



INSTITUTE FOR FISCAL STUDIES

POLICY BRIEF

No. 24
August 12, 2025

AN ASSESSMENT OF THE GOVERNMENT OF GHANA'S 2025 MID-YEAR FISCAL POLICY REVIEW

1. INTRODUCTION

When the government presented the 2025 mid-year fiscal policy review on July 24, it had much to celebrate from the macroeconomic perspective. Real GDP growth, inflation, and the cedi exchange rate had seen significant improvements. Ghana's external account position had also improved considerably.

For the most part, information on these macroeconomic developments was well known before the government presented the mid-year review. In contrast, much less was known about the nature of the execution of the 2025 budget during the first half of the year, especially as the budget had introduced many new policy initiatives. Therefore, the Institute for Fiscal Studies (IFS) took a great interest in the mid-year fiscal review.

Having critically examined the review, we have prepared this paper to highlight the fiscal challenges the country is facing and provide policy recommendations. As a background, Section 2 takes stock of the macroeconomic performance during the first half of the year, while Section 3 discusses fiscal performance in the first half of 2025 and analyzes the revisions made to the 2025 budget. Section 4 then assesses the mid-year budget review and the government's fiscal policies. Section 5 provides policy recommendations.

2. MACROECONOMIC PERFORMANCE IN THE FIRST HALF OF 2025

Ghana's economic performance for the first half of 2025 shows improved signs of recovery and stabilization, relative to what prevailed in the country in 2024. Key macroeconomic indicators such as

economic growth, inflation, interest rates, external balance and exchange rate all point to an economy regaining traction.

On year-on-year basis, the economy grew by 5.3% in the first quarter of 2025, compared with the 4.9% growth rate recorded in the first quarter of 2024. More importantly, non-oil real GDP growth surged to 6.8% in the first quarter of 2025, compared with the 4.3% growth rate of non-oil real GDP registered during the same period in 2024. Expanding by 6.6%, the agriculture sector emerged as the main driver of the real GDP growth during the first quarter of 2025, with the fishing sub-sector recording a remarkable 16.4% growth rate. Accounting for nearly half of Ghana's real GDP, the service sector grew by 5.9%, driven by strong performances in information and communication technology and financial services subsectors, which grew by 13.1% and 9.3% respectively. The industrial sector recorded 3.4% growth, driven by the manufacturing subsector, which grew by 6.6%. This represents the highest year-on-year growth of the manufacturing subsector since the 4th quarter of 2021.

Inflation dropped significantly in the first half of 2025. Headline inflation rate fell from 23.8% in December 2024 to 13.7% in June 2025. This represents a significant breakout, given that headline inflation rate ranged from 20.4% to 25.8% throughout 2024. The disinflation process in the first half of 2025 was driven by both food and non-food inflation. Food inflation rate declined from 27.8% in December 2024

to 16.3% in June 2025, while non-food inflation eased from 20.3% in December 2024 to 11.4% in June 2025. Also, both locally produced and imported goods recorded substantial reductions in inflation rates. Locally produced goods inflation decreased from 26.4% in December 2024 to 14.0% in June 2025, while imported goods inflation declined from 18.0% in December 2024 to 12.5% in June 2025. The declines in inflation rates during the first half of 2025 reflected tight monetary policy stance of the Bank of Ghana, improved fiscal outcomes, and a strong performance of the cedi against foreign currencies during the period.

In contrast to the persistently high interest rates that characterized 2024, the first half of 2025 saw significantly reduced interest rates. The 91-day Treasury bill rate dropped from 27.7% in December 2024 to 14.7% in June 2025. The 182-day and 364-day Treasury bill rates also declined from 28.43% and 29.95% in December 2024 to 15.34% and 15.76% in June 2025 respectively. Moreover, the average lending rate also eased from 30.3% in December 2024 to 27.0% in June 2025. Interest rates clearly responded to the easing of inflation during the first half of 2025. Another factor that helped to drive interest rates down is reduction in government borrowing during the period, due to considerably smaller government expenditure relative to what had been budgeted for, as we shall see later.

The external sector witnessed substantial improvements in the first half of 2025. Gross international

reserves rose to US\$11.12 billion at the end of June 2025 from US\$8.98 billion at the end of December 2024. The months of import cover of gross international reserves therefore increased to 4.8 at the end of June 2025 from 4.0 at the end of December 2024. The balance of trade registered a surplus of US\$5.57 billion in June 2025, compared with a surplus of US\$1.37 billion in June 2024. The current account also recorded a surplus of US\$3.44 billion in June 2025, compared with a surplus of US\$283 million in June 2024. The financial account balance (excluding reserve assets) also registered a surplus of US\$1.6 billion at the end of June 2025, compared with a deficit of US\$150.1 million at the end of June 2024. The robust performance of the external sector in the first half of 2025 was underpinned by robust export performance in gold and cocoa, reduced import demand, and reduced external loan servicing.

On the back of these developments, the Ghanaian cedi appreciated markedly against foreign currencies in the first half of 2025. From December 2024 to June 2025, the cedi appreciated cumulatively by 42.6%, 30.3% and 25.6% against the US dollar, the British pound and the euro respectively. These are in sharp contrast to the depreciation rates of 18.6%, 17.9%, and 16.0% against the US dollar, the British pound and the euro respectively during the same period in 2024.

3. FISCAL PERFORMANCE IN THE FIRST HALF OF 2025 AND ANALYSIS OF THE REVISED 2025 BUDGET

3.1 Fiscal Performance in the First Half of 2025

In the first half of 2025, the fiscal deficit outturns were unbelievably lower than what had originally been budgeted for. On commitment basis, the fiscal deficit outturn stood at GH¢10.25 billion, representing as much as GH¢15.22 billion or 59.8% lower than the initially budgeted deficit amount of GH¢25.47 billion. As a ratio of GDP, the fiscal deficit outturn on commitment basis in the first half of 2025 stood at 0.7%, also representing as much as 1.1 percentage points lower than the initially budgeted commitment deficit ratio of 1.8%. Similarly, on cash basis (excluding discrepancy), the fiscal deficit outturn stood at GH¢15.03 billion as at the end of June 2025, representing GH¢17.93 billion or 54.4% lower than the initially budgeted amount of GH¢32.96 billion. And as a ratio of GDP, the cash deficit outturn in the first half of 2025 stood at 1.1%, representing as much as 1.3 percentage points lower than the initially budgeted ratio of 2.4%. Indeed, instances of actual fiscal deficits underperforming their initial budgets with such large proportions are difficult to find in Ghana's fiscal history.

Total revenue and grants outturn underperformed the budgeted amount in the first half of 2025. In the first half of 2025, actual total revenue and grants stood at GH¢99.34 billion, compared with the budgeted amount of GH¢102.58 billion. Thus, relative to the budgeted amount, actual total revenue and grants shortfall stood at GH¢3.24 billion or 3.2%. The incredibly reduced fiscal deficit outturns during the period,

as described above, were driven by substantial underspending. Actual total expenditure (on commitment basis) stood at GH¢109.59 billion at the end of June 2025, representing a shortfall of GH¢18.45 billion or 14.4% from the budgeted amount of GH¢128.04 billion. On cash basis, actual total expenditure stood at GH¢114.37 billion at the end of June 2025, representing as much as GH¢21.17 billion or 15.6% lower than the budgeted amount of GH¢135.54 billion.

3.2 Analysis of the Revised 2025 Budget

Despite the underperformance of total revenue and grants and the substantial shortfall in total expenditure, which gave rise to the incredible reduction in actual fiscal deficits relative to the initially budgeted deficits during the first half of 2025, most line items in the 2025 revised budget remained the same in value as in the original 2025 budget. Thus, no revisions were made to them.

On revenue, all components of tax revenue (taxes on income and property, taxes on domestic goods and services, taxes on international trade, and tax refund) and their subcomponents received no revisions in the 2025 revised budget. Social contributions and non-tax revenue also remained the same. The only revenue item whose amount changed in the revised 2025 budget is ESLA proceeds. Proceeds from ESLA increased by GH¢2.87 billion to reflect the GH¢1.00 petroleum levy passed by Parliament on June 3, 2025 under the Energy Sector Levy (Amendment) Bill, 2025.

Consequently, total revenue and grants in the revised 2025 budget increased by GH¢2.87 billion to GH¢229.95 billion, from the initial budget amount of GH¢227.08 billion.

Also, all expenditure items (and their subcomponents) remained the same in the revised budget as in the original 2025 budget except interest payment and, of course, ESLA transfers. Interest payment in the revised budget stands at GH¢59.87 billion, GH¢4.29 billion lower than the initially budgeted interest payment of GH¢64.16 billion. And, reflecting the increase in ESLA proceeds on the revenue side, ESLA transfers increased by GH¢2.87 billion on the expenditure side of the revised 2025 budget. Given that the net result of the decline in interest payment and the increase in ESLA transfers is -GH¢1.43 billion (-GH¢4.29 + GH¢2.87), total expenditure on commitment basis has declined by GH¢1.43 billion to GH¢269.49 billion in the revised budget from the GH¢270.92 billion recorded in the original 2025 budget.

Since total revenue and grants increased by GH¢2.87 billion while total expenditure on commitment basis decreased by GH¢1.43 billion in the 2025 revised budget, as analyzed in the above two paragraphs, the gap between total revenue and grants and total expenditure on commitment basis improved by GH¢4.30 billion. Therefore, the total budget deficit on commitment basis in the revised budget declined by GH¢4.30 billion to GH¢39.54 billion from the GH¢43.84 billion recorded in the original 2025 budget. As a share of GDP, the budget deficit on commitment

basis has been revised to decrease to 2.8% in the revised budget from the 3.1% in the original 2025 budget. It is important to point out that the government did not make any revision to the originally budgeted net arrears clearance amount of GH¢13.07 billion. Therefore, the fiscal deficit on cash basis has also been revised down by GH¢4.30 billion to GH¢52.61 billion from the GH¢56.91 billion in the original 2025 budget. And as a ratio of GDP, the fiscal deficit on cash basis has been revised down to 3.8% from the 4.1% recorded in the original 2025 budget.

4. ASSESSMENT

Clearly, the macroeconomic environment has strengthened, driven, as noted in Section 2, by both domestic and external factors. At the same time, efforts to improve the fiscal position in 2025, in the wake of the fiscal slippage in 2024, are welcome. Yet, a close scrutiny of the mid-year review brings the following important issues to attention:

I. Difficult revenue and financing conditions in the first half of 2025

Generally speaking, it is good that total government expenditure and the fiscal deficit outturns were significantly lower than programmed. However, rather than being the result of a deliberate effort on the part of the government to achieve tighter-than-programmed fiscal consolidation outcomes, the situation was largely imposed on it by difficult fiscal conditions during the period.

Mainly, these are:

a. Weak revenue performance:

Contrary to the Minister's cheerful remarks on revenue performance, revenue collection did not meet expectations in the first half of the year. Both domestic revenue and foreign grants fell short of the budget target for the first half of 2025, which gave rise to the shortfall in total revenue and grants of GH¢3.24 billion, as pointed out in Section 2. Domestic revenue was GH¢2.90 billion or 2.9% below target, while foreign grants was GH¢338.72 million or 31.7% below target.

b. Harsh financing conditions:

The second factor that caused the aforementioned difficult fiscal conditions for the government in the first half of 2025 was a harsh financing environment. The government planned to raise net budget financing of GH¢32.96 billion, but was able to secure only GH¢15.12 billion, representing only 45.9% of what had been programmed. In fact, the foreign borrowing component of net foreign financing fell short by as much as 63.8%, from the budgeted amount of GH¢19.13 billion to an actual amount of only GH¢6.93 billion. Also, net domestic financing fell short by GH¢5.79 billion or 30.7% from the programmed amount of GH¢18.87 billion to GH¢13.08 billion. This is despite the government drawing down GH¢4.58 billion from its balances at the Bank of Ghana, against a programmed withdrawal of zero.

Indeed, due to these challenging

revenue and financing conditions, the government's expenditure program for the period was sharply derailed.

Most notably, the execution of the capital budget suffered disappointingly, as capital expenditure fell short by as much as GH¢10.95 billion or 60.6% from the programmed amount of GH¢18.06 billion to a mere GH¢7.11 billion as the actual amount. Both foreign and domestically financed capital expenditures were strongly hit. This disappointing performance in capital spending occurred in the face of the government's Big Push infrastructure agenda. Clearly, in the light of these developments in capital spending, the Big Push infrastructure agenda of the government has effectively been rendered inconsequential. In fact, even before the above explained developments in capital spending in the first half of 2025, IFS stated in our review of the original 2025 budget that the amount of capital expenditure the government had budgeted for was too small in the face of the Big Push agenda, as public investment as a share of total revenue and grants was to fall in 2025.

Another critical expenditure that suffered from the funding difficulties was arrears payment, which was 36.2% below target, with GH¢4.78 billion paid against a programmed amount of GH¢7.50 billion. Arrears payment is important for improving the liquidity of government contractors and curtailing high nonperforming loans in the banking system. Therefore, the underpayment should be concerning, especially as the government claims to

have inherited as much as GH¢67.5 billion of these liabilities.

What further demonstrates the seriousness of the difficult fiscal conditions under which the government operated during the first half of 2025 is that even its flagship policy initiative, GoldBod (the Ghana Gold Board), was not spared. GoldBod, which had been programmed to receive GH¢4.55 billion in the first half of the year as seed money for its operations, actually received no funding from the government during the period.

II. The revised 2025 revenue is not well grounded

As pointed out in Section 3, in the revised 2025 budget, total revenue and grants for the whole year has been projected to increase by GH¢2.87 billion from GH¢227.08 billion to GH¢229.95 billion or from 16.2% to 16.4% of GDP, with the additional revenue being the yield from the GH¢1 petroleum levy under ESLA proceeds. Again, as pointed out in that section, despite the shortfall in total revenue and grants in the first half of 2025, all the components of revenue (aside ESLA proceeds) remained the same in the revised 2025 budget.

It is, therefore, clear that the revised revenue projection for 2025 does not account for the developments in the first half of the year, and consequently looks unlikely to be achieved. For example, in the first half, oil revenue recorded a shortfall of 42.9% or GH¢2.66 billion. Yet, the government has maintained the same annual oil

revenue projection of GH¢16.51 billion in the revised budget. Likewise, import duty and non-oil non-tax revenue have been projected to yield the same annual revenues as in the original budget, despite falling short by GH¢1.59 billion (12.7%) and GH¢1.48 billion (15.6%) respectively in the first half. On the whole, the revenue shortfall in the first half was GH¢3.24 billion, as mentioned previously. Accordingly, to achieve the revised revenue target, the government must close this gap and simultaneously meet its original revenue target for the second half of the year, which will be very difficult to achieve.

Moreover, evidence spanning nearly a decade shows that getting total revenue and grants to cross 16.0% of GDP has proven elusive. As Table 1 illustrates, the highest ratio achieved was 15.9% of GDP in 2024, despite repeated introduction of new revenue measures by the government of Ghana. Against this background, the government's goal of mobilizing 16.4% of GDP in 2025, using strategies that are not different from those employed in the past, does not seem tenable.

Therefore, the revised target for total revenue and grants will most likely not be achieved. This is especially as the mid-year review did not respond credibly to the challenges that constrained revenue mobilization in the first half of the year. The implication of the full-year total revenue and grants coming short of target is that the funding challenges of the budget will persist, with critical expenditures like capital investment and arrears payment remaining underfunded through the end of the year. This underlines the seriousness and unpleasant effects of the revenue mobilization difficulties the government of Ghana is facing.

It is important to point out that the weak expenditure execution in the face of the difficult revenue mobilization and financing conditions could benefit the country's credit rating, since it makes the government appear fiscally prudent. The government could, therefore, be tempted to leverage the improved credit rating to launch a return to the international bond market, as it has already intimated.¹ This enticing prospect, however, will not

Table 1: Total Revenue and Grants to GDP Ratios, 2017-2024

<i>Year</i>	<i>Outturns (%)</i>
<i>2017</i>	<i>15.1</i>
<i>2018</i>	<i>15.4</i>
<i>2019</i>	<i>15.0</i>
<i>2020</i>	<i>14.1</i>
<i>2021</i>	<i>15.4</i>
<i>2022</i>	<i>15.7</i>
<i>2023</i>	<i>15.3</i>
<i>2024</i>	<i>15.9</i>
<i>Average</i>	<i>15.2</i>

Source of data: Ministry of Finance

¹ See, for example, Mahama reveals plans to reopen domestic and international capital markets | Ghana News Agency

serve the country's interest, given that the country's debt levels are still high despite the recent domestic and foreign debt restructuring. So, the government effectively faces a dilemma: (1) should it return to the international bond market to unlock financing opportunities for the purpose of delivering on its expenditure program and risk another debt crisis in the near future, or (2) should it refrain from doing so while it struggles to fund public investment, which would lead to limited infrastructural development and even deterioration in the existing ones, thereby limiting the long-term growth prospects of the economy? To avoid these unpleasant choices, something drastic needs to happen to public revenue mobilization.

III. The government's fiscal policy has not addressed the limited extractive sector revenue generation despite its urgency

The extractive sector, which is comparatively large in Ghana, is supposed to play two critical roles in the country's development. These are (1) to generate foreign exchange to finance imports and strengthen the value of the cedi, and (2) to serve as the primary source of revenue to the government, because extractive resources are publicly endowed resources and therefore should serve as the paramount means for mobilizing public revenue.

Oddly and regrettably, however, over the years the sector has not been positioned to play these critical roles effectively. Looking at the general fiscal policy of the government in the 2025

budget and the mid-year review, it is clear that the status quo continues.

While the government has been very enthusiastic about the establishment of the Gold Board to intervene in the gold sector, it should be understood that the Gold Board's role centers on helping the country generate foreign exchange, leaving the revenue generation question unanswered. It is important to note that any commercial gains the Gold Board may generate through its operations are irrelevant here, given, again, that the gold resources are publicly endowed. Even regarding the foreign exchange generation component, the scope of the Gold Board's operations is limited, since it largely excludes the large-scale mining sector, which usually accounts for about 70% of gold production in Ghana. Therefore, as far as the two critical roles of the extractive sector described above are concerned, the Gold Board merely scratches the surface of the challenge.

Interestingly, on April 24, 2025, during a public conference with his Ministers, President John Mahama stated as follows on the extractive sector: *"The time has come for Africa to unashamedly take advantage of the natural resource endowment that God has given us. . . Post-colonialism, we didn't have technology, we didn't have capital, [and] we didn't have the human resource. And so foreign companies come and take huge concessions and they sign it off for a pittance and they run those concessions to the benefit of the colonial metropolis. Today I think that in Africa we've developed the core of*

human resource that is capable of also taking advantage of some of these resources. We have the technology to be able to do whatever any of these big conglomerates are doing. And the capital is available in the world to mobilize to be able to do the same things."

At IFS, upon hearing this bold statement, we presumed that the President was referring to the need for the government to capitalize on the country's extractive resources to boost revenue generation, something the nation has long neglected to do, thereby limiting revenue mobilization for development. Unfortunately, the government's fiscal policy has not addressed this issue despite its urgency. Yet, the dilemma described above can only be addressed with substantial revenue mobilization from the country's extractive sector by moving away from the concession regime the government has been relying on, as our studies show that the concession regime is the main cause of the poor revenue generation from the sector. Thus, without repositioning the country for effective revenue mobilization from the extractive sector using a new approach, Ghana will not see the light of genuine development. This is because, given the country's under-developed nature with low levels of income, reliance on tax increases for revenue mobilization is not the way to go, as high taxes are bound to hurt businesses and individuals, and ultimately harm the economy's competitiveness and long-term growth potential.

It is important to point out that the only

black African country, apart from South Africa, that has made notable strides in development is Botswana, and this is largely because their approach to revenue mobilization from the extractive sector is pro-developmental, compared with Ghana's anti-developmental approach. This tells us that Ghana is simply not serious about its development. Indeed, the Gulf States would not be in the position they are now if they handled their extractive sectors in the same anti-developmental manner as Ghana does.

IV. Support to NIB not fully recognized in fiscal accounts

The government announced in the mid-year review that it has recapitalized the state-owned National Investment Bank (NIB) with a support package worth GH¢2.45 billion. This amount comprises a cash injection of GH¢450 million, bonds worth GH¢1.5 billion, and GH¢500 million of government shares in Nestlé Ghana Limited assigned to the bank. The breakdown suggests that GH¢1.95 billion (i.e., GH¢450 million + GH¢1.5 billion) of the support package involves direct expenditure or the incurrence of debt by the government. Under the current commitment-based fiscal reporting framework of the government, which requires recognition of both cash and non-cash outlays, all the GH¢1.95 billion ought to be reflected in expenditure, and thus the deficit. However, only GH¢450 million is recognized in the fiscal data in the mid-year review statement. This implies that the reported expenditure and deficit positions for the first half of

the year understate the full amount of the government's commitments during the period. The revised fiscal projections for the whole year also similarly fail to fully account for the GH¢1.95 billion, an omission that is at odds with commitment-based reporting standards.

5. RECOMMENDATIONS

Based on the analyses above, we provide the following recommendations:

I. Reset revenue mobilization by switching to active state participation or production sharing agreements in the extractive sector.

Clearly, the current government, like its predecessors, has started seeing its programs impeded by inadequate revenue generation. This calls for a reset of the country's revenue mobilization strategy. The reset should take the form of paying greater attention to the extractive sector. In this regard, the government should switch from the concession regime to active state participation in the sector or the use of production sharing agreements, which have practically proven to result in more substantial revenue generation, as our studies show.

It is important to point out that, in addition to the revenue benefit, active state participation in the sector or the use of production sharing agreements will lead to greater foreign exchange inflows, which will strengthen the cedi on a more sustainable basis. As we noted earlier, the Gold Board initiative, the government's latest intervention in the mining sector, does not get to the

heart of the problem. For one, the Gold Board does not address the fiscal revenue issue, because the Board merely buys and sells produced gold, disregarding the concept of public endowment of the gold resources. For another, if the state holds majority stakes in the gold sector or uses production sharing mechanism, there would be less need for an institution like the Gold Board, which, again, merely trades gold as a business entity. Indeed, with the state having majority stakes in the extractive sector or using production arrangements, the state would automatically own and control most of the gold and oil produced in the country.

II. Do not rush to return to the international bond market in response to the difficult fiscal conditions:

A return to the international bond market is not a sustainable solution to the revenue and financing challenges the government is facing. Resuming such borrowing will cause the already high debt level to sharply worsen, causing debt service costs to increase rapidly, as happened in the past. This will risk the country returning to another debt crisis soon. The government should instead prioritize improving revenue mobilization, focusing on the extractive sector as explained above.

III. Ensure that fiscal support to the financial sector is fully and transparently recognized in the fiscal accounts:

In accordance with the commitment-based fiscal reporting framework, the government should report all expenditures related to the NIB recapitalization in the fiscal

accounts. Any future support to the financial sector should likewise be recognized in the accounts to give a complete picture of the fiscal position. Ensuring that such interventions are properly reported will bring to light their impacts on fiscal sustainability. This will enable the government to take these impacts into consideration when determining its fiscal space and priorities.



Residential Address

No. 13, 2nd Close, Airport Residential Area, Accra, Ghana

Postal Address

P.O. Box CT 11260, Cantonment Accra, Ghana

+233 302 786 991

info@ifsghana.org

www.ifsghana.org