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Criticality Analysis of Key Economic Issues

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Center for Policy & Education

12 – May 16, 2025

CRITICALITY ANALYSIS OF KEY ECONOMIC ISSUES

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Introduction

The objective of this report is to provide a clear and concise evaluation of the most important economic news stories in the preceding week, focusing on their factual accuracy, relevance and timeliness, and impact and significance.

2. Methodology

Selected publications are grouped under five central economic themes. These include:

- Economic Stability.
- Growth and Job Creation.
- Taxation and Revenue Mobilization.
- Trade and Investment.
- Infrastructure Digital Economy.

Evaluation

The analysis criteria are applied at this stage. News stories are evaluated based on the following:

Factual accuracy: can the facts in the news be verified; is the news published by other outlets; are there links and references to original sources.

Relevance and timeliness: is the news a developing story or does it provide updates on existing stories?

Impact and significance: does the news have a potential impact on society, policy and the economy; is it of high interest to the public?

3. Critical news stories

The week ending May 16, 2025, had the following news headlines:

1. President Mahama's 120 Day Social Contract.
2. Exchange Rate Is Down, But Prices Are Still Up: Understanding the Lag.
3. Ghana Automotive Summit. 2025.
4. Ministry of Finance to Secure 200,000 Hectares of Land for Cocoa Production: Addressing Symptoms or Solving Root Problems?

4. Trends on the critical news stories

A. President Mahama's 120 Day Social Contract.

- We Have Fulfilled All Promises- President Mahama
- Mahama to Address Nation on 120 Day Social Contract – MyJoy News

B. Exchange Rate Is Down, But Prices Are Still Up: Understanding the Lag.

- GUTA, AGI Set 60-Day Deadline To Cut Prices As Cedi Strengthens – CitiNews.
- GUTA Reveals Growing Panic Among Traders Holding On To Forex – Myjoy News.
- Cedi-Stability; GUTA Commends BOG For Breaking Dollar's Dominance As Store of Value- Citinews.
- GUTA calls for urgent VAT reform to ease business costs.
- 'Prices Will Only Fall If Gains Are Sustained' – GUTA Boss Defends Market Response – MyJoy News.

C. Ghana Automotive Summit. 2025.

- Ghana Automotive Summit To Promote Locally Assembled Vehicles – Daily Graphic.
- 2nd Ghana Automotive Summit 2025 launched- Ghanaian Times.

D. Government to Secure 200,000 Hectares of Land for Cocoa Production.

- Government to Acquire 200000 Hectares for Cocoa Plantation.
- Govt to acquire 200000 hectares for cocoa revival- Citinews.



5. Categorization of news stories under central economic themes

Economic Stability	Growth & Job Creation	Taxation & Revenue Mobilization	Trade & Investment	Infrastructure & Digital Economy
Exchange Rate Is Down, But Prices Are Still Up: Understanding the Lag.	President Mahama's 120 Day Social Contract. Government to Secure 200,000 Hectares of Land for Cocoa Production:	-	Ghana Automotive Summit. 2025.	-



6. Criticality Analysis

1.President Mahama's 120 Day Social Contract.

In the first 120 days of the current administration, the government has made notable strides in delivering on its 26 initial promises under its social contract, spanning five key areas: the economy, governance, education, social services, and natural resources. While many of these commitments are either underway or fully implemented, IMANI Ghana cautions against treating them as mere checklist items. The more pressing question is not simply how many promises have been fulfilled, but whether they are laying the structural and fiscal foundations necessary to ensure sustained economic stability beyond the life of the current IMF programme[1].

President Mahama's 120-Day Social Contract outlined ten major commitments under the economy theme, addressing areas such as macroeconomic stabilisation, tax reform, job creation, women's economic empowerment, state-owned enterprise (SOE) reform, and export promotion. While five of these commitments have been fully implemented, four are ongoing, and one remains unfulfilled.
Ghana continues to grapple with longstanding structural challenges that undermine its long-term economic resilience. These include high tax expenditures, a large informal sector that constrains domestic revenue mobilisation, duplication of institutional functions, and weak public investment prioritisation. Although recent progress is encouraging, many of the government's initiatives still fall short of addressing these foundational weaknesses. Without confronting these core issues, short-term gains risk failing to translate into lasting structural reform.

The government successfully convened a National Economic Dialogue in early March 2025 to outline a homegrown fiscal consolidation programme. This fulfilled a key promise and created a platform for stakeholder engagement, with many of the recommendations reflected in the 2025 Budget, including proposed amendments to the Public Financial Management (PFM) and Fiscal Responsibility Acts. However, IMANI has cautioned that while this represents a commendable start, meaningful transformation will ultimately depend on the effective implementation of governance reforms. Fiscal rules, on their own, cannot prevent leakages if public procurement remains politicised, state-owned enterprises (SOEs) continue to be mismanaged, and oversight institutions lack capacity or independence. The true challenge lies in translating these legal reforms into a functional and accountable system—one that disciplines public spending, reduces arrears, and enhances domestic revenue mobilisation.

Among the government's flagship economic initiatives, nearly GH₵19 billion has been allocated to seven major programmes: the Big Push, the Women's Development Bank, the Adwumawura Programme, the National Apprenticeship Programme, One Million Coders, GoldBod, and the Agriculture for Economic Transformation Agenda. While these interventions are intended to stimulate job creation and economic growth, they risk becoming high-cost, low-impact ventures.
IMANI has expressed concern that many of these programmes lack rigorous productivity assessments, adequate transparency, and robust oversight mechanisms.

[1] https://imaniafrica.org/2025/05/critical-analysis-of-the-120-day-social-contract-of-president-john-dramani-mahama/

In the absence of reforms to public procurement systems and improvements in expenditure efficiency, these initiatives could exacerbate fiscal imbalances rather than deliver meaningful and sustainable economic transformation.

On tax reforms, the government has made progress by scrapping the unpopular E-levy, emissions levy, and the 10% betting tax. These measures are expected to cost the government about GHC2.6 billion in lost revenue, but the shortfall is being offset by lowering the tax refund threshold. However, their removal alone does not resolve Ghana's weak tax compliance culture. Unless broader reforms—like improving GRA efficiency, simplifying tax codes, and formalizing the economy—are pursued, revenue shortfalls will persist, and growth will remain uneven. Ghana's tax base remains narrow due to high informality—over 90% of businesses are informal—and the country's tax-to-GDP ratio remains low compared to peers.

Similarly, the government's promise to review import duties on agricultural and industrial equipment has not been completed. Though mentioned in the budget, no concrete actions have been taken. IMANI argues that tax reform here must go beyond reviewing rates. The real issue is the structure of import taxation and exemptions, which remains plagued by multiple uncoordinated levies, non-reclaimable VAT components, and a lack of transparency in the exemption process; factors that inflate the cost of doing business and deter investment.

The 24-Hour Economy, one of the administration's signature policies aimed at accelerating industrialization and job creation, is in progress but currently lacks the legal and economic infrastructure for effective rollout. Without a broader industrial strategy that tackles constraints like high lending rates, high inflation, unstable exchange rates, energy costs, and unreliable infrastructure, the policy risks repeating challenges associated initiatives like the special economic zones and the free zones. Successful industrial expansion requires competitive value chains, targeted support, and an enabling macroeconomic environment.

On job creation, three youth-focused initiatives —Adwumawura, National Apprenticeship, and 1 Million Coders Programmes—have been launched with a combined budget of nearly GHC500 million. However, there is no clear analysis of how these programmes will address productivity gaps or generate sustainable employment. IMANI argues that they mirror past efforts like NABCO and YouStart, which absorbed significant resources but delivered little in terms of structural job growth. While these programmes may reach thousands of young people, they tend to channel beneficiaries into the informal economy. Ghana's informal sector already accounts for over 80% of employment, yet it offers little in the way of tax revenue, social protection, or scalable enterprise growth. By continuing to direct employment programmes into this space without a clear path to formalization, the government not only limits their transformative potential but also undermines its own revenue ambitions.

The government has allocated GHC51.3 million as seed funding for the Women's Development Bank. The initiative aims to close the gender financing gap and support women-led businesses. The bank is expected to operate on a model similar to that of Development Bank Ghana (DBG), which channels relatively cheaper financing to Participating Financial Institutions (PFIs), who in turn lend to end borrowers. However, with DBG's current lending rate to PFIs at approximately 18.33% and average commercial lending rates around 30%, the ability of the Women's Bank to offer significantly more affordable credit is questionable—unless it secures additional concessional financing from development partners. Moreover, access to finance is not the only barrier facing women entrepreneurs. Many operate in the informal sector and contend with low revenues, lack of collateral, and high-risk profiles—structural challenges that credit alone cannot resolve.

Therefore, expanding women's access to finance must go hand in hand with formalization efforts, targeted business development support, and strategies to shift more women-led businesses into higher-value sectors. Without such complementary reforms, the Women's Development Bank may deliver only marginal benefits.

Ghana's experience with earlier development finance institutions (DFIs) such as ADB, NIB, and the Ghana Cooperative Bank underscores this risk. These institutions suffered from weak governance, financial underperformance, and unsustainable financing models. Without addressing these legacy issues, the Women's Bank could follow a similar trajectory—becoming more of a fiscal liability than a driver of inclusive economic transformation.

While some of the promises attempt to lay the foundations for restoring macroeconomic stability, however, the promises also place severe expenditure pressure on the government's budget. Some of the government's fiscal targets may not be achieved if these promises are not accompanied by sound governance reforms.

The following recommendations are proposed.

- The government must focus on implementing governance reforms, especially in revenue mobilization, expenditure control, and strengthening of oversight institutions, if the targets implemented after the National Economic Dialogue can be achieved.

- The government must review and prioritize the implementation of the flagship programmes in high-impact areas that holds the potential to create sustainable businesses and create jobs. The expenditures on the flagship programmes must deliver positive economic returns to minimize the financial risk on the government.

- Tax reforms must focus on reducing tax expenditures and improving the overall revenue administration and compliance culture.

- The decision to shake-up SOEs must include a fiscal risk analysis of each of the SOEs and the potential cost of turnaround to ensure that SOEs that remain unbeneficial are scrapped and the private sector participation is introduced in those that hold promise.

- The private sector participation must be transparent and accountable, and devoid of crony capitalist takeover of useful SOEs.

2. Exchange Rate Is Down, But Prices Are Still Up: Understanding the Lag.

In early May 2025, Ghana's cedi appreciated to around GH₵13 per US dollar, up from GH₵15.53 in March. Several factors have driven this appreciation, including the global decline in the US dollar's value amid ongoing trade tensions and rising global gold prices, which are supporting Ghana's gold export revenues. Additionally, Ghana's focus on gold as a key store of value—particularly through its Gold Purchase Programme, has contributed to this trend. Notably, Ghana's gold reserves have risen steadily from 30.53 tonnes in December 2024 to 31.37 tonnes in April 2025[2]. Enhanced investor confidence, stemming from amendments to Public Financial Management laws and progress in negotiations with external creditors, along with foreign exchange traders cutting their losses by selling more dollars, have all contributed to the cedi's recent strengthening. Despite signs of exchange rate recovery, consumer prices in Ghana remain persistently high. This has triggered public frustration: if the cedi is appreciating, why haven't prices followed suit?

[2] https://www.bog.gov.gh/wp-content/uploads/2025/05/Ghana-Gold-Reserves.pdf

The delayed decline in consumer prices, despite the cedi's recent appreciation, is a classic illustration of price stickiness, a phenomenon where firms are quick to raise prices during currency depreciation but slow to reduce them when conditions improve. This rigidity is largely underpinned by menu costs, which refer to the operational and logistical costs associated with changing prices: re-labelling products, updating software systems, and renegotiating supply contracts. Price stickiness describes the tendency of prices, particularly for consumer goods, to remain elevated even when the cost pressures that drove them up have subsided. During periods of cedi depreciation, traders and importers typically adjust prices upwards promptly in an effort to preserve profit margins. However, when the currency begins to recover, price reductions tend to lag. This asymmetry is often driven by uncertainty, as traders may not trust that the improved exchange rate will be sustained, and therefore maintain higher prices as a precautionary buffer. Menu costs, though individually small, accumulate meaningfully in competitive, low-margin sectors. These include the expenses of reprinting menus, updating digital systems, and revising promotional materials. As a result, firms often avoid frequent price changes unless absolutely necessary. Once prices rise, they tend to remain high until disrupted by a significant external force, such as government intervention, regulatory pressure, or a marked drop in consumer demand.

But the issue is also more systemic: stocking cycles matter. Many traders purchased goods when the dollar was trading around GH₵15. Until that stock clears, price changes are commercially unrealistic. Also, there are cost drivers beyond foreign exchange. Rising utility tariffs, high transport costs, and persistent taxes—especially a complex VAT structure that GUTA is currently lobbying to reform—mean that businesses face cost pressures from multiple angles, not just exchange rates.

There may also be mistrust of currency stability. After years of exchange rate volatility, many in the business community remain sceptical about whether the appreciation is sustainable. This uncertainty discourages downward price adjustments.

In response, the Ghana Union of Traders Association (GUTA) and the Association of Ghana Industries (AGI) met with the Minister for Trade and Industry on May 14, pledging to adjust prices within a 60-day window, once older inventory bought at higher exchange rates cycles out of the market[4]. According to GUTA President, the delay is not out of unwillingness but a reflection of how the retail chain works. "We will respond positively," he said, "but the government must sustain the dollar rate. When we have new stock, prices will follow." Manufacturers echo similar sentiments.

3. Ghana Automotive Summit. 2025.

The second edition of the Ghana Automotive Summit, themed "Towards the Future of Mobility," is set to take place on June 3, 2025, in Accra. Launched this week, the summit aims to highlight the progress and potential of Ghana's fledgling automotive sector — including the achievements of vehicle assemblers, expansion of brands and models produced locally, and the broader vision for job creation through industrialization. But while the summit signals a commitment to growth, it also arrives at a moment of reflection. Key challenges continue to stifle the industry's development, from low demand and policy uncertainty to mounting competition from used vehicle imports. Addressing these bottlenecks is now crucial if the sector is to fulfil its promise.

Ghana's automotive industrialization strategy is supported by the Ghana Automotive Development Policy (GADP), under the Ghana Manufacturing Development Programme (GMDP). These policies were designed to attract assemblers and build a foundation for a competitive local industry.

[3] https://www.ghanaweb.com/GhanaHomePage/business/Expect-prices-of-goods-to-drop-in-the-coming-days-GUTA-to-consumers-1984323

[4] https://www.myjoyonline.com/government-traders-agree-on-60-days-ultimatum-to-reduce-prices-of-goods/

The Customs (Amendment) Act, 2020, which bans the import of salvaged vehicles and vehicles over 10 years after manufacturing, was meant to reinforce this ambition—protecting new entrants from a flooded used-car market and encouraging demand for locally assembled vehicles.

But beneath this policy architecture, the sector faces challenges that limit its potential. Despite assembly plants being operational, local patronage remains low. Dr. Issaka Lawerh Tetteh stated that affordability is a major constraint[5]. The Ghana Automotive Development Policy envisioned asset-based vehicle financing and tax reliefs to close this gap, but these have either been slow to materialize or ineffective in stimulating mass adoption.

The Customs (Amendment) Act, 2020, which banned the import of salvaged and over-aged vehicles, was designed to protect local assemblers by limiting cheap used car imports. However, the law was enforced unevenly and met with strong opposition from spare parts dealers and used car importers in hubs like Abossey Okai and Suame Magazine. President Mahama's recent pledge to review and repeal this ban, sends mixed signals. Reversing the ban without new safeguards could undermine the competitiveness of local assemblers, whose business models depend on controlling used vehicle inflows.

Used vehicle imports, typically older, cheaper, and more accessible — dominate the Ghanaian car market, accounting for over 70% of annual car imports. These imports, particularly salvaged vehicles, offer a direct threat to the competitiveness of locally assembled vehicles. The lack of strong disincentives or regulation around emissions and roadworthiness further tilts the market in favour of second-hand cars.

For Ghana's automotive industry to move from assembling vehicles to building a vibrant, competitive ecosystem, a few strategic shifts are necessary.

First, there must be deliberate efforts to stimulate demand. Without a strong domestic market, local assembly plants will continue to operate below capacity. This means expanding access to vehicle financing scheme for locally assembled vehicles to ensure affordability for vehicle buyers. Such interventions could help convert interest into actual purchases.

At the same time, clarity and consistency in policy are essential. The industry cannot thrive if manufacturers are unsure whether the protections and incentives they were promised will endure. Any review of the Customs (Amendment) Act, 2020, which currently restricts the import of salvaged vehicles, must be carefully managed. If the ban is to be lifted, it should be replaced with clear regulations that discourage the most problematic imports (such as unsafe or highly polluting vehicles and age limits), while balancing the interests of the informal vehicle economy and the goals of industrialization.

Another critical area is skills development. As echoed by industry leaders, the future of this sector hinges not just on assembly lines, but on the ability to grow a pipeline of technicians, engineers, and parts manufacturers. Without these, Ghana risks being stuck at the basic assembly stage, with limited local value added. Investing in tailored vocational training and automotive engineering programmes can help shift this trajectory.

Finally, public procurement could play a stronger role. Government institutions purchasing locally assembled vehicles would not only demonstrate confidence in the policy, but also help generate the volumes needed to sustain production lines.

The Ghana Automotive Summit presents an important platform to celebrate progress — but more importantly, to chart a realistic path forward. The sector's success will depend not just on the presence of multinational assemblers, but on resolving core structural challenges: demand, affordability, policy clarity, and industrial depth.

[5] https://www.graphic.com.gh/business/business-news/ghana-auto-development-policy-five-years-on.html

Without action, the summit risks becoming a ceremonial event rather than a turning point for transformative reform.

4. Government to Secure 200,000 Hectares of Land for Cocoa Production.

Ghana's Finance Minister recently announced government's plans to secure 200,000 hectares of land to expand cocoa cultivation as part of efforts to restore production to 1 million metric tonnes. The initiative seeks to reverse the sector's recent decline. Ghana's cocoa output has fallen largely due to ageing farms, diseases like Cocoa Swollen Shoot Virus, illegal mining (galamsey), and climate change. Expanding farmland seems like the most direct rrespons with potential to increase production volumes and boost export revenues.

However Ghana's cocoa problems run deeper than land availability. Without addressing systemic inefficiencies and disincentives in the value chain, more land could simply translate into more of the same struggles, low productivity, farmer poverty, and volatile revenues.

What Are the Real Constraints?

Ageing Farmers; IMANI's recent analysis of cocoa farming models revealed that cocoa farming in Ghana is predominantly undertaken by older individuals[6]. Specifically, 74% of respondents are above 45 years old; 37% are aged 45–54, 25% are aged 55–64, and 12% are aged 65 and above. In contrast, only 4% of cocoa farmers surveyed are under the age of 35, indicating minimal youth participation. Several factors account for this trend. Younger people often view cocoa farming as physically demanding and financially unrewarding, especially in the face of challenges such as climate change, pest infestations, and disease outbreaks. Additionally, more attractive alternatives such as artisanal and small-scale mining (ASM), urban employment, and education lure youth away from rural areas.

The cocoa sector is not attractive to young people, partly because of the low returns and high production costs. Most cocoa farmers are smallholder farmers producing averagely about 457kg/ha. As a result, they are unable to benefit from periods of high prices. IMANI's analysis of cocoa farming models revealed that at the mean production of about 457kg/ha, more than half of cocoa farmers will not be able to achieve a decent daily living income.

Price Disincentives and Smuggling; Ghana's fixed cocoa producer price is often lower than what farmers can earn across the border in Côte d'Ivoire or on the black market, leading to rampant smuggling. Unless the pricing mechanism becomes more competitive, expanded production may only increase leakage.

Also, cocoa-growing regions continue to face encroachment from illegal mining. Without stronger land rights enforcement and community-level protections, the new land risks being degraded or contested. To address these, the report recommends a comprehensive set of interventions to make cocoa farming more viable, sustainable, and attractive.

- **Promote Agroforestry-Based Cocoa Systems**

The government, in partnership with development agencies, should scale up the adoption of agroforestry models across cocoa-growing regions. While cocoa has traditionally thrived under forest canopies, widespread forest conversion, often due to limited knowledge and inadequate support, has led to unsustainable practices. Reviving initiatives like the Cocoa and Forest Initiative (CFI) and aligning with the National Implementation Plan will improve access to shaded trees and promote climate-resilient cocoa production. Public education and extension services must play a central role in changing farmer behavior and promoting long-term ecological benefits.

[6] https://imaniafrica.org/2024/02/assessment-of-the-profitability-and-environmental-sustainability-of-cocoa-farming-models-in-ghana/

- **Strengthen CODAPEC and CRIP Coverage**

The Cocoa Pest and Disease Control (CODAPEC) and Cocoa Rehabilitation and Intensification Programmes (CRIP) are critical for reducing farm losses and lowering operational costs. Expanding these programmes with subsidised inputs and mass spraying campaigns will help farmers manage their farms more efficiently and increase productivity, especially as cocoa trees age or become diseased.

- **Enhance Farmer Training and Extension Services**

Soil type, climate conditions, and farm management practices are closely linked to productivity. Yet, many farmers lack access to updated agronomic knowledge. Government agencies like COCOBOD must expand the scope of their training programmes to reach more farmers with relevant education on climate-smart agriculture, environmental stewardship, and responsible input use. This will be particularly crucial in ensuring that productivity gains are sustainable and do not compromise ecological health.

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IMANI
Center for Policy & Education

IMANI Center for Policy & Education is a Think Tank of considerable local and international repute based in Ghana. Founded on the 9th of March 2004, IMANI has carved a niche in Ghana's policy environment for putting out objective, independent analysis and critique on many issues, using tried and tested techniques that apply across different disciplines.

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