

RisCura, Africa Investor to launch infrastructure performance index

RisCura and Africa Investor have partnered to launch Africa's first infrastructure performance index in early 2019. The initiative has the support of the African Sovereign Wealth and Pension Fund Leaders Forum, the World Pensions Council, BATSETA, and official institutions such as NEPAD/African Union and the EDFI, the Association of bilateral European Development Finance Institutions amongst others.



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“For years one of the main constraints for institutional investment into infrastructure in Africa has been the lack of a benchmark,” says Heleen Goussard, head of unlisted investment services at RisCura. “We believe the introduction of this index will enable increased investment into this asset class, as indices and benchmarks play a critical role in investment management,” says Goussard.

Over the last two decades Africa experienced periods of per capita income growth that were higher than those seen in developed nations. However, numerous factors have led to a recent slowdown in the region's economic activity. “Many would argue that the inadequate supply of infrastructure services is one reason for this,” says Goussard.

Potential impact of infrastructure development

Research by the World Bank has quantified the potential impact infrastructure development would have on Africa's growth trajectory. According to this research, increasing infrastructure development to levels seen in other developing regions could result in GDP per capita growth increases of at least 1.2% annually. Adding in enhancements to the quality of infrastructure would contribute a further 0.5%; increasing growth by a total of 1.7% annually.

This growth is even more impactful when compared to the world's leading nations. The impact on GDP growth, from making strides in both the quantity and quality of infrastructure, rises to 2.6% annually. "Simply put, the potential benefit of funding Africa's infrastructure deficit is significant," says Goussard.

When looking for answers to Africa's infrastructure financing need, it's easy to look at public investment as the main solution, says Goussard. However, with insufficient current levels of infrastructure spend as a percentage of GDP and increasing debt-to-GDP ratios, most African countries have little room in their fiscus to accommodate a higher infrastructure spend.

Institutional investors

"We believe the solution lies with institutional investors," says Goussard. "Pension funds' long investment horizon make them especially suited to infrastructure investments. The potential for these investments to deliver a predictable cashflow stream over a sustained period, coupled with an element of inflation protection is attractive for institutional investors."

So, why are we seeing insufficient levels of capital committed to infrastructure funds? The reasons are complicated. "The investment ecosystem is not yet thriving as African countries are still working on developing significant pools of institutional capital, sufficient asset managers and robust regulatory regimes," says Goussard.

"The introduction of infrastructure performance information for Africa is a simple step in the right direction, given that institutional investors often cite a lack of performance data as a constraining factor when considering infrastructure allocations," says Goussard.

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