

 Early Warning System

IFC-38492

Liquid Neotel



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## Quick Facts

<b>Countries</b>	South Africa
<b>Financial Institutions</b>	International Finance Corporation (IFC)
<b>Status</b>	Proposed
<b>Bank Risk Rating</b>	B
<b>Borrower</b>	NEOTEL (PTY) LTD
<b>Sectors</b>	Communications



## Project Description

### PROJECT DESCRIPTION

The project consists of an investment of up to an aggregate of ZAR1.5 billion (~\$104 million) in an investment vehicle ("NewCo" or the "company") that has been set up to acquire and hold the ownership of Neotel Proprietary Limited ("Neotel"). Neotel was formed in 2006 to be the second national operator for fixed line telecommunication services in South Africa. Having operated for 10 years, Neotel has become South Africa's first converged communications network operator providing tailored innovative solutions based on voice, internet and data services to enable businesses, internet service providers and consumers. Neotel is seeking a strategic redirection, competitive repositioning and capital expenditure program to take advantage of broadband growth opportunities in South Africa, under the auspices of its new owners, Liquid Telecommunications Holdings Limited ("Liquid Telecom"). As part of the transaction, Neotel will become merged with Liquid Telecom's South African operations ("Liquid SA") and the merged entity will be able to expand the boundaries of both networks. The new, merged company will retain many of Neotel's existing management systems and structures including E&S management. The project will be implemented in two phases both of which will make use of the IFC investment. Phase 1 will comprise the acquisition of Neotel from its existing shareholders; and Phase 2 will involve the subsequent funding of the company's two year capital expenditure ("CapEx") program to support its network expansion in South Africa. Neotel has access to 27,280km of fiber-optic ("fiber") linking cities and towns across South Africa with 591 Points of Presence (PoPs) and 1400kms of own fibre currently under construction. Neotel has 295 base stations, all of which are leased and two data centres one of which is owned and the other leased. The company has four retail stores, all of which are leased and three offices of which one (the Neovate Head Office) is owned and the other two are leased. Liquid SA owns a fiber backbone network of 670km, a further 750km is currently being constructed and an additional 620km is planned for 2017. The company has a satellite hub situated in South Africa and a Network Operating Centre (NOC) and Service Operations Centre (SOC) in Johannesburg. Liquid SA is also planning to establish a backbone from Cape Town, via Port Elizabeth to Durban, some 1570km of new build.

### OVERVIEW OF IFC'S SCOPE OF REVIEW

The review of this proposed investment in the company consisted of a visit by IFC staff to the Liquid SA and Neotel head offices in Johannesburg, South Africa in July 2016 to meet with and interview management. IFC staff also appraised environmental and social ("E&S") and technical information submitted by Liquid SA and Neotel including sustainability policies, various environmental approvals and supporting documentation and the overall structure of EHS management within the two companies.

### IDENTIFIED APPLICABLE PERFORMANCE STANDARDS\*\*

While all Performance Standards are applicable to this investment, IFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards. PS 1 - Assessment and Management of Environmental and Social Risks and Impacts PS 2 - Labor and working conditions PS 3 - Resource Efficiency and Pollution Prevention If IFC's investment proceeds, IFC will periodically review the the project's ongoing compliance with the Performance Standards

PS4 (Community Health, Safety and Security), PS5 (Land Acquisition and Involuntary Resettlement, PS7 (Indigenous Peoples)



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## Investment Description

- International Finance Corporation (IFC)



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## Contact Information

### ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at [CAO@worldbankgroup.org](mailto:CAO@worldbankgroup.org). You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org/>



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**Bank Documents**

- [Project Information](#)