

Political risk impacts on dealmaking in Africa

The political uncertainty and weak macroeconomic situation that accounted for fewer deals in Africa's largest markets in 2017, look set to ease over the coming year, although political risk will remain a major concern for dealmakers in Africa in 2018.



Imad Mesdoua, senior political risk consultant at Control Risks.

According to a recent report, *Resourceful dealmaking: Outlook for M&A in Africa*, published by Mergermarket, in collaboration with specialist risk consultancy Control Risks, there has been a dramatic fall in M&A activity, with declines of 25% in volume and 26% in value in the first half of 2017, compared with a relatively buoyant 2016.

Imad Mesdoua, senior political risk consultant at Control Risks, comments: “The drop-off signifies growing investor anxiety surrounding governance issues and weaker economic signals across key African markets. Specifically, political risk and transparency concerns have become the principal obstacles to successful acquisition in Africa. Ethical and compliance considerations are another major factor clouding the outlook for potential investors.”

“ Angola, Kenya and Uganda are considered the rising stars for M&A opportunities in Africa in 2018. Download the *Outlook for M&A in Africa Report* to find out more <https://t.co/t6gz8jA33A> [pic.twitter.com/nSGUo5wrbi](https://twitter.com/nSGUo5wrbi)— Control Risks (@Control_Risks) [April 9, 2018](#) ”

Key findings of the report:

- Political uncertainty and relatively weak economic fundamentals have negatively affected M&A activity in Africa. A fall in deals was seen in the first half of 2017 compared with a relatively buoyant 2016.
- Political risk will be a major obstacle to dealmaking in Africa over the next 12 months, according to 84% of respondents. Other risk factors include transparency concerns and completeness of information, which ranked joint first alongside political risk (84%), as well as compliance and integrity issues (80%).
- Almost three-quarters (72%) of respondents say that getting caught up in a regulatory or criminal investigation is one of the highest risks in relation to a target company's ethics and compliance standards.
- Good news though for South Africa, Zimbabwe and Angola: greater political stability and a more favourable economic and business environment are expected to boost M&A activity in the coming year.
- 72% of respondents are pursuing co-investment strategies in Africa as a means of allocating risk more effectively.

Mesdoua continues: “Political risk will continue to pose a major challenge to M&A activity on the continent as several large

markets such as Nigeria undertake difficult elections and unpopular reforms to improve their economic outlooks. However, the political uncertainty and weak macroeconomic situation that accounted for fewer deals in Africa's largest markets in 2017 look set to ease over the coming year as countries such as South Africa, Zimbabwe and Angola begin to stabilise."

Control Risks is a specialist global risk consultancy that helps to create secure, compliant and resilient organisations in an age of ever-changing risk. The report, *Resourceful dealmaking: Outlook for M&A in Africa*, highlights the key challenges M&A in Africa and the outlook for 2018 and beyond. The report surveyed senior-level investors about their dealmaking plans, risks and previous dealmaking experience.

The [full report can be downloaded here](#). For an overview of the report download our infographic.

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