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CENTRE FOR ECONOMIC RESEARCH AND POLICY ANALYSIS

2025 BUDGET STATEMENT AND ECONOMIC POLICY REVIEW BY CENTRE FOR ECONOMIC RESEARCH AND POLICY ANALYSIS (CERPA)

1. Introduction

The Finance Minister of Ghana, in accordance with Articles 179 and 180 of the 1992 Constitution of the Republic of Ghana and sections 21 and 23 of the Public Financial Management Act, 2016 (Act 921), presented the Budget Statement and Economic Policy to Parliament on behalf of the President on Tuesday, March 11, 2025.

This budget holds great significance, as it signifies the dawn of a new era in the country's economic governance following the peaceful transition of power on January 7, 2025. Presented amidst heightened expectations, the budget reflects the government's approach to addressing key challenges, including the IMF program and debt restructuring initiatives inherited from the previous administration. Additionally, it arrives on the heels of ambitious campaign promises to revitalize the economy, generate employment, and foster widespread prosperity for all citizens.

The 2025 Budget Statement and Economic Policy outlines the removal of six tax items. The abolishment of these taxes according to the Minister of Finance is aimed at delivering essential relief to households and businesses. While this move is welcomed, we express concerns about the government's fiscal model, particularly its ability to generate sufficient revenue to cover the projected expenditures. The long-term sustainability and effectiveness of this approach will require scrutiny, especially in balancing tax cuts with the need for comprehensive public funding.

The introduction of new taxes including the 2% Growth and Sustainability Levy on the gross production of mining companies, special import levy, road tolls etc. aims to increase revenue but raises concerns about their potential impact on the productivity and growth of the affected companies.

This review offers a thorough critique of the budget statement and the government's economic strategy, reflecting on the current economic conditions, stakeholders' expectations, the reset agenda, and the grand promises made during the campaign. This review seeks to offer an in-depth look at the government's approach for economic management in 2025 and its potential for achieving lasting fiscal sustainability and growth that benefits all.

2. **Macroeconomic Performance (including 2025 targets)**

Table 1: Snapshot of Macroeconomic Indicators

Indicator	**2024 targets**	**2024 outturn**	**2025 targets**
Overall GDP Growth	3.1	5.7	4.0
Non-oil GDP	2.8	6.0	4.8
Inflation	15.0	23.8	11.9
Budget Deficit (Cash basis)	-5.3	-5.2	4.1
Primary Balance (Cash basis)	-0.6	-1.2	0.5
Gross International Reserves (Months of Import Cover)	3.0	4.0	3.0

Source: 2025 Budget Statement and Economic Policy

GDP Growth Rate

The economy's growth in 2024 exceeded expectations, reaching 5.7% against a target of 3.1%. However, the projected growth for 2025 is expected to slow to 4.0%, indicating a more moderate expansion. Non-oil GDP growth increased to 6.0% in 2024, far exceeding the target of 2.8%. However, a more moderate growth of 4.8% is projected for 2025.

The projected overall GDP growth for 2025 is 4.0%, slightly below the 4.2% growth rate estimated for Sub-Saharan Africa in 2025-2026, as per the World Bank's Global Economic Prospects report. While the strong performance in 2024 indicates an economic recovery, the more modest 2025 forecast reflects cautious optimism, likely influenced by both global economic conditions and domestic structural challenges. Given the government's intention to reduce expenditure, it is essential to allocate resources to key growth areas in order to drive economic expansion and create jobs.

Inflation Rate, Fiscal Balance and Primary Balance

Inflation remained high at 23.8% in 2024, far exceeding the target of 15.0%, which indicates increased costs of living and doing business. For 2025, an inflation rate of 11.9% is projected. The budget deficit (on a cash basis) remained high at -5.2% in 2024, just below the target of -5.3%. However, the target of -4.1% for 2025 indicates a move toward fiscal consolidation. The primary balance worsened to -1.2% in 2024, falling short of the -0.6% target. However, it is projected to improve to 0.5% in 2025.

The 2025 target of 11.9% suggests a goal of reducing inflation, likely through tighter monetary policies and fiscal measures. However, reaching this target will require ongoing efforts to stabilize food prices, which are the main contributors to inflation. Also, the 2025 projections for budget deficit and primary balance requires commitment to fiscal discipline and stricter expenditure controls

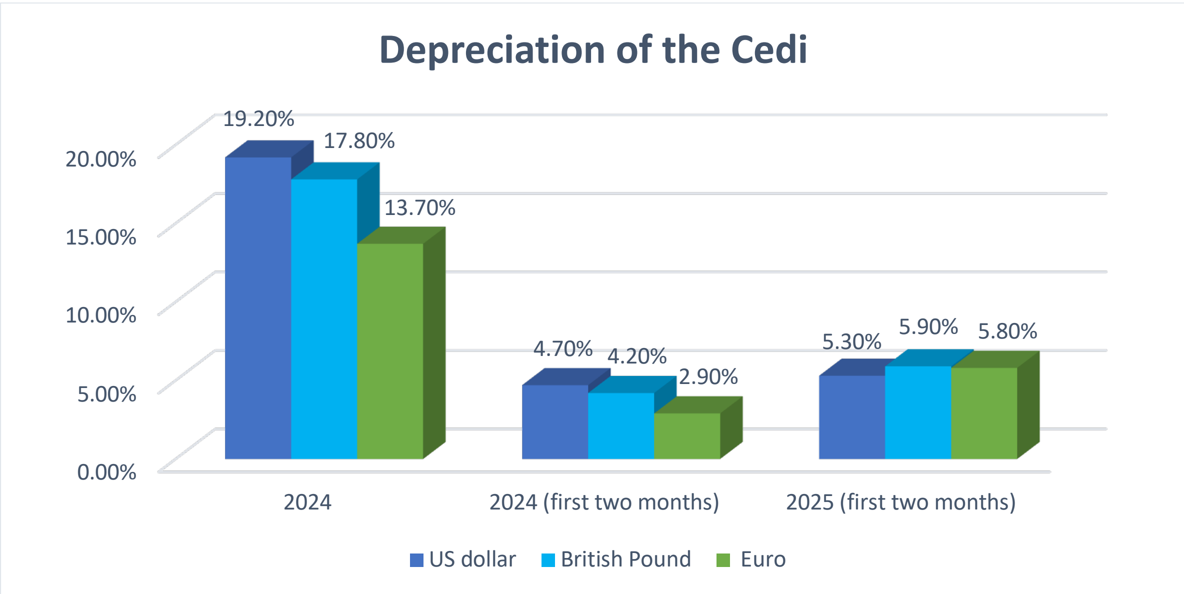
Gross International Reserve

Gross reserves rose to 4.0 months of import cover in 2024, exceeding the 3.0 months target. However, the target for 2025 remains set at 3.0 months.

To grow Ghana's reserves, it is essential to move beyond traditional exports and diversify by including value-added goods and services, such as processed agricultural products and digital services. Boosting the country's reserves will help stabilize the cedi, enhance investor confidence, provide a cushion against external shocks, and support economic growth.

Depreciation

Figure 1: Depreciation of the cedi



Source: 2025 Budget Statement and Economic Policy

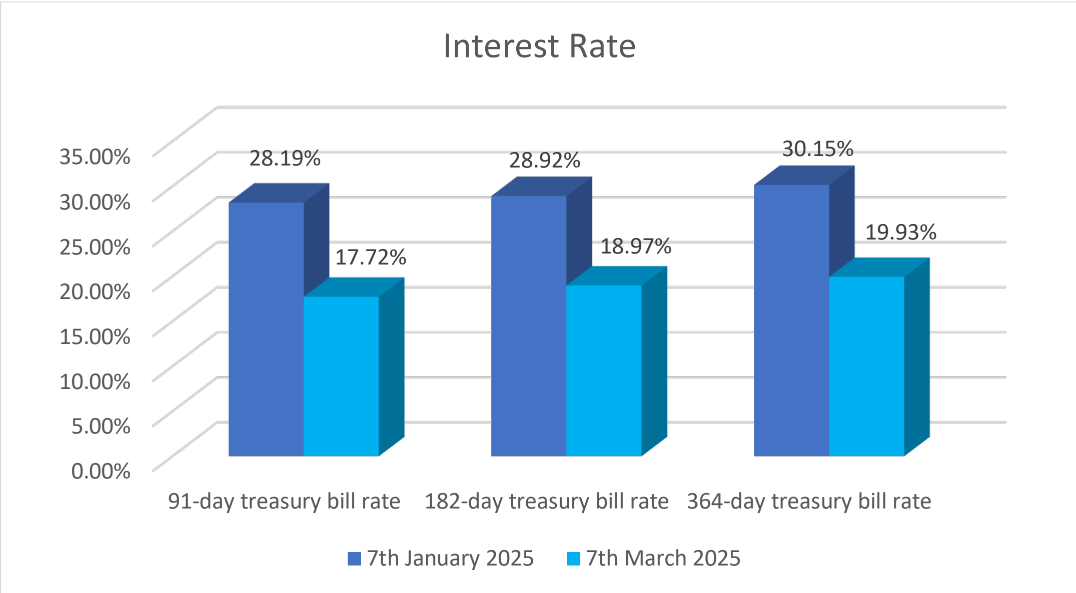
According to the 2025 budget, in 2024, the cedi depreciated by 19.2% against the US Dollar (USD), 17.8% against the British Pound (GBP), and 13.7% against the Euro (EUR). Considering the first two months of 2024, the depreciation rates were 4.7% (USD), 4.2%

(GBP), and 2.9% (EUR). However, in the first two months of 2025, the depreciation rates increased to 5.3% (USD), 5.9% (GBP), and 5.8% (EUR).

This indicates that the cedi is still losing value, but at a more moderate pace compared to the overall trend in 2024. If this trend persists, it could lead to higher import costs, increased debt servicing expenses, inflationary pressures, and rising production costs for domestic firms and businesses. Steps must be taken to strengthen foreign exchange reserves, diversify exports, promote domestic production, implement inflation control measures, and adopt effective debt management strategies. These actions will help stabilize the economy and reduce the negative impact of continued depreciation.

Interest Rate

Figure 2: Interest Rate



Source: 2025 Budget Statement and Economic Policy

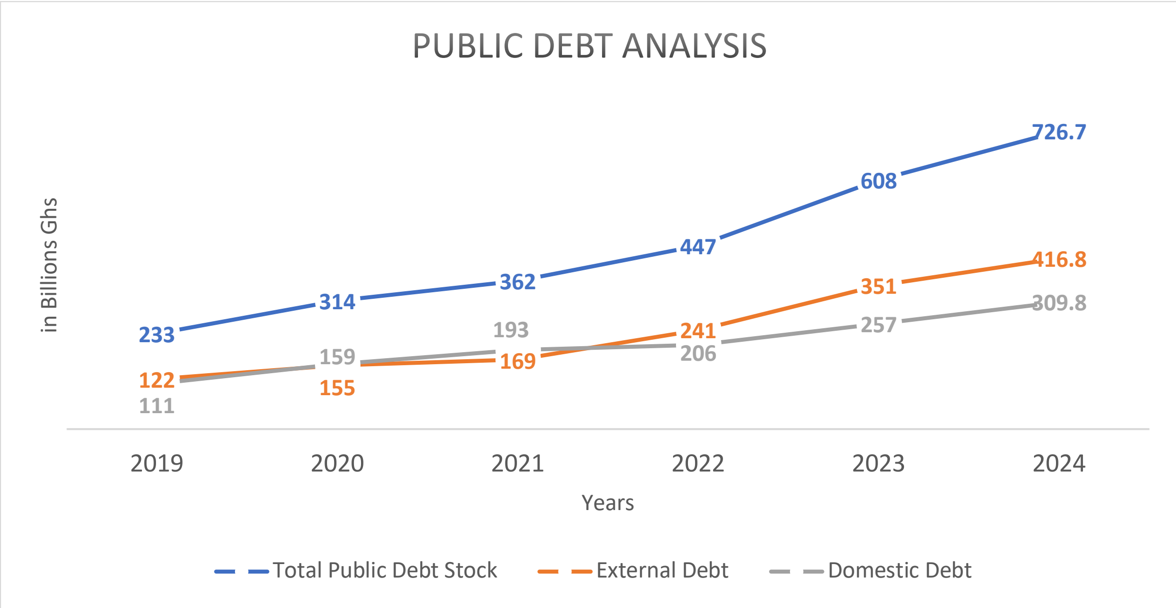
According to the 2025 budget, there was a decline in treasury bill (T-bill) rates in Ghana between 7th January 2025 and 7th March 2025 across various maturities:

- The 91-day T-bill rate decreased from 28.19% to 17.72%
- The 182-day T-bill rate fell from 28.92% to 18.97%
- The 364-day T-bill rate dropped from 30.15% to 19.93%

The decline in treasury bill (T-bill) rates in Ghana between January and March 2025 suggests lower government borrowing costs, which could ease fiscal pressures. This reduction may boost investor confidence, stimulate private sector borrowing, and encourage economic growth. However, it also poses risk of inflationary pressures while the lower rates signal improved market conditions, they require careful management to balance growth and inflation.

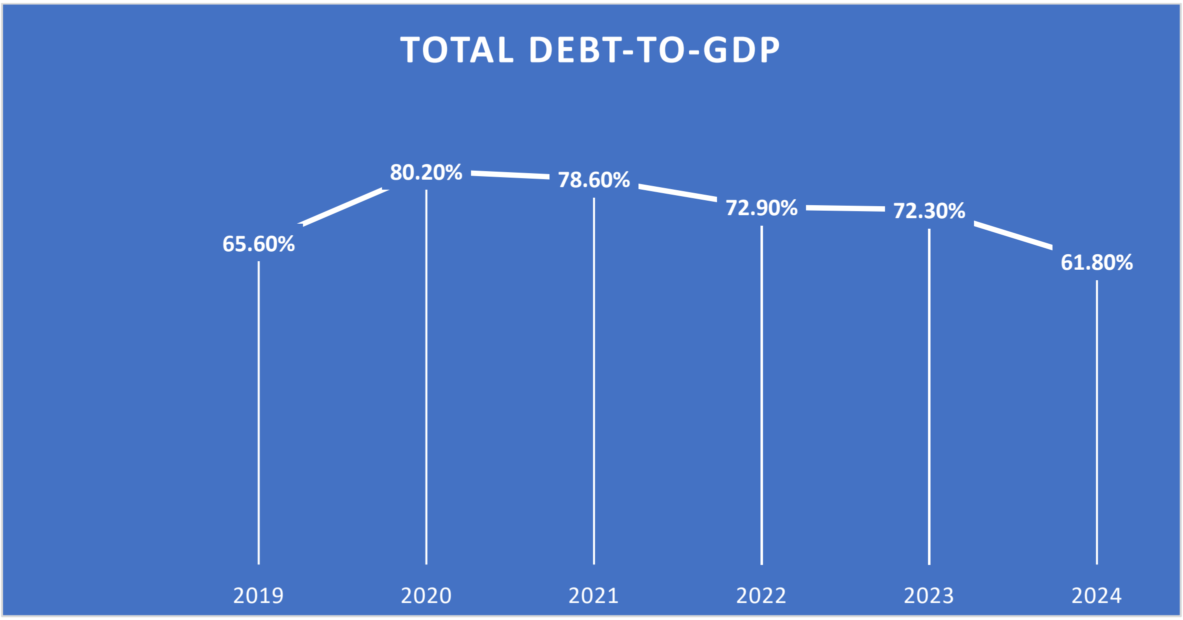
3. **Public Debt Stock Development**

Figure 3: Trend of Public Debt Stock



Source: 2025 Budget Statement and Economic Policy

Figure 4: Trend of Debt-to-GDP ratio



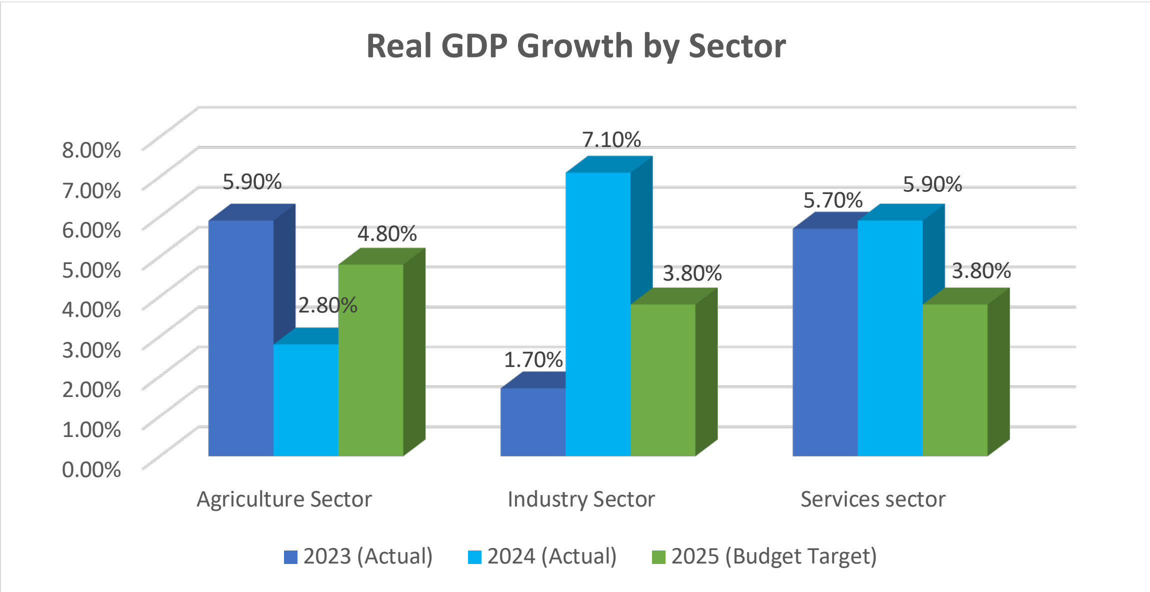
Source: 2025 Budget Statement and Economic Policy

The total public debt stock has increased significantly from GHS 233 billion in 2019 to GHS 726.6 billion in 2024. Both external and domestic debts have increased, with external debt reaching GHS 416.8 billion and domestic debt totaling GHS 309.8 billion in 2024. Despite the rising debt levels, the debt-to-GDP ratio improved, declining from 80.2% in 2020 to 61.8% in 2024.

Even though the declining debt-to-GDP ratio is a positive sign, the rising public debt stock remains a concern for Ghana's long-term fiscal health. Prudent debt management, economic diversification, and enhanced domestic revenue mobilization are vital to ensuring sustainable growth and financial stability.

4. Real Sector Performance

Figure 5: Real Sector Growth



Source: 2025 Budget Statement and Economic Policy

Agriculture: The agriculture sector experienced robust growth of 5.9% in 2023, but this was followed by a decline to 2.8% in 2024. This downturn was largely driven by setbacks in the cocoa subsector, where disease outbreaks and the illegal mining crisis severely impacted yields. Looking ahead, the government projects a 4.8% growth rate for the sector in 2025.

Industry: After a sharp contraction of 1.7% in 2023, the industrial sector rebounded with a strong 7.1% growth in 2024, driven by mining, manufacturing, construction, and electricity. However, a more modest growth target of 3.8% for 2025.

Services: The sector experienced consistent growth, increasing from 5.7% in 2023 to 5.9% in 2024. Despite this steady performance, the government has projected a 3.8% growth for 2025, indicating a potential slowdown that could affect the sector's resilience.

The Ghanaian economy shows mixed performance across key sectors. Agriculture, after strong growth in 2023, faced setbacks in 2024 due to issues in the cocoa subsector but is projected to grow by 4.8% in 2025. The industrial sector rebounded strongly in 2024 after a contraction in 2023, though growth is expected to slow to 3.8% in 2025. The services sector has seen consistent growth, but the government projects a slowdown to 3.8% in 2025, potentially affecting its stability.

Agriculture: *Address cocoa sector challenges by combating disease and illegal mining, diversifying crops, and providing more support to farmers through better technology and training.*

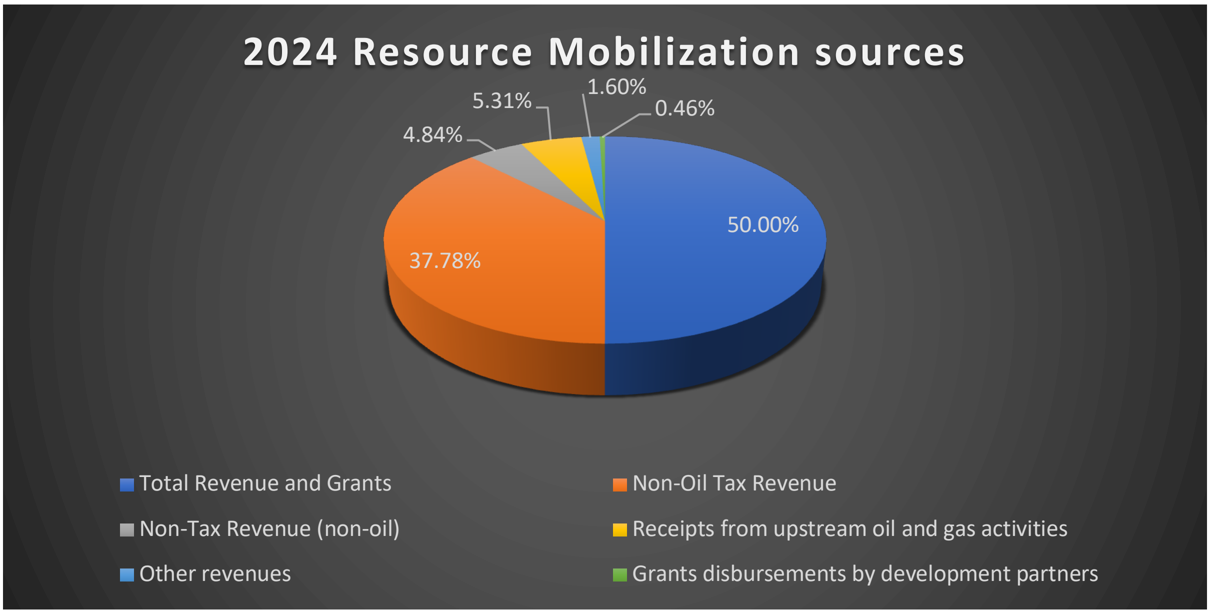
Industry: *Focus on sustaining growth by improving infrastructure, fostering innovation, investing in energy, and promoting industrial diversification, especially in non-extractive industries like advanced manufacturing and tech.*

Services: *Stimulate innovation and digital transformation, improve education and skills, and enhance infrastructure and connectivity, particularly for sectors like fintech, tourism, and ICT.*

5. Fiscal Developments

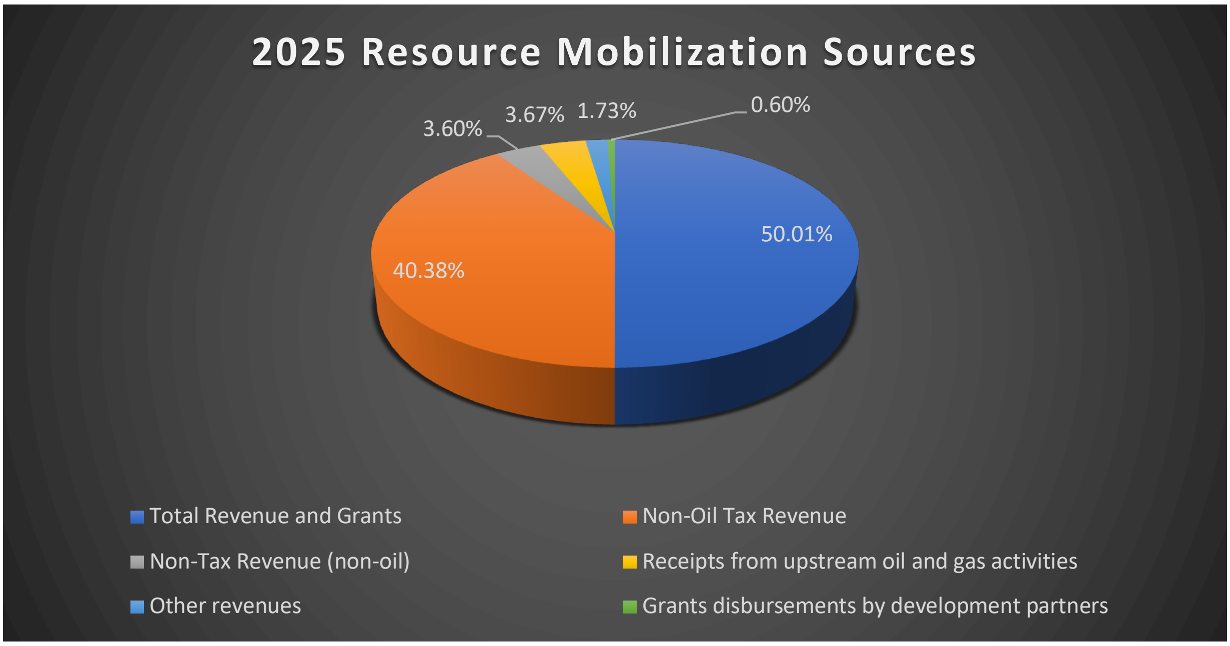
Revenues

Figure 6: Government's Total Revenue for 2024



Source: 2025 Budget Statement and Economic Policy

Figure 7: Government's Total Revenue for 2025



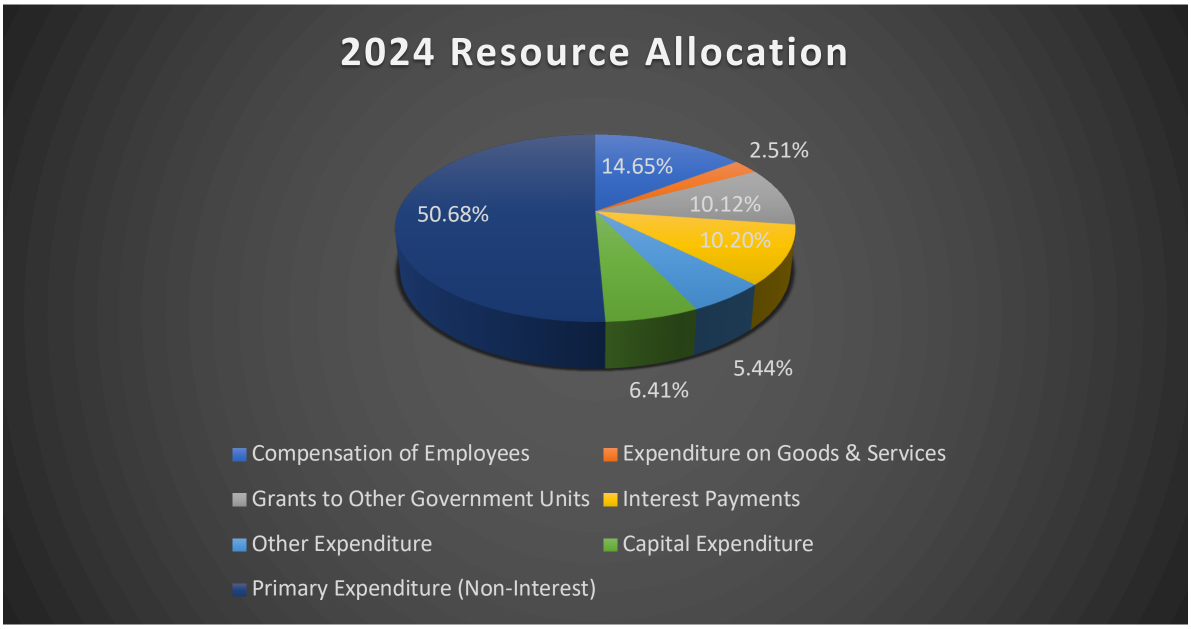
Source: 2025 Budget Statement and Economic Policy

In 2024, total revenue and grants amounted to GH₵186.5 billion, or 15.9% of GDP. This is projected to rise to GH₵224.9 billion in 2025, an anticipated growth of over 20.5% of the 2024 total revenue.

The government must adopt prudent measures to improve tax compliance and collection as well as diversify its revenue sources. This is important, especially at a time when there is a considerable removal of certain taxes and the termination of some foreign assistance, such as the USAID.

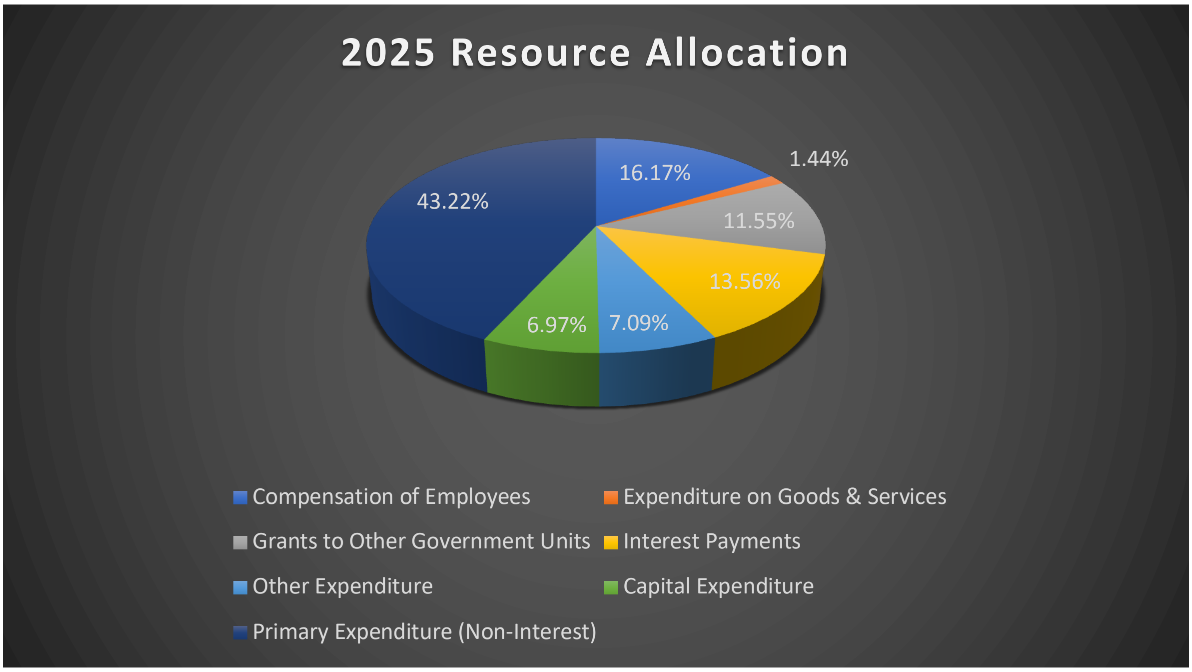
Expenditure:

Figure 8: Government's Total Expenditure for 2024



Source: 2025 Budget Statement and Economic Policy

Figure 9: Government's Total Expenditure for 2025



Source: 2025 Budget Statement and Economic Policy

Total expenditure in 2024 reached GH₵279.2 billion, or 23.7% of GDP. The 2025 target is GH₵269.1 billion, reflecting a modest decrease of 3.6%. This indicates a focus on fiscal consolidation, likely through expenditure rationalization to manage the budget deficit.

The government's cut in expenditure reflects its focus on fiscal consolidation, likely through expenditure rationalisation to manage the budget deficit. Expenditure cuts during high unemployment rates would likely reduce aggregate demand and worsen the unemployment rate especially when funds are not allocated to sectors where they are most needed. It is recommended that government review its expense allocation by reallocating funds to productive sectors of the economy to generate the desired growth, create jobs and reduce the unemployment rate.

6. Taxes

Taxes programmed for removal

i. 10% Withholding Tax on Lottery Winnings (Betting Tax)
ii. Electronic Transaction Levy (E-levy) of 1%
iii. Emissions Levy on industries and vehicles
iv. VAT on motor vehicle insurance policy
v. 1.5% Withholding Tax on unprocessed gold by small-scale miners
vi. COVID-19 Levy subject to restructuring of Value-Added Tax

New taxes introduced

i. 2% Growth and Sustainability levy on the gross production of mining companies
ii. Special import levy of 2% on cost, insurance and freight (CIF) value of certain goods
iii. The road toll

7. Key Policy Initiatives

i. 24-Hour Economy

Strength

Extending traditional working hours has the potential to significantly boost productivity. By maximizing the efficient utilization of resources, businesses can optimize their output and improve operational effectiveness. With a corresponding increase in demand, participating businesses stand to generate substantial revenue growth.

Additionally, extending business hours necessitates an expanded workforce, thereby creating new employment opportunities. Given Ghana's current unemployment rate of over 14%, this policy could play a pivotal role in addressing this challenge. The government's proposal to implement a three-shift system would, in turn, create numerous job opportunities, helping to reduce unemployment and foster economic growth

Weakness
However, the policy, as outlined in the budget, lacks a comprehensive and detailed framework for effective implementation, rendering any analysis of its impact speculative at this stage. The budget lacks clarity on how job creation will be financed, whether through the public sector or the private sector.

Recommendations
Given the novel nature of this policy in Ghana, an incremental or phased implementation approach is advisable. Such a strategy would allow for the identification and resolution of any initial challenges, while simultaneously providing valuable insights and experience for the successful execution of subsequent phases.

Engaging in broader stakeholder consultations with labor unions, businesses, community leaders, government representatives, and other key players will be crucial in addressing concerns related to fair wages, worker safety, and work-life balance, among others.

Furthermore, the government should draw lessons from the successful implementation of similar policies in global cities like Tokyo, major urban centers in China, Johannesburg, and Cape Town. This would provide invaluable guidance on the requisite infrastructure, security measures, and governmental support needed to adapt the policy effectively within the unique context of Ghana.

ii. Women's Development Bank

Strength
The proposed Women's Development Bank by the Government of Ghana is a transformative initiative aimed at empowering women entrepreneurs and businesses. Providing targeted support will not only foster the growth of women-led enterprises, but also significantly contribute to job creation and economic enhancement, ultimately fostering sustainable development across the entire country.

Weakness
While the initiative holds potential, it raises significant concerns regarding its feasibility, cost, and long-term sustainability, particularly in light of Ghana's current economic challenges. The seed fund of GH₵51.3 million allocated for its establishment falls significantly short of the GH₵400 million minimum requirement for opening a bank in Ghana, raising serious questions about the financial viability and readiness of the initiative. The stringent requirements for establishing and operating a bank further exacerbate these concerns, casting doubt on the practicality of successfully implementing such an ambitious project in the present financial climate.

Recommendations

We recommend that government should enhance existing initiatives like Microfinance and Small Loans Centre (MASLOC) and the Ghana Enterprises Agency (GEA) to ensure that resources are used efficiently and that more women benefit from these programs.

Also, the Government can partner with private financial institutions to create tailored financial products for women entrepreneurs. This would reduce the need for a state-owned bank and leverage the expertise of the private sector.

iii. Agriculture for Economic Transformation Agenda (AETA)

Strength

The Agriculture for Economic Transformation Agenda (AETA), as outlined in Ghana's 2025 Budget Statement and Economic Policy Document, presents a transformative opportunity for the nation's agricultural sector. By attracting youth and professionals, AETA addresses key challenges while unlocking untapped potential in agriculture.

When effectively implemented, AETA is set to strengthen food security, reduce dependence on food imports, and mitigate external economic shocks. It promises to boost domestic agricultural productivity, fostering a more self-reliant and resilient economy.

AETA also has the potential to create widespread job opportunities across the agricultural value chain—from production to processing and distribution—driving socio-economic development, particularly in rural areas. This can help reduce urban migration pressures and promote balanced regional development.

Furthermore, AETA's focus on sustainable agricultural practices offers a path to a climate-resilient sector, ensuring long-term food security and environmental sustainability amid climate change challenges.

Weakness

A key challenge facing AETA is the lack of a clear, transparent implementation framework. Without detailed timelines, clear responsibilities, and defined performance metrics, the policy risks inefficiencies and delays. Transparency is essential for effective execution and for maintaining public and stakeholder trust.

Previous agricultural initiatives in Ghana have been vulnerable to corruption and political influence. If AETA does not implement strong governance and oversight mechanisms, there is a risk of resource diversion and undermining the policy's objectives. Strong accountability measures are critical to maintaining integrity and achieving desired outcomes.

AETA's success depends on reliable and sustainable funding. The absence of a clear, dedicated financial mechanism raises concerns about potential disruptions and delays. Establishing a stable financing model, involving both public and private sectors, is essential for AETA's long-term success and effective implementation.

Recommendations
The policy must prioritise facilitating easy access to affordable financing for farmers to enable them to scale up production effectively. Providing financial support through low-interest loans, subsidies, or innovative credit mechanisms will empower farmers to invest in modern technology, improved inputs, and sustainable farming practices, ultimately driving increased agricultural productivity and growth.

To mitigate the risk of a market glut resulting from bumper harvests, the policy must include strategies for establishing robust, well-organized markets. It should also focus on creating efficient supply chains that ensure products reach consumers at low cost. Investments in infrastructure, transportation, and market linkages will be critical to reducing post-harvest losses, stabilizing prices, and ensuring that farmers can sell their produce in a timely and cost-effective manner.

Furthermore, there should be a connection between the agriculture department of our universities, enabling faculty members to organise periodic short training sessions for farmers as well as keep them updated on the current trends in the demand for agricultural products.

iv. $10b "Big Push" Infrastructure Development

Strength
The Government of Ghana's $10 billion "Big Push" Infrastructure Development initiative is poised to serve as a significant economic stimulus, driving growth and improving national infrastructure. When executed effectively, the project has the potential to attract Foreign Direct Investment (FDI), propelling further investment and fostering long-term economic diversification.

In addition to its macroeconomic benefits, the initiative will create substantial job opportunities across various sectors, including engineers, project managers, and skilled and unskilled laborers. Beyond direct employment, the project is expected to generate indirect jobs in the supply chain, benefiting suppliers, contractors, and service providers, thus enhancing the overall labor market and local business ecosystem.

Weakness
While the Government of Ghana's $10 billion "Big Push" Infrastructure Development initiative is an ambitious and potentially transformative policy, several challenges may hinder its successful execution. Mobilizing such a significant amount of

capital, especially within the context of the country's current economic constraints and limited fiscal space, presents a substantial obstacle.

Furthermore, Ghana's history of abandoned infrastructure projects raises concerns about the long-term sustainability of the initiative. Without a clearly defined and reliable source of funding, there is a risk that many projects may be left incomplete, undermining the policy's overall impact.

Additionally, the risk of cost overruns and the potential for corruption could lead to inflated costs, diminishing the value for money and compromising the efficiency of the initiative. Effective governance structures and stringent oversight will be crucial to ensure that the policy achieves its intended goals without falling prey to these systemic issues.

Recommendations

To enhance the effectiveness and sustainability of the $10 billion "Big Push" Infrastructure Development initiative, several key recommendations are essential:

A clearly defined and reliable source of funding must be secured for the policy to ensure long-term financial stability and prevent project delays.

The government should actively explore Public-Private Partnerships (PPP) to alleviate the fiscal burden on the state and attract private sector investment, thus ensuring that the initiative remains financially viable.

To guarantee accountability and efficiency**,** the government must prioritize transparent and competitive procurement processes. This will safeguard value for money and minimize the risks of misallocation or waste.

In awarding contracts, special emphasis should be placed on local contractors with good accountability record to build national capacity, ensure greater economic retention, and keep financial resources circulating within the local economy.

v. The Gold Board

Strength

The establishment of the Gold Board presents a significant opportunity to enhance the efficiency and organization of Ghana's gold industry. By streamlining key activities - such as mining, refining, and exportation - the Gold Board could introduce greater oversight and coordination, especially in the context of the prevalent challenges posed by illegal mining.

An optimised and well-regulated gold industry has the potential to substantially increase the country's foreign exchange earnings. If the Gold Board is successful in curbing illicit mining activities and ensuring that the full extent of gold mined domestically is properly accounted for, Ghana could realise a much higher share of its gold wealth, boosting both national revenue and economic growth.

Weakness

A key challenge facing the Gold Board policy is the potential for duplication of duties and overlapping functions, given the existing roles of the Minerals Commission and the PMMC. This redundancy could create inefficiencies and confusion in regulatory processes.

Additionally, the introduction of a new regulatory body may encounter resistance from industry stakeholders, who could view the Gold Board as an added layer of bureaucracy. Such opposition could exacerbate the bureaucratic challenges already present in the sector, hindering the policy’s smooth implementation and effectiveness.

Recommendation

To ensure broader acceptance and minimize resistance, the Gold Board policy must incorporate comprehensive stakeholder engagement. Actively involving all sector players in the decision-making process will foster collaboration and build industry trust.

The board should prioritize the integration of advanced technologies to enhance gold valuation, fraud detection, and regulatory compliance. This will ensure a more transparent, efficient, and secure framework for managing Ghana's gold resources.

vi. Ghana Labour Export Programme

Strength

The Ghana Labour Export Programme Policy has the potential to create significant employment opportunities for Ghanaians in the global labour market. When effectively implemented, the policy could drive a notable increase in remittances, contributing positively to the country's economy.

Furthermore, it holds the promise of facilitating the transfer of valuable knowledge and technology, fostering overall national development.

Weakness

The Ghana Labour Export Programme Policy, if not adequately regulated, may result in the unintended consequence of a brain drain, as skilled professionals could be enticed to work abroad, potentially depleting the nation's talent pool.

Moreover, without the necessary safeguards in place, there is a risk that Ghanaians employed overseas may be vulnerable to exploitation and substandard working conditions, undermining the benefits of international employment opportunities.

Recommendation
The Ghana Labour Export Programme Policy must ensure stringent bilateral agreements with destination countries to protect workers' rights and ensure fair treatment.

It should also include Pre-Departure Training to equip workers with adaptability skills, cultural orientation, and reporting systems.

Additionally, a reintegration program for returning workers is essential to harness the skills, knowledge, and experience they bring back for national development.

vii. Free first-year education policy" in public tertiary institutions

Strength
Government in the 2025 budget has allocated GH¢499.8 million for the "free first-year education policy" in public tertiary institutions. This initiative will contribute to alleviating the financial burden on students entering tertiary institutions as well as increasing access to higher education in Ghana. This new policy is a positive step toward making higher education more accessible in Ghana

Weakness
While this policy initiative is laudable, issue of adequate infrastructure to accommodate the increase in student enrolment is a concern. The policy will again have a severe negative impact on the operations of private tertiary institutions in Ghana.

Recommendation
Government must ensure reliable source of funding for the sustainability of the policy without compromising other critical sectors. It is also important to critically assess how other private tertiary institutions can benefit from this initiative to avoid their potential student enrolment challenges and avoid their subsequent collapse.

8. Observations from the 2025 Budget

A key observation of the 2025 Budget Statement and Economic Policy for Ghana is the inconsistency between the figures quoted by the Finance Minister in his budget speech, those presented in the main budget document, and those found in the appendices of the budget. For instance, the targeted GDP growth rate for 2025 is stated as 4.4% in the Finance Minister's speech, yet the main budget document reflects a figure of 4.0%.

Additionally, there are discrepancies in the total expenditure amounts quoted for 2025, further compounding the concerns around the accuracy and coherence of the budget. These inconsistencies raise questions about the clarity and reliability of the fiscal data provided and warrant further scrutiny to ensure alignment and transparency.

9. Conclusion

The 2025 Budget Statement and Economic Policy of Ghana presents a strategic vision for national growth, economic stability, job creation and infrastructure development. Although the budget outlines a number of hopeful initiatives, long term success will depend on their effective execution and close oversight.

For successful management of the economy, the government needs to address issues such as fiscal discipline, debt management, and inclusive growth. The effectiveness of this budget will depend on the government's ability to strike a balance between short-term demands and long-term development objectives, ensuring that all Ghanaians benefit from the economic progress envisioned in the policy.

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About CERPA
The Centre for Economic Research and Policy Analysis (CERPA) is a leading think tank dedicated to providing independent, data-driven economic research and policy recommendations to foster sustainable economic growth in Ghana and beyond.

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