CAGEI

Criticality Analysis of Governance & Economic Issues

Center for Economic, Governance and Political Affairs

Policy & Administration | Transparency & Accountability

Anti-corruption | Peace, Security & Stability

Human Rights & Justice | International Relations

IMANI
Center for Policy & Education

In this issue

1 From Threshold to Opportunities: Eliminating the $1 Million Foreign Investment Barrier

2 From Telcos to Pay-TV to Regulators: A Minister's Interventionist Playbook

3 Rethinking Protectionism: Ghana's Retail Sector in the Age of E-Commerce

4 Shaping Ghana's 2026 Budget: Pathways for Fiscal Consolidation and Growth

Criticality Analysis of Governance Issues

August 17-August 23, 2025





What is the Criticality Analysis of Governance Issues?

The output of good governance is socioeconomic development that has greater impact on the citizens. Government takes the wheels of affairs of the state on the back of the many promises made to the electorates. Yet, it is no easy task when it comes to the processes and mechanisms required for true public services delivery. It must follow policy guidelines religiously, maintain the social contract, avoid excesses and wastages, and be an accountable steward of that which it has been entrusted.

IMANI Centre for Policy and Education in a bid to monitor the processes and mechanisms for public services delivery has devised the Criticality Analysis to evaluate the key actions of the government in this pursuit. The Criticality Analysis follows the major news reports on the key governance issues categorised under the following six (6) themes:

1. Policy and administration.
2. Transparency and accountability.
3. Anti-corruption.
4. Peace, security and stability.
5. Human rights and justice.
6. International relations and development

The Criticality Analysis assesses the key governance issues by employing rigorous narrative analysis. First, we collect the key governance issues from reliable and credible news sources. A preliminary screening is conducted to filter out low-impact and non-governance related issues. The issues are then categorised under the 6 main themes. The criticality analysis is not a performance assessment of government actions.

During the assessment, critical attention is paid to the factual accuracy of the reports, relevance and timeliness, and impact and significance. In view of this, the reports are corroborated by analysing same from multiple sources and monitoring the trends and development. In addition, expert opinions on the key issues are analysed to inform the final output of the Criticality Analysis which includes our recommendations for policy and practice to enhance public service delivery and accountable stewardship



From Threshold to Opportunities: Eliminating the $1 Million Foreign Investment Barrier

President Mahama's trip to Yokohama for the Ninth Tokyo International Conference on African Development underscored Ghana's intent to deepen its engagement with global partners and reaffirm its commitment to inclusive growth. TICAD-9, co-hosted by the Government of Japan, the United Nations, the World Bank and the African Union Commission, convened leaders to chart Africa's industrialisation, human-capital development, health innovation and climate-resilient infrastructure for the decade ahead. Against this backdrop, the president seized the moment to announce a planned amendment to the Ghana Investment Promotion Centre (GIPC) Act that would eliminate the US$1 million minimum-capital requirement for general trading companies.

Enacted in 2013, the GIPC Act established a transparent framework for attracting and protecting investment in Ghana. It guaranteed safeguards against expropriation and set clear equity thresholds for foreign participation: US $200,000 for joint ventures with at least 10 percent Ghanaian ownership, US $500,000 for wholly foreign-owned firms and US $1 million for trading concerns employing a minimum of twenty skilled Ghanaian workers.

Exemptions exist for manufacturing and export operations as well as for portfolio investors and long-resident foreign spouses, but the one-million-dollar rule has long been viewed as a barrier for smaller operators.

Over the past five years, Ghana's foreign direct investment inflows have ebbed and flowed. In 2020, the country recorded approximately US $1.88 billion in net FDI, rising to US $2.53 billion in 2021 before easing back to US $1.43 billion in 2022 and US $1.32 billion in 2023. Preliminary data from the Ghana Investment Promotion Centre show registered-project commitments of about US $618 million in 2024, while Bank of Ghana balance-of-payments statistics place actual net inflows at US $265 million in March 2024, averaging US $384 million from March 2021 to March 2024. These differences arise because GIPC figures capture projected investment costs upon registration, whereas central-bank data record realised capital flows under the BPM6 accounting framework. World Bank analysis further highlights that FDI as a share of GDP peaked above 2 percent in 2021 but has since slipped below 1 percent.

Scrapping the one-million-dollar requirement promises to widen the aperture for small and medium-sized foreign investors who previously lacked the capital heft to enter Ghana's trading sector. Lower entry thresholds will make it easier to launch export-oriented ventures in agriculture and light manufacturing, fostering innovation and job creation. Yet the move could also expose local traders to stiffer competition unless it is paired with robust local-content provisions and technology-transfer obligations. Close monitoring by GIPC aftercare services will be essential to ensure that new market entrants contribute to domestic skills development rather than displacing Ghanaian enterprises.

In recent years, the Ghana Union of Traders Associations (GUTA) has sparred with the Nigerian Union of Traders Associations, Ghana (NUTAG) over enforcement of the GIPC Act's reserved-sector rules and allegations that foreign operators flouted capital-threshold requirements. GUTA's protests have often centred on mobile-phone and retail markets, where local traders argue that undercapitalised foreign resellers undercut prices unfairly. Although the union has not yet issued a formal response to the president's announcement, its past vigilance suggests that any perceived neglect of local-content safeguards could prompt a swift reaction.

Despite its symbolic weight, the one-million-dollar clause was rarely cited in multilateral assessments as the principal hurdle to FDI. Reports by the Bank of Ghana, the GIPC and the World Bank's World Investment Report instead point to macroeconomic volatility, high financing costs, regulatory complexity and infrastructure deficits—especially in power and transport—as more formidable deterrents.

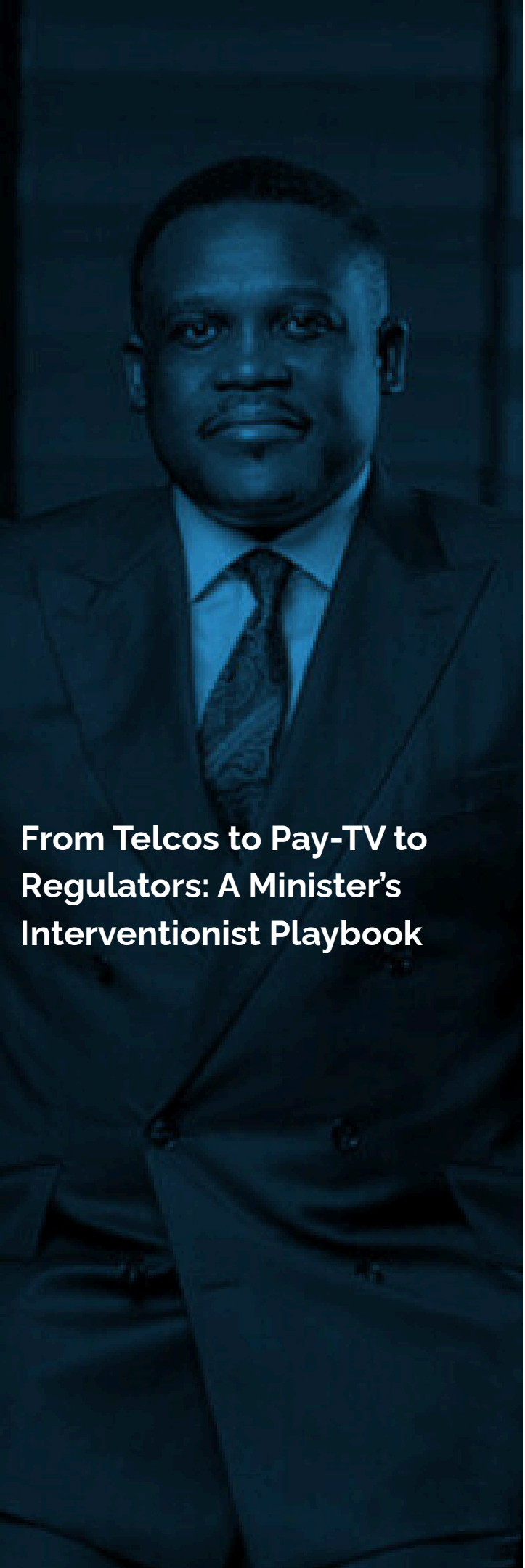
Addressing these systemic challenges alongside legal reforms will be critical to boosting Ghana's competitiveness in the eyes of global investors.

Given these realities, Ghana must align its amended investment framework with clear sectoral priorities. Agribusiness and value chains hold exceptional promise: cocoa accounts for roughly 2.5 percent of GDP and one-quarter of export earnings while supporting some 800,000 smallholder farmers. Cassava yields exceed 19 million tonnes annually, offering vast potential for processed-food exports. Emerging soybean cultivation can feed a growing domestic feed-meal industry and oil-extraction operations. Simultaneously, Ghana's gold sector contributes more than 90 percent of mining GDP, and offshore oilfields such as Jubilee and Sankofa continue to draw substantial upstream investment. Prioritising roads, public housing and renewable-energy projects will further strengthen the country's investment climate by reducing logistic costs and enhancing power reliability.

As Accra moves to amend the GIPC Act, it should preserve other provisions that foster genuine partnerships and local-value creation. Retaining incentives for technology transfer and maintaining minimum equity requirements in strategic subsectors will help channel capital into areas that generate skills, deepen supply chains and spread benefits nationwide. Paired with macroeconomic stability and infrastructure upgrades, the removal of the one-million-dollar threshold has the potential to catalyse a more diversified, inclusive era of foreign investment in Ghana.

Further Reading

- Mahama announces removal of foreign investor minimum capital requirement under revised GIPC Act – Graphic Online
- Ghana Investment Promotion Act, 2013
- Minimum Equity Requirements – GIPC
- Ghana Foreign Direct Investment | Historical Chart & Data
- Ghana BoP: Financial Account: Other Investment: Assets: Debt Instruments: Other Sectors | Economic Indicators | CEIC
- Q4-2024-Investment-Report.pdf
- Foreign direct investment, net inflows (% of GDP) – Ghana | Data
- DownloadReportByFileName
- Only 0.5% of 18 million tons of cassava is processed – DBG & GIRSAL Forum reveals – National Food Buffer Stock Company
- Cassava production in Ghana| Statista



From Telcos to Pay-TV to Regulators: A Minister's Interventionist Playbook

Hon. Sam George, Minister for Communications, Digital Technology and Innovation, has adopted a hands-on approach across Ghana's communications landscape, moving swiftly from telco pricing talks to pay-TV fines and regulatory interventions. His style blends visible activism with policy objectives, prompting both praise for consumer focus and concern over procedural overreach. The reality of these actions—and their mixed outcomes—raises fundamental questions about how political urgency and institutional integrity can coexist.

In June, the Minister pressed mobile network operators to expand their data bundles, and telcos responded within weeks. Subscribers saw double-digit increases in gigabyte allowances across major plans, a notable boost in capacity. Yet the average cost per gigabyte held steady, dashing hopes for more affordable connectivity even as usage ceilings rose. This partial success highlights the gap between access and affordability, especially for lower-income users who still bear steep per-unit charges. However, a deeper dive into understanding the challenges mobile network operators face that appear to derail the advertised benefits may reveal issues that need long-term solutions.

Encouraged by the telco engagement, in mid-July, the Minister shifted attention to MultiChoice Ghana. The Minister announced a statutory GH₵10,000 daily fine on MultiChoice Ghana (DStv) for failing to submit critical pricing information—including a breakdown of bouquet prices, tax components, and comparative data across six African countries—as required under the Electronic Communications Act. What began as a push for greater transparency has since evolved into a public exchange of letters, legal wrangling, and subscriber unease over potential service disruptions.

Shortly after the MultiChoice announcement, Hon. Sam George intervened in the Postal and Courier Services Regulatory Commission's (PCSRC) enforcement actions against unlicensed delivery riders. He ordered a halt to ongoing sanctions, citing the need for broader stakeholder consultation and consumer sensitization. Professor H. Kwasi Prempeh criticized the move as a breach of the "separation of powers" between ministerial policy-making and technical enforcement. His concern reflects a broader unease: if regulators can be overruled at will, their institutional mandate is effectively neutered.

A parallel unfolded when President Mahama intervened in June to delay the National Communications Authority's (NCA) suspension of several radio stations for operating without approved transmitter locations. The President cited media-freedom and livelihood considerations, granting a temporary reprieve. While this intervention was defended as a necessary balance between enforcement and practical realities, it further illustrated how political decision-makers can override regulators, complicating the perception of a consistent rule-of-law environment.

These high-profile interventions sit uneasily alongside Ghana's regulatory framework. By law, regulatory bodies such as the NCA and the PCSRC possess operational independence to investigate and sanction non-compliance. Ministers are empowered to set strategic policy and issue formal directives—but not to micromanage individual cases or countermand written rulings on a verbal whim. When political authority encroaches on this boundary, stakeholders face uncertainty about whether rules will be applied consistently and transparently.

Reconciling ministerial accountability with regulatory autonomy begins with a clear, publicly articulated policy strategy that defines sectoral goals and performance benchmarks. From this strategy, the Minister can issue written directives—facilitated through the responsible regulator rather than via social media or press events—to ensure commands are both formal and actionable. Regulators must then retain the technical prerogative to carry out inquiries and enforce rules without fear of arbitrary reversal, while aligning their activities with the government's broader policy framework as it rolls out its coordinated plan.

Ghana's ambitions for digital inclusion, media plurality and investor confidence hinge on a balanced division of labour. Ministerial activism can serve as an essential catalyst for change, especially when market inertia stalls progress. But without formal boundaries, even well-intentioned actions risk eroding the rule of law and weakening the very institutions designed to sustain long-term gains. Striking the right balance between political urgency and procedural rigor will determine whether these interventions become building blocks for reform or cautionary tales of ad hoc governance.

Further Reading

- Government imposes GH¢10,000 daily fine on DSTV over failure to submit pricing data
- Who We Are – Postal and Courier Services Regulatory Commission [PCSRC]
- PCSRC Order: 'Why have the regulator at all then' – Prof Prempeh calls out Sam George
- Sam George suspends courier crackdown; calls for urgent stakeholder meeting – MyJoyOnline
- Sam George explains suspension of crackdown on unlicensed delivery riders

Criticality Analysis of Key Economic Issues

August 17-August 23, 2025





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.

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?



Rethinking Protectionism: Ghana's Retail Sector in the Age of E-Commerce

President Mahama's announcement at the Japan–Africa Summit to scrap the $1 million minimum capital requirement for foreign trading companies marks a bold shift in Ghana's investment policy[1]. The rule, under the GIPC Act, was originally designed to protect local traders but has long been criticized as a barrier that stifles smaller foreign investors and reduces the dynamism of Ghana's retail sector.

Unsurprisingly, the Ghana Union of Traders Association (GUTA) has voiced its opposition[2]. For years, GUTA has guarded the retail space against foreign encroachment, seeing it as a preserve of Ghanaians. Their argument rests on protecting livelihoods in the informal market. Yet, this protectionist stance is increasingly misaligned with the realities of modern commerce.

Retail in Ghana is evolving rapidly. A growing middle class, coupled with a young, tech-savvy population, is reshaping consumption patterns. Shopping malls and organized retail spaces are expanding, not only because they provide goods, but because they deliver an experience valued by consumers. Beyond that, e-commerce is booming, and young Ghanaians are ordering products online, from groceries to electronics, in line with global trends. E-commerce accounted for 20.1% of all retail sales worldwide in 2024, crossing the 20% threshold for the first time in history. This milestone underscores the rapid pace of digital transformation in consumer shopping habits, up from 19.4% in 2023. The trend is not limited to advanced economies; it cuts across regions and demographics, reflecting a permanent change in how people buy, sell, and interact with retail markets.[3]

The structure of retail trade is shifting away from open markets towards digital platforms and organized centers. In this context, GUTA's insistence on protecting traditional trading turf appears increasingly counterproductive.

Rather than raising barriers, opening the retail sector could yield significant consumer benefits. More competition would mean greater product variety and downward pressure on prices, ultimately enhancing consumer choice. The $1 million threshold has been a blunt instrument, a deterrent that discouraged investment without meaningfully safeguarding local traders. Removing it will allow more diverse players into the market, stimulating growth and innovation in retail.

This is not to argue that the sector should be a free-for-all. Proper registration and regulation remain necessary, particularly for foreign firms and online businesses, to ensure compliance and consumer protection. But the bigger picture is clear: as economies grow, retail markets naturally become more competitive and attractive to investors. Ghana, lacking a strong manufacturing or wholesale base, has retail as one of its most dynamic entry points for FDI. Trying to wall off that space risks isolating the country from the very investment and consumer benefits it needs.

In short, GUTA's protectionist instincts may shield a narrow group of traders in the short term, but in the long run, they undermine competitiveness, consumer welfare, and Ghana's attractiveness as an investment destination. President Mahama's reform, if followed through, could therefore be a catalyst for a more open, dynamic retail market aligned with global trends.

NEWS TRENDS

- Ghana to scrap minimum capital requirement for foreign investors – President Mahama- GhanaWeb.
- Mahama announces removal of foreign investor minimum capital requirment under revised GIPC Act -Daily Graphic.

Shaping Ghana's 2026 Budget: Pathways for Fiscal Consolidation & Growth



The World Bank's 9th Ghana Economic Update[1] makes it clear that one of Ghana's deepest economic challenges lies in its labour market. At first glance, Ghana's growth record over the past two decades looks impressive: between 2009 and 2019, the economy expanded at an average annual rate of nearly 7 percent, lifting incomes above the Sub-Saharan African average and reducing poverty. Yet beneath these headline numbers, the jobs story has been far less encouraging. Growth has been concentrated in capital-intensive sectors like oil, mining, and financial services, which generate few employment opportunities, while the majority of workers remain stuck in low-productivity agriculture or informal trade.

The Bank identifies five interrelated challenges at the heart of Ghana's labour market problem. First, the economy is simply not generating jobs fast enough to match population growth. Second, productive sectors such as manufacturing and modern services remain too small, leaving most workers concentrated in subsistence agriculture or petty trading. Third, there is a growing mismatch between education and employment. More young Ghanaians are completing secondary and tertiary education, but the economy is not producing sufficient skilled jobs to absorb them, eroding the returns to education. Fourth, labour mobility is weak: even when people switch occupations, they often remain trapped in the same low-productivity categories, with little upward movement into more productive work. Finally, women face disproportionate barriers, as they are overrepresented in the least productive sectors, earn less than men, and encounter structural challenges in moving up the economic ladder.

To break this cycle, the World Bank calls for a comprehensive jobs and growth strategy that goes beyond stabilization. At its core, such a strategy requires investing in both physical and human capital. This means improving infrastructure such as energy, irrigation, and transport while simultaneously upgrading the quality of education and training, particularly in technical and digital skills that can prepare young people for the future of work. It also requires tackling long-standing inefficiencies in state-owned enterprises, many of which absorb scarce resources without delivering productivity gains, and redirecting those resources to job-creating sectors.

Equally important is creating a more supportive environment for private enterprise. Ghanaian firms, especially in manufacturing and agro-processing, face high costs of finance, land access challenges, regulatory bottlenecks, and unfair competition from informality. Addressing these constraints would allow businesses to expand and create more jobs. Finally, mobilizing private capital is crucial. The Bank urges Ghana to attract investment into industries with strong job-creation potential, from light manufacturing to agro-processing and textiles, while using public–private partnerships and risk-sharing instruments to unlock financing for entrepreneurs and small businesses.

Ghana's economy is urbanizing and shifting away from agriculture, but the transition has not yielded the productivity gains seen elsewhere. Normally, when workers leave agriculture, they move into high-productivity manufacturing or modern services.

In Ghana's case, many instead find themselves in lower-productivity areas such as petty trade or low-level government services. The result is that most of Ghana's productivity growth, about 87 percent, has come from improvements within sectors rather than the reallocation of workers across sectors. Globally, one-third of productivity gains are usually driven by such structural change, underscoring Ghana's missed opportunity. More troubling still, over the past decade this structural change has actually turned negative: workers have been moving into less productive sectors, dragging down growth.

The World Bank's Export Potential Index points to three sectors where Ghana could grow: textiles and garments, electronics, and chemicals (including pharmaceuticals). These sectors together could generate billions in new export revenues; textiles alone hold a potential 43-fold expansion, worth an additional US$1.5 billion. Electronics could add US$1.3 billion, and chemicals about US$644 million. If Ghana can unlock these opportunities, the private sector could become a real driver of growth and job creation.

The barriers, however, are formidable. Externally, Ghana suffers from macroeconomic instability, weak infrastructure, and low investment. Annual infrastructure needs are estimated at US$4 billion, yet investment lags badly, particularly in transport, which nearly 80 percent of firms cite as a constraint. Gross capital formation is just 11 percent of GDP, far below Côte d'Ivoire's 25 percent and Senegal's 38 percent, reflecting a lack of spending on machinery, buildings, and logistics.

Foreign direct investment has fallen to less than 2 percent of GDP, down from 6 percent in 2019. Internally, firms struggle with high borrowing costs, scarce credit, and regulatory bottlenecks. Credit to the private sector is only 10 percent of GDP, compared to 23 percent in Côte d'Ivoire and 31 percent in Senegal.

The World Bank's 2024 B-READY report shines a light on these bottlenecks. Ghana scores especially poorly on market competition (32/100), reflecting weak protections against monopolistic behavior, and on dispute resolution (55/100), where court cases can drag on for nearly 900 days. Business entry remains cumbersome: registering a company can take up to 67 days for foreign firms, while building permits average 253 days, twice as long as in Côte d'Ivoire or Vietnam. Financing is another choke point: only 14 percent of firms use bank loans for investment, and innovative tools like factoring remain rare. Infrastructure services are unreliable, three-quarters of firms report frequent power outages, and broadband penetration is among the lowest in the region.

Trade barriers add another layer of cost. Clearing imports takes an average of 14 days, versus five in Morocco, while the cost of complying with export requirements can eat up nearly a quarter of the value of the goods themselves. Poor risk management and weak inter-agency coordination prevent Ghana from fully benefiting from opportunities like the African Continental Free Trade Area.

Finally, the tax and labor systems are widely seen as unfriendly to business. Over 80 percent of firms avoid claiming VAT refunds because the process is so complex, and nearly 90 percent say labor regulations are misaligned with the realities of a low-productivity economy.

Domestically, inflationary pressures and exchange rate volatility remain live threats, while weak state-owned enterprises, especially the Electricity Company of Ghana (ECG) and COCOBOD, could generate fresh losses that undermine the fiscal balance. Agriculture is vulnerable to climate shocks, and the perennial specter of election-related overspending could easily unravel recent gains.

To secure this path, the Bank lays out a series of recommendations spanning the short, medium, and long term. In the short run, Ghana must consolidate macro-financial stability by sticking strictly to the IMF Extended Credit Facility (ECF) program's fiscal targets. The adoption of new fiscal rules should be backed by adequate resources for the Fiscal Council, enabling it to serve as an effective watchdog. Equally important is expenditure control, which the Bank notes can only be achieved by enforcing procurement reforms, preventing arrears accumulation, and ensuring all ministries, departments, and assemblies operate under unified financial management systems such as GIFMIS, GHANEPS, and the Treasury Single Account.

On the revenue side, Ghana must fully implement the tax measures outlined in the 2025 budget, strictly apply the Tax Exemptions Law, and strengthen the Ghana Revenue Authority's capacity to expand compliance through digital systems and risk-based audits.

Medium-term reforms, in the Bank's view, must tackle the structural sources of fiscal imbalance. This requires overhauling ECG, potentially with private sector participation, to improve efficiency and reduce losses, while bringing the Energy Sector Recovery Program back on track. COCOBOD must also be comprehensively restructured to focus narrowly on its core mandate of cocoa production and marketing, rather than engaging in quasi-fiscal activities that weigh on the budget. Public-private partnerships should play a central role in bridging Ghana's infrastructure gap, particularly in trade-related logistics and connectivity. At the same time, advancing digitalization and strengthening climate resilience will be critical for building a competitive and inclusive economy.

The 2026 Budget should be the instrument that cements the macro gains from the IMF engagement into durable, rule-based fiscal architecture. The economy is at an inflection point: policy stabilization under the IMF has restored some confidence, but the recovery will be fragile unless the 2026 fiscal plan locks short-term gains into permanent rules and institutions. The Budget must do more than hit a headline deficit target; it must change how revenue is raised and how public money is spent so that growth is not repeatedly eaten by energy losses, SOE drains and opaque quasi-fiscal operations. The World Bank's country work underscores the same priorities: strengthen public finance systems, close fiscal leakages, and target financing toward growth-enhancing and climate-sensitive investments.

- **Revenue Mobilization Objective:** Raise durable, low-distortion revenue while maintaining incentives for green investment and broadening the tax base.

- **VAT Reforms**

VAT design and administration remain a core constraint on revenue performance. Ghana's VAT system illustrates a striking paradox: despite one of the highest statutory VAT rates in the sub-region, actual revenue mobilization remains disappointingly low. Businesses face a cascading effect, multiple layers of tax imposed along the value chain, which raises costs, reduces competitiveness, and encourages evasion. This weakens the very base on which the VAT is supposed to rest. A review of the system is therefore urgent, both to reduce compliance costs for firms and to create a fairer, more efficient structure that encourages formalization and growth.

Also, VAT exemptions cost the economy approximately 4% of GDP annually. This is due to tax exemptions on VAT, Personal Income Tax (PIT), and import duties, resources that could otherwise fund health, education, and infrastructure. The World Bank and IMF have consistently flagged Ghana's fragmented and overly generous exemption regime as one of the single largest sources of leakage in the tax system. Reforming these exemptions, while simultaneously modernizing refund processes and compliance systems, offers the highest immediate revenue gain with the least distortionary effect on investment decisions.

Exemptions must be rationalized: every exemption should be published in a comprehensive register, subjected to a fiscal cost analysis, and bound by sunset clauses so that unjustified provisions automatically expire. Compliance and administration must be modernized: rollout of e-invoicing, automated refund verification, and stronger Large Taxpayer Unit enforcement should reduce fraud and improve predictability for legitimate businesses. Together, these reforms would unlock additional revenue, while lowering costs for compliant firms and building confidence in the tax system.

Recommendations (VAT reforms):

1. Publish a comprehensive exemption register and legislate automatic sunset clauses for all non-essential VAT exemptions.
2. Undertake a full review of cascading effects in the VAT chain, with options for crediting or simplification to reduce compliance costs for businesses.
3. Roll out mandatory e-invoicing for large taxpayers, coupled with risk-based refund audits, to curb abuse while speeding refunds for compliant firms.
4. Set a measurable target to reduce VAT exemption costs from 4 %of GDP.

Unified Petroleum Pricing Fund (UPPF), reframe an opaque petroleum pricing system into a climate-compatible instrument

The Unified Petroleum Pricing Fund (UPPF) was created to equalize the cost of transporting petroleum products across the country, ensuring that consumers in remote districts pay the same ex-pump price as those in major cities.

In principle, the fund plays an important role in promoting equity of access. In practice, however, its administration has been opaque, with limited public disclosure of inflows, outflows, and arrears. Audit reports and civil society reviews repeatedly flag governance concerns, raising questions about efficiency and accountability in its operations.

At the same time, Ghana's fiscal and energy priorities are shifting. The government has committed to a clean energy transition, supported by development partners, and the World Bank has emphasized the need to reduce quasi-fiscal leakages in energy while creating credible, transparent financing channels for green investment. The UPPF sits uncomfortably at this intersection: it commands significant annual resources, but its opacity prevents it from being leveraged as part of the broader climate financing framework.

A review of the fund is therefore overdue. The first step must be radical transparency. A full public statement of UPPF accounts, inflows from levies, transfers to transporters, arrears owed, and any balances, should be published annually, audited externally, and presented to Parliament. Only after such transparency is established can the question of repurposing be credibly addressed.

One pragmatic option would be to create a "Green Window" within the UPPF framework, a time-bound, ring-fenced allocation of a percentage of inflows that could co-finance clean energy initiatives

such as off-grid solar systems, rural electrification, or transport electrification pilots. This would link petroleum consumption to investment in the energy transition. Such a mechanism would also align with the World Bank's recommendations that fiscal instruments be progressively climate-sensitive while ensuring core mandates are not compromised. However, any such reallocation must be carefully designed. Safeguards are needed to ensure that the Green Window does not undermine the Fund's central purpose of petroleum distribution equalization, and that no diversion occurs without parliamentary approval.

Recommendations for UPPF:

1. Publish an annual UPPF report detailing inflows, outflows, arrears, and balances, audited and presented to Parliament.
2. Introduce governance reforms: independent oversight board with representation from MoF, NPA, civil society, and Parliament's Finance Committee.
3. Establish a Green Window, ring-fenced and time-bound, to channel a modest share of petroleum-related revenues into clean energy investments.

A better revenue mobilization framework.

Beyond VAT and petroleum levies, Ghana's revenue mobilization challenge is broader and structural. This not only constrains investment in social services and infrastructure but also keeps Ghana vulnerable to debt distress, as expenditure demands outpace domestic resource mobilization.

Property taxation remains the most underutilized instrument. Metropolitan, Municipal and District Assemblies (MMDAs) have a statutory mandate to collect property rates, yet collections have been negligible due to outdated valuation rolls, political resistance, and administrative weakness. The government's recent efforts to digitize and centralize property rate administration through the Ghana Revenue Authority (GRA) offer a potential breakthrough, but they must be followed through with proper valuation, transparent rate-setting, and clear sharing formulas with local governments to sustain political buy-in.

Excise and environmental levies represent another underexploited avenue. Ghana's growing environmental and health burdens, plastic waste, sugar-related health issues, and carbon emissions, provide both a rationale and an opportunity for targeted excises. The World Bank has encouraged the design of excise regimes that are not only revenue-generating but also corrective in nature, nudging behaviour towards healthier and more sustainable consumption patterns.

Finally, compliance and enforcement remain at the heart of Ghana's revenue problem. Despite the rollout of e-VAT and electronic invoicing, tax evasion and underreporting remain high, particularly among medium-sized enterprises and the informal sector. Revenue mobilization will not improve unless enforcement is more predictable, penalties for evasion are credible, and the GRA is adequately resourced with technology and human capital.

A better framework for revenue mobilization should therefore combine four elements:

- Broadening the base by rationalizing exemptions and bringing the informal sector progressively into the tax net through simplified presumptive schemes.
- Deepening underutilized instruments such as property rates and environmental excises.
- Enhancing compliance through technology-driven monitoring and risk-based audits.
- Building trust by linking revenues to visible service delivery and fiscal transparency, thereby improving voluntary compliance.

Recommendations (Revenue framework):

1. Complete the digitization and revaluation of property rates, ensuring equitable sharing between GRA and MMDAs.
2. Expand environmental excise levies (e.g., plastics, sugary drinks, carbon-linked charges) with dual revenue and corrective objectives.
3. Invest in compliance enforcement capacity, risk-based audits, data analytics, and taxpayer education, to build both deterrence and trust.

Expenditure Management, plugging leakages and aligning spending with development priorities.

If revenue reforms provide the inflows, prudent expenditure management determines whether those resources translate into sustainable development.

For Ghana, the expenditure side of the budget remains riddled with inefficiencies: persistent losses from state-owned enterprises (SOEs), weak control over tax expenditures, and hidden quasi-fiscal activities that drain the treasury. These weaknesses not only crowd out priority spending but also undermine the credibility of fiscal consolidation efforts.

Addressing revenue leakages and losses from SOEs

Ghana's SOE sector continues to impose a heavy fiscal burden. The 2022 State Ownership Report indicated that nearly two-thirds of commercial SOEs were loss-making, with cumulative net losses exceeding GH¢5 billion in recent years. Many operate with soft budget constraints, expecting eventual bailouts from the government. Such recurrent transfers and guarantees amount to disguised subsidies that erode fiscal space and weaken incentives for reform.

The World Bank has repeatedly urged Ghana to strengthen SOE governance, moving towards performance contracts, transparent reporting, and independent boards. For the 2026 budget cycle, this should mean more than reporting losses; it should involve binding fiscal rules: SOEs that fail to meet operational efficiency benchmarks should not qualify for government guarantees or transfers. Over the medium term, partial divestiture or strategic partnerships in non-strategic sectors could also reduce the fiscal risks.

Recommendations (SOEs):

1. Enforce SOE performance contracts with measurable fiscal targets.
2. Prohibit new government guarantees to loss-making SOEs unless part of a restructuring plan approved by Parliament.
3. Publish a Fiscal Risk Statement annually, quantifying contingent liabilities from SOEs.

Rationalizing exemptions to support climate and energy transition

Ghana has taken initial steps to use tax policy as a lever for renewable energy adoption. Under the Renewable Energy Act and programs such as the Scaling-up Renewable Energy Program (SREP), imported solar panels are currently exempt from VAT and other levies. This reflects the government's intention to promote clean energy and diversify Ghana's power mix.

However, the current exemption regime is partial and conditional, limiting its effectiveness. While panels benefit from tax relief, key complementary components, including batteries, inverters, mounting systems, and installation services, remain subject to statutory taxes and levies. In addition, completed solar projects often face fiscal charges at the project level, reducing the net benefit of exemptions. The absence of a net metering framework further discourages large-scale adoption, since households and businesses cannot earn credits for excess power fed into the grid.

The result is that the cost of solar installations remains prohibitively high, especially for households and small businesses. This has slowed uptake, despite Ghana's vast solar potential. Industry stakeholders such as the Ghana Chamber of Mines have consistently called for full-spectrum tax relief on solar-related equipment and services, as well as complementary regulatory reforms to unlock investment.

For the 2026 budget, therefore, the government has an opportunity to design a more coherent, climate-aligned exemption regime. Extending tax exemptions to all critical components of solar systems, accompanied by the introduction of a net metering framework, would significantly reduce installation costs, lower energy bills for households and businesses, and ease pressure on the national grid. These reforms would also dovetail with Ghana's broader energy transition agenda and the World Bank's emphasis on aligning fiscal measures with green growth.

Recommendations (Exemptions for solar):

1. Expand tax exemptions beyond panels to include batteries, inverters, mounting systems, and installation services.
2. Introduce a net metering framework in 2026 to encourage larger installations and improve investor confidence.
3. Make exemptions time-bound and transparent, with annual reporting of foregone revenue and uptake levels.
4. Align reforms with the National Energy Transition Plan, ensuring fiscal support accelerates climate objectives.

Eliminating quasi-fiscal expenditures

Perhaps the most corrosive element of Ghana's expenditure framework is the persistence of quasi-fiscal activities, expenditures or subsidies carried out by public entities outside the budget process. Examples include below-cost power tariffs to industries, petroleum price smoothing, or directed lending through state banks without parliamentary appropriation. These activities obscure the true fiscal position, accumulate arrears, and weaken accountability.

Both the IMF and World Bank have emphasized the need to bring all such activities on-budget, subjecting them to fiscal ceilings and parliamentary scrutiny. For 2026, the government should commit to a quasi-fiscal expenditure elimination strategy, beginning with a full inventory of such practices, disclosure of their costs, and a clear timeline for phasing them out. Where social objectives are valid (e.g., electricity subsidies for lifeline consumers), these should be reclassified as explicit, budgeted subsidies rather than hidden transfers.

Recommendations (Quasi-fiscal):

1. Conduct and publish a comprehensive inventory of quasi-fiscal activities across the energy, financial, and transport sectors.
2. Reclassify valid social subsidies as on-budget transfers, subject to parliamentary appropriation.
3. Eliminate all non-essential quasi-fiscal operations consistent with IMF program benchmarks.

The 2026 Budget is the government's chance to convert the IMF-World Bank stabilization window into institutional reform. That requires a revenue package focused on VAT integrity and pragmatic instruments (property tax, excise rationalization), a hard-nosed approach to SOE and quasi-fiscal drains (full disclosure, conditional support), and carefully targeted, time-bound incentives that respond to the B-READY diagnosis of constraints on private investment. Where possible, channel petroleum-related funds to climate investment only after governance and legal safeguards are in place, and always prioritise concessional financing for big-ticket projects to protect debt sustainability. These steps are exactly the direction advised in recent World Bank and IMF work and should form the backbone of the Budget's medium-term narrative.

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

Support IMANI's course of freedom as we continue to blend accessible research within high-powered advocacy.

Please contact our **Accounts & Finance Officer, Caroline** cackomdufie@imanighana.org on **donating** to support our work at IMANI.