



—
Investing for a
world of change

Infrastructure reform and the emerging investment opportunity



Nkhumeleni Thaviwa
Managing Director,
Fixed Income



Puleng Pitso
Investment Specialist,
Alternatives

South Africa's infrastructure reform agenda has entered a new phase. With the launch of Operation Vulindlela Phase II, the focus has decisively shifted from policy design to implementation and delivery.

For investors, this marks an important inflexion point. After several years of groundwork, reforms are beginning to translate into clearer project pipelines, stronger institutions, and greater scope for private-sector participation. Against this backdrop, infrastructure is fast becoming a more credible and investable channel through which reform momentum can be translated into long-term investment returns.

Reform as the foundation for investable infrastructure

The opportunity created by Phase II is best understood in the context of South Africa's recent reform journey.

Over the past decade, economic growth has been constrained by power supply shortages, logistics bottlenecks, and declining public sector performance. While these challenges weighed on investor confidence, they also sharpened the focus on policy reform and infrastructure delivery.

Phase I of Operation Vulindlela was launched in 2020 to address these constraints, targeting key bottlenecks across energy, logistics, telecommunications, water, and the visa system. The outcomes were material. Reforms helped unlock an estimated R500 billion in private-sector investment and contributed to reduced load shedding, lower data costs, and improved regulatory throughput.

For investors, Phase I provided clear evidence that when reforms are credible and effectively implemented, they can generate bankable infrastructure opportunities.

A greater focus on delivery

Launched in 2025, Phase II of Operation Vulindlela represents a meaningful evolution. The emphasis has shifted from removing headline constraints to strengthening implementation, institutional capacity, and execution.

Over the next three years, the government has committed to investing more than R1 trillion in public infrastructure, roughly equivalent to 5-6% of GDP over the medium term, while placing greater emphasis on private-sector partnerships. The objective is not only to address capacity constraints, but to do so in a fiscally sustainable manner that supports economic growth – converting reform momentum into a steady, repeatable pipeline of infrastructure projects capable of absorbing long-term private capital.

From an investment perspective, three areas stand out as particularly important:

1 Energy

Energy remains the most consequential sector for infrastructure investment. Earlier reforms materially improved the investment environment, including removing licensing constraints for generation, accelerating renewable procurement, and separating Eskom's transmission function.

Phase II builds on this foundation by shifting focus from stabilising the system to expanding it. Priorities now centre on scaling transmission and distribution infrastructure, establishing a competitive electricity market, and deepening private participation across generation, storage, and transmission.

Transmission has emerged as a key bottleneck. According to the Transmission Development Plan, investment requirements amount to roughly R440 billion. The establishment of the National Transmission Company of South Africa has clarified the development pipeline and enabled the structuring of Independent Transmission Projects. These are expected to follow regulated, availability-based revenue models, which are well-suited to long-term institutional capital. Early transactions, anticipated from 2027 onward, will be important in setting benchmarks and building investor confidence.

2 Transport and logistics

Reform momentum is also building in transport and freight logistics. Chronic underinvestment and operational inefficiencies have constrained export competitiveness and economic activity.

Phase I reforms focused on resetting the policy framework, including the Freight Logistics Roadmap and steps toward open-access rail. Under Phase II, the focus shifts from commitments to implementation.

Priorities include:

- Strengthening governance across ports and rail
- Progressing the corporatisation of Transnet National Ports Authority (TNPA) to enhance governance and accountability for delivery
- Launching private-sector participation (PSP) procurement to open the rail network to private operators
- Strengthening regulation across ports and rail, including operationalising the Transport Economic Regulator
- Moving from policy frameworks to pilot concessions and bankable transactions

For investors, this is where opportunity becomes tangible. Early pilot projects are expected to test concession structures and risk allocation, helping establish precedents that can be scaled over time. This should support a growing opportunity set across rail infrastructure, rolling stock, port terminals, and logistics corridors, for both debt and equity capital.

3 Local government service delivery

Effective local government is a critical enabler of infrastructure investment and forms the backbone of service delivery in South Africa. Municipalities are responsible for water, sanitation, electricity distribution, roads, and waste management – essential services that directly underpin economic productivity and social outcomes.

Recognising this, local government reform has been elevated as a core pillar of Phase II, with a focus on improving basic services and infrastructure through strengthened governance and restructured delivery models. Key priorities include professionalising municipal administrations, improving financial sustainability – particularly through utility-style models for water and electricity services – and reinforcing accountability and financial transparency through metro trading services reforms.

Progress in this area is particularly important, as it can help translate municipal service reforms into a clearer pipeline of opportunities across water, sanitation, and municipal energy infrastructure. Early successes in selected municipalities will be key to demonstrating investable and replicable models that can be scaled over time.

Implications for investors

While Phase I demonstrated how private investment could be unlocked, the current focus is on delivery, scalability, and durability.

For investors, the outlook is constructive. Regulatory frameworks are becoming clearer, institutional capacity is strengthening, and political commitment to infrastructure delivery appears more entrenched.

Over time, this should support a steadier pipeline of investable infrastructure opportunities suited to long-term capital providers, while contributing to economic growth and improved service delivery. As the reform agenda progresses, credibility will increasingly be measured not by policy announcements, but by executed transactions. On that front, momentum is building.

As implementation accelerates and more projects move from conception to execution, the investment case for infrastructure becomes clearer, more credible, and increasingly compelling. We believe our SA Infrastructure Credit Fund is well-positioned to continue supporting the country's reform agenda, while capitalising on the opportunities as they emerge.

Important information

The information contained in this Viewpoint is intended primarily for professional investors and should not be relied upon by private investors or any other persons to make financial decisions. All of the views expressed about the markets, securities or companies in this document accurately reflect the personal views of the individual fund manager (or team) named. While opinions stated are honestly held, they are not guarantees and should not be relied on. Ninety One in the normal course of its activities as an international investment manager may already hold or intend to purchase or sell the stocks mentioned on behalf of its clients. The information or opinions provided should not be taken as specific advice on the merits of any investment decision. We do not undertake to update, modify or amend the information on a frequent basis or to advise any person if such information subsequently becomes inaccurate. Ninety One is an authorised financial services provider. Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. © 2026 Ninety One. All rights reserved. Issued by Ninety One.

Contact information

36 Hans Strijdom Avenue
Foreshore, Cape Town, 8001
Telephone: +27 (0)219011000

—

www.ninetyone.com

