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DEPARTMENT OF COMMERCE

International Trade Administration

Trade Mission to South Africa and Mozambique, with an Optional Stop in Kenya

February 23 – 27, 2015

AGENCY: International Trade Administration, Department of Commerce.

ACTION: Notice.

MISSION DESCRIPTION

The U. S. Department of Commerce, International Trade Administration, is organizing an executive-led Trade Mission to South Africa and Mozambique, with an optional stop in Kenya. The mission will take place February 23-27, 2015, and is designed to help U.S. firms find business partners and sell equipment and services. Target sectors holding high potential for U.S exporters include:

- Energy Equipment and Services, such as: power generation (including renewable energy); transmission and distribution, energy efficiency, oil and gas exploration and production and project development.
- Transportation Infrastructure and Equipment, such as: road, bridge and dam construction and reconstruction; automatic fare collection systems, new and refurbished railroad locomotives, new bulk car and other dedicated rolling freight fleets, smart signaling and rail operation automation, rolling stock depot design, strategic route design and network planning, port mobile, weighbridges and quayside systems and upgrading of existing port equipment and oil and gas development infrastructure.
- Agricultural Equipment, such as: crop production equipment and machinery, irrigation equipment and technology, crop storage and handling, precision farming technologies and fertilizers.

- Medical Technologies, such as: diagnostic imaging equipment, laboratory equipment, patient aids, innovative minimally invasive devices and dental and optometry equipment.

Although focused on the sectors above, the mission also will consider participation from companies in other appropriate sectors as space permits.

The mission will go to Johannesburg, South Africa and Maputo, Mozambique. In addition, there will be an optional stop in Nairobi, Kenya before the Johannesburg stop.

Led by a senior executive of the Department of Commerce, the trade mission will include one-on-one business appointments with pre-screened potential buyers, agents, distributors and joint venture partners; meetings with national and regional government officials, chambers of commerce, and business groups; and networking receptions. The mission will help participating firms and trade associations gain market insights, make industry contacts, solidify business strategies, and advance specific projects, with the goal of increasing U.S. exports to Kenya, South Africa and Mozambique. Participating in this official U.S. industry delegation, rather than traveling on their own, will enhance delegates' abilities to secure meetings in these markets.

Commercial Setting

Kenya, with a population of 43 million, is the dominant economy in Eastern Africa. Given its position as the economic, commercial, and logistical hub of East Africa, more U.S. companies are investing in Kenya and setting up local and regional operations there. Kenya's first election under a new constitution with a devolved government structure was held in April 2013, and should position it for further growth.

Kenya also boasts a large number of well-educated English-speaking, and multi-lingual professionals, and a strong entrepreneurial tradition. Doing business in Kenya includes a number of challenges, such as poverty, crime, unemployment, limited infrastructure, and corruption.

South Africa, a country of 52 million people, has the most advanced, broad-based industrial economy in Africa, enjoys relative macroeconomic stability and boasts sound financial, legal and accounting institutions. It remains the primary choice for U.S. companies wishing to develop the promising markets of sub-Saharan Africa, although it suffers from large disparities in income distribution, and has recently seen its international credit rating slip. In 2012 South Africa's gross domestic product (GDP) grew by 2.0% to \$417 billion.

Mozambique, with a population of 23 million, grew its economy from 1994 to 2009 at an average rate of 8% per year -- one of the fastest rates of growth of any sub-Saharan African economy over this period. In 2013, GDP reached \$15 billion. While the country was devastated after the war in 1992, it has since benefited from macroeconomic reforms and large foreign investment projects.

Though infrastructure remains weak and the population is still largely rural, the government is committed to building a strong commercial environment. U.S. investment in the energy sector, particularly off-shore natural gas, is expected to grow tremendously in the next several years, though the U.S. has traditionally been a relatively minor trading partner.

Best Prospects in Targeted Sectors

Energy

Kenya

In response to strong economic growth and increasing demand for electricity, Kenya is focused on developing its power generation and transmission and distribution infrastructure. Today, Kenya is faced with numerous brownouts, blackouts, and power surges that damage equipment and necessitate

emergency power, driving up the cost of electricity. The supply deficit and costly short-term solutions impede economic growth, and reduce the competitiveness of Kenya's private sector in the region. With only 25% of the population connected to the grid, the Kenyan government plans to connect an additional 5000MW of power and reduce electricity tariffs by 40% by 2016.

Kenya principally relies on hydropower, whose supply is impacted by drought; and thermal power, which is sensitive to global fuel prices. However, extensive plans are underway to develop geothermal, wind, and other renewable energy sources. Kenya has world-class potential for geothermal energy production with development in other renewable energy sectors expected.

Kenya is an increasingly promising player in the booming East Africa oil and gas market. The multiple onshore discoveries announced since 2012 have led exploration and production companies to sound optimistic notes about the country's potential. One firm estimates that Kenya's resource base could amount to 10 billion barrels, though exploration is still in early phases. The greatest enthusiasm surrounds offshore resources, where drillers hope to replicate Mozambique and Tanzania's vast natural gas discoveries.

South Africa

Electricity supply constraints are significant and are expected to remain a feature of South Africa's social and economic landscape for several years to come. ESKOM, the government owned power utility, with a virtual monopoly on generation, transmission and distribution (responsible for around 95% of local generation) is experiencing budgetary and infrastructure challenges. As a result of these challenges, the government has put a renewed focus on the increased generation of power, increased energy efficiency and decreased consumption. ESKOM's reserve of power has recently become so low that it has been forced to utilize its contractual rights with large industrial users to require them to reduce consumption at

critical times. It has also been forced to use expensive diesel to power generators at peak load periods. Though there is current and planned infrastructure investment to ensure future supply, there have been significant delays in bringing these planned power generation facilities on line.

ESKOM is currently investigating smart grid as an option to manage peak load demand. Renewable energy programs have also been introduced in order to facilitate clean renewable independent energy production. The government's Renewable Energy Independent Power Producer Procurement program (REIPPP) has been relatively successful and marks the first time independent power producers have been allowed to sell power back to the grid. However, local content requirements, which have increased in recent months, may limit potential U.S. exports.

Further capital expenditure is ongoing with the two large scale coal-fired plants under construction (Medupi Power Station (4800MW) and Kusile Power Station (4800MW) as well as a pumped storage project (1332MW) and a wind energy facility (100MW). In a recent state of the nation address, President Zuma also reintroduced a plan to bring nuclear energy back to the fore in South Africa.

South Africa boasts the world's eighth largest supply of technically recoverable shale gas resources, according to the U.S. Department of Energy's Energy Information Administration. In 2012, the government lifted a moratorium on exploring the country's estimated 390 trillion cubic feet (tcf) of unconventional deposits. While licenses have yet to be issued, President Zuma in June announced that the government would proceed with shale gas development plans, indicating the government's willingness to move forward with development in the sector.

Mozambique

Mozambique is set to become one of the world's largest new suppliers of natural gas. The country's massive offshore discoveries have launched a scramble among exploration and production companies to

develop these new-found resources. Although much of the Mozambique's offshore acreage still remains underexplored, one U.S. company has already announced finds totaling some 45-65 tcf of recoverable gas reserves. By some estimates, the country's vast resources could support up to ten LNG trains, and developers aim to begin LNG exports in 2018.

Mozambique is a net exporter of energy. The vast majority of power produced in the country comes from the Cahora Bassa hydro-power scheme in central Mozambique, where a planned multi-million dollar "North Bank" expansion with potential opportunities for U.S. suppliers. It will add an additional 1250 MW with transmission lines to South Africa, the South African Power Pool, Maputo, and Northern Mozambique. Planning for a second multi-billion dollar, 1500-plus MW hydropower dam 35 miles downstream at Mphanda Nkuwa is well underway, and the operators are expected to finalize financing this year, with commercial operations due to start as early as 2017.

Transportation Infrastructure and Equipment

Kenya

Kenya enjoys an extensive, but uneven, infrastructure that is still superior in many cases to that of its neighbors. Nairobi is the undisputed transportation hub of Eastern and Central Africa and the largest city between Cairo and Johannesburg. The Port of Mombasa is the most important deep-water port in the region, supplying the shipping needs of more than a dozen countries despite persistent deficiencies in equipment, inefficiency and corruption. As a result of these deficiencies, the Port of Mombasa has been earmarked for major expansion and re-habilitation.

Kenya's "Vision 2030" infrastructure development plans call for significant improvements to the provision of water, renewable energy, ICT, housing, roads, bridges, railways, seaports and airports over

the next 20 years. The construction industry in Kenya is driven primarily by two key infrastructure sectors: transportation and housing, given the large housing deficit that exists in Kenya. Construction and infrastructure development will also present new opportunities, especially with the passage of the new public-private partnership (PPP) law which will make government procurements more transparent and less risky. This development was supported by the massive road infrastructure projects and the high demand for decent housing due to rapidly expanding population.

South Africa

South Africa's government has announced and allocated initial funding for significant transportation infrastructure capital investments. In 2012 the government announced the allocation of funding for investments estimated at over \$90 billion over 15 years. Though there have been complaints of slow implementation, leading some contractors to re-focus business elsewhere in the continent, in late 2013 and early 2014 commitments were made to procure passenger rolling stock, locomotives, signaling and track upgrades. Also, the development of the significant Durban phase 2 port extension (in the old Durban International Airport precinct) has been initiated.

The Passenger Rail Agency of South Africa (Prasa) of the SA Department of Transport (SADOT) in March 2012 announced a 20-year rail improvement program estimated at more than \$13.6 billion. Of this, \$1.3 billion will be invested in signaling, new depots, modern stations and integrated ticketing, while \$1.1 billion is being spent on new locomotives.

The State Owned Enterprise (SOE), Transnet Freight Rail (TFR) and others are considering finalizing logistics projects such as upgrading the Sishen - Saldanha Bay ore line, the Richard Bay coal line and other new coal line networks in the northwest. Transnet's rail and port projects are reportedly set to cost around \$30 billion over seven years and include augmenting the tractive and bulk car fleet, signaling, maintenance, advanced train management systems and network expansion/concession models. For the

second large diesel locomotive program of 465 units, one U.S. and one Chinese manufacturer were selected as preferred bidders in February 2014.

Transnet Port Terminals (TPT), the port operating SOE is set to invest \$3.3 billion over the next seven years for the expansion and improvement of its bulk and container terminals. Significant capacity-creating projects included the expansion of the Durban Container Terminal's (DCT's) Pier 1 that would increase its capacity from 700,000 twenty-foot equivalent units (TEUs) to 820,000 TEUs by 2013 and 1.2 million TEUs by 2016/17. Other expansion projects include the Ngqura Container Terminal, Durban Ro-Ro and Maydon Wharf terminal, the iron-ore bulk terminal at the Port of Saldanha and the ageing Richards Bay Terminal where \$370 million is set aside for mobile and quayside equipment, as well as weighbridges.

Mozambique

Transport networks and infrastructure will be instrumental to developing Mozambique's growth potential in the near and long term. The recently concluded \$500 million Millennium Challenge Corporation compact funded extensive rehabilitation of key roads, a dam, and a water supply project in two northern provinces. The Government of Mozambique is investing heavily in expanding rail and port capacity to manage the rising production of mineral resources. A rail line to the deepest natural port on the East Coast of Africa should significantly lower coal transport costs, and two foreign companies have recently been contracted to begin work on a new rail line ending at Macuze port. As total coal exports are projected to reach 40 million tons per year by 2015 and long term estimates are in the range of 100 million tons per year, infrastructure around this sector remains a priority. In addition, rapid investment in infrastructure to support planned LNG projects in northern Mozambique, one of its least developed regions, could bring vast opportunities to U.S. firms.

Agricultural Equipment

Kenya

Agriculture remains the backbone of Kenya's economy. It accounts for about 24% of GDP directly and 75% of the labor force indirectly. Cash crop (tea, coffee, and horticulture), food crops (maize, wheat and rice), and livestock dominate the agricultural sector. Kenyan agriculture faces many challenges. It is predominately rainfall dependent and thus subject to wide production variances. It is undercapitalized, implying low technological absorption resulting in low productivity. Small-scale farmers contribute about 75% to the country's total value of agricultural output and account for nearly 85% of total employment in the agricultural sector. These attributes, coupled with challenges arising from limited institutional capacity, poor infrastructure, and risks associated with liberalized markets, explain the relative stagnation of agricultural productivity and incomes.

Kenya's horticulture industry is a major export success in Africa. It is almost entirely dominated by the private sector and provides many opportunities for increased importation of fertilizers, pesticides and equipment. Similar opportunities lie in Kenya's floriculture industry, which is the leading exporter of fresh cut flowers to the flower auction in Holland. Other important commodities include maize, tea, coffee, sugarcane and wheat, which will require additional use of fertilizers as production grows. The government has embarked on a mechanization program to see the increase in use of more modern means of farming so as to increase output. In addition, the government has set aside 1.2 million acres of land for irrigation that will grow maize, wheat and livestock farming. Agricultural equipment is tax exempt under the VAT Act 2013 to provide support to the sector.

Kenya imports virtually all of its agricultural chemicals as there is no significant local production. Unlike many sub-Saharan African countries, Kenya's fertilizer use has almost doubled since the liberalization of the market in the 1990s, and the removal of government price controls and import licensing quotas. The growth in use has been noted especially among the smallholder farmers in growth of both food crops (maize, domestic horticulture) and export crops (tea, coffee). Growth in the industry is largely due to huge private investment in both importation and retailing of fertilizers. Fertilizer is also tax exempted under the new VAT Act.

South Africa

South Africa has by far the most modern, productive and diverse agricultural economy in Sub Saharan Africa. Agriculture in South Africa remains an important sector despite its relatively small contribution to the GDP. The sector plays an important role in terms of job creation, especially in rural areas, but is also a foremost earner of foreign exchange.

South Africa has a market-oriented agricultural economy that is highly diversified, including production of all the major grains (except rice), oilseeds, deciduous and subtropical fruits, sugar, citrus, wine and most vegetables. Livestock production includes cattle, dairy, pigs, sheep, and a well-developed broiler and egg industry. Value-added sector activities include slaughtering, processing and preserving of meat; processing and preserving of fruit and vegetables; dairy products; grain mill products; crushing of oilseeds; prepared animal feeds; and sugar refining amongst other food products. South Africa also exports wine, corn, mohair, groundnuts, karakul pelts, sugar, and wool.

South Africa offers U.S. exporters in the agricultural equipment and technology sector a wide range of opportunities. Five % of all new agriculture equipment is being produced locally; ninety five % of all agriculture equipment and parts are being sourced from international markets, and at least twenty % of new equipment and technologies are currently being sourced from the U.S.

Mozambique

Agriculture currently accounts for 81% of national employment and 32% of GDP. Mozambique requires great investment to drive the adoption of new technology in agriculture, which is needed for growth in the sector to keep pace with the country's overall GDP growth.

Mozambique, the size of Texas and Louisiana combined, boasts 36 million hectares of arable land, yet 85% of it (30.6 million hectares) is unutilized and only 3% of all potential agricultural land is under irrigation. Mozambique's vast potential in the agriculture sector has prompted major U.S. agribusiness companies to consider establishing commercial farms there.

Medical Technologies

Kenya

The Kenyan healthcare market relies almost entirely on imports of medical devices, pharmaceuticals (at least 70-80%), dental products, laboratory equipment, healthcare IT, clinical chemistry and diagnostics. As a result, U.S. healthcare suppliers are in an excellent position to increase their market share in Kenya due to technical competitiveness in quality and reliability.

Leading private sector hospitals are very active in modernizing their medical equipment inventories, while public sector hospitals are constantly re-equipping with improved budgetary allocations. There are concerted efforts by the Government of Kenya to attain universal healthcare for all Kenyans by 2030. Additionally, there are 47 county governments recently established, each of which is responsible for providing health facilities and services. It is expected that that a large portion of their funding from the central government will be used to re-equip county health facilities.

South Africa

South Africa's health sector is considered the most developed in Africa, with expenditures estimated at 31.6 billion (2013), 9% of GDP. Healthcare is divided into public (50% of total spent on 80% of the population) and private (50% of total on 20% of the population). Government spending is likely to increase as they further develop and support the roll-out of the National Health Initiative scheme. Healthcare in the private sector is on par with first-world standards.

Over 90% of the medical market is imported, with the U.S. being the dominant supplier. There are good opportunities for U.S. medical device manufacturers, notably in diagnostic imaging and patient aids.

Mozambique

The U.S. alone has invested over \$1.9 billion in healthcare in Mozambique via the President's Emergency Plan for AIDS Relief (PEPFAR). In fiscal year 2012, the U.S. Government supported the health sector with over \$340 million toward HIV/AIDS, malaria, tuberculosis, maternal child health, family planning reproductive health, nutrition and water and sanitation programming. These efforts are coordinated with the Government of Mozambique to improve quality and access to health care services. National spending on health has grown and U.S. companies can play a key role in improving the health and livelihoods of Mozambicans.

MISSION GOALS

The goal of this trade mission is to provide U.S. participants with first-hand market information, and one-on-one meetings with business contacts, including potential agents, distributors and partners so they can position themselves to enter or expand their presence in these markets.

Mission Scenario

This mission will visit Johannesburg and Maputo, following an optional stop in Nairobi, allowing participants to access the largest markets and business centers in these countries.

Proposed Mission Timetable

Day of Week	Location	Activity
Sunday, Feb. 22	Nairobi	Companies participating in the Kenya portion arrive Nairobi
Monday, Feb. 23	Nairobi	Welcome Breakfast Briefing by U.S. Embassy One-on-one business appointments Evening business reception
Tuesday Feb. 24	Nairobi Johannesburg	One-on-one business appointments continue as time permits. Depart for Johannesburg. Companies participating in South Africa and Mozambique portion arrive in Johannesburg.
Wednesday, Feb. 25	Johannesburg	Briefing by U.S. Consulate Staff One-on-one business meetings Evening business reception
Thursday, Feb. 26	Johannesburg Maputo	One-on-one meetings continue. Companies depart for Maputo. Evening business reception
Friday, Feb. 27	Maputo	Briefing by U.S. Embassy One-on-one business appointments Mission ends

***Note:** The final schedule and potential site visits will depend on the availability of local government and business officials, specific goals of mission participants, and air travel schedules.

PARTICIPATION REQUIREMENTS

All parties interested in participating in the trade mission must complete and submit an application package for consideration by the U.S. Department of Commerce. All applicants will be evaluated on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. A minimum of 15 and maximum of 20 firms and/or trade associations or organizations will be selected from the applicant pool to participate in the mission.

Fees and Expenses:

After a company or trade association/organization has been selected to participate on the mission, a payment to the U.S. Department of Commerce in the form of a participation fee is required.

The participation fee for the Kenya portion is \$1950 for small or medium-sized enterprises (SME)¹, trade associations/organizations, and large firms. The fee for each additional representative (large firm or SME or trade association/organization) is \$350.

The participation fee for the Mozambique and South Africa portion is \$3,450 for small or medium-sized enterprises (SME)², and \$4,850 for large firms and trade associations/organizations. The fee for each additional representative (large firm or SME or trade association/organization) is \$750.

¹ An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see http://www.sba.gov/services/contracting_opportunities/sizestandardsttopics/index.html). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (see <http://www.export.gov/newsletter/march2008/initiatives.html> for additional information).

² An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see http://www.sba.gov/services/contracting_opportunities/sizestandardsttopics/index.html). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (see <http://www.export.gov/newsletter/march2008/initiatives.html> for additional information).

The participation fee for all three countries is \$5,400 for small or medium-sized enterprises (SME)³ and \$6,800 for large firms and trade associations/organizations. The fee for each additional representative (large firm or SME or trade association/organization) is \$750.

Exclusions:

The mission fee does not include any personal travel expenses such as lodging, most meals, local ground transportation and air transportation. Delegate members will however, be able to take advantage of U.S. Government rates for hotel rooms. Government fees and processing expenses to obtain such visas are also not included in the mission costs. However, the U.S. Department of Commerce will provide instructions to each participant on the procedures required to obtain necessary business visas.

CONDITIONS FOR PARTICIPATION

Applicants must submit a completed and signed mission application and supplemental application materials, including adequate information on the company's or association/organization's products and/or services, primary market objectives, and goals for participation by **December 31, 2014**. If the Department of Commerce receives an incomplete application, the Department may either: reject the application, request additional information/clarification, or take the lack of information into account when evaluating the applications.

Each applicant must also certify that the products and services it seeks to export through the mission are either produced in the U.S., or, if not, are marketed under the name of a U.S. firm and have at least fifty-

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one % U.S. content. In the case of a trade association or organization, the applicant must certify that for each company to be represented by the association/organization, the products and/or services the represented company seeks to export are either produced in the U.S. or, if not, marketed under the name of a U.S. firm and have at least fifty-one % U.S. content.

In addition, each applicant must:

- Certify that the products and services that it wishes to market through the mission would be in compliance with U.S. export controls and regulations;
- Certify that it has identified to the Department of Commerce for its evaluation any business pending before the Department that may present the appearance of a conflict of interest;
- Certify that it has identified any pending litigation (including any administrative proceedings) to which it is a party that involves the Department of Commerce; and
- Sign and submit an agreement that it and its affiliates (1) have not and will not engage in the bribery of foreign officials in connection with a company's/participant's involvement in this mission, and (2) maintain and enforce a policy that prohibits the bribery of foreign officials.

SELECTION CRITERIA FOR PARTICIPATION

Targeted mission participants are U.S. companies and trade associations/organizations providing or promoting products and services that have an interest in entering or expanding their business in the markets of Kenya, South Africa and Mozambique. The following criteria will be evaluated in selecting participants:

- Suitability of a company's (or in the case of a trade association/organization, represented companies') products or services to these markets.

- Company's (or in the case of a trade association/organization, represented companies') potential for business in the markets, including likelihood of exports resulting from the mission.
- Consistency of the applicant company's (or in the case of a trade association/organization, represented companies') goals and objectives with the stated scope of the mission.

Additional factors, such as diversity of company size, type, location, and demographics, may also be considered during the review process.

Referrals from political organizations and any documents, including the application, containing references to partisan political activities (including political contributions) will be removed from an applicant's submission and not considered during the selection process.

TIMEFRAME FOR RECRUITMENT AND APPLICATION

Mission recruitment will be conducted in an open and public manner, including publication in the Federal Register, posting on the Commerce Department trade mission calendar (<http://www.export.gov/trademissions/>) and other Internet web sites, press releases to general and trade media, notices by industry trade associations and other multiplier groups, and publicity at industry meetings, symposia, conferences, and trade shows.

Recruitment for this mission will begin immediately and conclude no later than December 31, 2014. The U.S. Department of Commerce will review applications and make selection decisions on a rolling basis beginning June 23, 2014 until the maximum of 20 participants is selected. Applications received after December 31, 2014 will be considered only if space and scheduling constraints permit.

CONTACTS

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