AVCA Member Profile:
African Infrastructure Investment Managers

African Infrastructure Investment Managers (AIIM) is a private equity infrastructure investment firm that invests in a range of projects across Africa, including thermal and renewable power generation and transmission, gas pipelines, roads, ports and communication infrastructure. AIIM has been investing in Africa for over 16 years, making it one of the largest and longest-running African infrastructure fund managers.

With four regional offices in Cape Town, Johannesburg, Lagos and Nairobi, and US$1.9bn across six infrastructure funds, AIIM adds value to infrastructure investment activities throughout Sub-Saharan Africa through its strategic, commercial, operational and financial expertise.

AVCA talks with Jurie Swart, Chief Executive Officer at AIIM, about Africa’s infrastructure deficit and why this sector has substantial potential for investment.

Q: Tell us about the history and investor base of AIIM?
A: Founded as a joint venture between Old Mutual and Macquarie in 2000, AIIM has evolved into a successful African infrastructure investment manager. In 2015, Old Mutual Alternative Investments purchased Macquarie Group’s 50% stake in AIIM, making it the sole shareholder. This brought about the opportunity to integrate Old Mutual’s infrastructure investment capabilities (AIIM and the IDEAS Fund) with the respective skills and experience resulting in a larger, unified infrastructure investment team.

The AIIM funds’ main investors are major international development finance institutions and African institutional investors from the pension funds, banking and non-banking sectors. Initially, AIIM’s focus was primarily on South African infrastructure assets. However, we realised fairly quickly that countries in the rest of Africa offered real long-term opportunities as a result of the widespread infrastructure needs.

Q: What is the investment appeal of infrastructure in Africa?
A: There is a critical need for infrastructure across the continent where more than half of the main roads remain untarred and many local communities still do not have access to clean water. Africa’s infrastructure demand is valued at about US$100bn a year – currently, only around half of this amount is actually spent on infrastructure, leaving a US$50bn shortfall.

Infrastructure investment supports the development of the continent and can make a lasting, positive impact on the social and economic landscape while ensuring sustainable returns for investors. Longer duration, inflation-linked returns and portfolio diversification are some of the appealing characteristics of infrastructure investment for investors.

Q: What changes have you seen in Africa over the past decade that have improved the prospects of infrastructure investing?
A: Africa remains a challenging destination for doing business, but governments have proactively undertaken concrete steps to improve the enabling environment for foreign and local investment. Since 2005, 20 African countries rank amongst the 50 most-improved economies in business and regulatory efficiencies. As of 2015, 10 out of 15 leading African countries have PPP- specific...
legal frameworks in place. Political and financial discipline has also improved. Today, 20 countries are considered electoral democracies compared to just four in 1991, while the public debt ratios of the Sub-Saharan African states average 30% of GDP - a favourable level compared to other emerging and developed markets. Governments and businesses acknowledge that infrastructure is a critical driver of economic development which is a necessary precursor to creating the programmes and policy consistency essential to attracting long-term private capital to the sector. We have seen significant developments in this arena.

**Q: What are the best opportunities for investors in African infrastructure and how do these differ by region?**

In the short-term, investors will focus on power. Opportunities in this sector are currently largest in West African countries such as Nigeria, Ghana, Cameroon and Guinea. AIIM has invested in a 340MW thermal plant in Ghana (Cenpower Kpone IPP), which will supply over 10% of Ghana’s current generation capacity and is expected to begin generating power by the end of 2017. We are also participants in the 450MW Azura gas-fired power project in Nigeria.

While we continue to see the development of large scale IPP’s, we believe that there are significant opportunities in smaller scale distributed power that will be realised over the short to medium term allowing commercial offtakers the opportunity to address their immediate power needs more efficiently. This trend in the power sector is expected to continue, but there are also opportunities in transmission and distribution, both in gas and electricity. Cameroon and Guinea also offer significant potential in the hydro sector. We have seen promising momentum in these markets supporting the development of a cost-effective hydro energy generation platform.

**Q: Given the long-term propensity of infrastructure investments, how do you keep all parties onboard when you have committed to a project?**

A: There is a growing appreciation by African governments of the role the private sector can play, but there are still challenges. It is imperative to ensure that expectations are aligned and there are no gaps in what governments think they will gain from the private sector, and vice versa. It is equally important to involve local communities in the journey, and ensure that they understand any changes to their environment as well as the associated benefits the project will bring to their community. It is imperative to have the right partners and for private capital providers to operate with high ethical standards and promote responsible investing. Ultimately, it is about building relationships and maintaining them throughout the project life - it is the same across the world.

**Q: How do you evaluate the impact of your infrastructure investments on local communities and economies?**

A: Making it work on both a societal and business level requires great effort. The AIIM team currently consists of two ESG specialists and the business is looking to grow this area, highlighting its importance in infrastructure asset management and socio-economic development.

We conclude extensive due diligence on the impact a project will have on the environment, the communities – including any required relocation or impacts on existing activities such as farming, and the local economy. As far as possible labour requirements during construction are sourced locally with long-term programmes focused on addressing deficiencies in education, healthcare and employment. AIIM has developed a tool to consider the transactions impact on the portfolio’s carbon footprint to ensure long-term sustainability for the portfolio.