



# COVID-19 May Wipe Out Decades of African Economic Progress

By Ambreen Ali

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<https://karmaimpact.com/covid-19-may-wipe-out-decades-of-progress-in-africa/>

The pandemic's damage has been exacerbated by poor infrastructure, weak economies

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- COVID-19 may reverse economic progress made by African nations.
- Investments in Africa are likely to suffer as economies plunge into recession. Early-stage startups are particularly vulnerable as funding dries up.
- Africa may suffer long-term consequences due to undeveloped health systems, poor access to medical supplies, underdeveloped infrastructure and high unemployment.

While COVID-19's spread has been relatively light so far in Africa, it still has the potential to devastate the continent's economies and halt the GDP growth countries achieved in recent years.

The challenges are numerous: underdeveloped health systems, medical supply shortages, fragile economies and already high unemployment. The virus also [may spread more slowly](#) in the continent because of its warm climate and young population.

But the economic fallout is already being felt. The vast majority of Africans work in the informal sector, and lockdowns mean those people immediately lose income. Further, most governments there carry massive debt and do not have room in their budgets to provide their citizens relief.

“An economic crisis spills to a governance crisis spills over to a political crisis very quickly,” Aubrey Hruby, an Africa investment advisor and senior fellow at Atlantic Council, told Karma.

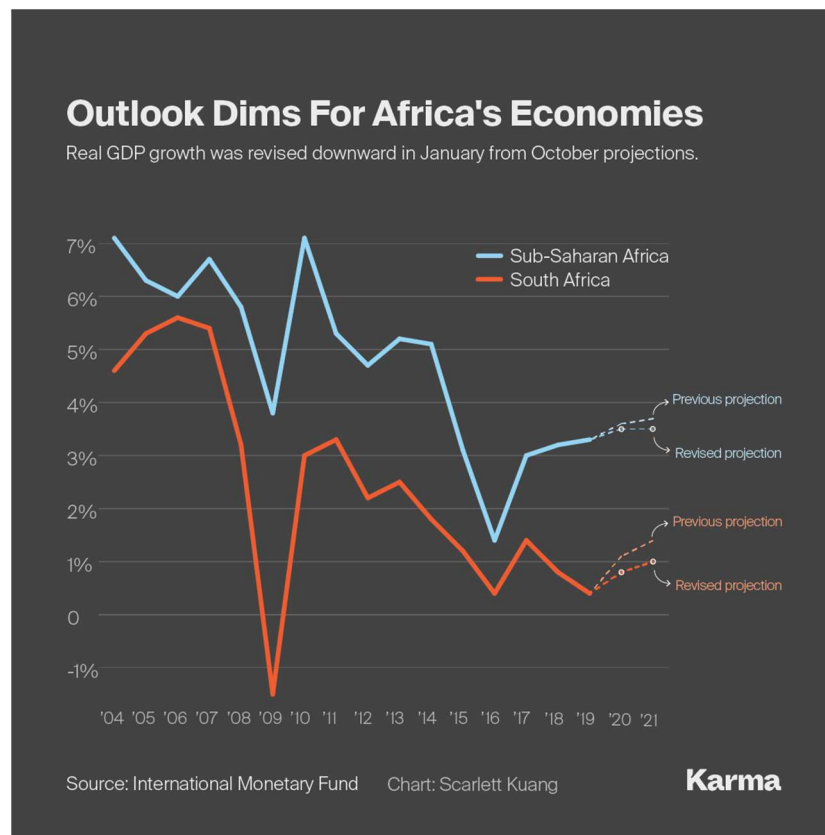
While many impact investors have injected emergency capital into their portfolio companies, startups are letting workers go or cutting back hours. Hruby just placed seven employees in her Lagos-based advisory business on part-time.

She said early-stage startups in the middle of funding rounds are particularly vulnerable as investors back out or ask for discounts on valuations.

### *Vulnerable Economies*

Even Africa's stronger economies are suffering. JP Morgan forecasted this week that South Africa's economy may [contract 7% this year](#). The nation has the highest number of COVID-19 cases on the continent, with more than [1,300 positive cases](#). But the real numbers of infection may be much higher, as testing remains low, and the potential for spread is concerning, particularly in the dense townships of Johannesburg.

The quality of medical care varies greatly between the public and private healthcare systems in South Africa, and both may be easily overwhelmed, Colin Coleman, former CEO of Sub-Saharan Africa for Goldman Sachs, warned on a conference call earlier this week. The country has been in a recession, with more than 9.5 million people unemployed, and he said another 1 million may lose their jobs as businesses face a liquidity crisis and are forced to lay off workers.



The situation is even more challenging elsewhere on the continent. Sub-Saharan African countries that had been projected to have a [GDP growth of 3.6%](#) this year may see those gains wiped out entirely in the [virus-led global recession](#).

The [South African government](#) has announced a stimulus package, and other entities, including [African Development Bank](#) and members of the [African Union](#), are moving to inject aid into the region's economies. But it will take a lot more.

“Aid organizations throughout the world are going to have to very urgently pay attention to what mitigation they can offer in long term to prevent mass migration, terrorism, populism, nationalism, radicalism and militancy being exported from Africa from the rest of the world,” Coleman said.

### *Role for Impact Investors*

Impact investors have focused primarily on social impact sectors in Africa, such as health and education. E-learning and healthtech startups have an opportunity to help mitigate the crisis.

But African economies are suffering from a lack of manufacturing facilities that would help produce masks and other protective equipment locally, Hruby said.

“Traditional impact investors have avoided sectors like that, because they think it is not enough impact,” she said. If some good comes of this crisis, she added, “I hope there is a greater expansion of the sector and what people view as impact.”

*Photo by Ziyaad Douglas/Gallo Images/Getty Images*