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3 things you must know about cross-border investments in Africa

Cross-border investments can have an impact both beneficial for Africa and profitable for the companies involved. A good and practical understanding of regulations, priorities, and timeframe generally bolsters the chances of success. Photo by: Initiative for Global Development

Experts on business in Africa note that it's far easier to focus investment on one country at a time. That advice has substantial merit. Africa's low level of integration at all levels continues to complicate any work that crosses African borders.

Yet it is important to recognize that many of Africa's biggest problems require cross-border solutions, especially in infrastructure. Much of this is rooted in economies of scale — investing in a small country in many cases does not pay off without access to a broader regional market. For example, every country in Africa has a power deficit, but an investment in just one small country is unlikely to pay off.

So how does one approach a cross-border investment? My personal experience financing cross-border infrastructure investments with the [Africa Finance Corp.](#) has highlighted at least three considerations to keep in mind.

1. Knowing your countries' regulations

Cross-border investments diverge from single-country investments particularly when it comes to regulations. Every country has its own regulatory environment, and extensive permitting can be complicated when dealing with multiple countries with differing requirements. Infrastructure is notable for the many regulatory measures that must be taken into consideration, and those regulatory peculiarities layer on top of each country's distinct market peculiarities.

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Our financing of the [MainOne](#) fiber optic cable that runs from Portugal to Nigeria proved to be a major undertaking when it came to addressing multiple regulations. The project's cable ran through the territorial waters of about 15 countries and as a result, authorization and permitting became a tremendous project in itself. The best way of dealing with that hurdle turned out to be quite old-fashioned. We had to be extremely attentive to detail in each country's regulations. Only with that high level of attentiveness did we complete the project on time and on budget.

2. Knowing your concrete priorities

Another form of planning is also critical when investing in Africa, the need to understand and outline real regional commercial needs from the outset. Working with so many national governments can obscure those needs when inundated with political concerns. The solution is to keep politics out of infrastructure projects as much as possible and really focus on what is commercially required. The most successful cross-border projects are done by the private sector, and the West African pipeline is an example of an infrastructure initiative where broader infrastructure concerns rightfully took precedence over national political interests.

3. Knowing your time frame

The importance of taking a long-term view with regards to investments is where cross-border and single-country investments in Africa converge. No matter what, it is important to put in the time in order to be successful as the process can take a long time. In our case, the shortage of well-developed, bankable projects has meant that we have developed a group of professionals who specialize in taking projects from the very beginning, making them bankable and bringing them to financial close. AFC's full-process follow-through is not the only approach in Africa, but it highlights the importance of long-term commitment in African investment.

Cross-border investments in Africa are certainly more complicated than single-country projects, but they are in most cases not impossible. With the right mindset and strategies, the private sector can leverage cross-border investments to have an impact that is both hugely beneficial for Africa and profitable for the companies involved. A good and practical understanding of regulations, priorities and time frame generally bolsters the chances of success.