

KaPower Insights #1

7th April 2020

The African Venture Impact Investment Cooperative

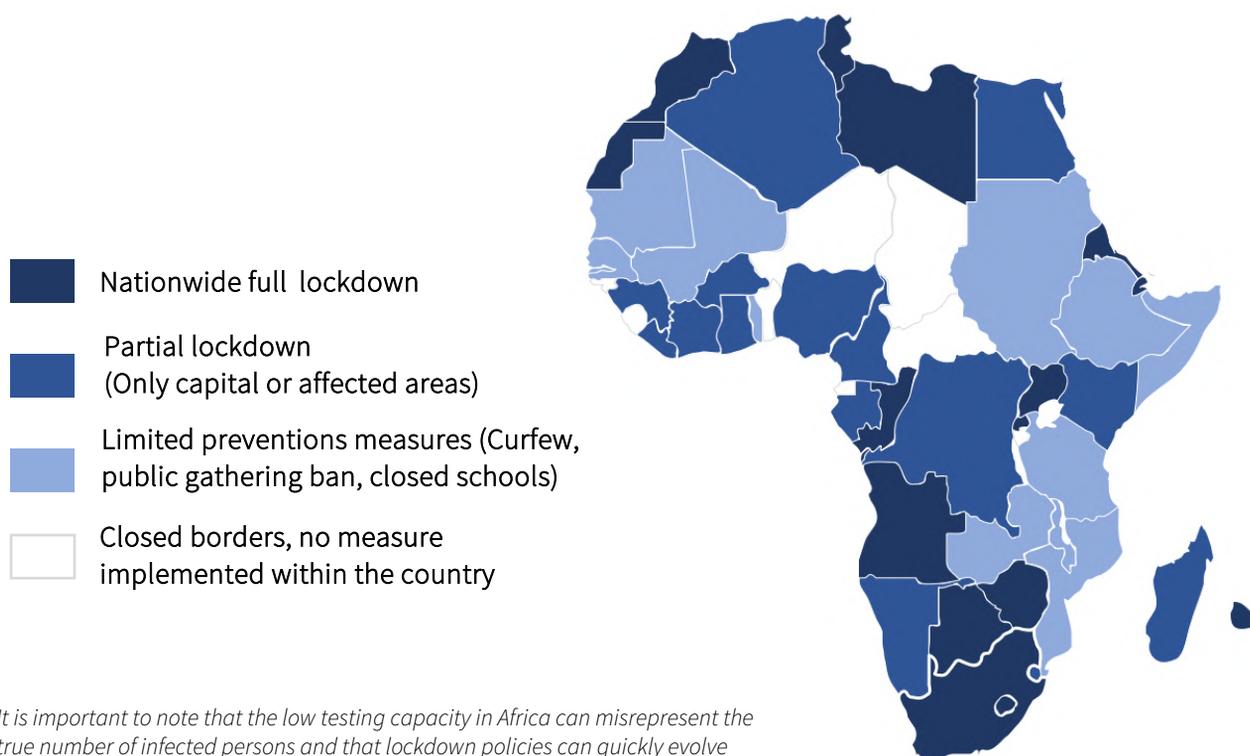
Executive words

The COVID-19 crisis has created a historic decline in cash flows across the globe. At this point, estimates of corporate revenue across public and private businesses will decline by roughly US\$12 trillion. This very dangerous fall, if not mitigated, will lead to a long-lasting ripple, with some companies and most probably countries that will not make it through and will default. In an attempt to save “what can be saved”, Central Banks across the world are starting to inject massive amounts of cash in the economy, **risking high inflations** as a result.

African countries are far from being unaffected by the COVID-19 crisis; uncertainty remains high on how they will overcome the challenges they are facing. Nigeria, the first African economy, saw its central bank adjusting its currency from NGN307 for 1 USD to NGN360, along with a further depreciation on the parallel market. On top of the health crisis, natural resources have crashed and have become a supplement burden on African countries' budget, plus they have limited availability of monetary and fiscal policies that would have been used to mitigate the pandemic's economic impact. African Ministers agreed on an immediate emergency **economic stimulus of US\$100 billion** mainly by waiving all interest payments on public debt, but also on sovereign bonds, estimated at US\$44 billion for 2020. OECD countries and international financial institutions, however, have not yet structured adequate responses. While **African external debt forgiveness** seems hard to achieve, it is necessary to highlight that the continent's \$500 Billion debt represents only a quarter of what the United States of America decided to "print" for a population 4 times lower than Africa. The UN calls, in a report published by the UNCTAD on March 30, to provide **US\$2,500 billion aid** which would include a cancellation or a postponement of the African debt for US\$236 billion.

While the low to non-existent social aid systems could lead to major uprising among populations, some countries under full lockdown could experience **mass hunger protestations**. This health crisis could also be a turning point **opportunity to build stronger health and social sectors** with a better managed and fair debt. Lastly we also hope that the current situation will accelerate the African Continental Free Trade Area implementation which would provide additional fiscal space and would ease the intracontinental trade.

Lockdown measures around the continent



It is important to note that the low testing capacity in Africa can misrepresent the true number of infected persons and that lockdown policies can quickly evolve

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Number of COVID-19 cases

The 54 African countries are ranked below depending on the number of cases confirmed on April 7th and their attributed color is the level of measures implemented by each government.

We will note that **South Africa is the country recording the highest number** with 1,689 cases, followed closely by Algeria that counts 1,423 cases. Although they have a similar number of cases, the 2 governments implemented different measures: South-Africa opted for a nationwide full lockdown, said to be the one of the strictest around the globe, whereas Algeria shut down only the province of Blida, epicenter of the outbreak, and imposed a night curfew in the rest of the country.

> 500	500 <> 201	200 <> 51	50 <> 21	20 <> 11	10 <> 6	5 <> 0
South - Africa	Burkina Faso	DRC	Congo	Lybia	Chad	Gambia
Algeria	Cote d'Ivoire	Kenya	Zambia	Angola	Eswatini	Sao Tome
Egypt	Ghana	Guinea	Guinea-Bissau	Equatorial Guinea	Mozambique	Burundi
Morocco	Mauritius	Djibouti	Eritrea	Namibia	Zimbabwe	South Sudan
Cameroon	Niger	Rwanda	Gabon	Liberia	CAR	Comoros*
Tunisia	Nigeria	Madagascar	Benin	Sudan	Malawi	Lesotho*
	Senegal	Togo	Tanzania	Seychelles	Somalia	
		Mali			Cabo Verde	
		Ethiopia			Botswana	
		Uganda			Mauritiana	
					Sierra Leone	

*Coronavirus free countries

The last-mile logistic industry

E-commerce, that has brought the first unicorn of Africa, Jumia, is, according to the consulting firm McKinsey, a sector that could be **valued at US\$75 billion by 2025**. However, last-mile logistics has yet to reach adequate efficiency while constituting one of the most indispensable chain link and much-needed features during this confinement era. Indeed, **challenges remain numerous** for all companies in need of this service, high traffic congestion, street addresses undefined, road network quality, lack of tracking, cash on delivery management and high cost representing on average half of the shipping costs.

However, we are starting to see some talented entrepreneurs tackling those challenges using an Uber model and coping well with the current crisis, such as the Nigerian freight logistics startup Kobo360 connecting customers with truckers, that has **raised in 2019 a \$20 million Series A** round led by Goldman Sachs.

Launched in 2019, another startup aspires to become the leader in last-mile delivery services in West Africa. Connecting delivery partners with individuals, SMEs and corporates, this new company promises, among other features, **delivery inside megacities within 2 hours**, affordable prices, real-time tracking, security-enhancing features and live customer service. Its unique positioning at the intersection of transport, deliveries, warehousing and **adequate solutions to mitigate the impacts of the COVID-19 crisis in Africa** is what makes it on top of the list of Kapower investment targets.

Further Insights



[Words from the President who enforced the strictest worldwide lockdown, Cyril Ramaphosa](#)

[Jumia implements a serie of measures to curb the spread of COVID-19](#)

[How the COVID-19 crisis could change the banking system in Nigeria](#)

"We do know what to do to bring the economy back to life. What we don't know is how to bring back people to life"

Nana Akufo-Addo, Ghanaian President