

Enhancing Macroeconomic Resilience: A Comparative Analysis of Nigeria and Ghana



EVENT REPORT

Introduction

The Centre for the Study of the Economies of Africa (CSEA) organised a nationwide dissemination event to share the findings from the report 'Enhancing Macroeconomic Resilience: A Comparative Analysis of Nigeria and Ghana (2000 - 2020)'. Funded by the International Development Research Centre (IDRC), the report stemmed from the COVID-19 Macroeconomic Policy Response in Africa (COMPRA)' project. CSEA convened stakeholders at the sub-national level to reflect on Africa's macroeconomic resilience. The event was held at the CSEA Boardroom in Abuja, Nigeria, on February 15, 2023.

Event moderator Evelyn Dan Epelle, Communications Fellow at CSEA, introduced the presenters and guests at 10:40 AM (WAT) to kick off the hybrid event. CSEA's Executive Director, Dr. Chukwuka Onyekwena, gave an introductory speech outlining the COMPRA project progress and provided an overview of the goals and objectives of the convening.

Presentations

There were two presentations in the closed-door roundtable event. Prof. Conrad Van Gass, a Senior Research Fellow at SAIIA, delivered the first presentation based on the research paper "*Assessing and Building Africa's Macroeconomic Resilience.*" Dr. Edafe Oluwatosin Deborah, a Research Fellow at CSEA, presented the findings of the second research paper titled "*Enhancing Macroeconomic Resilience: A Comparative Analysis of Nigeria and Ghana.*"

Paper 1: Assessing and Building Africa's Macroeconomic Resilience.

The presentation overview provided a contextual perspective to the following questions: i) Does the exchange regime matter for structural performance? ii) Are crises mainly the result of commodity down cycles? iii) Have countries developed policy capacity to deal with shocks? and (iv) What have we learned from the Macroeconomic Resilience Index (MERI)?

Furthermore, the presentation discussed the lessons learned about the MERI Index, such as macroeconomic resilience being positively correlated with GDP growth in most African countries; governance is an essential component of resilience based on its effects on investor confidence, fiscal balance, and monetary policy consistency. Human capital formation through public employment and social spending is improved across the board but is also a cause of fiscal imbalance and rising debt.

The presentation concluded with recommendations to strengthen balanced trade and investment. These emphasised the need for Africa to adopt a proper float management system, or peg currencies based on the country's current currency regime, and a customs and monetary union akin to that of the European Union (EU). The necessity of using the AfCTAs for appropriate trade diversification was also emphasised heavily. Strengthening monetary and fiscal policy is another suggestion for increasing resilience. This can be accomplished by preventing inflation and growth rate peaks, reversing down cycles during times of crisis, and funding infrastructure projects to promote structural growth during this time. Moreover, strategies were advised to gradually construct welfare buffers throughout upcycles to provide enduring social safety nets for the populace. Finally, corporation, personal income, property taxes, and sales tax differentials should be the main areas of revenue production.

Discussion: Feedback and Insights

Session 1 Moderator Dr. Chukwuka Onyekwena described the presentation as insightful and detailed, having lots of key points like; the construction of the Macroeconomic Resilience Index (MERI) and exchange rate regimes, determined structural performance in terms of growth rates and inflation growth and how the decline in commodity prices affect economic performance.

Paper 1 Discussant: Prof. Joseph Nnanna, *Chief Economist, Development Bank of Nigeria (DBN)* commended the presenter for properly articulating and analyzing the research questions using a lot of data-backed points. Reflecting on 2 questions from the presentation; *'Do exchange regimes drive structural growth?; 'Are crises mainly the result of commodity down cycles?'* he posited:

"The answer broadly is yes. In some instances, it could be let's wait and see or it depends. In Francophone countries, while we have generally slower growth we have stability in terms of inflation and overall structural outcomes. In Anglophone countries like Ghana, they observe free float, which has volatile structural outcomes evidenced by the inflationary pressures the country is currently facing. For Nigeria, there is a managed float, and the outcome has been volatile in terms of high inflation, high exchange rate, and slowed growth.

When we take a look at exogenous shocks like climate change, insecurity, and health shocks, the answer is broadly yes to these being the main result of commodity downcycles. The outcome in countries is mainly due to how you respond".

Paper 2: Enhancing Macroeconomic Resilience: A Comparative Analysis of Nigeria and Ghana (2000 - 2020)

The second study delved into the economic structures of both Nigeria and Ghana, examining various crises experienced by the two countries over 20 years, including global, regional, and national crises, along with their proximate causes. The paper further explored how these crises impacted the two economies and their transmission mechanisms using the components of GDP. The paper analyzed the fiscal and monetary responses employed. Finally, policy recommendations aimed at enhancing macroeconomic resilience were provided.

Discussion: Feedback and Insights

Session 2 moderator, Evelyn Dan Epelle described the presentation as succinct and self-explanatory, with Nigeria and Ghana having significant economic interlinkages and similar geographical characteristics as countries in the West-African region. She called for expert contributions, inputs, and feedback to the presentation that could help shape future strategies for sustainable economic development.

Speaker 1: Ineffective management and inadequate infrastructure significantly undermine a country's economic resilience. Mismanagement not only hampers the ability to respond effectively to external shocks but also erodes investor confidence and impedes long-term growth prospects. Furthermore, the presence of inadequate infrastructure can severely limit economic diversification and competitiveness. The insights gained from Ghana and Nigeria's macroeconomic experiences underscore the importance of diversifying economies, investing in human capital, and strengthening institutions to build resilience.

Speaker 2: The contribution of entrepreneurship and technological innovation play a crucial role in navigating through crises, presenting unparalleled opportunities for resilience-building, growth, and development. Reforms aimed at promoting entrepreneurship, enhancing human capital development, and nurturing the entertainment industry have been demonstrated to be remarkable for resilience. These avenues offer promising pathways to fortify our resilience in facing challenges.

Speaker 3: Appreciates the initiative to explore pan-African solutions to economic crises across the African continent. Recognizing the varying levels of commodity diversity between Nigeria and Ghana, with Nigeria focusing on one commodity while Ghana thrives with three, there's a valuable lesson to glean. Ghana's multifaceted approach presents a compelling model to emulate. Therefore, there's an opportunity for Nigeria to expand its scope beyond its current primary commodity and explore diversification into additional commodities. This strategic move could enhance economic resilience and foster sustainable growth by leveraging Ghana's success as a blueprint for broader sectoral expansion.

Speaker 4: The measures implemented during periods of crisis are paramount. For instance, during the COVID-19 pandemic, widespread restrictions were imposed, significantly impacting traditional trade channels. Leveraging Information and Communication Technology (ICT) can facilitate trade continuity during such challenging times. By harnessing ICT platforms, businesses can seamlessly transition to digital trade, enabling remote transactions, online payments, and virtual collaborations. This innovative approach ensures business continuity and promotes resilience by adapting to changing circumstances and overcoming physical trade barriers.

Speaker 5: Governance, including political governance and institutional problems, along with investments in human capital, are very important. However, the effective implementation of these vital policies is frequently hampered by a lack of political will. Nigeria's main challenge stems from its leadership problem.

Event Summary

CSEA held a hybrid dissemination event on the 15th of February 2024 to discuss the paper *Enhancing Macroeconomic Resilience: A Comparative Analysis of Nigeria and Ghana*. Prof. Conrad van Gass presented the “mother paper” titled *Assessing and Building Africa’s Macroeconomic Resilience*, which covers 12 Sub-Saharan African (SSA) countries. He highlighted the need to improve data composition, form technical partnerships within the G20, and further understand the intersection between output and inflation cycles, amongst other insightful discussions. Dr. Oluwatosin Edefe made a presentation on *enhancing macroeconomic resilience: A comparative analysis of Nigeria and Ghana*. She emphasised that both countries are vulnerable to shocks because they rely on commodity exports, so they must diversify their exports to build their macroeconomic resilience.

Professor Joseph Nnanna discussed the variety of shocks that African countries have experienced over the last 20 years, including the long-lasting impact of the COVID-19 pandemic. He also provided instrumental insight on the best fiscal and monetary policy mix and the need to get the timing of exchange rate regimes.

There were two sessions conducted, and they were based on two papers. The first session focused on ***Assessing and Building Africa's Macroeconomic Resilience: What are the main drivers of resilience and vulnerability- Insights from the Field***. The second session was based on ***Building Resilience - Unpacking Key Shocks Impacting Nigeria and Ghana from 2000 to 2020***. The event ended at 1.04 pm with over 11 participants in attendance, both online and in-person (hybrid).

Key Participants

Name	Designation
Ayuba Ibrahim	Mewar University Nigeria (MUN)
Joseph Nnanna	Development Bank of Nigeria (DBN)
John Z. Chize	Baze University Abuja
Dr. Abbas Marafa	Baze University, Abuja
Elizabeth Egharevba	Federal Ministry of Budget & Economic Planning (FMBEP)
Obasi Philip I.	Federal Ministry of Budget & Economic Planning (FMBEP)
Thomas Ochepe	Federal Ministry of Budget & Economic Planning (FMBEP)
Usono Okorl	Federal Ministry of Budget & Economic Planning (FMBEP)
Dr. Conrad Van Gass	Senior Research Fellow, SAIIA
Dr. Chukwuka Onyekwena	Executive Director, CSEA
Dr. Oluwatosin Edafe	Research Fellow, CSEA
Evelyn Dan Epelle	Communications Fellow, CSEA

And other key CSEA staff from the research and communications teams.

Event Gallery







