

Projects for Good

An Analysis of the Viability of Private Sector Impact Investment in Rural Infrastructure Development

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Summary

The argument for infrastructure development as an accelerant to poverty reduction and national growth has been proven in both literature and completed projects. Similarly, in successful impact investment in commercially viable rural infrastructure projects, where investors gain up to or greater than market value financial returns. However, the South African private sector has shown very low confidence, and government or Public Private Partnerships (PPP) have shown very little to no progress in rural infrastructure development. With regards to the most effective South African rural locations for high impact investment, the project assesses the best routes to commercial markets, in particular, the emerging industry of blue ocean economy. This project will focus on sustainable infrastructure through smart technology, clean energy, waste recycling (including water), low embodied energy construction processes and materials.

Context

A distance of 1,082km of the South African coastline consists of two provinces (of 263,327 km²) where rural locations are in close proximity to the national ports and have a total of 67.3% and 60.7% adult poverty, respectively. The South African ocean economy is still small, and with five ports along the coastline of the two identified provinces, there is a great potential for national growth, poverty alleviation, and global competitiveness.

Aims

The purpose of the research project is to provide the private sector with an in-depth understanding of sustainable rural infrastructure as a viable alternative asset class for successful impact investment. The objectives are:

- To research and develop sustainable rural infrastructure development which will create economic opportunities to enter the blue ocean economy
- To fundraise private sector investment through an impact fund, for development of sustainable rural infrastructure and enterprise development targeted at blue ocean economy
- To create a catalyst for the development of 'smart' sustainable infrastructure in South Africa
- To redirect the significant investment in urban centres to rural areas, which will be a greater accelerant for reduction of poverty and national growth in South Africa
- To place South Africa as one of the leading developing countries in promoting and actioning the 2030 United Nations Sustainable Development Goals

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The Project

To date the project is in a detailed research phase and has currently identified local and global support from academia, professionals, investors and financiers who are experts in the emerging impact investment industry. Initial support has been established with the Bertha Centre of Social Innovation and Entrepreneurship at the University of Cape Town (UCT) Graduate School of Business (GSB), which is running a course "Impact Investing in Africa" in collaboration with Skoll Centre for Social Entrepreneurship and Saïd Business School, an impact finance initiative of Oxford University. Through these partnerships, the detailed research phase will similarly identify support from sustainable infrastructure industry expertise. The research outcomes and recommendations will lead to the establishment of a private sector impact fund, targeting "this fast-emerging industry estimated at \$500 billion in 2019" (GSB, 2019).

Personal Impact

As the founder of the company, the aim was not only to provide financial advisory services in real estate and infrastructure industry, but to simultaneously provide advice about the sustainability impact that can be achieved in the industry without compromising expected market returns for investors. Through the UCEM MBA Construction and Real Estate programme, I have been able to gain extensive knowledge in globally competitive standards in construction and real estate, in developed markets. Through the UCEM Projects for Good I have had the professional development opportunity to refine the research project aspects of social, environmental and economic sustainability.

Results

In refining the social, environmental and economic aspects of the project, the research has developed further to identify enterprise development opportunities in blue ocean economy, through private sector impact investment in rural infrastructure, in strategic rural locations near the South African national ports.