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Criticality Analysis of Key Economic Issues

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Center for Policy & Education

June 2 – June 6, 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 June 6, 2025, had the following news headlines:

1. The Cedi's Appreciation and Ghana's Agricultural Opportunity.
2. Amendment of the Energy Sector Levies Act.



4. Categorization of news stories under central economic themes

Economic Stability	Growth & Job Creation	Taxation & Revenue Mobilization	Trade & Investment	Infrastructure & Digital Economy
-	The Cedi's Appreciation and Ghana's Agricultural Opportunity	Amendment of the Energy Sector Levies Act.	-	-



5. Criticality Analysis

The Cedi's Appreciation and Ghana's Agricultural Opportunity

The Ghanaian cedi has surged in 2025, up from a depreciation rate of -3.9 in the early part of the year to an appreciation rate of 24.1 in May against the US dollar[1]. The cause of this recovery follows a mix of both global and domestic factors; weakening US dollar on the world market, rising gold reserves at the Bank of Ghana, and disciplined fiscal and monetary policies in the country. Food inflation in the country continues to remain high, although inflation has reduced to 18.4% in May, food inflation is still hovering above 22%[2]. Such appreciation presents an opportunity for agriculture, which underpins economic stability and food security amid high food inflation.

A stronger cedi can make imported agro inputs such as fertilizers, seeds, agrochemicals, and machinery more affordable, as Ghana imports the bulk of its agricultural inputs. For example, in 2024, Ghana imported 38.6 billion cedis worth of machinery and electrical equipment, representing 15.4% of total imports[3]. Also, bulldozers and herbicides, anti-sprouting products and plant-growth regulators made the top 10 products that were imported in 2024 representing about 3.5% of imports [4].

In the poultry value chain, one of the most persistent challenges is the cost of day-old chicks, most of which are imported due to weak local hatchery capacity. A stronger cedi makes these imports cheaper, potentially lowering production costs for local poultry farmers. Imported feed ingredients such as soybean meal, maize additives, and premixes are also sensitive to exchange rate movements. If the cedi holds, domestic poultry producers may become more competitive, but also border protections and market linkages must be managed to prevent dumping of cheap frozen imports that undermine local output.

Ghana imports substantial quantities of rice, wheat, sugar, cooking oil, and flour. The appreciation of the currency reduces the cost of these imports, easing some pressure on consumers, increasing disposable income for households, and potentially slowing food inflation. However, cheaper imports can also undercut local producers. For example, local rice and poultry value chains have long struggled to compete with imported alternatives due to scale and cost disadvantages. There must be a right balance: consumers want relief, but producers need protection.

[1] https://www.bog.gov.gh/wp-content/uploads/2025/05/Summary-of-Economic-and-Financial-Data-May-2025.pdf

[2] https://www.statsghana.gov.gh/gssmain/fileUpload/Price%20Indices/May%202025CPI-Bulletin-Final.pdf

[3] https://statsghana.gov.gh/gssmain/fileUpload/Trade/2024_Trade_Full_Year_Report-_25-02-2025_Final_Print.pdf

[4] https://statsghana.gov.gh/gssmain/fileUpload/Trade/2024_Trade_Full_Year_Report-_25-02-2025_Final_Print.pdf

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The impact of cedi appreciation may also be felt in electricity pricing. Under Ghana's tariff adjustment mechanism, inflation and debt servicing influence utility prices. If the recent drop in inflation and exchange rate pressures is sustained and if debt servicing costs are not rigidly passed on, utility tariffs could ease or stabilize in the next quarter. Cheaper power could improve margins, support production schedules, and attract more investment into agro-industrial.

While the cedi's appreciation offers relief for input-dependent producers, it poses real risks for exporters, especially in agriculture. Over 70% of Ghana's non-traditional exports (NTEs) are agricultural products[5]. The danger is that this appreciation, if not matched by a decline in the cost of doing business, from port charges to transport to financing, exporters could lose market share or see shrinking margins. This could discourage scale-up investments in high-value agri-export chains.

While the cedi appreciation offers a short-term cost advantage, the more impactful way to tackle food inflation is by boosting domestic productivity through strategic investment.

Ghana's agricultural sector is structurally weak due to its heavy dependence on imported food and inputs. In 2024, over half of Ghana's food supply was imported, amounting to around $2 billion, exposing the country to external shocks and undermining domestic productivity. There is the need to create room to expand support for local fertilizer blending plants, invest in seed research and certified domestic seed systems and reduce fiscal pressure from import-heavy subsidy programmes. Investing in local input ecosystems enhances long-term affordability and builds resilience against future exchange rate shocks. Post-harvest losses in Ghana are persistently high, estimated at 20%–30% for crops due to limited processing and cold chain capacity. Scaling agro-processing is crucial to absorb seasonal yield, stabilize prices, and create rural jobs. Investment priorities should include industrial agro-processing hubs near production zones and small-scale equipment for drying, milling, and packaging. These losses are amplified by poor logistics infrastructure, especially for perishables. Many farmers lack access to reliable transport, cold storage, or structured aggregation centres. Investment in upgrading feeder roads and market linkages, haulage services, cold trucks, and warehouse systems will help reduce post-harvest losses. Improving logistics lowers food wastage, shortens market cycles, and enhances national food distribution.

Only 2% of Ghana's arable land is irrigated, making crop production highly vulnerable to climate variability[5]. With food inflation a recurring concern, year-round production is critical. The cedi gain could be used to support expansion of smallholder irrigation schemes, rehabilitation of underperforming public irrigation projects. Irrigation links directly to increased crop intensity and supports off-season cultivation, especially for vegetables and high-value crops.

[5] https://drive.google.com/file/d/1nKEm4r6-CXuRrHVrEyMh9VyQglaj8S9z/view

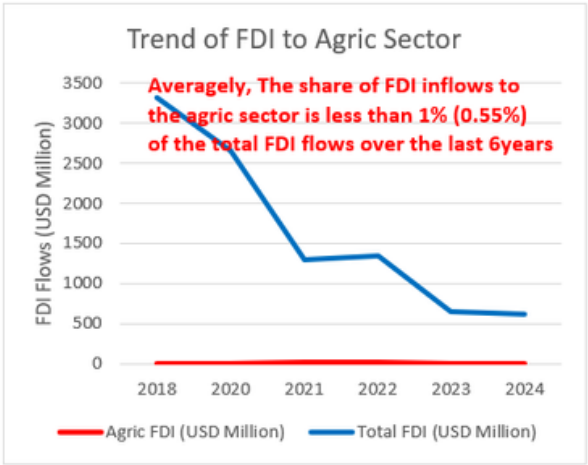
[6] https://www.gipc.gov.gh/wp-content/uploads/2023/03/Ghanas-Agriculture-Sector-Report-1.pdf

Low mechanization is a binding constraint across much of Ghana's agriculture. Most smallholders rely on manual tools or animal traction, limiting land expansion and delaying time-sensitive operations like planting and harvesting. A stronger cedi makes it more affordable to import machinery, spare parts, and assembly kits. Strategic investments could include scaling mechanization service centres with public-private partnerships, supporting access to appropriate machinery for smallholder zones, and incentivizing local assembly and repair workshops to reduce foreign dependency.

The GROW24 initiative under the 24-hour economy targets strategic areas in the agricultural value chain where investments can drive transformation, The policy aims to reduce import dependency by scaling large-scale irrigated farms for staples and greenhouse clusters for year-round vegetable supply (Shikpon Urban Farming). The policy also aims at cutting post-harvest losses by expanding agro-processing, cold storage, and solar-powered drying facilities and deploying digital platforms (CONNECT24) for real-time market linkages. Improving logistics and market access by upgrading feeder roads, inland waterways, and the Tamale Airport perishable Cargo Centre to reduce losses.

Agriculture contributes over 21% of GDP but its access to finance remains disproportionately low. Data from the Ghana Investment Promotion Centre (GIPC Quarterly Report) shows that FDI into agriculture averaged less than 2% of total inflows between 2018 and 2024.

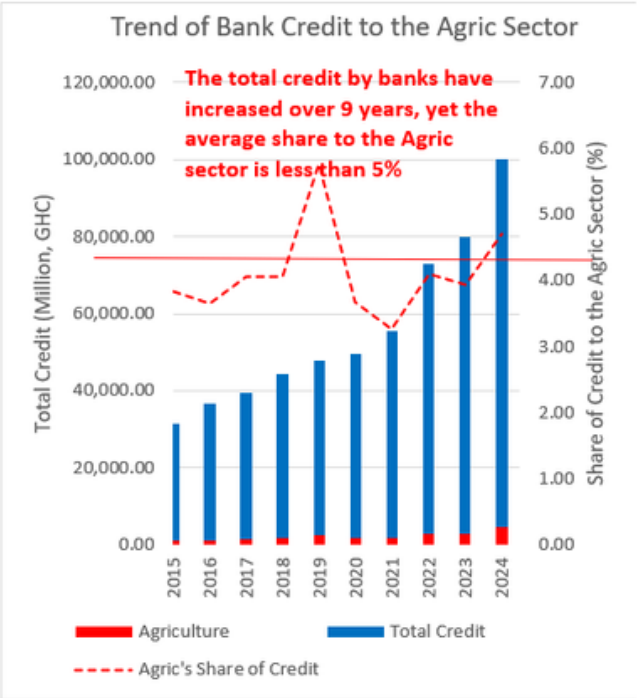
For instance, only $1.5 million was recorded for three projects in 2024, representing just 0.24% of the year's total FDI of $617.6 million



Data Source: GIPC Quarterly Report, 2018-2024, Chart: IMANI CPE

This pattern is not limited to foreign investment. Domestic credit to agriculture also remains marginal, with the sector receiving less than 5% of total bank lending in recent years[7]. These figures point to a persistent and widening agricultural financing gap. The issue is not simply one of low funding, but also of high barriers to accessing what little credit is available. The recent 5th Anniversary Report of GIRSAL reaffirmed what many actors in the sector already experience[8]that despite efforts to de-risk agricultural lending, systemic challenges remain. Due to perceived high risk, loans to actors in the agricultural value chain are often priced higher than in other sectors, while many smallholder farmers and agribusinesses lack the traditional collateral demanded by financial institutions.

[7] https://www.bog.gov.gh/wp-content/uploads/2025/05/Annual-Statistical-Bulletin-2024.pdf
[8] https://www.bog.gov.gh/wp-content/uploads/2024/09/Governors-Remarks-GIRSALs-5th-Anniversary-Launch-and-Rubber-Value-Chain-Conference-17.09.24.pdf



Data Source: Bank of Ghana, ANNUAL STATISTICAL BULLETIN 2024, Chart: IMANI

Though the sector remains high impact, there is a large financing gap, without targeted credit schemes, blended finance and scale-friendly investment instruments, agriculture will continue to miss its potential, even with favourable macro trends.



Amendment of the Energy Sector Levies Act.

The Energy Sector Levies Act (ESLA), passed in December 2015, was introduced to address financial challenges in Ghana's energy sector. At the time, the government faced huge debts owed to power producers and bulk oil distributors, persistent debt accumulation across the energy sector, especially by state-owned enterprises (SOEs) in the energy sector, and a growing risk of energy sector collapse due to non-payment of suppliers and creditors. The ESLA was designed to consolidate and restructure existing energy-related levies into a more coherent financing tool. Its revenues would be ring-fenced to clear debts and finance energy sector reforms. The government then set up ESLA Plc in 2017 to collateralized future revenues from the levies and turn them into bonds to help manage debts more efficiently.

The following levies are earmarked for petrol and diesel under the ESLA framework[9]:

Component	GHp/Lt
Energy Debt Recovery Levy	0.49
Price Stabilization & Recovery Levy	0.14
Energy Fund Levy	0.01
Energy Sector Recovery Levy	0.20
Road Fund Levy	0.48
Sanitation & Pollution Levy	0.10
Total levies	**1.42**

Source: 2024 Annual ESLA Report.

According to the data from NPA, the average ex-pump petrol price of GH₵13.13 (as of June 5) [10], the ESLA component alone (GH₵1.41) accounts for approximately 10.8% of the total pump price. Also, these are the taxes components of fuel prices per litre (as of 16th January)[11];

Tax Component	GHp/Lt
ESLA Levies	1.42
Special Petroleum Tax	0.46
Total Taxes	**1.88**

Source: NPA, PRICE BUILD-UP EFFECTIVE 16TH JANUARY 2025

Using the average ex-pump price of GH₵13.13 (as of June 5), the taxes on a litre of petrol were about 14.32%.

The new levy (1 cedi per litre) was introduced under the amendment of the ESLA Act and is earmarked to settle the shortfalls in the energy sector, particularly due to rising costs in fuel imports. However, the fuel levy will raise ESLA's contribution to GH₵2.42 per litre. This means that ESLA alone will now make up 18.4% of the pump price. This increase would also push total fuel taxes to about GH₵3.88 per litre, which is 29.55% of the pump price.

Average Fuel Price Movement: January to May 2025[12]:

Fuel Type	Jan 10, 2025	May 30, 2025	Price Change	% Decrease
Petrol	GH₵14.67	GH₵13.60	GH₵1.07	7.3%
Diesel	GH₵15.20	GH₵14.33	GH₵0.87	5.7%

Between January and May 2025, consumers benefitted from a modest but meaningful decline in fuel prices. The average price of petrol dropped from GH₵14.67 per litre in January to GH₵13.60 in May. For the average consumer spending GH₵1,000 a month on petrol, this translated to a monthly saving of about GH₵73. However, the new levy erodes nearly half of that gain. With the average petrol price as of June 5 standing at GH₵13.13, the new levy pushes the effective price to GH₵14.13, raising the consumer's monthly fuel bill to GH₵962.63. This reduces the earlier GH₵73 in monthly savings to just GH₵37, eroding almost half of the gains. This erosion of savings may appear marginal in isolation, but its impact becomes more pronounced when viewed through the lens of recent developments in public transport pricing. Recently, the Ghana Private Road Transport Union (GPRTU) announced a 15% reduction in transport fares, a move largely influenced by the sustained appreciation of the cedi and falling inflation. That relief could now come under pressure. If operators factor in the GH₵1 levy as an increase in operational costs, a fare increment may follow, undoing the temporary benefits passed on to commuters. While inflation falls on paper and the cedi strengthens against the dollar, households may not see those gains reflected in their transport cost or daily expenses because the savings are continuously eaten up by taxes and levies.

The GH₵1 per litre levy, projected to raise GH₵5.7 billion annually, is a short-term cash injection aimed at easing arrears, restoring guarantees, and keeping fuel flowing to thermal plants.

[9] https://www.mofep.gov.gh/sites/default/files/reports/economic/2024-Annual-ESLA-Report.pdf
[10] https://npa.gov.gh/ex-pump-prices/
[11] https://npa.gov.gh/price-build-up-2/
[12] https://npa.gov.gh/ex-pump-prices/

The levy can help in preventing acute fuel shortages that lead to power outages, provide liquidity to IPPs and fuel suppliers and stabilise public confidence in short-term energy supply. It may stabilise the electricity supply in the immediate term, but it does not fix the underlying causes of Ghana's energy crisis. The government owes over $3.1 billion, much of it to Independent Power Producers (IPPs) under rigid, long-term take-or-pay contracts. There is a need to make these contracts more competitive. Unless these PPAs are renegotiated or made more efficient, debts will keep piling up, levy or not. The Electricity Company of Ghana (ECG) is supposed to collect enough revenue to pay generators, but it consistently underperforms. Without fixing ECG's collection inefficiencies and technical and commercial losses, the system will remain in deficit regardless of how much money is raised. Without reform of ECG, renegotiation of IPPs, smarter tariff design, credible financial oversight, or fuel procurement systems, the new levy will just delay the next crisis, not solve it.

Also, the introduction of this levy should trigger critical conversations about transparency and the effective use of these funds. There are components of the ESLA levies, such as the Sanitation and Pollution Levy and the Public Lighting Levy, that were designed with specific service delivery objectives in mind. Yet, persistent sanitation challenges in urban centres and poorly lit streets raise concerns about whether these levies are being used for their intended purposes. As the government calls on consumers to bear more of the cost of energy sector clean-up, it is only fair to demand that public agencies show greater transparency in how existing levies are managed. The conversation should focus on whether collected levies are being properly lodged and disbursed in accordance with the law and evidence that these earmarked revenues are translating into improved public services.

According to the government, the new levy will be ringfenced specifically for energy sector operations, to procure fuel and support operational stability, especially for thermal generation, without placing the full burden on electricity consumers through tariff hikes.

While this intention is commendable, it raises legitimate questions about how well ringfenced funds are monitored and protected from diversion or misuse. There is a need for robust accountability mechanisms to be built into the administration of this new levy. Transparent reporting on how much is collected and how it is used, periodic performance audits by an independent body, and legislative oversight to ensure adherence to the intended purpose of the levy. If these systems are not in place or are poorly enforced, the risk is that the levy becomes another burden on consumers without delivering tangible improvements in power reliability or sector sustainability.

NEWS TRENDS

- Parliament approves GHS1 fuel levy hike to address energy sector debt- Citinews.
- Parliament passes new tax on fuel; Consumers to pay GH¢1 per every litre purchased- Daily Graphic.
- Details of Energy Sector Levies (Amendment) Bill, 2025 – MyJoy News.



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.

Office Loc: No. KD14 Darko Street KOANS Estate-Kutunse

P.O.Box Box 443, Achimota, Accra-Ghana

Tel: +233 030 395 5859

Email: info@imanighana.org

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