COVID-19
MACROECONOMIC
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IN AFRICA
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Enhancing Macroeconomic Resilience: A Comparative Analysis of Nigeria and Ghana

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About CoMPRA

The COVID-19 Macroeconomic Policy Response in Africa (CoMPRA) project was developed following a call for rapid response policy research into the COVID-19 pandemic by the IDRC. The project's overall goal is to inform macroeconomic policy development in response to the COVID-19 pandemic by low and middle-income countries (LMICs) and development partners that results in more inclusive, climate-resilient, effective and gender-responsive measures through evidence-based research. This will help to mitigate COVID-19's social and economic impact, promote recovery from the pandemic in the short term and position LMICs in the longer term for a more climate-resilient, sustainable and stable future. The CoMPRA project will focus broadly on African countries and specifically on six countries (Benin, Senegal, Tanzania, Uganda, Nigeria and South Africa). SAIIA and CSEA, as the lead implementing partners for this project, also work with think tank partners in these countries.

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Abstract

Macroeconomic resilience is crucial for sustainable development. Nigeria and Ghana, two prominent West African countries, have faced unique challenges and opportunities in building such resilience. These two countries have experienced a range of economic shocks over the past two decades, including natural disasters, commodity price fluctuations, financial crises and global economic downturns.

This paper discusses the results of a comparative analysis of the macroeconomic resilience of Nigeria and Ghana. It also explores several policy options for enhancing resilience. Among the findings are that while the two countries have some commonalities, such as a shared concern about debt sustainability, their respective economic landscapes are influenced by a unique set of factors, necessitating tailored approaches. The revealed challenges and opportunities can serve as valuable insights for shaping future strategies aimed at enhancing macroeconomic resilience, ultimately ensuring sustained growth and stability. In addition to tailored recommendations for each country, the paper recommends that Nigeria and Ghana prioritise collaborative strategies in areas of mutual interest, such as trade, energy and infrastructure development. By sharing best practices and working together, these neighbours can collectively enhance their resilience to future economic challenges and promote sustainable development in West Africa.

Introduction

Macroeconomic resilience, defined as a country's ability to withstand and recover from economic shocks, is crucial for sustainable development.[1] Nigeria and Ghana, two prominent West African countries, have faced unique challenges and opportunities in building their resilience. Natural disasters, commodity price fluctuations, financial crises and global economic downturns are among the numerous factors that have significantly impacted the economic stability and growth trajectories of Nigeria and Ghana over the period 2000–2020.[2] Both countries are vital economic players in

"Natural disasters, commodity price fluctuations, financial crises and global economic downturns are among the numerous factors that have significantly impacted the economic stability and growth trajectories of Nigeria and Ghana over the period 2000–2020"

1 Aida Caldera Sánchez et al., 'Strengthening economic resilience: Insights from the post-1970 record of severe recessions and financial crises' (OECD Economic Policy Paper no. 20, OECD Economic Publishing, December 2016).

2 Andi Duqi, 'Banking Institutions and Natural Disasters: Recovery, Resilience and Growth in the Face of Climate Change' (Banking Institutions and Natural Disaster, July 22, 2023), 7-2, https://doi.org/10.1007/978-3-031-36371-9_2.

West Africa,[3] sharing significant trade dependencies and helping to forge regional integration.[4] Nigeria's economic policies and responses during crises influence and guide other members of the Economic Community of West African States (ECOWAS), fostering regional stability and economic integration.[5] Despite these interconnections, they also share common challenges, including structural vulnerabilities, an over-reliance on commodities, weak institutional frameworks and exposure to climate shocks, prompting them to diversify their economies and implement fiscal and monetary reforms. Understanding these countries' approaches to resilience can provide valuable insights for policymakers and other stakeholders.

While Nigeria and Ghana have significant economic interlinkages and have therefore displayed some similarities, there are also evident divergences in their responses to economic shocks. These are prompted by the diverse economic structures and policy approaches employed by the two countries. Nigeria relies heavily on oil, whereas Ghana has a more diversified economy and also benefits from relatively better governance.[6] It is against this background that a comparative analysis of the macroeconomic resilience of the two countries was conducted and the policy options available to enhance such resilience were explored.

"While Nigeria and Ghana have significant economic interlinkages and have therefore displayed some similarities, there are also evident divergences in their responses to economic shocks"

The approach employed in this comparative analysis involved mapping and examining the economic crises and their effects on Nigeria and Ghana over a 20-year period. The analysis

3 ECOWAS, 'ECOWAS of the People: Peace and Prosperity for All', 2024, https://www.ecowas.int/member-states/.

4 Ayodele Haruna Mustapha, 'Interrogating the Contending Issues in Nigeria-Ghana Relations: Reciprocity of Consequences or Constructive Engagement,' *International Relations* 9, no. 01 (2021): 36–49, https://www.researchgate.net/publication/352999607_Interrogating_the_Contending_Issues_in_Nigeria-Ghana_Relations_Reciprocity_of_Consequences_or_Constructive_Engagement.

5 Freedom Chukwudi Onuoha and Joseph Chukwunonso Akogwu, 'Nigeria and the ECOWAS,' in *Africa's International Relations in a Globalising World: Perspectives on Nigerian Foreign Policy at Sixty and Beyond*, ed. Usman Tar and Sharkdam Wapmuk (London: Lexington Books, 2022), 143.

6 World Bank, 'Ghana Rising: Accelerating Economic Transformation and Creating Jobs' (Washington, DC: The World Bank, 2021), https://openknowledge.worldbank.org/entities/publication/cf765647-105e-56c3-b91e-f42b025ab307.

considered a comprehensive set of indicators, such as gross domestic product (GDP) growth, government revenue, debt, GDP per capita, and various financial, monetary, fiscal and trade indicators. The paper draws comparisons between Nigeria and Ghana to identify similarities and differences in their responses to crises and the resulting economic outcomes. This comparative approach allows valuable lessons to be drawn from both countries' experiences.

Structure of the Nigerian and Ghanaian economies

Nigeria has the largest economy in Africa, with a GDP of $550.93 billion (see Figure 1) and a population of 218.5 million.[7] With a per-capita income of $2 445 as of 2022 (see Figure 2), it is currently classified as a lower-middle-income country.[8] Endowed with abundant natural resources, the Nigerian economy remains dependent on the oil sector for the bulk of its fiscal revenue ($25 billion in 2022)[9] and foreign exchange earnings ($2.29 billion in 2022),[10] making it susceptible to oil price fluctuations and external shocks. Agriculture was the mainstay of the economy before the discovery of crude oil, but today the oil sector accounts for 80% of government revenue, 90% of total exports and 95% of foreign exchange earnings.[11] Nonetheless, the services sector is the biggest contributor to Nigeria's GDP, accounting for 57% of GDP in the first quarter of 2023 compared to the agricultural sector's 22% and the industry sector's 21% (see Figure 3).

Ghana, in turn, a country with a population of 33.5 million people, had a GDP of $70 billion and a per-capita income of $2 042 as of 2022 (see Figures 1 and 2) and total fiscal revenue of $8.83 billion in 2022.[12] Ghana's economy is largely dependent on the export of commodities, such as gold, cocoa, oil and gas, which account for 80% of export revenue, making it vulnerable to global economic slowdowns and falling commodity prices.[13] The services sector is the largest contributor to GDP in Ghana. For instance, in the first quarter of 2023, it accounted for 47% of GDP as a result of growth in education, health, and information and communication technology (ICT), while the industry

7 International Monetary Fund, 'Nigeria,' https://www.imf.org/en/Countries/NGA.

8 World Bank, 'World Bank Country and Lending Groups,' https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups.

9 FocusEconomics, 'Nigeria Fiscal October 2021,' https://www.focus-economics.com/countries/nigeria/news/fiscal/governments-proposed-2022-budget-is-largest-ever/.

10 Central Bank of Nigeria, *Central Bank of Nigeria Economic Report, Nigeria's Foreign Exchange Earnings for 2022*, https://www.cbn.gov.ng/Out/2022/RSD/May%202022%20Economic%20Report.pdf.

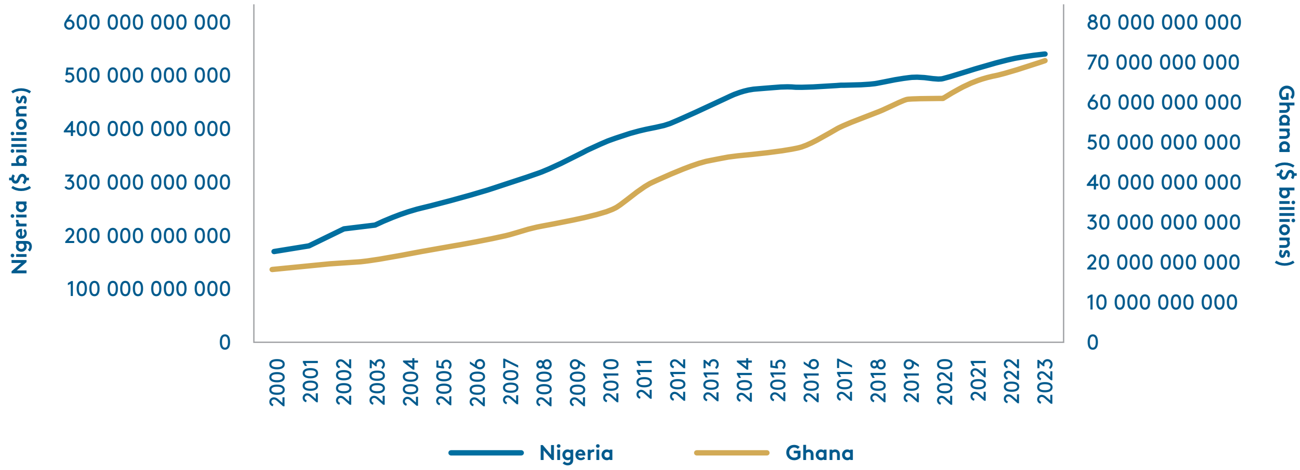
11 Michael Chugozie Anyaehie and Anthony Chukwudi Areji, 'Economic Diversification for Sustainable Development in Nigeria,' *Open Journal of Political Science* 5, no. 2 (2015): 87, https://www.scirp.org/journal/paperabs?paperid=54433.

12 Ghana Revenue Authority, 2022 Annual Report, https://gra.gov.gh/wp-content/uploads/2023/08/GRA-2022-Annual-Report.pdf.

13 Ebenezer Boateng, Emmanuel Asafo-Adjei, Alex Addison, Serebour Quaicoe, Mawusi Ayisat Yusuf and Anokye Adam, 'Interconnectedness among commodities, the real sector of Ghana and external shocks,' *Resources Policy* 75 (2022): 102511, https://www.sciencedirect.com/science/article/abs/pii/S0301420721005183.

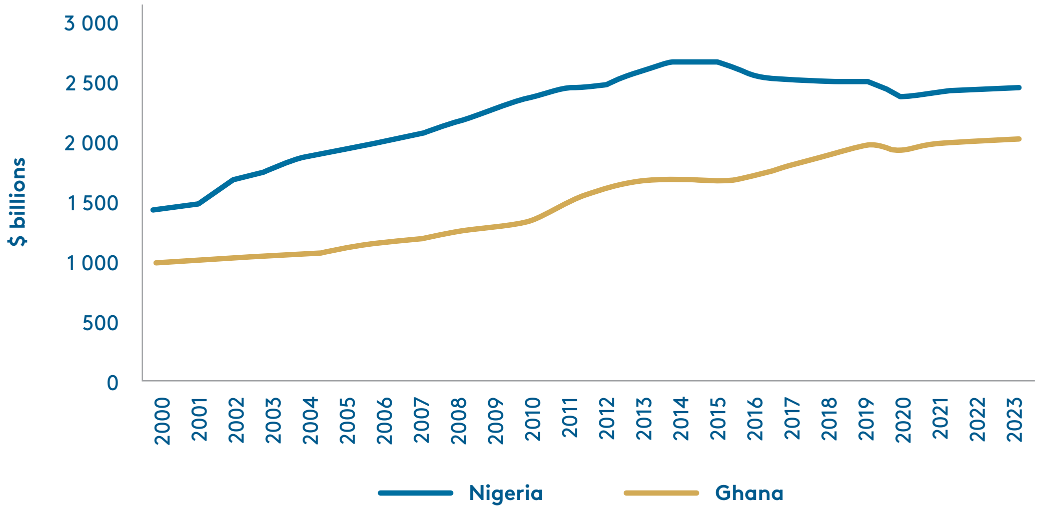
and agricultural sectors accounted for 32% and 21% of GDP, respectively (see Figure 3).[14] Given its strong agricultural and services sectors, Ghana displays a relatively higher level of economic diversification. It is considered a lower-middle-income country and is smaller in size than Nigeria.

Figure 1 Respective sizes of the Nigerian and Ghanaian economies (GDP), 2000–2023



Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

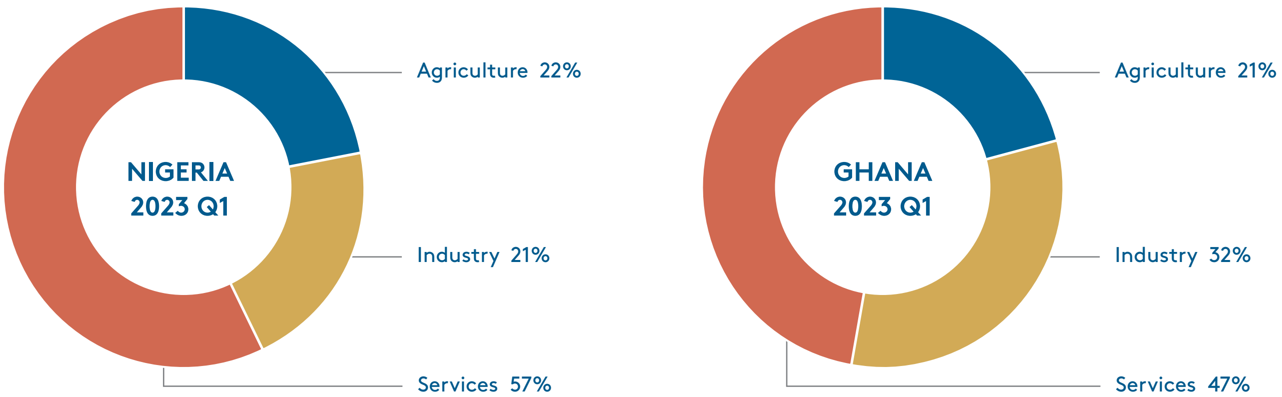
Figure 2 GDP per capita in Nigeria and Ghana, 2000–2023



Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

14 Ghana Statistical Services, 'Newsletter – Quarterly Gross Domestic Product First Quarter,' https://www.statsghana.gov.gh/gssmain/fileUpload/National%20Accounts/Newsletter_quarterly_GDP_2023__Q1_June__2023_Edition_Final_final.pdf.

Figure 3 Sectoral contribution to GDP in Nigeria and Ghana, 2023 Q1



Source: National Bureau of Statistics, 2023, https://nigerianstat.gov.ng/; Ghana Statistical Services, 'Newsletter – Quarterly Gross Domestic Product First Quarter,' https://www.statsghana.gov.gh/gssmain/fileUpload/National%20Accounts/Newsletter_quarterly_GDP_2023__Q1_June__2023_Edition_Final_final.pdf

The nature of macroeconomic crises in Nigeria and Ghana

In this paper, a crisis is defined as a period of a declining/slow real GDP growth rate or a negative GDP growth rate, ie, a period of recession. Depending on the source of the crisis, it is categorised as a global/regional or a national crisis.

Global/regional crises (exogenous shocks)

During the period 2000–2022, the world experienced various types of global/regional crisis, including a global financial crisis (2007–2008), an oil price shock (2014–2016), Ebola (2014–2016), the COVID-19 pandemic (2020–2021) and the Russia–Ukraine war (2022–present) (see Table 1).

National crises (endogenous shocks)

On top of these crises, Nigeria also experienced various crises at the domestic level, including the Boko Haram insurgency from 2009 onwards, which has led to losses of lives, displacement of millions of people and related insecurity; a farmers–herders conflict which has threatened food security and resulted in losses of lives and properties; natural disasters like floods; and social unrest (#EndSARS protest) in 2020 which resulted in a decline in government revenue and consumer confidence in financial markets, against the backdrop of a worsening economy.[15] Ghana also experienced domestic crises, such as a financial crisis between 2012 and 2015; an electricity crisis in 2014; and a natural disaster (floods) in 2015 (see Table 2).

The national crises noted above impacted both economies by impeding productivity across sectors and interfering with economic activity by disrupting supply chains, destroying infrastructure and interrupting the labour supply, leading to a decrease in output across many sectors. National crises have significant impacts at the national (and sometimes regional) level, but they are not always given as much attention as global crises due to the latter's far-reaching and cascading implications across multiple countries.

Table 1 Global and regional crises affecting the Nigerian and Ghanaian economies, 2000–2022

Year	Crisis	Proximate causes
2007–2008	Global financial crisis	Collapse of house finance market in the US, low interest rates, easy credit, inadequate regulations
2014–2016	Commodity price shock	Drop in oil prices from supply glut in the global market
2014–2016	Ebola (regional)	Zoonotic transmission, human-to-human transmissions, travel, migration
2020–2021	COVID-19	Declaration of pandemic, trade and travel restrictions
2022–present	Russia–Ukraine war	Supply chain disruptions

Source: Authors' compilation

Table 2 National crises affecting the Nigerian and Ghanaian economies, 2000–2022

Year	Nigeria	Year	Ghana
1999–present	Farmers–herders conflict	2014	Electricity crisis
2009–present	Boko Haram insurgency	2012–2015	Financial crisis
2012, 2022	Agricultural shocks – floods, drought	2015	Floods
2020	Social unrest (#EndSARS protest)	–	–

Source: Authors' compilation

15 The #EndSARS protest in Nigeria in 2020 was a social movement that emerged to advocate the disbandment of the Special Anti-Robbery Squad (SARS), a controversial unit of the Nigerian Police Force. SARS had faced numerous allegations of human rights abuses, extortion and extrajudicial killings. The protests, primarily led by Nigerian youth, gained significant traction both nationally and internationally. The protests started peacefully but later turned violent, disrupting economic activities, reducing government revenue and affecting consumer confidence in financial markets. These factors negatively impacted Nigeria's economic performance during and after the protests.

Identification of crises in Nigeria and Ghana

In Nigeria, economic fluctuations from 2000 to 2022 were primarily driven by the country's heavy reliance on oil exports and external factors. The surge in global oil prices in 2002, driven by increased demand and geopolitical tensions, provided a windfall for Nigeria. However, this was followed by significant economic downturns in 2016 and 2020 (see Figures 4 and 5). The 2014 commodity price shock, resulting from a drop in oil prices from the supply glut in the global oil market, led to a recession in 2016. A key driver of this glut was the shale oil boom in the US and the Organisation for Economic Cooperation and Development's (OPEC) production decisions, which impacted Nigeria's economy.[16]

China's shift to a more consumption-driven economy also affected the demand for commodities, including oil, further harming Nigeria's economic stability.[17] This shock was followed by the global upheavals unleashed by the COVID-19 pandemic[18] and subsequently the Russia–Ukraine war.[19] The invasion of Ukraine disrupted energy markets, initially benefiting Nigeria. However, structural challenges (such as declining oil production, a lack of investment, infrastructure shortcomings and vandalism of oil facilities) and reliance on imports hampered the country's ability to maximise gains, highlighting the need for economic diversification and reforms.[20] However, Nigeria displayed resilience by experiencing a robust economic rebound in 2021 (see Figures 4 and 5). This recovery was attributed to proactive policy support, rising oil prices, international financial assistance, effective COVID-19-containment measures, government reforms, the global economic recovery, and prudent monetary and fiscal policies.

Ghana experienced economic volatility during the same period due to a combination of internal and external factors. The country experienced strong growth until 2011, driven by stability and reforms (see Figures 6 and 7). Deceleration, however, occurred in the period 2012–2014 in the face of fiscal challenges and external shocks, including commodity price fluctuations. For instance, in 2014, real GDP growth slowed to 4% from 7.3% in 2013 due to supply-side constraints, including

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16 Marc Stocker, John Baffes and Dana Vorisek, 'What triggered the oil price plunge of 2014–2016 and why it failed to deliver an economic impetus in eight charts' (World Bank Blogs, January 18, 2018), https://blogs.worldbank.org/developmenttalk/what-triggered-oil-price-plunge-2014-2016-and-why-it-failed-deliver-economic-impetus-eight-charts.

17 World Bank, *Global Economic Prospects: Spillovers amid Weak Growth* (Washington D.C.: World Bank Group, January 2016), https://www.worldbank.org/content/dam/Worldbank/GEP/GEP2016a/Global-Economic-Prospects-January-2016-Spillovers-amid-weak-growth.pdf.

18 World Bank, 'Nigeria Economic Update: Resilience through Reforms,' June 2021, https://www.worldbank.org/en/country/nigeria/publication/nigeria-economic-update-resilience-through-reforms#:~:text=By%20the%20end%20of%202021,more%20slowly%20than%20the%20population.

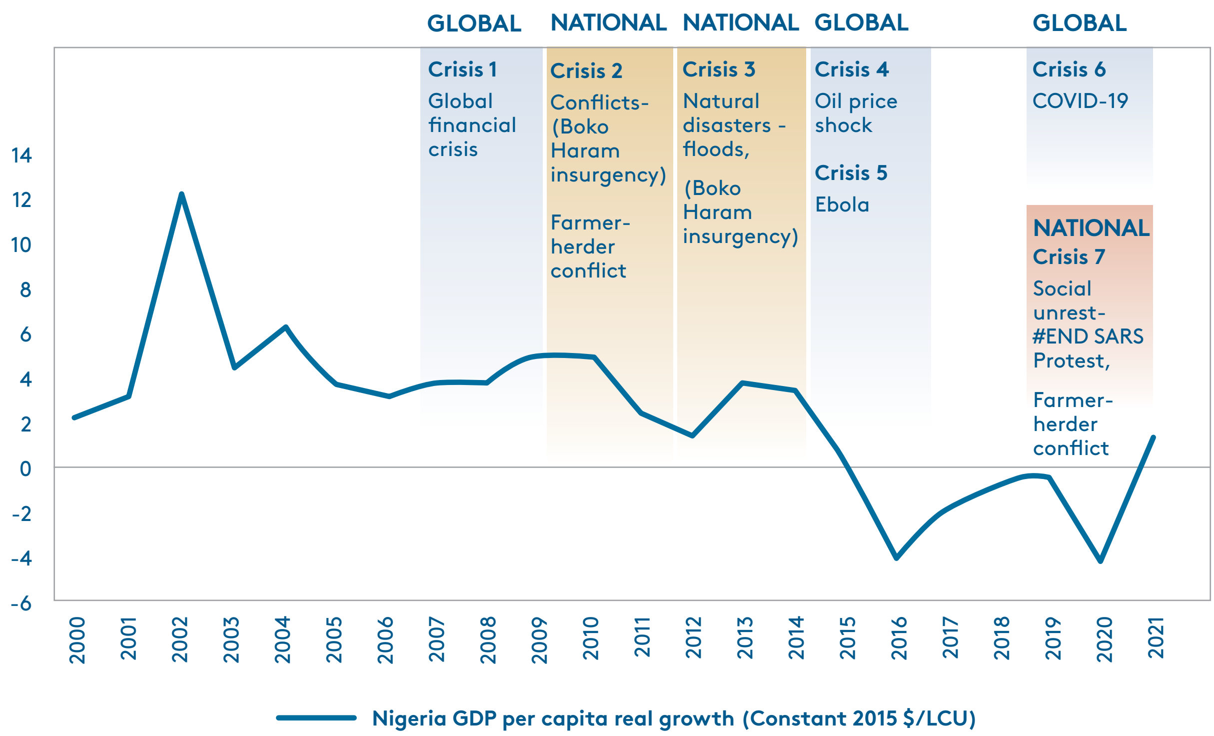
19 World Bank, 'Russian Invasion of Ukraine Impedes Post-Pandemic Economic Recovery in Emerging Europe and Central Asia,' October 4, 2022, https://www.worldbank.org/en/news/press-release/2022/10/04/russian-invasion-of-ukraine-impedes-post-pandemic-economic-recovery-in-emerging-europe-and-central-asia.

20 International Monetary Fund, 'Nigeria: 2022 Article IV Consultation–Press Release; Staff Report; and Statement by the Executive Director For Nigeria,' (IMF Country Report no. 23/93, February 16, 2023), https://www.imf.org/en/Publications/CR/Issues/2023/02/16/Nigeria-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-529842.

energy-supply challenges, a sharp depreciation of the domestic currency and lower commodity prices.[21]

Unlike Nigeria, Ghana exhibited more resilience to exogenous and endogenous shocks, and the country has not experienced a recession since 2000. However, Ghana's per-capita GDP declined in 2015 and 2020 but immediately rebounded (see Figures 6 and 7) due to prudent economic policies and robust governance. Resilience and strong growth returned during the period 2017–2019, but the COVID-19 pandemic prompted a contraction in 2020. Over the two decades, Ghana's economic performance was influenced by global commodity prices, fiscal management, exchange rate volatility, governance and investment trends, thus emphasising the importance of diversification and prudent economic policies.

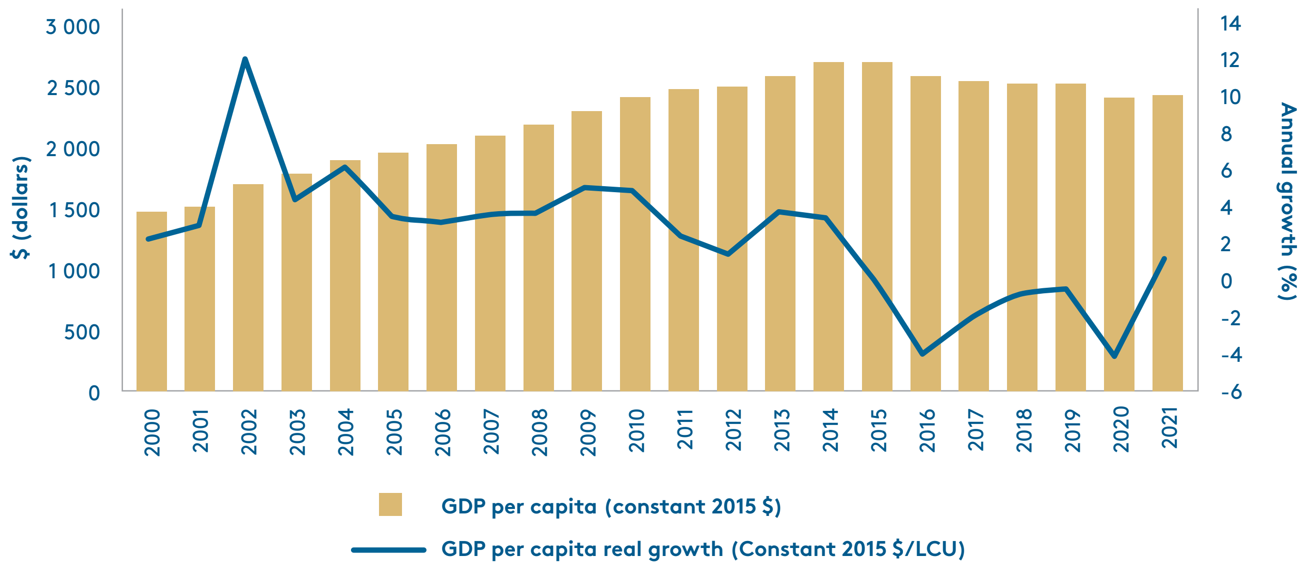
Figure 4 Real GDP per capita growth of Nigeria, 2000–2021



Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

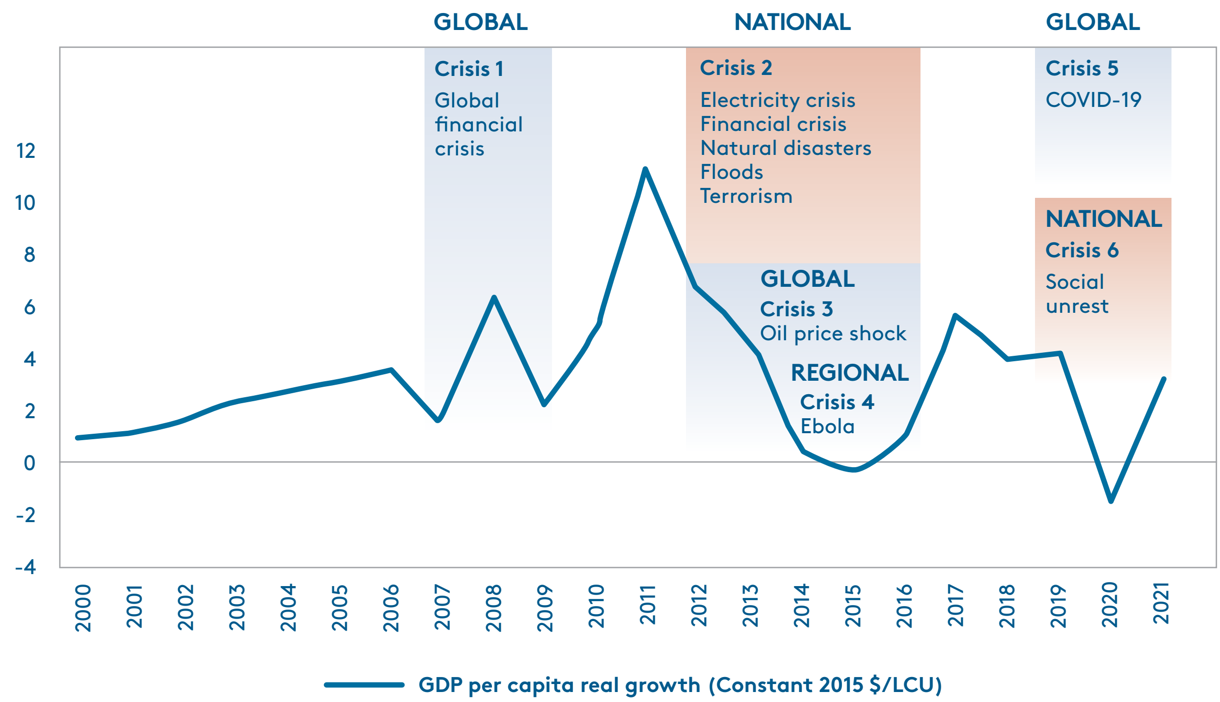
21 Bank of Ghana, Annual Report 2014, https://www.bog.gov.gh/wp-content/uploads/2019/07/AnnRep-2014.pdf.

Figure 5 GDP per capita and real GDP per capita growth of Nigeria, 2000–2021



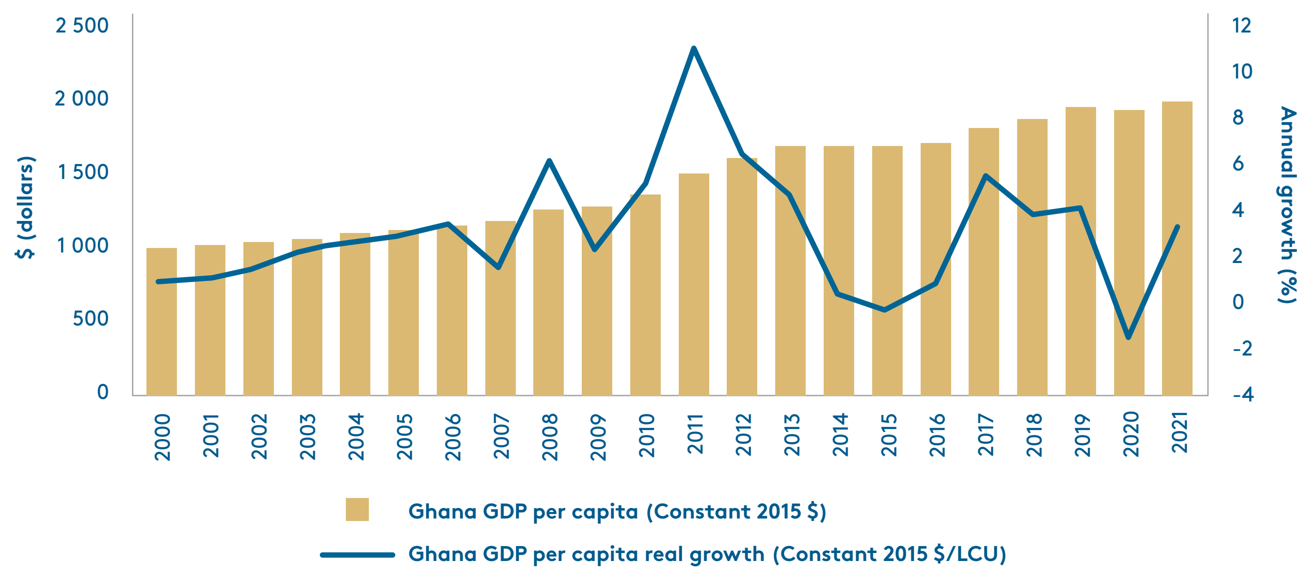
Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

Figure 6 Real GDP per capita growth of Ghana, 2000–2021



Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

Figure 7 GDP per capita and real GDP per capita growth of Ghana, 2000–2021



Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

Global financial crisis (2007–2008)

The 2007–2008 global financial crisis had a significant impact on Nigeria due to its heavy reliance on crude oil exports and capital inflows. The crisis led to decreased demand for oil exports and challenges in the banking sector, despite some reforms. Surprisingly, Nigeria's economy remained resilient, with steady GDP per capita growth attributed to the impressive performance of its non-oil sectors, like agriculture, and prudent macroeconomic policies. Nigeria's GDP per capita growth in 2007, 2008, 2009 and 2010 was 3.7%, 3.9%, 5.1% and 5.1%, respectively (see Figure 5).

Ghana's economy performed well despite the global financial crisis. Real GDP growth rates were predicted to be 1.7% for 2007 and 6.4% for 2008, continuing the positive growth trajectory from previous years. The crisis did not have a significantly negative impact on Ghana's economic growth due to the country's limited integration in the world market and reliance on high and stable commodity prices, especially gold. Increased cocoa and coffee production also contributed to positive price developments, supporting export earnings and foreign exchange reserves. Moreover, Ghana's export commodity prices remained relatively stable. Domestically, the 2008 general elections influenced business sentiment and fiscal expenditure as the government addressed various challenges.

Commodity price shock (2014–2016)

Over the past decade, Nigeria's economy has remained vulnerable due to its heavy reliance on crude oil, despite a decline in the latter's share of GDP. Oil exports accounted for over 90% of total exports and 86% of foreign exchange inflows over the period.[22] The 2014–2016 commodity price shock caused a significant drop in oil prices, impacting the Nigerian economy in the form of a currency depreciation and inflationary pressures.

Nigeria had experienced a decade of robust economic growth, averaging 6.8% annually until 2014, largely driven by high oil prices, strong consumer demand and a growing services sector. However, economic growth declined significantly in 2015 and further contracted in 2016 due to a plummeting oil price, which reached a low of $27 per barrel in February 2016 from $115 per barrel in June 2014, as well as attacks on oil infrastructure, energy shortages and foreign exchange difficulties.[23] The non-oil sector was not robust enough to compensate for the oil-induced recession. Inflation surged to 17.1% in July 2016, which was mainly attributed to structural and cost–push factors, low industrial activity, high electricity tariffs and a currency depreciation.[24] Fiscal balances shifted from surpluses to deficits, with the 2016 budget reflecting increased debt-servicing costs and fuel subsidies. Export revenues dropped sharply, and the current account balance turned negative. Gross international reserves also declined, posing challenges for the Nigerian economy.

The Ghanaian economy experienced adverse effects from the global commodity price shock, alongside persistent domestic challenges like energy supply constraints. Ghana's primary exports of gold, cocoa and crude oil account for 80% of export revenues, reflecting better diversification than Nigeria.[25] Nonetheless, the 2014 commodity price shock also had significant effects on Ghana's economy due to its heavy reliance on commodity exports. The fall in export revenues and government income put pressure on the Ghanaian currency, the cedi, leading to its depreciation against major currencies. The cedi depreciated by 31.2% against the US dollar in 2014 and by a further 16.1% in 2015. This led to higher import costs, contributing to higher inflation.[26] Headline inflation steadily rose to end the year at 17.7%, up from 17.0% in 2014. In 2015, the government of Ghana recorded an overall budget deficit of 6.7% of GDP against a target of 7.0% of GDP.

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22 UN Comtrade Database, https://comtradeplus.un.org/.

23 Martin Sommer, Allan Auclair, Armand Fouejieu, Inutu Lukonga, Saad Quayyum, Amir Sadeghi, Gazi Shbaikat, Andrew Tiffin and Bruno Versailles, 'Learning to Live with Cheaper Oil: Policy Adjustment in MENA and CCA Oil-Exporting Countries' (IMF Departmental Papers, June 8, 2016), https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2016/12/31/Learning-to-Live-with-Cheaper-Oil-Policy-Adjustment-in-MENA-and-CCA-Oil-Exporting-Countries-43934.

24 Temitope Oshikoya, 'Financing government programmes in economic downturn: A comparative analysis,' *Economic and Financial Review* 53, no. 4 (2015): 5, https://dc.cbn.gov.ng/efr/vol53/iss4/5/.

25 Boateng et al., 'Interconnectedness among commodities.'

26 Bank of Ghana, *Annual Report 2015*, https://www.bog.gov.gh/wp-content/uploads/2019/07/AnnRep-2015.pdf.

Ebola (2014–2016)

The Ebola virus disease was introduced to Nigeria by a Liberian diplomat who visited Nigeria in July 2014.[27] This precipitated the taking of immediate measures by the Federal Ministry of Health and Nigeria Centre for Disease Control (NCDC), such as quarantine and emergency declarations.[28] Nigeria faced initial challenges, such as a lack of preparedness and diagnostic capacity, but overcame these by adopting a multisectoral approach. In contrast, Ghana remained unaffected and focused on improving its healthcare and disease surveillance.[29]

COVID-19 (2020–2021)

The COVID-19 crisis, which triggered a global recession in 2020, led to a significant reduction in global economic activity, particularly in Nigeria, which relies heavily on imports.[30] The pandemic impacted the national budget, necessitating adjustments due to the drop in the oil price. Nigeria's vulnerability to the oil price shock triggered volatility in the foreign exchange market and a reduction in fiscal space, thus negatively affecting the country's resilience to the COVID-19 shock. The decline in oil and tax revenues resulted in an estimated $10 billion reduction in government revenue in 2020.[31] In this regard, between 2019 and 2020, government revenue decreased from 8% to 5% of GDP.[32] This led to rising food inflation, high unemployment rates, mass protests (in October 2020) and worsening food insecurity.[33]

Ghana's economy faced significant challenges in the face of the COVID-19 pandemic, resulting in a sharp slowdown and a record-low real GDP growth rate of 0.4%.[34] Inflationary pressures, particularly in food prices, pushed headline inflation up to 10.4%, slightly above the upper limit of the medium-term target band of 8.2%.[35] To combat high inflation, the Bank of Ghana (BoG)

27 Emmanuel Elebesunu, Fortune Effiong, Marvellous Asika, Precious Fadele, Favour Onyeogalu, Charles Okafor and Godfred Scott, 'Combating the zoonotic trio of Ebola virus disease, Lassa fever, and COVID-19 in Nigeria: A retrospection of the challenges and lessons,' *Annals of Medicine and Surgery* 85, no. 8 (2023): 3955–3959, https://pubmed.ncbi.nlm.nih.gov/37554890/.

28 Akaninyene Otu, Soter Ameh, Egbe Osifo-Dawodu, Enoma Alade, Susan Ekuri and Jide Idris, 'An account of the Ebola virus disease outbreak in Nigeria: Implications and lessons learnt,' *BMC Public Health* 18, no. 1 (2018): 1–8, https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-017-4535-x.

29 World Health Organization, 'Ebola: West Africa March 2014–2016,' https://www.who.int/emergencies/situations/ebola-outbreak-2014-2016-West-Africa#cms.

30 World Health Organization, 'Coronavirus Disease (COVID-19)' (WHO Situation Reports), https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports.

31 World Bank, 'Rising to the Challenge – Nigeria's COVID Response,' 2020, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/152691607607461391/nigeria-development-update-rising-to-the-challenge-nigerias-covid-response.

32 World Bank, 'Nigeria in Times of COVID-19: Laying Foundations for a Strong Recovery,' Nigeria Development Update, June 1, 2020, http://documentsworldbank.org/curated/en/695491593024516552/pdf/Nigeria-in-Times-of-COVID-19-Laying-Foundations-for-a-Strong-Recovery.pdf.

33 International Monetary Fund, 'Nigeria: 2022 Article IV Consultation–Press Release.'

34 Bank of Ghana, *Annual Report and Financial Statements 2020*, https://www.bog.gov.gh/wp-content/uploads/2021/09/Annual-Report-2020.pdf.

35 Bank of Ghana, 'Monetary Policy Report: Inflation Outlook and Analysis 2020,' vol. 6, no. 5, September 2020, https://www.bog.gov.gh/wp-content/uploads/2020/10/Inflation-Outlook-and-Analysis-September-2020.pdf.

raised its policy rate to 29.5% in March 2023 and increased the reserve requirement from 8% to 14%.[36] Inflation peaked at 24% in December 2022 but gradually decreased to 19% in 2023.

The pandemic led to increased government spending on critical sectors of the economy, alongside lower revenue mobilisation, which widened the fiscal deficit, contributing to rising public debt. The external sector saw a lower balance of payments surplus, and external debt increased significantly as the external debt stock reached $24.7 million in December 2020. Surprisingly, despite the pandemic's challenges, the Ghanaian cedi remained stable against the US dollar due to improved buffers from sources like Eurobond and the International Monetary Fund (IMF) Rapid Credit Facility (RCF) as well as the the BoG's forward forex auction activities, which moderated market volatility.[37]

Agricultural shocks

Agriculture plays a vital role in Nigeria's economy, accounting for approximately 23% of real GDP over the past decade.[38] However, the sector is highly susceptible to climate change, particularly in terms of crop-yield reductions caused by droughts and floods, mostly in rural areas. These shocks have had adverse effects on food production, availability and prices, making basic food items less affordable for many Nigerians.[39] Government initiatives like the Roots and Tuber Expansion Programme have enhanced staple-crop productivity.[40] However, challenges like import dependence and price fluctuations persist.

In Ghana, which is heavily reliant on cocoa exports, climate shocks have hit cocoa production and the income levels of farming communities, affecting food availability and prices. This, combined with surging food prices, has contributed to inflation. Ghana's policies, such as Planting for Food and Jobs,[41] One District, One Factory,[42] Planting for Export and Rural Development, Youth in Agriculture, mechanisation and agricultural extension services, aim to improve food security and economic diversification, but the country faces challenges when it comes to implementation and funding.

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36 IMF, 'Ghana: Request for an Arrangement Under the Extended Credit Facility – Press Release; Staff Report; and Statement by the Executive Director for Ghana' (IMF Staff Country Report no. 23/168, May 17, 2023), https://www.imf.org/en/Publications/CR/Issues/2023/05/17/Ghana-Request-for-an-Arrangement-Under-the-Extended-Credit-Facility-Press-Release-Staff-533541.

37 Bank of Ghana, *Annual Report and Financial Statements 2020*.'

38 IMF, 'Nigeria: Selected Issues' (IMF Country Report no. 23/94, February 2023), file:///C:/Users/27834/Downloads/1NGAEA2023002%20(2).pdf.

39 Vincent Gitz, Alexandre Meybeck, Leslie Lipper, Cassandra De Young and Susan Braatz, 'Climate change and food security: Risks and responses' (Food and Agriculture Organization of the United Nations (FAO) Report 110, no. 2, 2016), https://www.fao.org/3/i5188e/I5188E.pdf.

40 International Fund for Agricultural Development, 'Roots and Tubers Expansion Programme,' https://www.ifad.org/en/web/operations/-/project/1100001016.

41 Ministry of Food & Agriculture, Ghana, 'Planting for Food and Jobs (Pfj) is the way to Good Harvest; Walk it!' https://mofa.gov.gh/site/programmes/pfj/68-pfj/pfj-publications/332-planting-for-food-and-jobs-pfj-is-the-way-to-good-harvest-walk-it.

42 International Trade Administration, 'Ghana One District One Factor (G1D1F) Initiative,' https://www.trade.gov/market-intelligence/ghana-one-district-one-factor-1d1f-initiative.

Russia–Ukraine war (2022–the present)

In the first half of 2022, global prices for food, fuel and fertiliser surged due to the effects of the war in Ukraine and sanctions against Russia, along with continuous supply-chain disruptions caused by COVID-19 and other factors. The Russia–Ukraine war is affecting global activity through multiple channels, which include commodity and financial markets, trade, migration links and business confidence.[43] Nigeria's minimal direct exposure to the conflict in Ukraine led to higher domestic food prices, exacerbating the pandemic's consequences, especially for vulnerable populations. In contrast, the global crises caused Ghana's GDP and employment to decrease, with significant effects on the agrifood system, leading to declining national household consumption and increased inequality.[44]

While both Nigeria and Ghana were expected to benefit from high oil prices triggered by the Russia–Ukraine war, Nigeria's fuel subsidies and reduced crude oil production had a negative impact. Furthermore, Nigeria's reliance on food imports from Russia and Ukraine dampened the gains from higher energy prices. Ghana, though, had a positive oil trade balance, with crude exports valued at $3.94 billion and oil imports valued at $2.72 billion in 2021.[45] Despite exporting higher-grade crude at premium prices, Ghana remains highly vulnerable to oil price shocks due to its significant imports of petroleum products, including petrol and diesel. Ghana's oil import bill amounted to $2.7 billion (3.8% of GDP) at the end of 2021.[46]

Crisis transmission mechanisms

Nigeria

Consumption and investment

Nigeria's private consumption grew by 30% pre-global financial crisis (see Figure 8) as a result of robust economic growth, credit availability, increased government spending and consumer confidence. During crisis periods, consumption drops sharply due to job losses, income uncertainty, supply-chain disruptions, increased savings and government austerity measures. However, consumption tends to rebound after each crisis, possibly due to people engaging in

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43 Samba Diop and Simplice Asongu, 'The impact of Covid-19 and Russia–Ukraine war on food prices in fragile countries: Misfortunes never come singly' (European Xtramile Centre of African Studies, WP/22/055, 2022), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4210418.

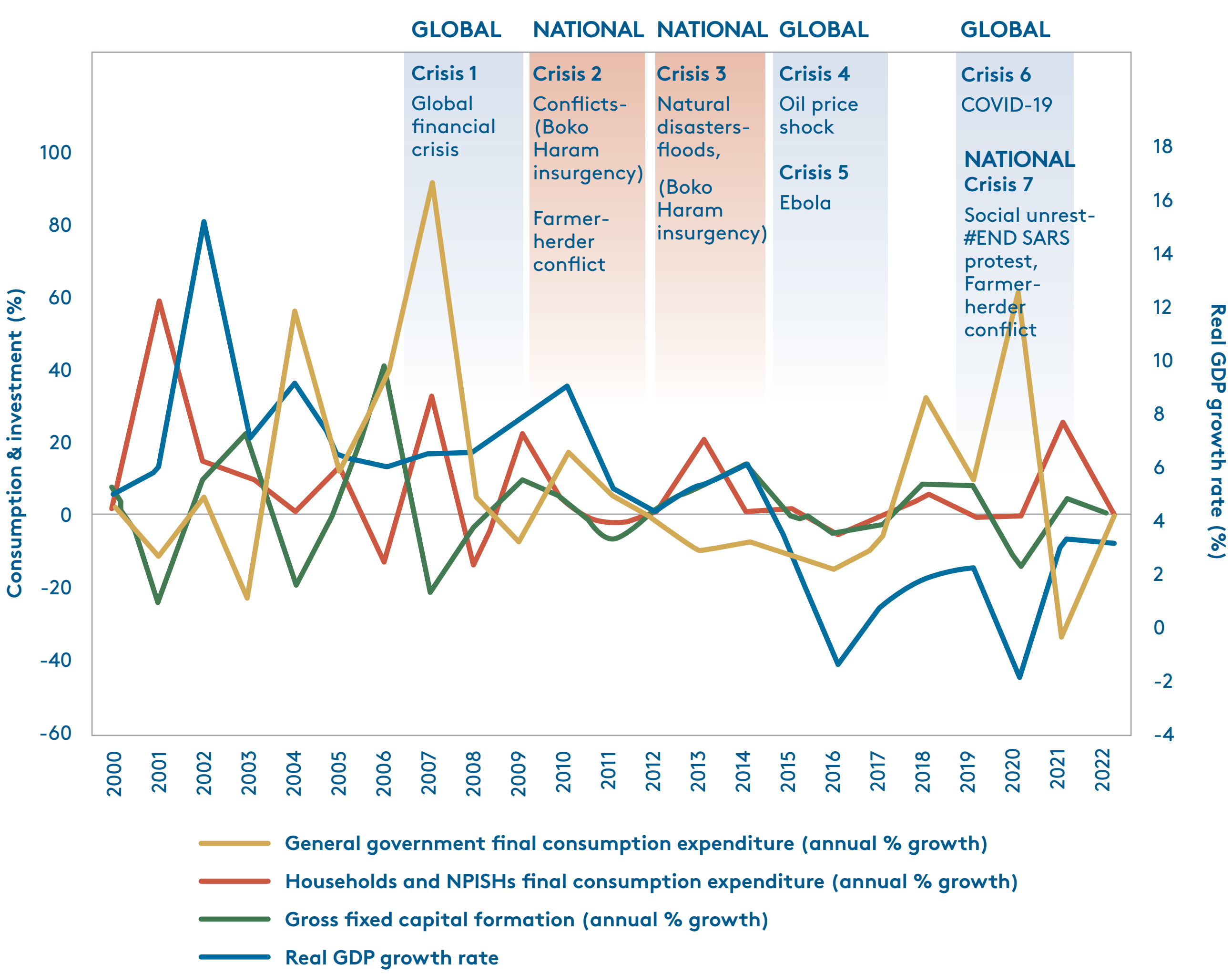
44 Dianah Ngui, Njuguna Ndung'u and Abebe Shimeles, 'Poverty, Inequality and Social Protection Programs in Africa: Lessons from the COVID-19 Pandemic,' *Journal of African Economies* 32, no. Supplement_2 (2023): ii3–ii9, https://academic.oup.com/jae/article/32/Supplement_2/ii3/7119001; Wasana Rathnayaka, Rasheda Khanam and Mohammad Rahman, 'The economics of COVID-19: A systematic literature review,' *Journal of Economic Studies* 50, no. 1 (2023): 49–72, https://www.researchgate.net/publication/363609511_The_economics_of_COVID-19_a_systematic_literature_review.

45 Bank of Ghana, *Annual Report and Financial Statements 2021*, https://www.bog.gov.gh/wp-content/uploads/2022/06/AnnRep-2021.pdf.

46 Bank of Ghana, *Annual Report and Financial Statements 2020*, https://www.bog.gov.gh/news/bank-of-ghana-2020-annual-report/.

consumption-smoothing behaviour, in the wake of government stimulus. Government spending tends to be procyclical, limited by oil revenue dependency, but countercyclical measures were taken during COVID-19 (see Figure 8). Investments decrease sharply during crises because of economic uncertainty that impacts business confidence, exchange rate volatility, insecurity and reliance on stable commodity prices, which have the effect of deterring investors.

Figure 8 Consumption and investment in Nigeria, 2000–2022

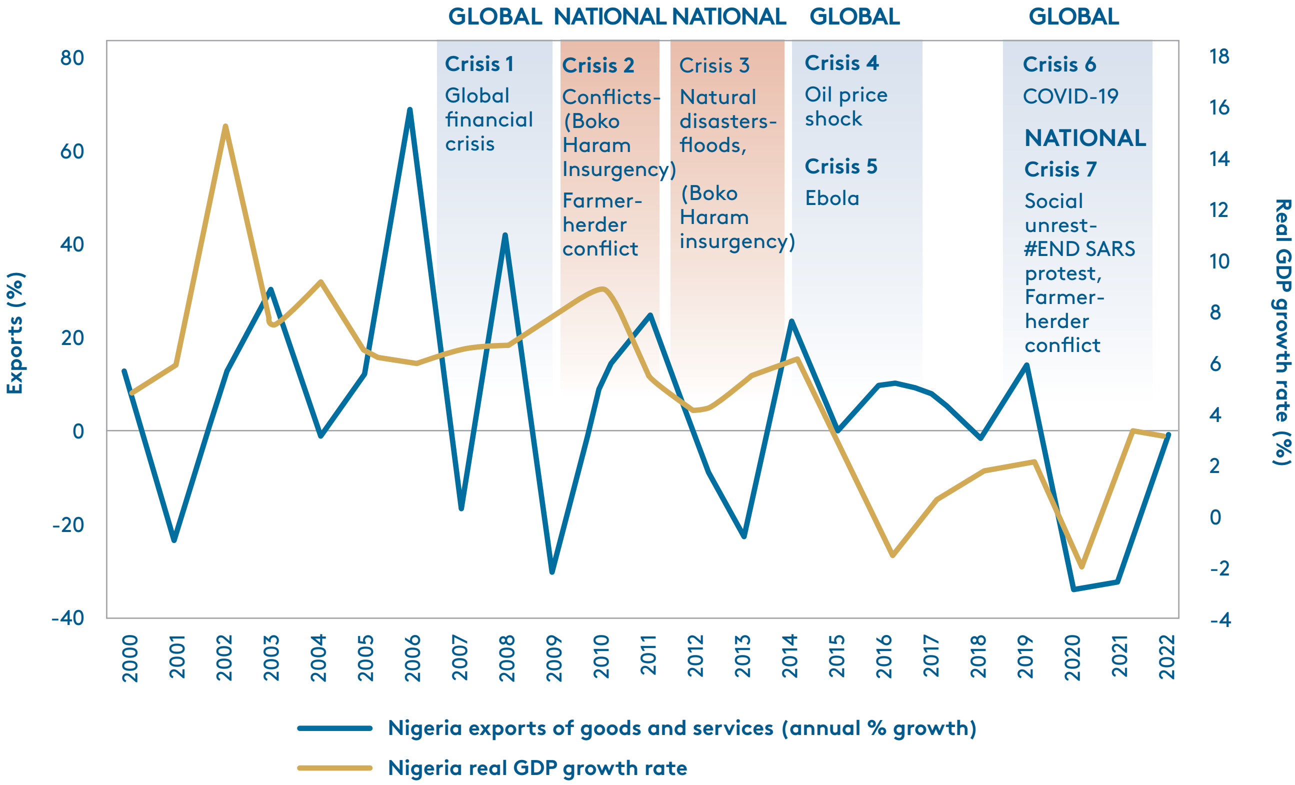


Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

Exports

The volatility in exports during the crisis periods was expected (see Figure 9). In 2006, aggregate oil exports decreased by 10.3%, reflecting the decline in production due to the continued crisis in the Niger Delta region.[47] The global financial crisis, oil price shocks and COVID-19 pandemic all negatively impacted Nigeria's exports through various channels, including reduced global demand, lower oil prices and supply-chain disruptions, among others, thus significantly reducing export revenues.

Figure 9 Nigeria's exports, 2000–2022



Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

Ghana

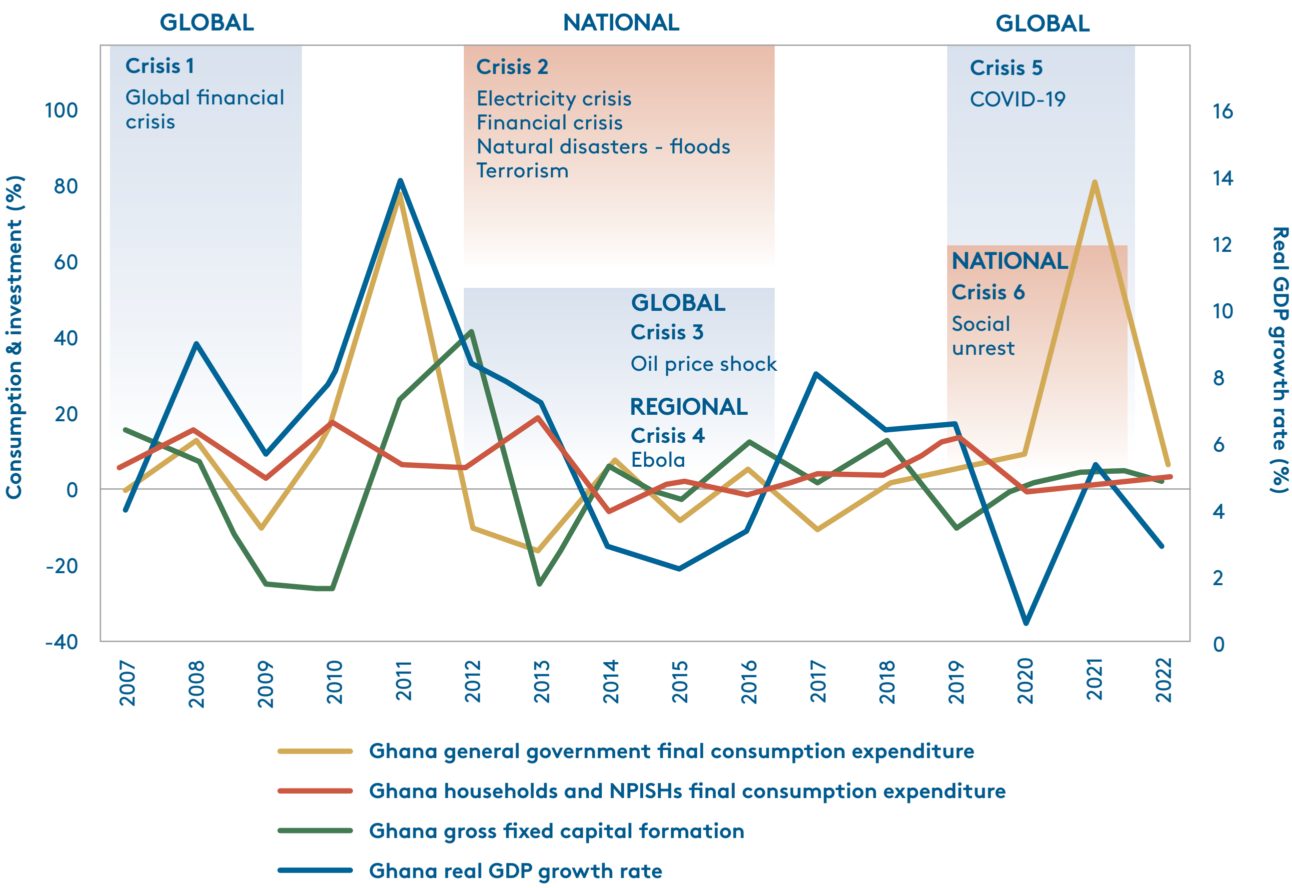
Consumption and investment

The reaction of private consumption in Ghana follows a similar trend to that observed in Nigeria (see Figure 10). Private consumption in Ghana was less volatile and decreased during the crises, such as the Ebola outbreak and oil price shocks, but it rebounded after each crisis. Government spending in Ghana is generally procyclical (see Figure 10), with notable spikes during periods of

47 Central Bank of Nigeria, *Annual Report 2007*, https://www.cbn.gov.ng/OUT/PUBLICATIONS/REPORTS/RD/2007/ANNUAL%20REPORT%202007%20PDF%20PT3.PDF.

increased oil revenue and in election years. In 2020, the COVID-19 pandemic led to unbudgeted government spending on crucial economic sectors, alongside lower revenue mobilisation. This led to a larger fiscal deficit and an increase in public debt. However, investment declines during crises (see Figure 10), which is in line with a *priori* expectations. Ghana's dependence on commodity exports, the energy crisis (also known as 'dumsor') and power outages have deterred investments.[48] These have made the country's investment environment less attractive for both domestic and foreign investors.

Figure 10 Consumption and investment in Ghana, 2007-2022



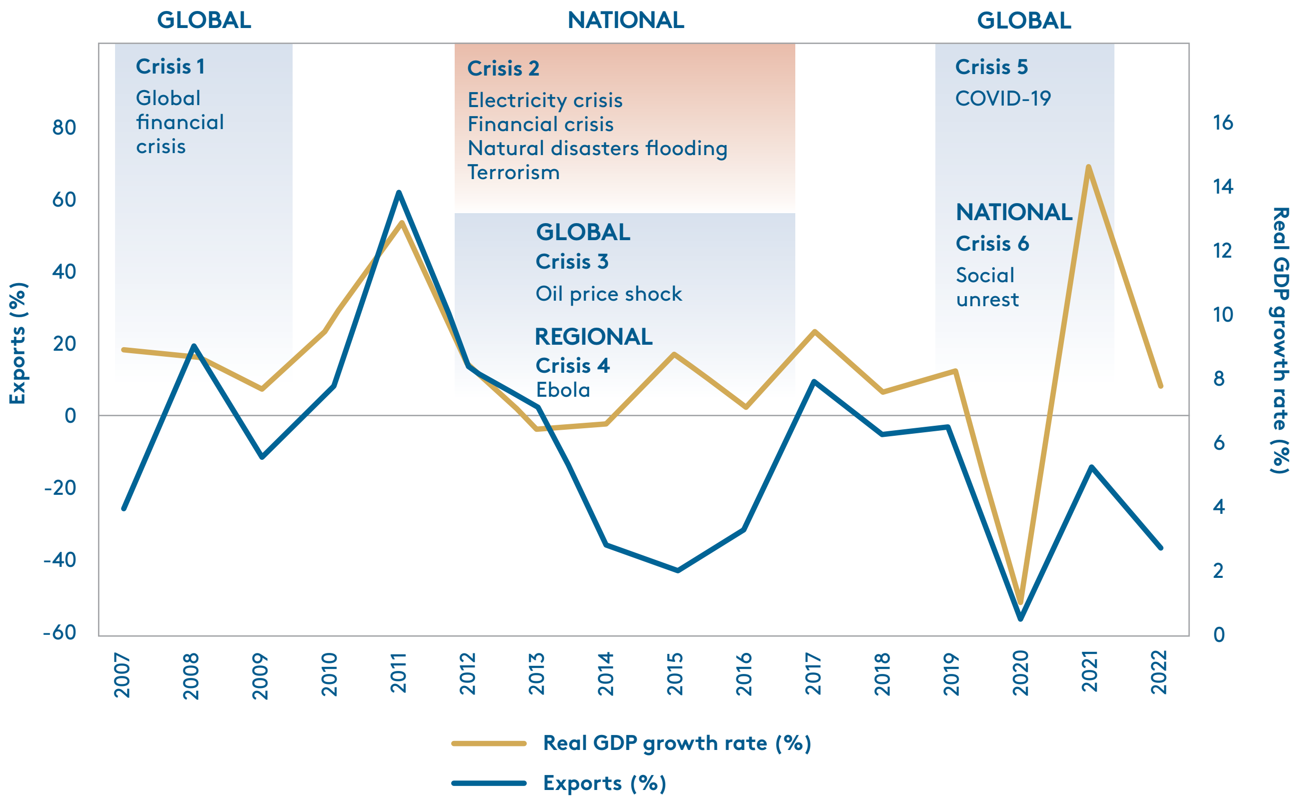
Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

48 Nina Kupzig and Charles Ackah, 'The Effect of an Electricity Crisis on Firms – A Case Study of Dumsor in Ghana' (SSRN, May 16, 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4440773.

Exports

A key reason for the decline in exports during the crises (see Figure 11) was Ghana's heavy reliance on commodity exports. During the global financial crisis, gold and cocoa commodity prices experienced increased volatility, impacting Ghana's export revenues. Even though Ghana is not a major oil producer, lower oil prices directly affected Ghana's oil export revenues, as the country exports a significant proportion of its oil production. Lower oil revenues affected the overall export earnings of the country.

Figure 11 Export trends in Ghana, 2007–2022



Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

Policy responses

Governments have an array of policy tools at their disposal to address economic crises, with fiscal and monetary policies being two of the most prominent. Fiscal policy involves government revenue and expenditure management, while monetary policy focuses on controlling the money supply and interest rates. In times of crisis, governments often employ expansionary fiscal policies to stimulate economic activity, along with monetary policies that influence interest rates and liquidity in financial markets.

In the ensuing sections we explore the specific policy levers applied in Nigeria and Ghana during times of crisis, highlighting innovative approaches and their consequences. We also examine the impact of these policies on public debt, revenue-collection capacity and budget distribution in both countries. Furthermore, we explore the measures taken to manage debt overhang and servicing burdens in a post-crisis period.

"Governments have an array of policy tools at their disposal to address economic crises, with fiscal and monetary policies being two of the most prominent"

Policy responses to the global financial crisis

Nigeria and Ghana implemented both monetary and fiscal measures to respond to the economic challenges posed by the crisis. These measures were aimed at stabilising the financial sector, stimulating economic growth and mitigating the impact of the crisis on their economies. Some of the key monetary and fiscal responses included:

- **Monetary measures**

The Central Bank of Nigeria (CBN) lowered its policy rate from 10.25% to 6% to encourage borrowing and spending.[49] Similarly, the cash reserve requirement was reduced from 4% to 2% and thereafter to 1%, while the liquidity ratio was progressively reduced from 40% to 25%. This was aimed at increasing liquidity in the banking system. Also, the CBN injected ₦[50]620 billion (about $4.1 billion) of liquidity into the banking sector by issuing unsecured and subordinated debt to ensure the stability of financial institutions.

In Ghana, the BoG's Monetary Policy Committee increased the prime rate by a cumulative 350 basis points during the

49 International Monetary Fund, 'Nigeria: Publication of Financial Sector Assessment Program Documentation – Technical Note on Crisis Management and Crisis Preparedness Frameworks' (IMF Country Report no. 13/143, May 2013), https://www.imf.org/external/pubs/ft/scr/2013/cr13143.pdf.

50 Currency code for Nigerian naira.

year to steer inflation expectations within the target of single-digit inflation. Despite these hurdles, Ghana demonstrated resilience as its economy expanded by 7.3%. Growth was broad-based, with all the sectors contributing to sustained economic activity. Key indicators like vehicle registrations, retail sales, cement production, income and corporate tax collections, and job vacancies showed significant growth.

- **Fiscal measures**

Nigeria implemented a fiscal stimulus package of 0.7% of GDP to spur growth, focusing on infrastructure and public investments. Collaborating with the central bank, the government introduced a ₦200-billion bond for commercial agriculture and a ₦500-billion Infrastructure Intervention Fund, offering low-interest loans to banks for critical infrastructure projects.

Ghana, facing fiscal challenges, introduced measures like a communication sales tax and special tax audits to boost revenue mobilisation. However, the global economic challenges led to a larger-than-anticipated fiscal deficit, equivalent to 11.5% of GDP. Total government expenditures increased significantly, driven by high energy-related expenses, infrastructure projects and social mitigating expenditures. Ghana increased public spending on infrastructure projects, which created jobs and stimulated economic growth.

Policy responses to commodity price shocks (2014–2016)

- **Exchange rate adjustments**

Both countries adjusted their exchange rates to reflect the changing economic conditions. Nigeria introduced a more flexible exchange rate system. Ghana allowed the cedi to depreciate to absorb external shocks.

- **Monetary policies**

In Nigeria, the CBN adjusted its monetary policy to curb inflation and stabilise the exchange rate. Measures included raising the official exchange rate and tightening monetary policy, with the monetary policy rate (MPR) increasing from 12% to 13% and the cash reserve ratio (CRR) on private-sector deposits increasing from 15% to 20%.

In Ghana, the MPR was raised by a cumulative 500 basis points in 2015 to 26 to help combat rising inflation. This resulted in a more moderate depreciation of the Ghanaian cedi against the US dollar in 2015 compared to the previous year.

- **Fiscal policies**

Nigeria and Ghana embarked on fiscal consolidation programmes to reduce their budget deficits. Nigeria implemented the Economic Recovery and Growth Plan to enhance fiscal discipline and diversification.[51] However, Nigeria faced challenges due to the magnitude of the oil price shock and delayed policy implementation. While monetary policies managed inflation effectively, stabilising the exchange rate was more problematic.

In contrast, Ghana introduced the Extended Credit Facility (ECF) programme with the IMF to restore fiscal discipline. Ghana's exchange-rate management policies also helped to stabilise the cedi, mitigating the impact of the external shock to some extent.

Policy responses to COVID-19

- **Monetary measures**

The CBN reduced the MPR from 13.5% to 11.5% and lowered interest rates on CBN interventions from 9% to 5%.[52] Additionally, it extended the moratorium on CBN interventions across sectors by another year.[53]

The BoG implemented a series of measures, including lowering the policy rate to 14.5%, reducing reserve requirements from 10% to 8%, and promoting digital financial services.[54] These actions served to maintain financial-sector stability during the pandemic.

- **Fiscal measures**

In April 2020, Nigeria received $3.4 billion from the IMF through the Rapid Financing Instrument (RFI) to address the impact of the oil price shock.[55] Nigeria adjusted its budget by removing fuel subsidies, reallocating funds to a support package and revising the budgeted oil price. To finance the deficit, Nigeria used external borrowing and domestic bond issuance.

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51 International Monetary Fund, 'Nigeria: 2019 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for Nigeria' (IMF Staff Country Report 19/092, April 1, 2019), https://www.imf.org/en/Publications/CR/Issues/2019/04/01/Nigeria-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-46726#:~:text=Summary%3A,vulnerabilities%20and%20improve%20development%20outcomes.

52 Central Bank of Nigeria, 'The Conduct of Monetary Policy,' https://www.cbn.gov.ng/monetarypolicy/conduct.asp#:~:text=In%20a%20bid%20to%20further,basis%20points%20around%20the%20MPR.

53 Central Bank of Nigeria, 'CBN Policy Measures in Response to Covid-19 Outbreak and Spillovers' (CBN Circular 07/049, March 16, 2020), https://www.cbn.gov.ng/out/2020/fprd/cbn%20policy%20measures%20in%20response%20to%20covid-19%20outbreak%20and%20spillovers.pdf.

54 Bank of Ghana, 'Monetary Policy Committee Press Release,' May 15, 2020, https://www.bog.gov.gh/wp-content/uploads/2020/05/MPC-Press-Release-15th-May-2020-2.pdf.

55 International Monetary Fund, 'Nigeria's IMF Financial Assistance to Support Health Care Sector, Protect Jobs and Businesses,' April 30, 2020, https://www.imf.org/en/News/Articles/2020/04/29/na042920-nigerias-imf-financial-assistance-to-support-health-care-sector-protect.

In Ghana, the IMF approved a $1-billion RCF to tackle fiscal challenges.[56] Meanwhile, the World Bank contributed by offering assistance in the health sector ($100 million), notably for the Ghana Emergency Preparedness and Response Project, and provided support to the Greater Accra Resilient and Integrated Development Project.[57] Ghana introduced an economic stimulus package to support businesses and protect jobs, invest in healthcare infrastructure and facilitate relief payments through digital services.

Nigeria's debt overhang and sustainability

Nigeria's external debt has surged due to oil price fluctuations, reaching $114.4 billion in 2023 and growing faster than GDP.[58] The growing proportion of external debt within the country's total debt, increasing from 14% to 40% between 2012 and 2022 (see Figure 12), raises concerns about debt sustainability in the face of global financial pressures and a currency depreciation. Debt servicing consumes a significant proportion of government revenue, estimated at 96% in 2022,[59] overshadowing key sectors like education, health and infrastructure, to which only 8%, 5% and 6% of the budget is allocated, respectively.[60]

To address the challenges posed by the debt overhang and the debt-servicing burden, Nigeria is taking steps to manage its debt through, for example, debt restructuring and securing of loans and financial support from international organisations such as the IMF and World Bank and improving revenue collection through tax reforms and efforts to reduce tax evasion. Nigeria has one of the lowest revenue-to-GDP ratios in the world, which makes its fiscal position vulnerable to shocks.[61]

56 International Monetary Fund, 'IMF Executive Board approves a $1 billion disbursement to Ghana to address the COVID-19 pandemic' (IMF Press Release no. 20/153, April 13, 2020), https://www.imf.org/en/News/Articles/2020/04/13/pr20153-ghana-imf-executive-board-approves-a-us-1-billion-disbursement-to-ghana-to-address-covid-19.

57 World Bank, 'World Bank Group supports Ghana's COVID-19 response,' April 2, 2020, https://www.worldbank.org/en/news/press-release/2020/04/02/world-bank-group-supports-ghanas-covid-19-response.

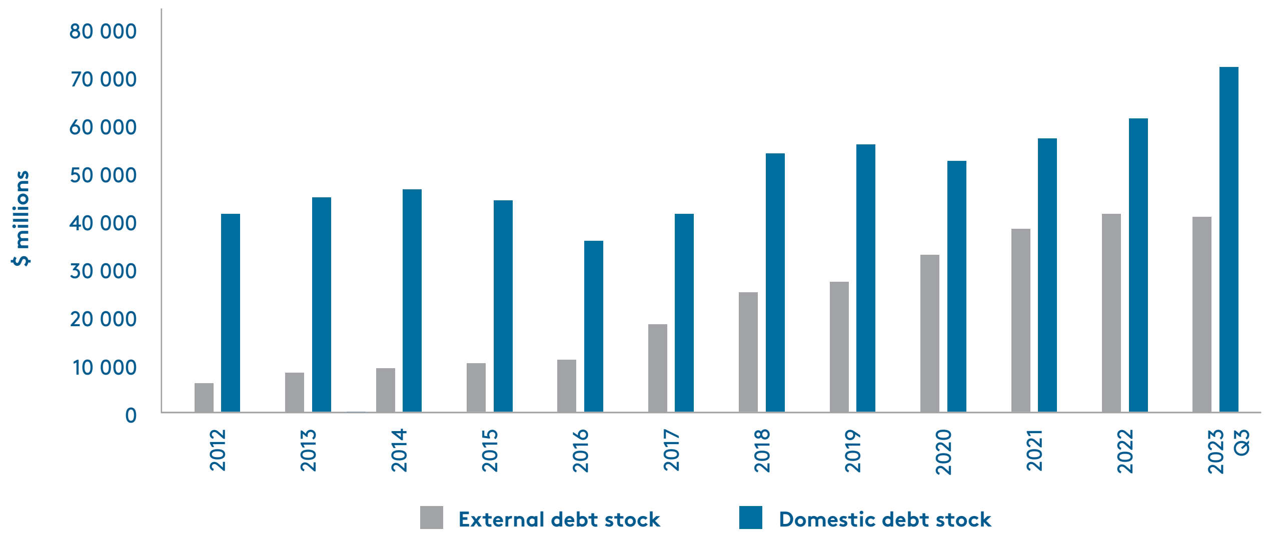
58 Debt Management Office, Nigeria, September 30, 2023, https://www.dmo.gov.ng/debt-profile/total-public-debt/4499-nigeria-s-total-public-debt-as-at-september-30-2023/file.

59 International Monetary Fund, 'Nigeria: 2022 Article IV Consultation – Press Release.'

60 Budget Office of the Federation, Federal Ministry of Budget and Economic Planning, https://www.budgetoffice.gov.ng/index.php/2023-appropriation-act-by-sector.

61 Il Jung, 'Nigeria's Tax Revenue Mobilization: Lessons from Successful Revenue Reform Episodes: Nigeria' (IMF Selected Issues Papers 2023, no. 019, March 6, 2023), https://www.imf.org/en/Publications/selected-issues-papers/Issues/2023/03/07/Nigerias-Tax-Revenue-Mobilization-Lessons-from-Successful-Revenue-Reform-Episodes-Nigeria-530628.

Figure 12 Nigeria's external and domestic debt stock, 2012–Q3 2023



Source: Debt Management Office, Nigeria, https://www.dmo.gov.ng/debt-profile/total-public-debt

Ghana's debt overhang and sustainability

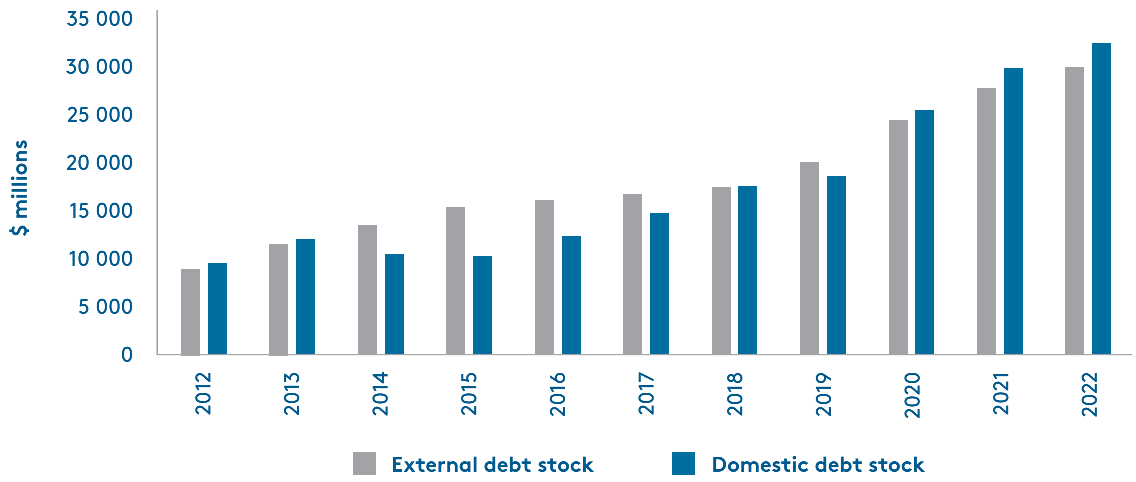
Ghana's public debt, which was at a sustainable level in 2006 (26.2% of GDP) due to the debt relief provided to the country under the Heavily Indebted Poor Countries initiative, has steadily increased over the years, reaching $58.6 billion in 2021 (76.6% of GDP).[62] Ghana recorded an external debt of $28.3 billion and domestic borrowing of $30.3 billion in 2021 (see Figure 13). The country's fiscal deficit rose to 11.8%, pushing up public debt from 79.6% of GDP in 2021 to over 90% in 2022, with debt servicing consuming 117.6% of revenue.[63] Recent increases in the public debt stock have raised concerns about the possibility of a default, which would impact the country's access to the global credit market and prompt the rapid depreciation of the cedi. The IMF is conducting a debt sustainability analysis (DSA) to determine whether to grant the government's requested programme, while expressing serious concerns about Ghana's debt levels.[64] The discussions surrounding the DSA have raised fears of potential losses for domestic creditors, which may result in investment reversals and additional pressure on the cedi.

62 Ministry of Finance, Ghana, *Public Debt Statistical Bulletin*, April 2022, https://mofep.gov.gh/sites/default/files/basic-page/Debt-Statistics-Bulletin-2021-End-Year.pdf.

63 World Bank, 'The World Bank in Ghana,' https://www.worldbank.org/en/country/ghana/overview#:~:text=Public%20debt%20rose%20from%2079.6,on%20a%20comprehensive%20debt%20restructuring.

64 Abebe Adugna Dadi, Manuela Francisco and Annalisa Fedelino, 'Request for an arrangement under the extended credit facility – debt sustainability analysis' (IMF eLibrary, May 2, 2023), https://www.elibrary.imf.org/view/journals/002/2023/168/article-A002-en.xml.

Figure 13 Ghana's external and domestic debt stock, 2012–2022



Source: Ministry of Finance, Republic of Ghana, debt database, https://mofep.gov.gh/public-debt/debt-data

To restore stability, Ghana secured $3 billion under the IMF's ECF and initiated a comprehensive debt-restructuring programme, including fiscal consolidation, tighter monetary policy and structural reforms in various sectors.[65] Specific interventions included a domestic debt exchange programme, an external debt repayments standstill and official debt restructuring under the Common Framework.[66]

- Fiscal policy

Both Nigeria and Ghana experienced economic challenges, including decreases in GDP growth, fiscal deficits and increased government spending, primarily due to external shocks like commodity price fluctuations and the COVID-19 pandemic (see Figure 14). In response, both countries resorted to borrowing to finance government expenditure, leading to a rise in their total debt levels.

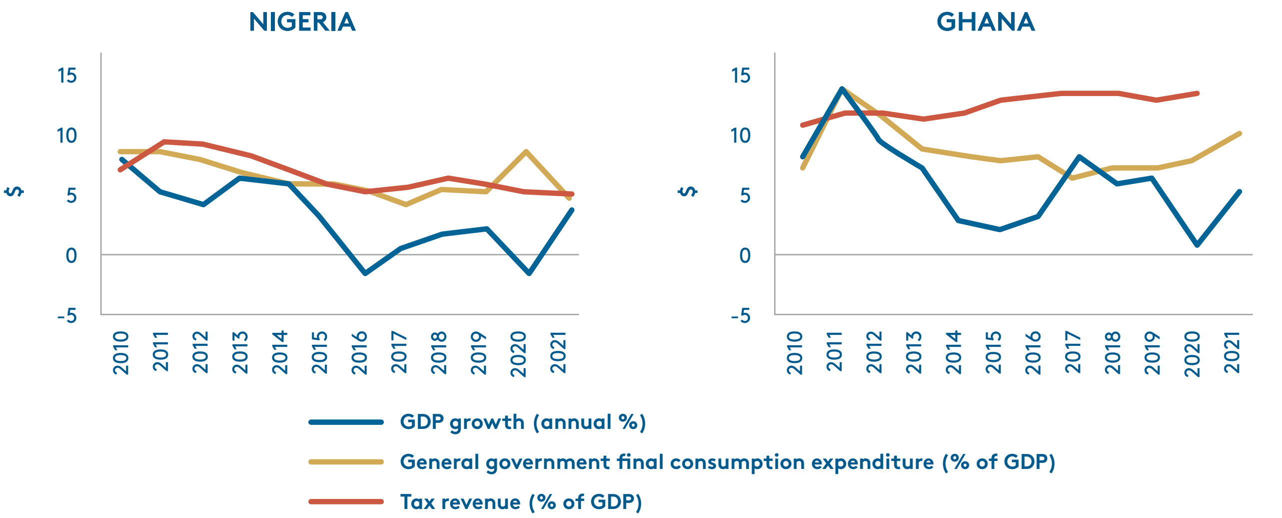
- Monetary policy

Several monetary policy measures were adopted in Nigeria and Ghana during the periods of crisis, such as interest-rate cuts, easing of credit conditions, and provision of supported lending to businesses and households. However, these measures were inflationary, which led to a decrease in resilience.

65 Dadi et al. 'Request for an arrangement.'

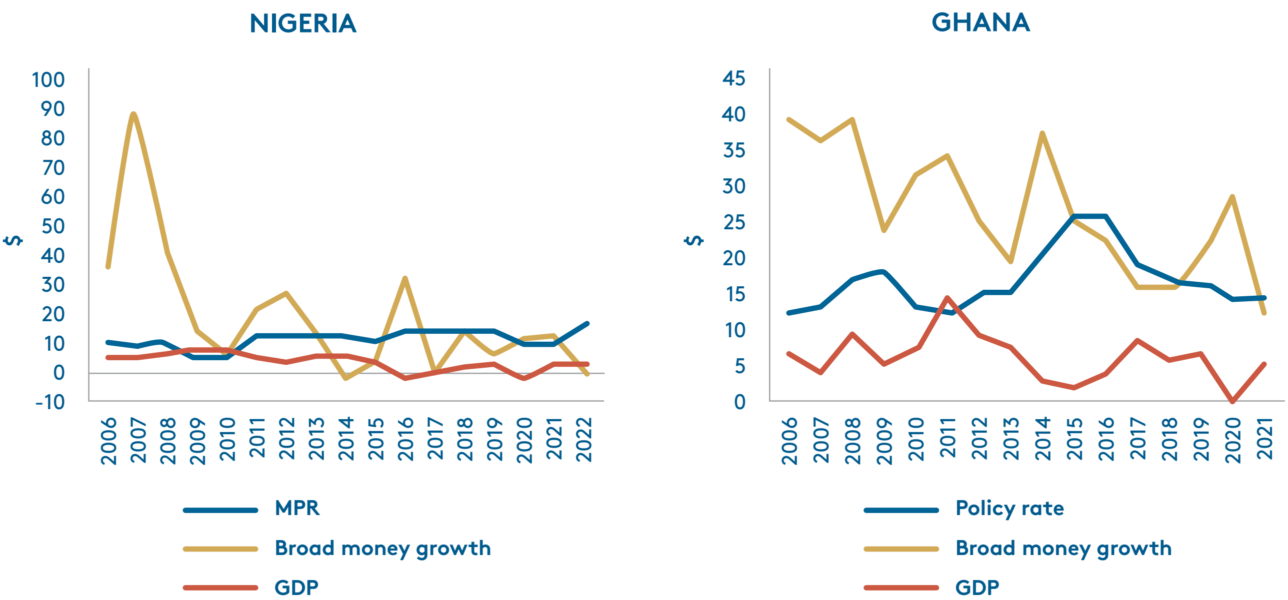
66 Ministry of Finance, Ghana, 'Participation in the Domestic Debt Exchange Programme', February 14, 2023, https://mofep.gov.gh/press-release/2023-02-14/participation-in-the-domestic-debt-exchange-programme.

Figure 14 Fiscal policy responses by Nigeria and Ghana, 2010–2021



Source: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators

Figure 15 Monetary policy instruments in the Nigerian and Ghanaian economies, 2006–2022



Sources: World Bank, World Development Indicators, 2023, https://databank.worldbank.org/source/world-development-indicators; Central Bank of Nigeria Statistical Bulletin, https://www.cbn.gov.ng/documents/statbulletin.asp; Bank of Ghana, Economic Data, https://www.bog.gov.gh/economic-data/

Recommendations

Each country faces unique challenges in improving its macroeconomic resilience. This section identifies country-specific policy interventions aimed at achieving greater resilience, keeping in mind the variety of shocks that each country faces.

Nigeria

Given the volatility of oil prices and the impact thereof on the economy, the government should focus on diversifying the economy away from an over-reliance on oil.

> "Given the volatility of oil prices and the impact thereof on the economy, the government should focus on diversifying the economy away from an over-reliance on oil"

Nigeria has taken some steps towards economic diversification through initiatives like the Agricultural Transformation Agenda, the Green Alternative programme to revitalise the agricultural sector and the Economic Recovery and Growth Plan, among others. However, the effectiveness of these efforts has been mixed due to challenges like infrastructure deficits, regulatory hurdles and limited access to finance. Promoting and supporting non-oil sectors, such as agriculture, manufacturing and services, can reduce vulnerability to oil price shocks and create a more stable and sustainable economic base. The government should promote and support the export of non-oil products by providing incentives to export-oriented sectors and boosting their competitiveness in global markets. This will reduce dependence on oil exports and increase resilience to commodity price fluctuations.

Nigeria must also address its dependence on food imports and other structural problems (such as low agricultural productivity, the infrastructure deficit, and limited access to education and healthcare, among others) and build long-term resilience to food crises and other shocks. Given that rising food prices drive inflation, the government should boost agricultural productivity and output through the Federal Ministry of Agriculture and Rural Development to decrease reliance on food imports and increase domestic food production. Additionally, investments in improved distribution and storage facilities can stabilise prices and prevent sudden inflation spikes. Moreover, supporting small-scale farmers with technology, training and credit access is essential. The government can also implement strategies to regulate food prices, such as buffer-stock operations, targeted subsidies for vulnerable populations, and price-controlling mechanisms. These interventions can lessen the effect of price fluctuations on inflation.

To ensure fiscal discipline and enhance resilience, Nigeria must prioritise prudent fiscal management.

"To ensure fiscal discipline and enhance resilience, Nigeria must prioritise prudent fiscal management"

This includes reducing budget deficits, curbing excessive borrowing, and implementing bold reforms to streamline bureaucracy and make it easier to do business. Fiscal stimulus should be employed judiciously, focusing on counter-cyclical measures to boost aggregate demand and stabilise the economy during crises. Nigeria's dependence on volatile oil revenues, very low non-oil revenue and depleted fiscal buffers shifted its fiscal policy stance from counter-cyclical between 2008 and 2014, to pro-cyclical between 2015 and 2021.

Historically, Nigeria has faced challenges like heavy reliance on volatile oil revenues, limited revenue diversification and public financial management issues. To address these challenges and foster long-term stability, Nigeria should prioritise revenue mobilisation by broadening the tax base, reducing tax evasion and enhancing tax administration efficiency. Low tax rates and weak administration hinder revenue mobilisation, with the standard VAT rate of 7.5% remaining one of the lowest in Sub-Saharan Africa. Also, effective debt management, transparency and accountability are essential to prevent corruption and financial leakages. Furthermore, investments in critical infrastructure can stimulate economic growth, expand the tax base and reduce fiscal vulnerabilities. Simultaneously, the development of social safety-net programmes for vulnerable populations can mitigate the impact of economic shocks, reducing the need for crisis-driven fiscal stimulus.

Meanwhile, Nigeria has adopted various measures to enhance fiscal discipline and build economic resilience, but further implementation and continuous monitoring are needed to ensure their full effectiveness. These measures include the adoption of the Treasury Single Account for better control of government and tracking of revenues and expenditures, the implementation of the Integrated Payroll and Personnel Information System to reduce the prevalence of ghost employees and wasteful salary payments,[67] and the removal of fuel subsidies to free up fiscal space. Nevertheless, ensuring effective reinvestment of subsidy savings and mitigating impacts on vulnerable populations is crucial. Efforts to improve debt management, including periodic debt sustainability assessments, are commendable, but Nigeria still faces debt-related challenges, necessitating a more comprehensive strategy. By adopting prudent fiscal practices and implementing these measures, Nigeria can promote fiscal prudence, reduce vulnerabilities and create a more resilient fiscal environment. These steps will enable the country to withstand economic shocks, support its sustainable development goals and secure long-term economic stability.

To control inflation, the central bank should implement effective monetary policies that take into consideration how food prices affect overall inflation and balance the need for price stability with that of supporting economic growth.

Targeted interest rates and liquidity management can help control inflationary pressures. Nigeria initially adopted a loose monetary policy in response to the economic impact of the pandemic. The CBN kept its policy rate unchanged until May 2022, making it one of the last emerging economies to begin tightening policy.[68] This loose monetary policy, along with fiscal stimulus and other factors, contributed to high inflation. While tightening measures were introduced, such as rate hikes, their impact was limited due to exchange rate management and fiscal-deficit financing. These issues have hindered the central bank's ability to combat inflation effectively.

Nigeria's fixed exchange rate regime had several implications. It led to a significant gap between the official exchange rate and parallel market rates. This divergence in rates created distortions and incentives for transactions in the parallel market, contributing to a premium of up to 71% in October 2022. The fixed exchange rate regime was abandoned due to several factors, including dwindling foreign exchange reserves, rising crude oil export revenues and increased demand in the parallel market. Despite tightening measures in 2022, monetary policy effectiveness remained

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67 International Monetary Fund, 'Nigeria: 2022 Article IV Consultation – Press Release.'

68 World Bank, 'Nigeria Development Update December 2022 – Nigeria's Choice,' November 30, 2022, https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099305012142215802/p179906004b7c80340a74d0ee7862953b8f.

constrained. The stability of Nigeria's currency regime was uncertain, with the government managing foreign exchange demand through restrictions and rebates, resulting in significant parallel-market premiums. Maintaining exchange rate stability posed challenges.

On 25 November 2023, the new governor of the CBN, Olayemi Cardoso, announced that the CBN had 'approved the adoption of an explicit inflation-targeting framework to enhance the effectiveness of our monetary policy … Details and requirements for this framework are currently being finalised along with the fiscal authorities'.[69] The decision to explicitly target inflation comes after recognition of 'fiscal interventions that have blurred the lines between monetary and fiscal policy and undermined [the CBN's] ability to manage inflation'.[70]

Ghana

Ghana must diversify its export base away from its current limited range of commodity exports which are vulnerable to global shocks.

"Ghana must diversify its export base away from its current limited range of commodity exports which are vulnerable to global shocks"

The twin challenges posed by the 2014 commodity price shock and the COVID-19 pandemic have served as glaring reminders of the urgent need for Ghana to diversify its export portfolio. These crises laid bare the vulnerabilities inherent in an over-reliance on a limited range of traditional commodity exports, such as gold and cocoa. In both instances, Ghana witnessed the adverse consequences of being overly exposed to global commodity price fluctuations. The 2014 commodity price shock, characterised by a steep decline in commodity prices, particularly in gold and oil, exposed Ghana's economic fragility. The subsequent impact on revenue generation,

69 Chijioke Ohuocha and Elisha Bala-Gbogbo, 'Nigeria Cenbank to tighten policy to curb inflation, asks banks to boost capital,' *Reuters*, November 24, 2023, https://www.reuters.com/world/africa/nigeria-tighten-policy-curb-inflation-asks-banks-boost-capital-2023-11-24/.

70 Ohuocha and Bala-Gbogbo, 'Nigeria Cenbank to tighten policy.'

foreign exchange earnings and economic stability underscored the risks associated with an export structure heavily reliant on a handful of commodities.

The COVID-19 pandemic, with its disruptions to global supply chains and economic activities, further emphasised the importance of diversification. It magnified the vulnerabilities of economies dependent on a narrow range of exports, as Ghana faced challenges in maintaining its traditional export volumes and revenues.

These experiences underscore the imperative for Ghana to diversify its export base. By expanding into non-traditional sectors such as manufacturing, technology, tourism and services, Ghana can create a more resilient and dynamic economy. Diversification not only mitigates the impact of global commodity price fluctuations but also unlocks opportunities for sustainable economic growth, job creation and increased global competitiveness. In conclusion, the lessons learnt from the commodity price shock and the COVID-19 pandemic make a compelling case for Ghana to embark on a robust journey of economic diversification. This strategic shift will enable Ghana to build resilience against future economic shocks, enhance its global standing and ensure long-term prosperity for its citizens.

Ghana must accelerate the rollout of renewable energy programmes to diversify its energy mix and improve energy security as well as urban mobility measures that will boost efficiency.

The country's renewable energy potential includes mini-hydropower, solar, wind, biofuels, tidal/waves and municipal waste.[71] In 2021, renewable energy contributed only around 1.12% to Ghana's total electricity generation, indicating substantial room for growth in the renewable energy sector.[72] To achieve its sustainable development goals and transition towards a greener economy, Ghana's Nationally Determined Contributions (NDCs) outline a plan that requires approximately $22.6 billion in investments over the period 2020–2030. These investments are crucial for curbing greenhouse gas emissions and bolstering energy security.

Ghana's emission-reduction target is an unconditional commitment to lower greenhouse gas emissions by 15% relative to a business-as-usual scenario, which projected emissions at 73.95 MtCO2e2 by 2030.[73] However, the country faces significant challenges in harnessing renewable resources due to a historical preference for fossil fuels in electricity generation. Ghana has postponed its renewable energy target from 10% in 2020 to the same 10% by 2030, indicating the need for more proactive steps to be taken. Overcoming obstacles such as policy and regulatory

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71 Mark Nyasapoh, Michael Elorm and Nana Agyemang Derkyi, 'The role of renewable energies in sustainable development of Ghana,' *Scientific African 16 (2022): e01199*, https://www.sciencedirect.com/science/article/pii/S2468227622001077.

72 Energy Commission Ghana, *National Energy Statistics: Securing Ghana's Future Energy Today*, April 2021, https://energycom.gov.gh/files/2021 published Energy Statistics.pdf.

73 Food and Agriculture Organization of the United Nations (FAO), 'Faolex Database,' https://www.fao.org/faolex/results/details/en/c/LEX-%202030.

issues, financing limitations, intermittency problems with renewable sources, data gaps and energy market over-subscription is vital. To achieve its 10% renewable energy goal by 2030 and ensure a sustainable energy mix, Ghana must demonstrate unwavering policy commitment, attract more investments, enhance grid infrastructure and address regulatory instability.

Ghana must implement prudent fiscal management processes to avoid excessive budget deficits and reduce reliance on volatile revenue sources.

It should develop medium-term budget frameworks to ensure sustainable spending and avoid procyclical government spending. The government should also put measures in place that will ensure the sustainability of its debt. These include borrowing only for productive investments, adopting measures to reduce debt-service costs, and implementing policies to enhance revenue collection, such as improving tax administration, broadening the tax base, and reducing tax evasion and avoidance.

Given the ongoing debt restructuring and large and protracted breaches of the DSA thresholds, Ghana is in debt distress, and its debt is assessed as unsustainable. Public debt had increased to 88.1% of GDP by the end of 2022, of which 42.4% of GDP was external and 45.7 % of GDP was domestic, with the domestic component generating over 80% of overall debt-service repayments in 2022 due to high interest rates and short average maturity.[74]

The Bank of Ghana should maintain a strong focus on inflation-targeting through effective monetary policy.

It should also implement a flexible exchange rate policy that permits market-based adjustments to achieve price stability, support economic growth and enhance the resilience of the

"Ghana must accelerate the rollout of renewable energy programmes to diversify its energy mix and improve energy security as well as urban mobility measures that will boost efficiency"

74 International Monetary Fund, 'Ghana: Request for an Arrangement Under the Extended Credit Facility.'

economy to external shocks. The current monetary policy approach in Ghana involves significant tightening measures implemented by the BoG in response to high inflation. The BoG has raised its policy rate to 29.5% as of March 2023, and the reserve requirement has been increased to 14%. These actions are aimed at curbing inflation, which had surged to 54% in December 2022, well above the target range of 6–10%.[75] Given the high inflation and recent policy tightening, the government faces challenges in retaining a stable currency regime. It will require a coordinated effort between monetary and fiscal authorities to address these challenges effectively and work towards exchange rate stability. Additionally, structural reforms and measures to boost productivity and export competitiveness can contribute to long-term currency stability.

"Nigeria and Ghana share interconnected economies and face similar challenges due to global events and shocks, like commodity price fluctuations and the COVID-19 pandemic"

Conclusion

Nigeria and Ghana share interconnected economies and face similar challenges due to global events and shocks, like commodity price fluctuations and the COVID-19 pandemic. However, Ghana's diversified economy and proactive policies (such as the Planting for Food and Jobs programme, among others) have made it more resilient to external shocks, while Nigeria's heavy reliance on oil revenues and challenges in diversifying its economy have made it more susceptible to fluctuations in oil prices, resulting in economic vulnerabilities.

Given this regional context and the lessons learnt from their interconnected yet distinct experiences, it is recommended that Nigeria and Ghana prioritise collaborative strategies in areas of mutual interest, such as trade, energy and infrastructure development. By sharing best practices and working together, these neighbours can collectively enhance their resilience to future economic challenges and promote sustainable development in West Africa.

"It is recommended that Nigeria and Ghana prioritise collaborative strategies in areas of mutual interest, such as trade, energy and infrastructure development"

75 International Monetary Fund, 'Ghana: Request for an Arrangement.'

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Cover image: Thick black smoke billows from a pencil-thin chimney at the Port Harcourt Refining Company Limited, Rivers State,Nigeria. The Port Harcourt refinery, built in 1965 is Nigeria's oldest (Pius Utomi Ekpei/AFP via Getty Images)

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