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The New Partners Issue

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DEALT A BAD HAND?

Qualified during the Great Recession; promoted during the Great Pandemic – the new partners of 2020 are the generation forged in fire

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COVID-19 AND COPID-20: THE BANE OF SUB-SAHARAN AFRICA

The virus and plummeting oil prices have led to a deepening crisis

Rui Andrade,
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Sub-Saharan African countries are currently facing not one, but two pandemics, both with devastating effects on their national economies: Covid-19 (coronavirus disease 2019) and Copid-20 (which stands for catastrophic oil price decrease).

According to the official data, Covid-19 first appeared in Africa on 14 February (in Egypt) but it would take another fortnight (1 March) for the virus to be detected in a Sub-Saharan African country, namely Nigeria.

A little later, on 20 April, Copid-20 made its most resounding appearance to date: on that Monday, which some analysts are calling the "worst day in the history of the oil market", the West Texas Intermediate (WTI) reported a 300 per cent drop in oil prices, which reached a negative value of $40.32. At the same time, the Intercontinental Exchange reported that the Brent Crude oil price – the benchmark typically used to price petroleum production from Middle East and Africa, among others – had dropped to $20.50/barrel.

Negative values

Considering that it costs between $31 and $36 to produce a barrel of oil in the two largest producing countries in Sub-Saharan Africa, it is easy to understand why this production would be sold at negative values. On top of that, it barely costs $10/barrel to produce oil in Kuwait and Saudi Arabia, while in almost a dozen other countries it costs only $20/barrel.

It is therefore easily concluded that, like Covid-19, Copid-20 threatens to drive away a lot of investment from Sub-Saharan countries, send thousands of Africans to unemployment and ruin the public finances of these countries whose GPD is mostly dependent on oil exports.

Quest for a vaccine

It seems that conventional treatments and vaccines are not suitable to eradicate both 'pandemics'. The endeavours of many states, including China, the US and several European countries to fund scientific research and find a miracle vaccine against Covid-19 are widely known, as are the efforts of OPEC, Saudi Arabia and the US to stop the oil price bleeding. But these endeavours remain largely unsuccessful.

The two pandemics have investors in a quandary about whether to reduce the cost of their operations temporarily or permanently. Regarding personnel costs, for instance, the constraints brought about by Covid-19 seem to warrant taking measures to reduce working hours temporarily, including by implementing part-time work schemes, modelled working hours a type of variable working schedule that assesses the daily and weekly working hours' limits based on average by reference to a certain period of time.

This enables companies to reduce the daily and weekly workload during the crisis period, and to adopt longer regular working hours after the crisis is over to restore the activity, without exceeding, on average, the daily and weekly working hours' limits provided for by law, or even the temporary suspension of employment contracts. However, unlike Covid-19, Copid-20 seems to entail definitive cuts.

Lack of skilled labour

This is no small matter, particularly in Sub-Saharan countries where the lack of highly skilled labour coexists with very demanding local content rules.

In any case, the 'cure' for both pandemics is likely to entail a radical paradigm shift. While it is true that Covid-19 has imposed the reality of telework as a future paradigm, it also seems clear that no Sub-Saharan African country will be able to survive if it is not quick to diversify its economy and free itself from the dependence on oil production.

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