

The Institute of Risk Management

Risk Trends: Africa

Developed by the IRM Special Interest
and Regional Groups



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East Africa Group



SOSPETER THIGA

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The secretariat team brought together volunteers to assist in identifying the top five risks facing the region and to prepare a summary document to share with IRM.

Methodology: A survey was conducted between the 15th and 17th of January 2023, followed by a virtual brainstorming session on the 18th of January. Over 30 participants joined the brainstorming session.

The team agreed to build consensus on the top five risks for the region, as described in the table over the page.



#	Name	Description	Rating out of 10	Key Drivers
1	Exchange Rate Risk	The rapid depreciation of local currencies against the US\$ in the region has led to higher costs of importation, inflation, and ballooning foreign-denominated debt (both National and Corporate debt). This has the effect of governments increasing taxes, particularly on the middle class, which has led to lower disposable incomes. Companies have also increased the prices of goods and services to cover their costs.	8.3	The key drivers of the exchange rate risk have been geopolitics, for example, the Russia - Ukraine war, the Israel - Gaza war, and the upcoming US elections in 2024. Additionally, the region has a negative balance of trade, being net importers, further exacerbating the pressure on their local currencies against the US Dollar.
2	Credit Risk	Individuals and corporations default on loan repayments, leading to high non-performing loans, lower banking profits, lower taxes for governments, and poor economic performance. The region has reported the highest level of loan default in the last decade.	7.2	This risk is driven by the exchange rate risk and its ripple effect on the economies and cost of living. Further, the economies in the region were yet to fully recover from the COVID-19 pandemic before the geopolitical crisis hit.
3	Digital Risk	The risk of disruption of business and government services due to system downtimes and cyber attacks. In 2023, the region was affected by cyber insecurity and frequent power outages. Businesses, including key government services, suffered disruptions without proper business continuity measures.	6.2	Digital risks have been driven by the government's rapid digital transformation in the region to enhance their service delivery and cut costs. The region has also witnessed a high mobile phone penetration (80%). There is also very low cyber-security awareness.

3				<p>Geopolitics has also played a role in the increased digital risk, such as the war in Sudan, which fuelled animosity between Kenya and Sudan, and led to cyber attacks.</p>
4	<p>Sovereign Debt Default Risk</p>	<p>Possible defaults on sovereign debt (however soft) include extending repayment periods or issuing new government bonds to holders when they fall due.</p> <p>Several African countries have already defaulted on their sovereign debts, including Ethiopia and Ghana, in 2023.</p>	5.5	<p>The default risk is driven by the high proportion of debt to GDP ratio in the region of over 68 % and the bursting of the debt ceiling. The exchange rate risk has also been a major contributor to the default risk, given that the absolute debt grows with every point of local currency depreciation against the US dollar. Credit risk will also deepen the default risk, given the possible impact on tax collection as the main source of government revenue.</p>
5	<p>Climate Risk</p>	<p>The region is heavily reliant on agriculture as a key economic driver. Natural disasters such as flooding and drought have led to crop failure, disruption of businesses, and loss of lives. These kinds of events are expected to continue to affect the region in 2024. The recent El Nino rains found the region unprepared to deal with its disastrous impact. Heavy losses have been incurred by both governments and companies.</p>	5	<p>Climate risk is driven by the change in weather patterns, such as rainfall in the region.</p> <p>There is also growing deforestation, which has continued without much control from governments.</p>

South Africa Group



ZANELE MAKHUBU

An exploration of the importance of the future of risk management and understanding the impact of risk leadership in a volatile, uncertain, complex and ambiguous (VUCA) world.

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Climate Change

Topic of day, what are the contributing factors and how to mitigate, and whose responsibility is it any way?

It is a global risk and contributing factors varies from floods, extreme heat waves, dilapidating infrastructure and this will continue beyond 2024.

Is the political will enough to curb such disasters? Yes, the will is there but the lack of capacity and capabilities out way its effectiveness. New skill sets are needed to mitigate in collaboration with global communities.

Energy Transition

Lack of buy in and investment in energy transition across all sectors is hindering energy sustainability across the country. The question is why the lack of buy – in, is it human factors that are stalling sustainable development?

The risk managers/CRO should ponder on this risk and advise their organisation and principals on the adverse results to humanity as a whole, as this risk has bearing on polycrisis risks such as inflation, increase in cost of living, poverty and unemployment which affect lives and livelihoods of communities.



Sustainability (ESG Factors)

The lack of prioritisation and investing in implementation of environment, economy, and society (ESG) risks factors has an adverse impact on sustainability. This is the greatest risk of all.

If not mitigated properly in this current generation, it will have dire impact on the future generations. There is the need to revisit the UN Sustainable Development Goals.

Supply Chain Risks

The risks have a crippling effect on trade and supply of goods and services. This is caused by unmaintained depilating infrastructure and continuous loadshedding. It has a negative impact on the economy and the rippling effect of the polycrisis risks as indicated above.

Ethical and Adaptive Leadership

The risk of lack of ethical and adaptive leadership has stifled sustainable development. There is a need for a new breed of transformational leadership across the globe – those who are ethically conscious, technologically savvy, entrepreneurially, systemically aware, and societally inclusive. The leadership that is adaptively resilient and eager in restoring and fostering trust.