of nerve and skill for Africa to lure a lot more Ippolitos from Europe to a hotel room in Gauteng. 

Cheer Up In 2012— It Is Going To Get Better

Political economist Paul Laudicina, the CEO of global management consultants AT Kearney, has worked on Capitol Hill in Washington—as Joe Biden's chief of staff—and in Africa in the oil business. He believes the economic outlook for Africa in the new year may be brighter than expected.

BY CHRIS BISHOP

The idea of pulling oneself up by one's bootstraps is no stranger to Paul Laudicina. His ancestors stepped off the boat in New York in the 1920s, penniless and tired after a long journey from Palermo in Sicily. The immigrant family has spent most of the last century concentrating on education, climbing the economic ladder and acceptance.



"My parents wanted us to be more American than Micky Mantle (the New York Yankees baseball legend). We didn't speak Italian in the house," he chuckles.

Laudicina is upbeat about the prospect of Africa pulling itself up by its bootstraps.

"Eight out of 10 of the world's fastest-growing economies are in Africa. Africa's population will overtake that of China by 2025 and overtake India by 2050. In terms of population and resources, Africa is the last frontier and has great potential. You get Indian technology, Chinese manufacturing, Middle East capital and energy, plus African human and natural resources; put them all together and you have more economic power and more growth than any other part of the world," he says.

Laudicina believes South Africa, which accounts for 18% of regional investment, is likely to strengthen its position when it comes to investment. He believes that when the new foreign direct investment rankings are published by his company at the end of the year, South Africa will improve on its 18th standing in the world.

"South Africa has the most hopeful and economic structures in the continent," he says.

On the other side of the investment coin ?

"Business here is not going to come flocking unless people are prepared to take the human resources and train them into productive, income-earning, consuming people instead of protestors on the streets baying about income disparity."

