North-Sub Saharan African Links Strengthen with the Help of Private Equity

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Over the past decade, the African continent has been experiencing an increase in inter-regional integration led by both trade and corporate expansion. In particular, many North African companies are now looking beyond their borders to Sub-Saharan Africa for new business opportunities in many sectors, including financial services, telecommunications and technology, and fast moving consumer goods (FMCG).

This trend has become more pronounced as growth prospects in Europe have weakened—prompting North African companies to seek new export markets—while the outlook for many Sub-Saharan economies has become more promising. Cultural and linguistic ties are helping to strengthen the economic links between Francophone countries in North and West Africa, while similarities in legal and business frameworks are easing the expansion of activity.

The coming years are likely to see this trend of North and Sub-Saharan African linkages strengthen even further. In particular, the growing economic ties between the Maghreb countries and the Francophone countries of West Africa are likely to set the example, paving the way for the continued building of corporate and trade relationships in Anglophone West Africa and East Africa.

The growth in North-South economic linkages has been driven in large part by the private sector—and in many cases has been funded by private equity. African company managers are increasingly recognizing opportunities to form regional value chains and achieve economies of scale in production. Indeed, the growth of new regional champions is happening in the absence of a strong contingent of multinational companies, which have thus far neglected the opportunities in Africa, ostensibly assessing the landscape as too bureaucratic and challenging.

Pan-African private equity firms such as AfricInvest have been helping regional champions in North Africa begin to explore and access the markets of Sub-Saharan Africa. This inter-regional expansion is allowing companies to tap into a larger customer base, as well as enabling them to take advantage of private equity firms' past experience, and deep knowledge of Sub-Saharan African markets. Indeed, pan-African private equity firms' connections to markets in other parts of the continent can provide considerable benefit and open new avenues for expansion.

AfricInvest—along with being an example of these linkages itself, having offices and staff across both North and Sub-Saharan Africa—has invested in a number of companies that provide evidence of this rapidly-developing trend.

One Tech Group, a Tunisia-based conglomerate, has expanded its cabling division to include a number of Sub-Saharan African markets. The company has also opened a branch in Côte d'Ivoire called One Tech Africa, which provides IT solutions, network integration and cloud services with the West African region as its main target market.

NCA Rouiba, an Algerian juice company, has recently signed an agreement in Benin to manage five juice plants with a vision to push further into the Sub-Saharan African market.

S2M, a Moroccan leader in the development and implementation of payment solutions, as well as a creator of payment software for credit card applications, has expanded the distribution of its services to eight Sub-Saharan countries, in both West and East Africa.

Omniacom, a Tunisian telecom solutions provider, has opened branches in Libya and Algeria, as well as in the Sub-Saharan African countries of Côte d'Ivoire, Mali, Chad and Cameroon.

Thanks to its cutting edge technology and its highly competitive products, **Siprof**, the Moroccan leader of friction product manufacturing, has developed its Sub-Saharan export activity to now include the target markets of Senegal, Ivory Coast, Cameroon and Madagascar.

Hydrosol Fondations Afrique, a joint venture between two Tunisian companies, but based in Côte d'Ivoire, focuses on geotechnical studies and other services for Sub-Saharan infrastructure projects.

Amimer Energie is an Algerian manufacturer of generators and turnkey power plants that has begun to export to Chad after successfully penetrating the market in Mauritania. The group is now targeting several other Sub-Saharan countries for further sales expansion.

The Tunisian air transport company, **Tunisavia**, which specializes in helicopters and airplanes for the petroleum industry, now counts Sub-Saharan Africa as one of its main revenue sources.

Atelier du Meubles Intérieurs, a Tunisian company, is teaming up with an Ivorian partner and another Tunisian partner to create **Intérieurs Côte d'Ivoire**, a company specialized in the distribution of office furniture.

Companies looking to expanding beyond the North African region are not without challenges—from restrictive foreign exchange regimes to non-transparent and cumbersome border administration to a still-meaningful infrastructure deficit. All of this just serves to underline the need for hands-on visionary private equity managers who, alongside more pro-active governments, can see the financial, developmental and even political benefits of promoting cross-border cooperation. AfricInvest believes that leading by example—through fostering profitable North-South business relationships with its partners, particularly in the SME sector—it can help incentivize and further deepen the mutually beneficial integration of North and Sub-Saharan African markets.