

Special Report Infrastructure

chain investment by reducing greenfield risk and growing an existing commercial customer base with the potential to expand into new markets.

“We are mitigating investor concerns over whether latent demand will be realised,” says Agbaje.

There are other challenges that concern investors across Africa, such as limited power transmission, logistics and en-

forcement of food standards, which is why some big food operations are understandably nervous about outsourcing.

Agbaje is confident that AIIM’s good track record of delivery in SA suggests that these challenges can be overcome, allowing those players to scale their businesses by creating the infrastructure that helps them produce more and sell more.

“Our core expertise is max-

imising self-generation and minimising diesel consumption. This is a paramount consideration for customers because they don’t want to incur the increasing cost of electricity and also deal with its intermittency, which they would have to do if they managed their own cold chain,” he says.

Resolving the power-generation question in new territories and setting out pathways

that will reduce dependence on fossil fuels is key. An extensive industry network allows the investment manager to build food producing businesses that meet global standards.

“Our work in SA demonstrates that it is possible to scale sustainable cold chain infrastructure for the benefit of most food supply chain operations, from producers to major retail chains,” says Agbaje. ✕

SA’s connectivity challenge

Digital transformation and connectivity is an important component of development

● The rapid expansion of fibre optic infrastructure is transforming SA’s telecommunications sector.

The local wholesale fixed access market is projected to grow at an annual growth rate of 6.1% to reach R52bn in 2027, with growth driven primarily by the fibre industry, according to the SA Wholesale Telecoms Report. It is expected that the wholesale fixed access market will ultimately overtake mobile facilities in revenue.

In the past decade, fibre network operators have transformed the urban broadband access market. Fibre optic networks provide greater bandwidth and speed which enhances the user’s experience when accessing the internet and online service offerings. For service providers, revenue growth is driven by the increasing demand for uptake of packages.

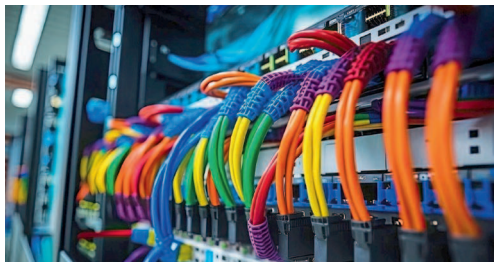
Because of first-mover advantages, there is currently a land grab among passive network owners to install last-mile fibre with a focus on fibre to the home (FTTH). Last mile in a network is defined

as the final length of cabling, or antenna transmission, from the nearest distribution point to a home or workplace.

Digital transformation in SA is happening in tandem with growing digital connectivity. An important element of infrastructure development, it has proven to be a fundamental resource for socioeconomic development and growth.

Andrew Dabalén, World Bank chief economist for Africa, was quoted as saying that the minimal usage of mobile internet is a lost opportunity for inclusive growth in Africa. “Closing the uptake gap would increase the continent’s potential to create jobs for its growing population and boost economic recovery in a highly digitalised world.”

In SA, data usage is expected to increase with video downloads and the introduction of Internet Protocol Television. The work from home trend has also increased demand for faster internet connectivity in households.



Chito Siame, investment principal at Mergence Investment Managers, says digital connectivity is being regarded as the fourth utility with few households able to afford to function without stable and effective internet.

Mergence, an infrastructure and development asset manager, invested in Linteg Fibre, a privately-owned FTTH infrastructure business through the Mergence’s Infrastructure & Development Equity Fund I.

Linteg specialises in cost-effective, high-speed open and, sometimes closed, access last-mile fibre optic networks in commercially feasible suburbs in SA.

The company currently has over 7,500 endpoints either installed or contracted to be installed in the next few months. The target for the fourth quarter of 2024 is to have about 12,000 points installed at various sites.

Linteg is not the only fibre investee company in the Mergence fund portfolio. In total, Mergence has exposure to more than 35,000 endpoints through other investments.



Chito Siame

“Mergence clients are primarily large pension funds who benefit from infrastructure investments. From a strategic asset allocation perspective, infrastructure investments offer investors portfolio

diversification and returns that are uncorrelated with other asset classes,” Siame says.

Mergence is not new to infrastructure investing and was a pioneer in impact and infrastructure investing. It launched its first socially responsible fund range in 2010 which has grown to a suite of five innovative funds in the private markets space.

It has invested across both debt and equity, and sectors spanning renewable energy, information and communications technology, affordable housing, water, financial inclusion, transport and health.

“Infrastructure is an asset class that provides a hedge against inflation and delivers long-term, steady and risk-adjusted return,” says Siame. ✕

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