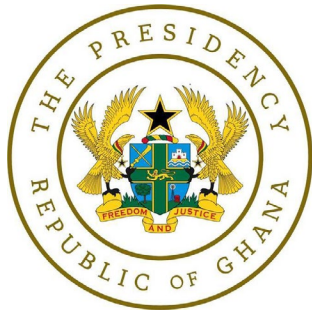




Country Financing Roadmap for the SDGs: Ghana

INSIGHT REPORT
JUNE 2021





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Office of the President**



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Foreword



Nana Addo Dankwa Akufo-Addo
President of the Republic of Ghana

Co-Chair of the UN Secretary
General's Eminent Group of
Advocates for the Sustainable
Development Goals

I write this at a critical moment in our collective pursuit of the United Nations (UN) Sustainable Development Goals (SDGs). Amid the effects of the ongoing pandemic on the global economy and the livelihoods of millions of people, our world has less than 10 years to achieve the SDGs. Despite the ongoing challenges, the SDGs are more relevant today than ever before. The Decade of Action launched by UN Secretary-General António Guterres last year is a call that must inspire all of us to scale up our efforts and the actions needed to achieve the goals.

In Ghana, we are resolute in our commitment to achieving the SDGs. As Co-Chair of the UN Secretary General's Eminent Group of Advocates for the SDGs, I recognize how crucial they are for the country's sustained growth and development prospects, and for the prosperity of current and future generations. Thus, the SDGs have become the driving factor in our national development policy formulation, development planning, programme implementation and overall resource allocation. Our overarching national development framework and our recent national budgets are all fully aligned with the SDGs. And we are making good progress in further localizing the SDGs by integrating them into our local governance and data systems for effective monitoring and evidence-based decision-making.

Despite the good progress made, and the swift and decisive actions we have taken to mitigate the effects of the pandemic, one thing that is clear is that the pandemic has not only heightened our challenges, it has also created new ones and exacerbated the financing gap that we face in the implementation of the SDGs. Moreover, it is abundantly clear that the prospects for success depend on the scale, scope and quality of partnerships that we forge with the private sector and our ability to mobilize innovative and smart financing to support implementation of the goals.

Going forward, we are determined to scale up public-private collaboration around the SDGs to unlock innovative and sustainable financing to bridge the financing gap. The private sector generates the wealth, which is the oxygen for our economic and social investments, and the private sector is at the frontiers of innovation that we crucially need to accelerate progress in our SDGs implementation. It is this recognition that has inspired me to forge a strong engagement with our domestic private sector - and led to the establishment of a CEOs Advisory Group on the SDGs-to help bolster the private sector's contribution to the implementation of the SDGs. This strong partnership has already resulted in the launch of two innovative funding mechanisms

- the SDGs Delivery Fund and the Green Fund - which are spearheaded by the domestic private sector and intended to underpin quick-impact SDG investments and the country's transition to renewable energy in the context of SDG Goal 7 (Affordable and Clean Energy).

I am delighted that, in partnership with the World Economic Forum, we have produced the Ghana Country Financing Roadmap (CFR) for the SDGs, which provides us with a clear indication of the quantum of resources required to bridge the SDGs financing gap, and the levels of ambition we need to achieve success in our objectives. As we join hands to implement the CFR, I wish to underscore that inherent in our efforts are the business opportunities that the SDGs present to the private sector, and what success guarantees for the prosperity and human security of generations and the health of our planet. The government cannot do it alone. We are thus committed to deepening our engagement with

all of the key stakeholders to actualize the solutions proposed in this report.

I commend the partnership spirit that has underpinned the preparation of this flagship report and, notably, the excellent collaboration with the Sustainable Development Investment Partnership (SDIP), which is a joint initiative between the World Economic Forum and the Organisation for Economic Co-operation and Development (OECD).

Under the leadership of the SDGs Advisory Unit in my office and our Ministry of Finance, and with the support of all partners, we look forward to diligently implementing the CFR's action plan to ensure a stronger, equitable, more resilient and prosperous Ghana that creates opportunities and enlarged choices for all of its citizens, and which leads to actualizing the Ghana we want for current and future generations.

Preface

Ghana is one of Africa's leading and most stable economies, and in the past two decades it has taken major strides toward democracy under a multiparty system and implemented strong macroeconomic reforms. While Ghana's economic outlook is still positive, it does face several risks and challenges for sustained growth and stability, in particular in meeting its [Sustainable Development Goals](#) (SDGs) by 2030. These challenges have been exacerbated by the extended COVID-19 crisis.

The Government of Ghana has demonstrated its commitment to the SDGs by embarking on several important initiatives to advance progress toward the SDGs, as well as ramp up COVID-19 recovery efforts. Some of the most important of these focus on how to finance the SDG targets. In partnership with the World Economic Forum's Sustainable Development Investment Partnership (SDIP), the **Country Financing Roadmap (CFR) for SDGs** initiative is part of the Government of Ghana's efforts to identify, quantify and develop strategies to bridge the SDG financing gap in line with immediate and longer-term national development priorities.

The Ghana CFR is designed to foster consensus through a multistakeholder approach - involving

public-sector institutions, thought leaders, investors, development finance institutions and other actors - to unlock capital and financing that will help the country achieve progress towards meeting SDG goals. Led by the Government of Ghana, it aims to formulate a set of country-led action plans to encourage greater financing at scale, especially private-sector participation, towards its commitments in meeting the SDGs (see Appendix B for more detail on the CFR initiative).

This report was created in consultation with more than 50 stakeholders by KPMG, the Government of Ghana, SDIP at the World Economic Forum, and with funding support from the European Commission and the Ministry of Foreign Affairs of Denmark. We are also thankful to the many partners whose contributions supported the insights in this report. In particular, we would like to thank the SDG Advisory Unit, Office of the President, the United Nations Development Programme (UNDP) and the Institute of Statistical, Social and Economic Research (ISSER) of the University of Ghana, with the support of the Ministry of Planning (in 2020), vital in ensuring a comprehensive report. For more information contact the SDIP Secretariat sdip@weforum.org.

Executive summary

The Government of Ghana, in partnership with the World Economic Forum's Sustainable Development Investment Partnership (SDIP), initiated the Country Financing Roadmap for the SDGs (CFR), a country-led initiative to formulate an action plan to unlock greater financing towards achieving the Sustainable Development Goals (SDGs) through public-private collaboration.

This government-led initiative serves to quantify the financing gap, identifying and developing strategies to bridge the gap for immediate and longer-term national development priorities in line with the SDGs, by formulating joint action plans to attract greater investment. The aim is to catalyse private financing for SDGs at scale, while improving the long-term competitiveness of the country.

The CFR's purpose is:

- To serve as an impartial platform, raising awareness of the conditions needed to unlock greater sustainable financing
- To stimulate dialogue on regional and thematic financing agendas for greater impact
- To create alignment among a diverse set of players and reduce inefficiencies for a more supportive ecosystem to mobilize financing towards meeting national sustainable development priorities
- To inspire concrete action and bring forward new sources of capital to the sustainable financing agenda

The value proposition of the CFR is flexibility and adaptability to prioritize country needs and leadership to:

- Facilitate greater private-sector perspectives in shaping national development priority financing discussions and solutions
- Generate a multiplier effect across existing initiatives under a common agenda by fostering synergies across different sectors and types of stakeholders (public, private, domestic and foreign)
- Create opportunities for replication across other countries, regions and markets

This report presents the process, analysis and findings of the CFR.

Section 1 describes the current state of Ghana's economy.

Section 2, Ghana and the SDGs, describes Ghana's SDG strategy, status and financing landscape, including quantifying the cost of and gap in financing the SDGs by 2030.

Ghana's SDG strategy and status: Ghana is a nation committed to meeting the SDGs, evidenced by the integration of SDGs in national policy, guided by the **Coordinated Programme of Economic and Social Development Policies 2017–2024 (CPESD): Creating Prosperity and Equal Opportunity for All**, and complimented by the **Ghana Beyond Aid Charter**, which focuses on 10 priorities to transition into a prosperous country beyond needing aid through trade and investment.

As part of ramping up its efforts to meet the SDGs in a targeted manner, Ghana has embarked on several important initiatives to advance its SDGs:

- Setting up of an effective institutional coordinating arrangement to support the implementation of the SDGs, supporting the President of Ghana as the Co-Chair of the UN Secretary-General's Group of Eminent SDGs Advocates
- Taking stock of its path towards meeting the SDGs, specifically via the Voluntary National Report (VNR) process in 2019, which highlighted progress towards the achievement of some goals, but lesser progress towards others
- Integrating SDG budgeting and financing into its national budgeting process. Total funds budgeted for the implementation of the SDGs in 2019 was GH¢ 51 billion (\$9.3 billion), representing 73% of total government expenditure
- Convening a CEO Advisory Group, made up of eminent CEOs from the private sector, to rally the private sector to support the implementation of the SDGs
- Implementing the ongoing Integrated National Financing Frameworks (INFFs) with the UNDP to inform how the national SDG strategy will be financed and implemented

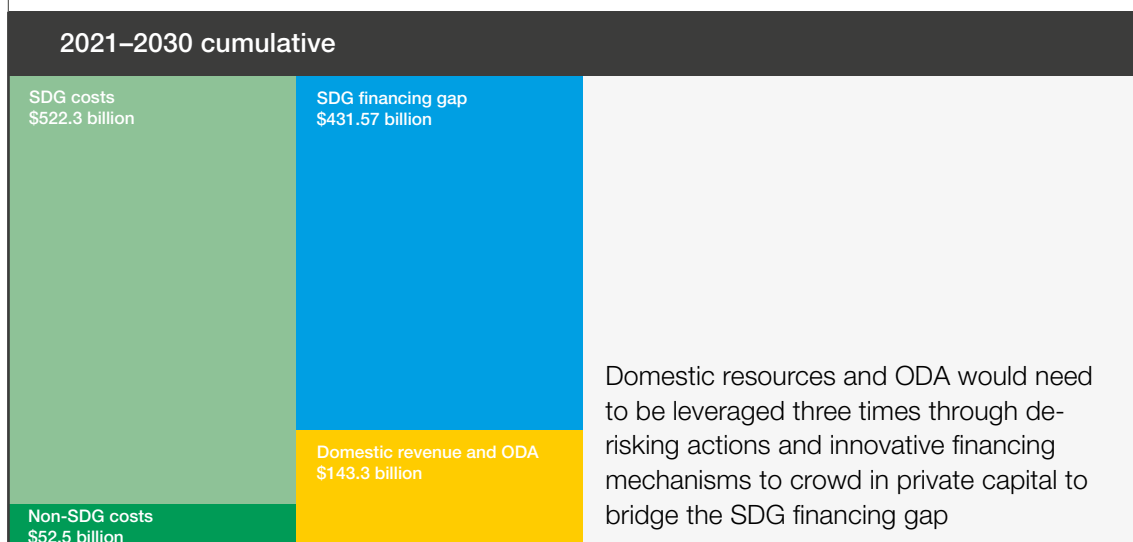
- Undertaking this Country Financing Roadmap (CFR) for SDGs initiative, a joint country- and private sector-led initiative to formulate the actions and innovations needed to create and de-risk opportunities for financing sustainable development priorities using an impartial, multistakeholder approach

In terms of the SDG financing landscape: the government represents by far the largest financier of the SDGs. The \$9.3 billion budgeted for the SDGs by the Government of Ghana and other public domestic sources represented around 92% of the total funding for SDGs in Ghana in 2019.

In terms of the SDG cost and financing gap:

- SDG cost: The total cumulative 10-year cost from 2021 to 2030 of achieving the SDGs is estimated to be \$522.3 billion, averaging around \$52.2 billion per year
- SDG financing gap: The total cumulative 10-year SDG financing gap is estimated to be \$431.6 billion. For 2021, this gap is around \$43 billion
- The SDG cost and additional financing needed to achieve the SDGs by 2030 were estimated by the Institute of Statistical, Social and Economic Research (ISSER) of the University of Ghana, with the support of the Ministry of Planning (in 2020), the SDG Advisory Unit, Office of the President, UNDP and KPMG

TABLE 1 Summary of SDG cost and financing gap



As the largest financier of the SDGs, the Government of Ghana cannot meet this gap alone. It is therefore taking proactive steps to address the SDG financing gap, including undertaking this CFR initiative.

Section 3, Addressing the SDG Financing Gap with the Country Financing Roadmap, presents the barriers and proposed solutions to crowding in greater SDG financing, with a particular focus on two key sectors.

After conducting a baseline assessment for the first step in Ghana's CFR process, multistakeholder discussions were held with experts, thought leaders and representatives from over 50 institutions, including public-sector institutions, development finance institutions, banks, private-sector investors and others. These discussions centred on the specific barriers and solutions for Ghana to unlock greater sources of financing to address its SDG financing gap.

Challenges identified included:

- Lack of data for investment decision-making and inability to quantify risk
- Land acquisition challenges
- Infrastructure gaps
- Unwillingness of domestic funds to take first-level risk
- Currency risk exposure
- Relatively small funding requirements of micro, small and medium-sized enterprises (M/SMEs)

While the SDG needs of Ghana cut across various sectors and industries, the **sustainable infrastructure and M/SME sectors** were prioritized as the first sectors to target for CFR activities. Both not only have a clear need for further investment but also, importantly, exhibit existing traction that private investors can draw on and scale.

These sectors were also filtered along several considerations, namely:

- Direct links to the national priorities on SDGs
- Where leveraging existing assessments, initiatives and funds via linkages and consensus around innovation(s) is likely to have a multiplier effect or impact on scale, both within country, and in terms of Ghana's vision to become a hub for the region
- Where solid in-country momentum exists around initiatives that could benefit from aggregation and technical/financial support as a result of greater visibility via the CFR platform

Unlocking greater SDG financing for sustainable infrastructure

Infrastructure is a key indicator and driver of economic growth and development. The World Bank Strategic Country Diagnostic (SCD) noted that Ghana's ability to attract sizeable investment (both domestic and international) is hampered at four levels, one of which is "inadequate availability and reliability of basic infrastructure" such as energy and transport.

According to the *Ghana Beyond Aid Charter and Strategy Document*, Ghana's infrastructure needs are estimated to be \$7 billion annually over the next 10 years.

CFR consultations identified the following barriers to sustainable infrastructure financing in Ghana, and some proposed solutions to address them.

TABLE 2 Summary of barriers and solutions to sustainable infrastructure financing in Ghana

Sustainable infrastructure	
Barriers	Proposed solutions
Non-financial de-risking actions	
Investment climate instability, including the cost and length of procurement cycle for public-private partnership (PPP) projects	<ul style="list-style-type: none"> - Establish transparent, long-term strategies and targets for priority infrastructure areas linked to the SDGs - Identify priority projects and enable a process for fast-tracking project appraisal, structuring and procurement - Ensure greater clarity, certainty and constancy in long-term agreements, such as PPAs that are established with power agencies - Strengthen coordination among relevant stakeholders to improve transparency and efficiency for investors, via an institutional champion with clear accountability and appropriate expertise (see below on PPF)
Recent cancellations and renegotiations of Power Purchase Agreements (PPAs) have also undermined investor confidence in the stability of the investment climate	
Insufficient pipeline of bankable projects	<ul style="list-style-type: none"> - Enhance project preparation capacity either through a dedicated facility (PPF) or other measure to ensure a steady pipeline of well-prepared, commercially attractive projects that consider all relevant market- and project-specific risk elements, and devise appropriate mitigation measures

Barriers	Proposed solutions
Limitations in capacity of government entities to prepare and implement infrastructure projects, lack of funds to undertake feasibility studies and assessments	– Further equip the Public Investment and Asset Division (PIAD) within the Ministry of Finance, the Public Private Partnerships (PPP) unit within PIAD and the metropolitan, municipal and district assemblies (MMDAs) with skills, tools and human capital to move projects from conception to financial close
Complexity and uncertainty around leasing or owning property	– Streamline processes for land/property permitting/ownership procedures
Financial de-risking actions	
Lack of appetite from investors to take the first-level risk	Provide seed funds and engage development partners to set up a first-loss fund to improve the risk profile of priority SDG infrastructure investment projects to crowd in both international and domestic private investors
Limitations in public domestic revenues for financing	Explore alternative financing instruments, such as SDG bonds: government to expand opportunities in the international bond markets and increase access to commercial debt financing

The barriers and solutions for sustainable infrastructure can be summarized as follows:

Regulatory/policy and structural/institutional barriers

Barriers: Investment climate stability, lack of pipeline, capacity limitations

Solutions: Set up a Project Preparation Facility (PPF), develop list of priority SDG infrastructure projects, greater technical assistance to implementing institutions

Financial and investment risk barriers

Barrier: Limitation in financing for sustainable infrastructure projects

Solution: Set up an SDG first-loss fund, explore SDG bonds

Unlocking greater financing for M/SMEs

The M/SME sector represents approximately 85% of businesses within the private sector and contributes about 70% of GDP. The M/SME sector is therefore a priority sector for the government, with the potential to affect several SDGs, mainly No Poverty (Goal 1), Zero Hunger (Goal 2), Gender Equality (Goal 5) and Decent Work and Economic Growth (Goal 8).

The International Finance Corporation (IFC) estimates a \$6.1 billion financing need for the sector. CFR consultations identified the following barriers to financing M/SMEs in Ghana, and some proposed solutions to address them.

TABLE 3 Summary of barriers and solutions to M/SME financing in Ghana

M/SMEs	
Barriers	Proposed solutions
Non-financial de-risking actions	
Small ticket size investments for M/SMEs	– Strengthen coordination and strategy to build a more coherent M/SME financing macro environment
Perceived or real lack of managerial skills and innovation needed to boost investor confidence in the sector	– Create economies of scale for financing and technical assistance

Barriers	Proposed solutions
Non-financial de-risking actions	
Limitations in public domestic revenues for financing	<ul style="list-style-type: none"> – Unlock greater financing for M/SMEs via incentives – Explore new sources of financing for M/SMEs via the issuance of SDG bonds
High level of informality, related to the lack of information and data needed by investors to assess creditworthiness/profitability	<ul style="list-style-type: none"> – Develop a comprehensive database of M/SMEs and sectors of operations to address information asymmetry
Need for bankable pipelines	<ul style="list-style-type: none"> – Leverage initiatives building, identifying and preparing pipelines of projects and potential investments
Financial de-risking solutions via innovative financial instruments	
<p>Interest rates for financing needed to expand business too costly for M/SMEs</p> <p>Collateral: many cannot meet the collateral requirements of commercial financial Institutions (FIs), also limiting access/growth</p>	<p>The government, together with development finance institutions (DFIs), could put in place innovative financing instruments to reduce financing costs for private-sector investors and transfer financial risk to other actors. Blending concessional financing or grants with private financing could lower interest rates and relax collateral requirements for M/SMEs</p> <p>Instruments proposed during CFR stakeholder consultations were:</p> <ul style="list-style-type: none"> – SDG first-loss fund – M/SME working capital and capital expenditure (debt) facility – M/SME (equity) SDG investment vehicle

The barriers and solutions for M/SMEs can be summarized as follows:

Regulatory/policy and structural/institutional barriers

Barriers: Scale, lack of investable pipelines, limitation in M/SME capacity

Solution: Greater coordination of M/SME programmes for economies of scale to both increase investment volume and consolidate technical assistance activities, leverage existing pipeline-building activities

Regulatory/policy and financial barriers

Barrier: Limitation in financing available for M/SMEs

Solution: Explore SDG bonds, explore tax incentives for M/SME financiers, investors

Financial and investment risk barriers

Barrier: Limitations in access to finance for M/SMEs (affordability/collateral requirements)

Solution: Set up innovative blended finance mechanisms (debt or equity), SDG first-loss fund

Using the discussions and dialogues - including proposed solutions and other recommendations - that have come out of the numerous consultations, CFR activities will pivot towards formulating and implementing an action plan that creates clear conditions to attract new financing sources, devise innovative financing mechanisms and mobilize capital to flow where it is needed most, taking into account Ghana's particular national context, to make progress towards achieving SDG targets.

Section 4 concludes the report. SDIP, in partnering with the Government of Ghana, is aiming to further expand on the solutions above. Importantly, the CFR provides a platform for an expansion of the investible regime that Ghana is seeking to create, in the neighbouring region. This is critical as Ghana seeks to serve as a gateway for trade and investment into the West African subregion, not least due to its unique position as the host country of the Secretariat of the Africa Continental Free Trade Area (AfCFTA). Working through SDIP in Africa, the process undertaken for this CFR, with Ghana as the pilot country, serves as an important launchpad to expand this initiative to other countries.

1

Ghana overview

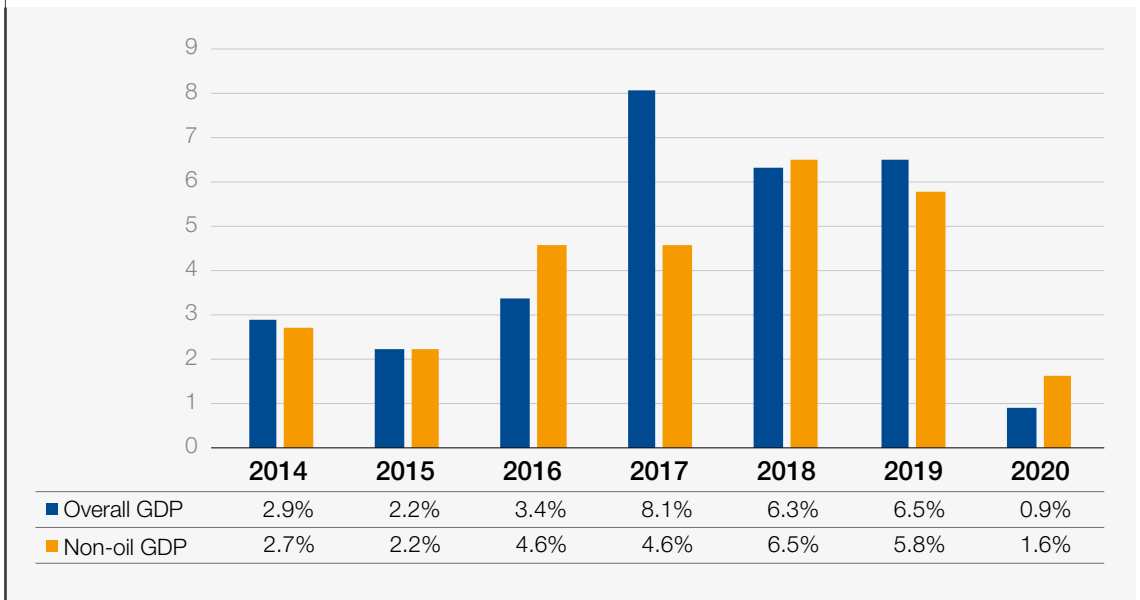
Population: 30.78 million (IMF)¹

GDP

Ghana is widely considered one of the best countries in Africa to do business, due to its growing economy and stable governance. Recent GDP growth has been relatively steady, with annual rates above 6% in the three years before the pandemic (Figure 1).² Like elsewhere, the COVID-19

pandemic has had a significant adverse effect on Ghana's economy. The GDP growth rate had been projected to contract by approximately 0.9% in 2020, one of the lowest rates in its recent history, yet rebound to around 5% for 2021.³

FIGURE 1 GDP growth (%), 2014–2020



Source: Ministry of Finance, Government of Ghana, *The Budget Statement and Economic Policy of the Government of Ghana for the Fiscal Year 2021*, 12 March 2021: <https://mofep.gov.gh/publications/budget-statements> (link as of 7/6/21).

Note: 2020 GDP is provisional.

GDP, current prices (\$ billions) in 2020:
68.42 billion (IMF)

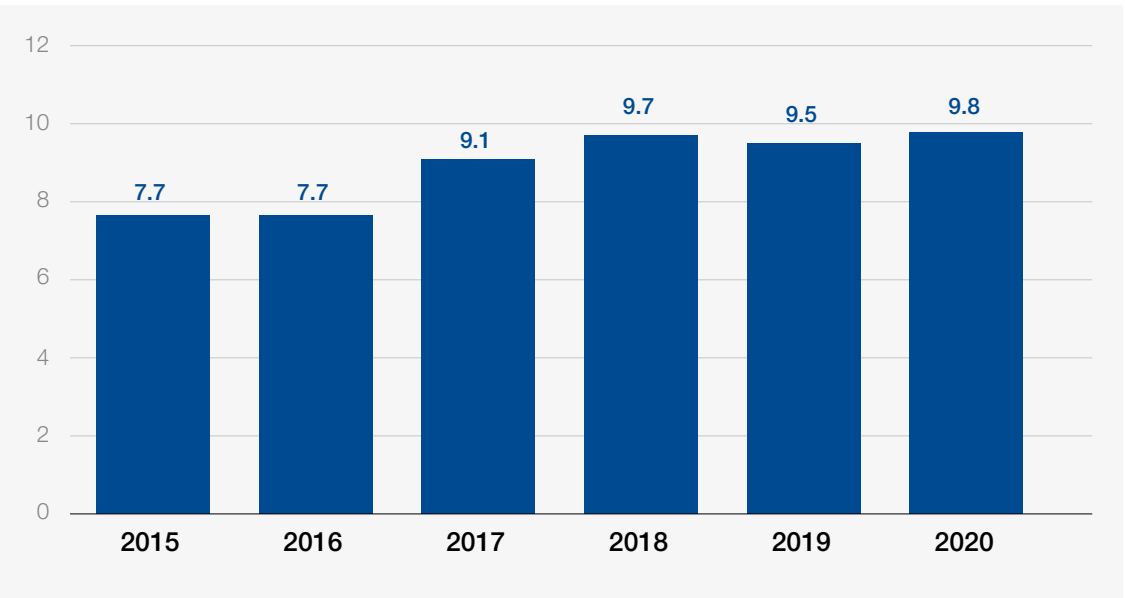
GDP per capita, current prices (\$) in 2020:
2,220 (IMF) (links as of 7/6/21)

Domestic revenue

Ghana's domestic revenues have increased year-on-year from 2015 to 2018, peaking at \$9.7 billion in 2018, then decreasing to \$9.5 billion in 2019.⁴ In 2020, domestic revenue rose marginally to \$9.8

billion, despite the COVID-19 pandemic - due to improvements in tax compliance, reforms in revenue administration and tax policy measures. In 2021, the budgeted domestic revenue is \$12.9 billion.⁵

FIGURE 2 Domestic revenue (\$ billion), 2015–2020⁶



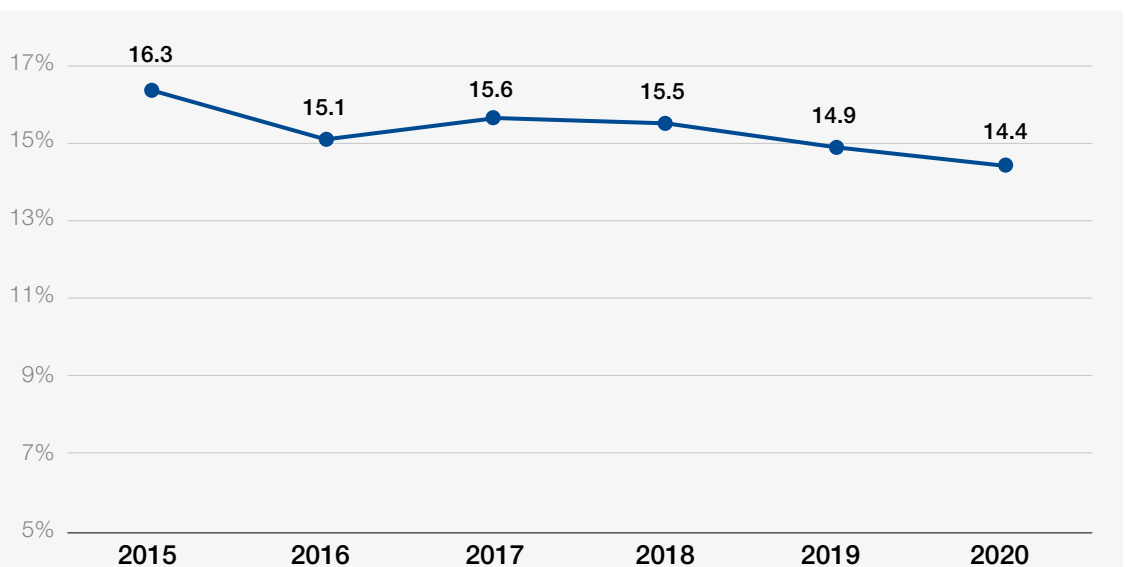
Source: Bank of Ghana, *Bank of Ghana Annual Report 2019*: <https://www.bog.gov.gh/wp-content/uploads/2020/06/AnnRep-2019.pdf> (link as of 7/6/21), and Ministry of Finance of the Republic of Ghana, *The Budget Statement and Economic Policy of the Government of Ghana for the Fiscal Year 2021*.

Domestic revenue (tax and non-tax)-to-GDP

Domestic revenue-to-GDP has declined since 2015. Because a major proportion of SDG financing is sourced from the government's domestic revenues, a drop in revenues and its declining contribution to GDP as shown in Figure 3 will have a direct adverse impact on the funds

needed to attain the SDGs. The Ghana Beyond Aid agenda (see Figure 13 for details) aims to achieve domestic revenue-to-GDP of 25% by 2028, thereby bringing in additional resources to support the government's SDG agenda.⁷

FIGURE 3 Domestic revenue-to-GDP, 2015–2020⁶



Source: Bank of Ghana, *Bank of Ghana Annual Report 2019*, and Ministry of Finance of the Republic of Ghana, *The Budget Statement and Economic Policy of the Government of Ghana for the Fiscal Year 2021*.

Lack of a comprehensive database of taxpayers, perceived tax evasion and lack of logistical capacity for tax authorities to mobilize revenues have been identified as some of the factors leading to Ghana's low domestic revenue mobilization.

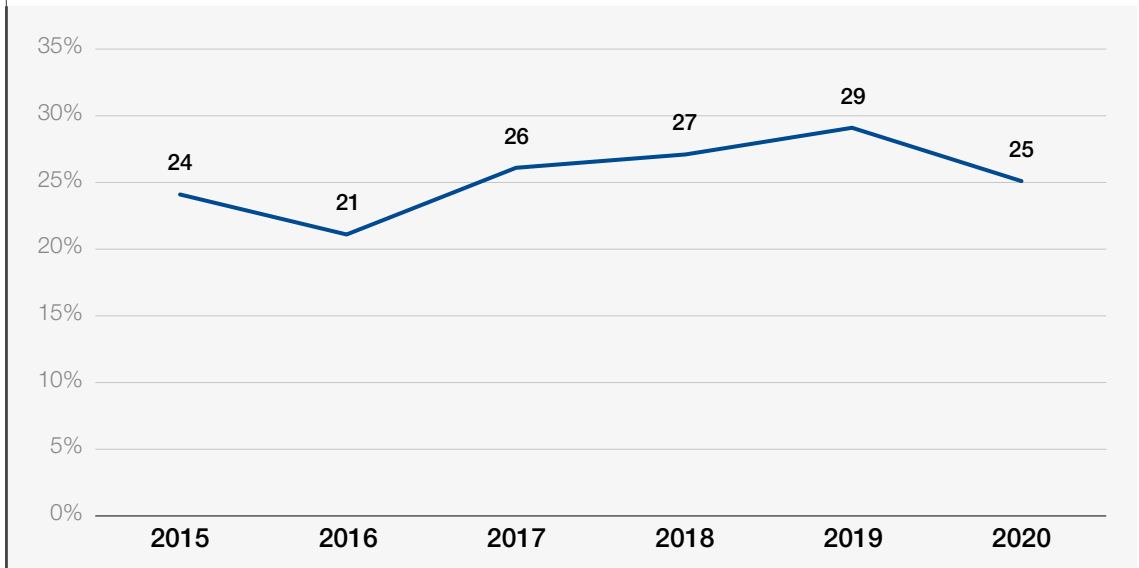
Yet several initiatives to improve revenues have already been put in place: implementation of a national identification system, a tax identification number for all individuals and entities, and a national digitalization drive to allow for company registration and payment to go online. Using the 2020 GDP figure, a domestic revenue-to-GDP increase of

5% could generate approximately \$3.5 billion of additional revenues.⁸

Interest-to-total expenditure & net lending

Also critical to growth is the level of interest payments against total expenditure & net lending. After compensation to public-sector workers, interest payments constitute Ghana's second-largest expenditure; they were almost 30% of total expenditures & net lending in 2019 (Figure 4). Debt sustainability challenges are a significant factor driving Ghana's need to identify other sources of financing its sustainable development agenda.⁹

FIGURE 4 Interest payments to total expenditure & net lending, 2015–2020

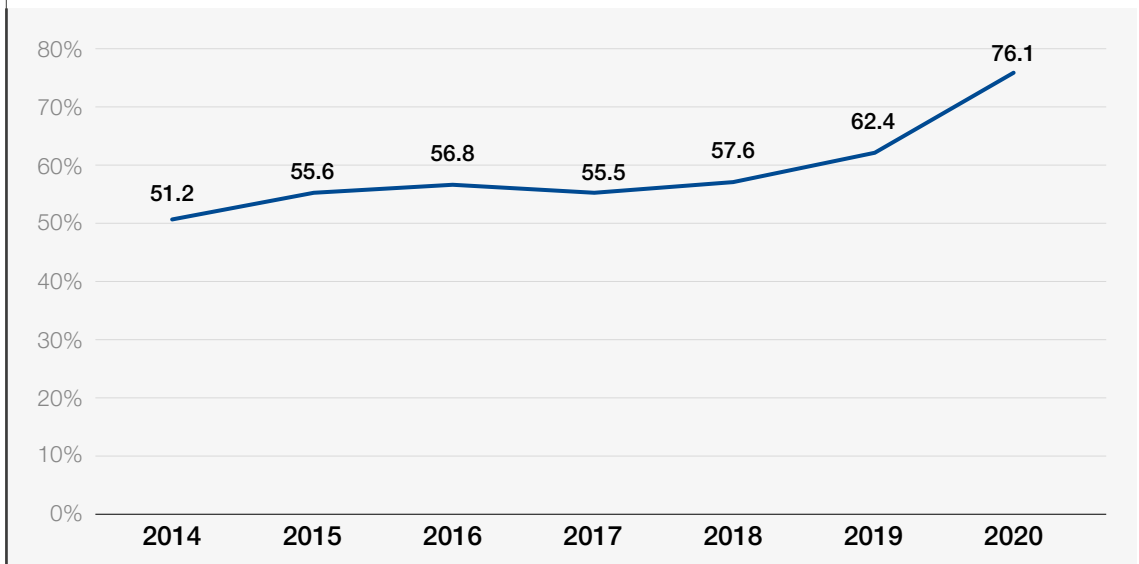


Source: Bank of Ghana, *Bank of Ghana Annual Report 2019*, and Ministry of Finance, Government of Ghana, *The Budget Statement and Economic Policy of the Government of Ghana for the Fiscal Year 2021*, and KPMG analysis.

Debt-to-GDP ratio

The Government of Ghana has historically financed budget deficits by borrowing from domestic and external sources.¹⁰

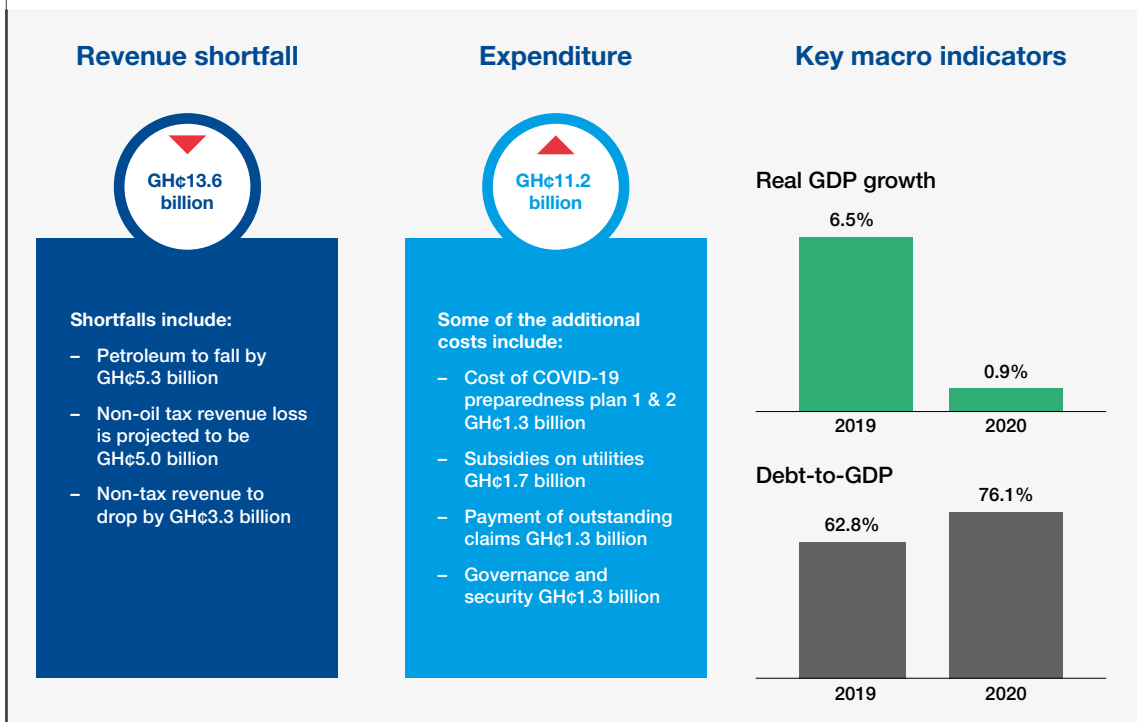
FIGURE 5 Debt-to-GDP ratio, 2014–2020



Source: Bank of Ghana, *Bank of Ghana Annual Report 2019*; Bank of Ghana, *Monetary Policy Report: Fiscal Developments*, vol. 3, no. 5/2020: https://www.bog.gov.gh/monetary_policy_rpts/; Ministry of Finance, Government of Ghana, *The Annual Public Debt Report 2018*, 29 March 2019: <https://www.mofep.gov.gh/publications/economic-reports>; and KPMG analysis (links as of 7/6/21).

In 2020, decline in revenues and a widening budget deficit caused by the pandemic pushed the debt-to-GDP ratio to a record high of 76.1%.¹¹

FIGURE 6 COVID-19 impact on GDP, revenue and debt



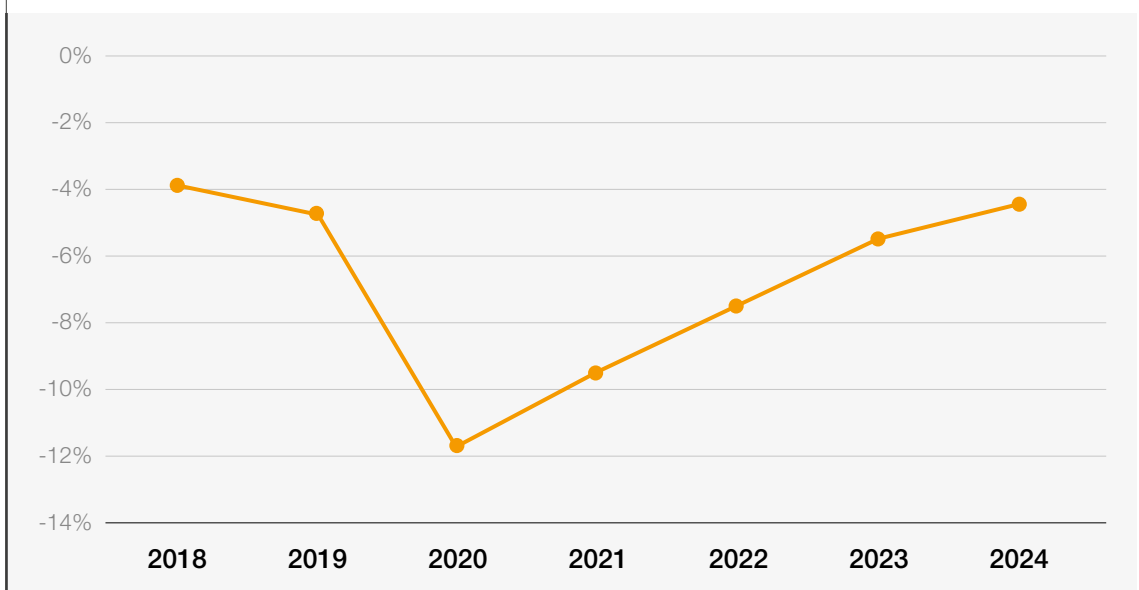
Source: Ministry of Finance, Government of Ghana, *Mid-Year Review of the Budget Statement and Economic Policy of the Government of Ghana & Supplementary Estimate for the 2020 Financial Year*, 23 July 2020, <https://mofep.gov.gh/publications/budget-statements>, and International Monetary Fund (IMF), *Regional Economic Outlook for Sub-Saharan Africa, April 2021, 2021*, <https://www.imf.org/en/Publications/REO> (links as of 7/6/21).

Fiscal deficit

In another sign of the adverse impact of COVID-19, Ghana's fiscal deficit reached 11.7% in 2020 - more than twice the limit set by law as outlined in the *Fiscal Responsibility Act, 2018 (Act 982)*.

Parliament had to suspend the act in 2020 to enable the government to legally exceed this limit. Projections for the next few years, however, indicate a recovery to a level of 4.5% by 2024.

FIGURE 7 Fiscal deficit, 2018–2024

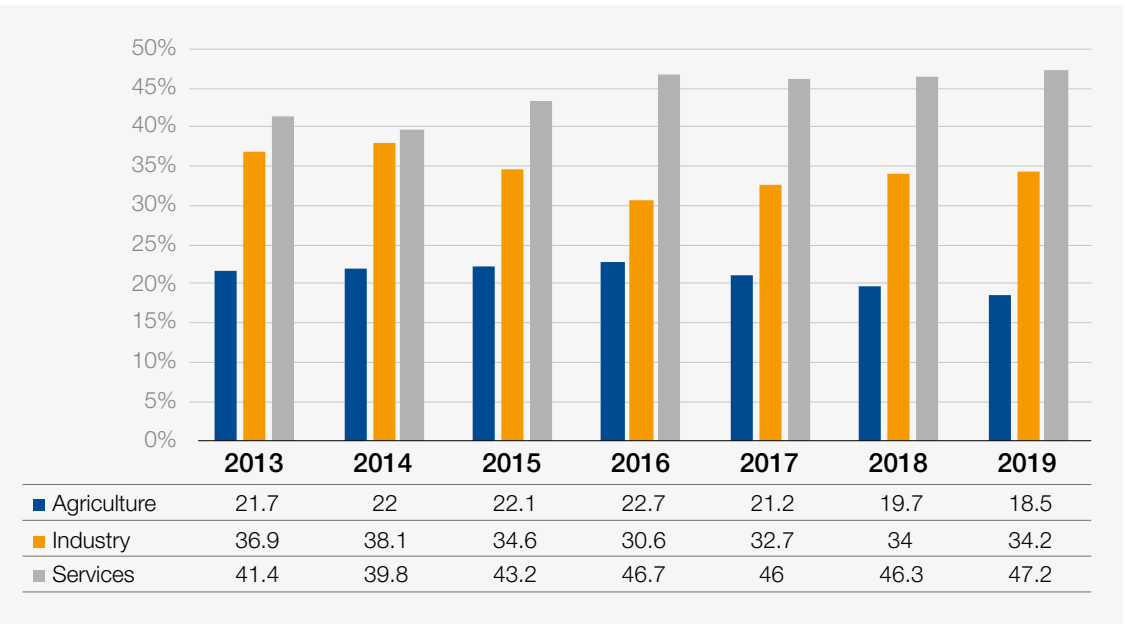


Source: Ministry of Finance, Government of Ghana, *The Budget Statement and Economic Policy of the Government of Ghana for the Fiscal Year 2021*, and Ghana Statistical Services.

Sectoral structure of the economy

Ghana's economy remains dominated by Services, which accounted for 47.2% of GDP in 2019, followed by Industry (34.2%) and Agriculture (18.5%).¹²

FIGURE 8 Sectoral distribution of GDP (%), 2013–2019

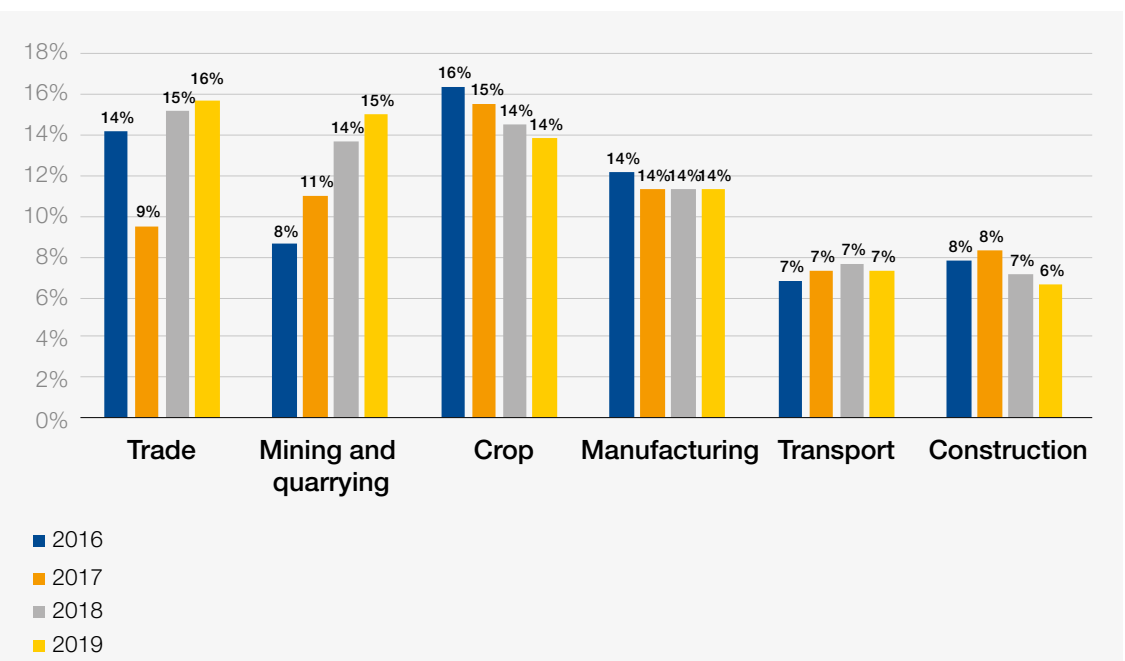


Source: Ministry of Finance, Government of Ghana, *Mid-Year Review of the Budget Statement and Economic Policy of the Government of Ghana & Supplementary Estimate for the 2020 Financial Year*, and Ghana Statistical Services.

In addition, six sub-sectors accounted for 70% of GDP in 2019 at current market prices: Trade, Mining and Quarrying, Crops, Manufacturing, Transport, and Construction. Traditionally, Ghana's economic base has been in Agriculture, mainly the

export of cocoa and crop production. Mining and Quarrying, which includes Oil and Gas, has seen significant growth since 2016 due to the ramping-up of production.

FIGURE 9 Top six sub-sectors (by share of GDP, 2019 current market prices), 2016–2019



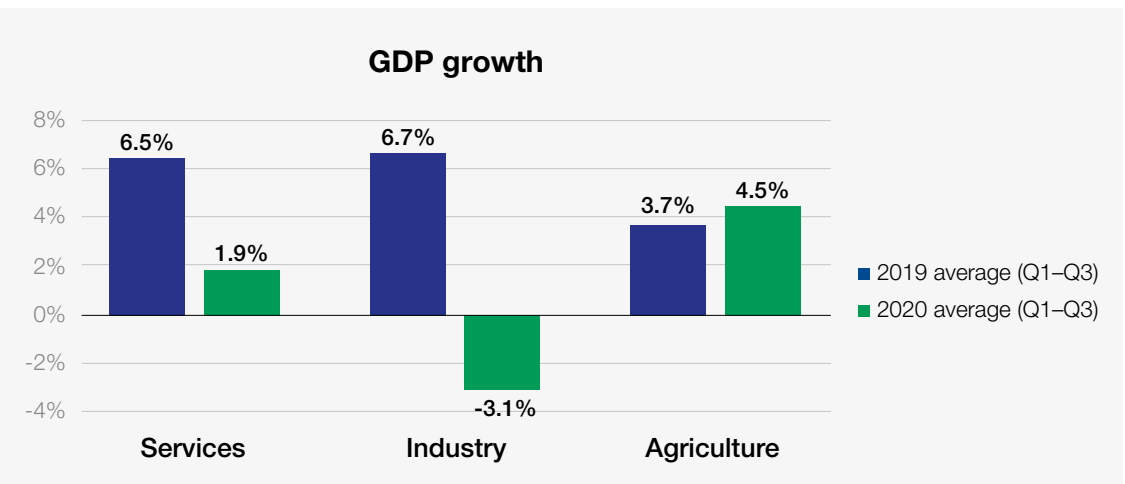
Source: Ministry of Finance, Government of Ghana, *Mid-Year Review of the Budget Statement and Economic Policy of the Government of Ghana & Supplementary Estimate for the 2020 Financial Year*, and Ghana Statistical Services.

COVID-19 impact per sector

The Agriculture sector grew by 4.5% in 2020, driven by growth in Crops, Fishing and Livestock, which were largely unaffected by COVID-19 restrictions. By contrast, Industry contracted by 3.1%, mainly in Mining and Quarrying (largely due to decline in petroleum output) and Manufacturing. Services also

contracted, by 1.9%. Trade and Hospitality were hit hard by pandemic restrictions, but Information and Communication, Health and Social Work, Education and Real Estate exhibited significant growth, due to lockdowns, restrictions on public gatherings and other pandemic-related behaviours.¹³

FIGURE 10 COVID-19 impact on Services, Industry and Agriculture



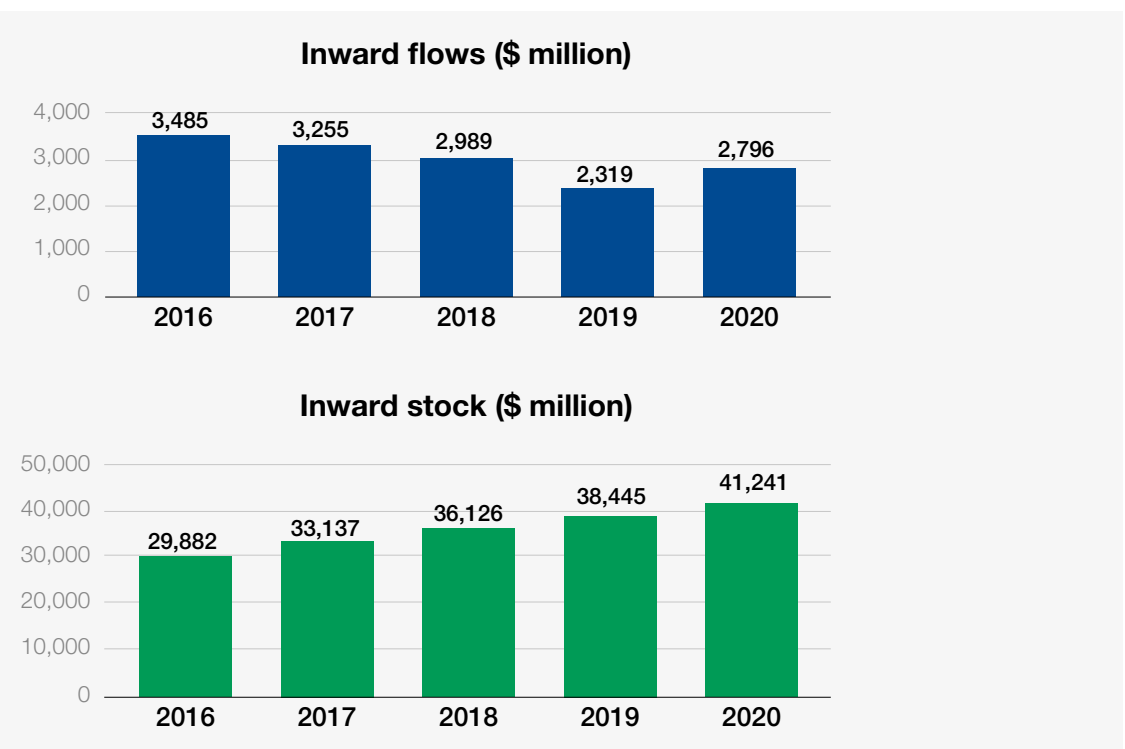
Source: Ministry of Finance, Government of Ghana, *Mid-Year Review of the Budget Statement and Economic Policy of the Government of Ghana & Supplementary Estimate for the 2020 Financial Year*.

Foreign direct investment (FDI)

Over the past few years Ghana has experienced steady FDI growth, in line with its rise in performance on the World Bank's Doing Business Index, where it is ranked 118 out of 190 economies

(as per the *Doing Business 2020 Ghana Report*),¹⁴ indicating a better ability to attract foreign investment.¹⁵

FIGURE 11 FDI inward flows and stock, 2016–2020



Source: For 2016–2019, see United Nations Conference on Trade and Development (UNCTAD), *UNCTAD World Investment Report 2020: International Production Beyond the Pandemic, 2020*: https://unctad.org/system/files/official-document/wir2020_en.pdf. For 2020, see Frimpong, Matilda, "Ghana Secures 2.6 Billion Dollars' Worth of Foreign Direct Investment In 2020 Despite Ongoing Covid-19 Global Health Pandemic", *Ghana Investment Promotion Centre (GIPC)*, 21 March 2021: <https://gipc.gov.gh/blog/> (links as of 7/6/21).

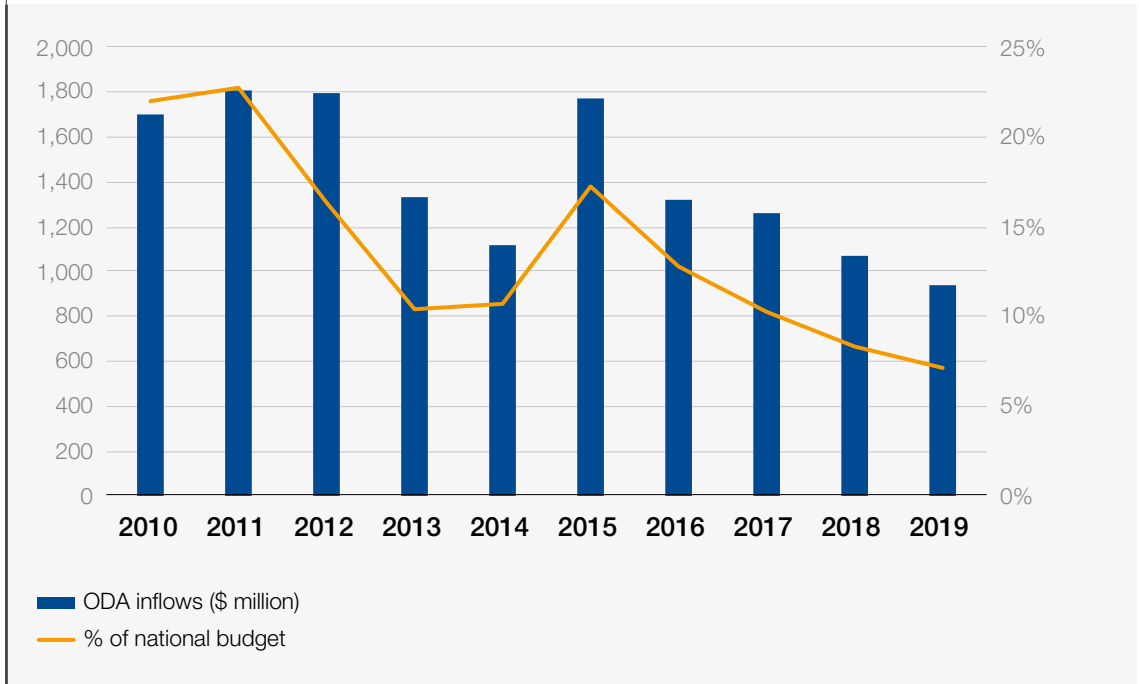
Note: Data for 2019 and 2020 for inward flows and inward stock is provisional.

Official Development Assistance (ODA)

As Ghana attained lower middle-income country status, and with it a decline in access to concessional financing, ODA as a proportion of the national budget has declined.¹⁶ This decline

has intensified after the establishment of the Ghana Beyond Aid agenda (see Figure 13 for more information), which explicitly aims to lessen the country's dependence on foreign aid.

FIGURE 12 Net Official Development Assistance (ODA) received (current \$ million), 2010–2019



Source: World Bank Database: <https://data.world-bank.org/indicator/DT.ODA.ODAT.CD?locations=GH>; Bank of Ghana Annual Reports for 2013/2015/2019: <https://www.bog.gov.gh/publications/annual-report/>; and KPMG analysis (links as of 7/6/21).

2

Ghana and the SDGs

2.1 SDGs and national strategy

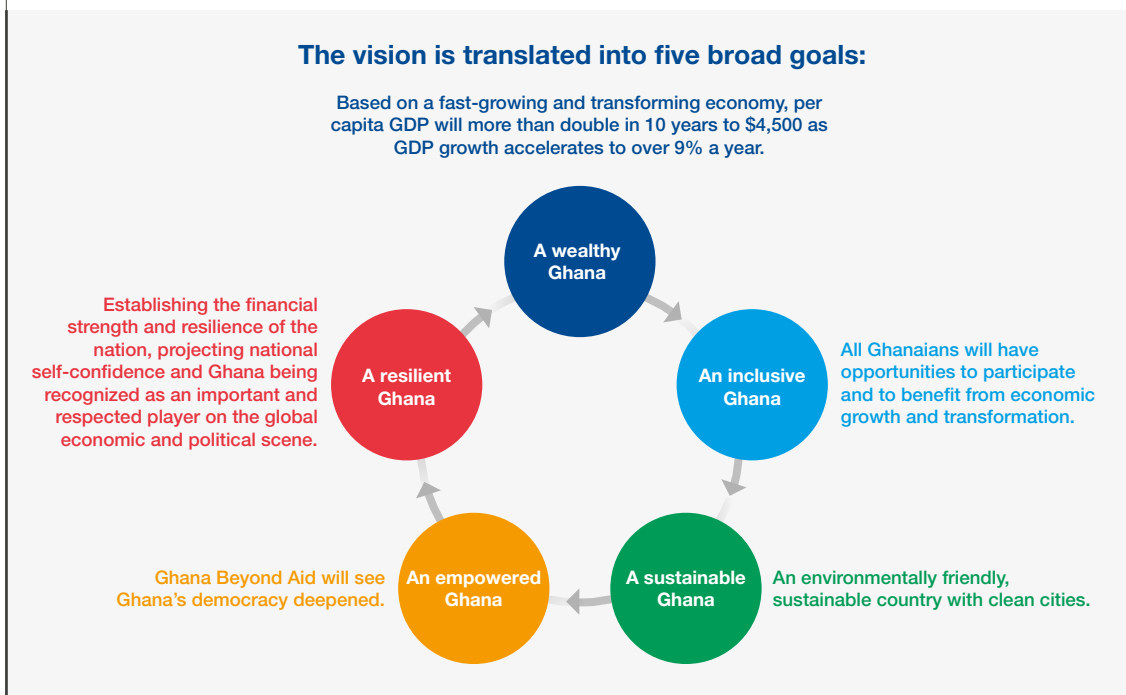
As an indication of the importance of sustainable development to Ghana's overall economic efforts, the government has incorporated the SDGs into various national development plans.

The **Coordinated Programme of Economic and Social Development Policies (CPESD) 2017-2024: Creating Prosperity and Equal Opportunity for All** has four main pillars aligned with the economic, social and environmental (and institutional) pillars of sustainable development:

- Creating opportunities for all Ghanaians
- Safeguarding the natural environment and ensuring a resilient built environment

- Maintaining a stable, united and safe country
- Building a prosperous nation

The [Ghana Beyond Aid Charter and Strategy Document](#) (2019) lays out a vision of a transformed, prosperous country in charge of its economic destiny that engages competitively with the rest of the world through trade and investment.¹⁷ The Charter calls for a “**W.I.S.E.R Ghana**” — **w**ealthy, **i**nclusive, **s**ustainable, **e**mpowered and **r**esilient (see Figure 13).



The charter prioritizes 10 strategies to transition Ghana into a prosperous country through trade and investment:

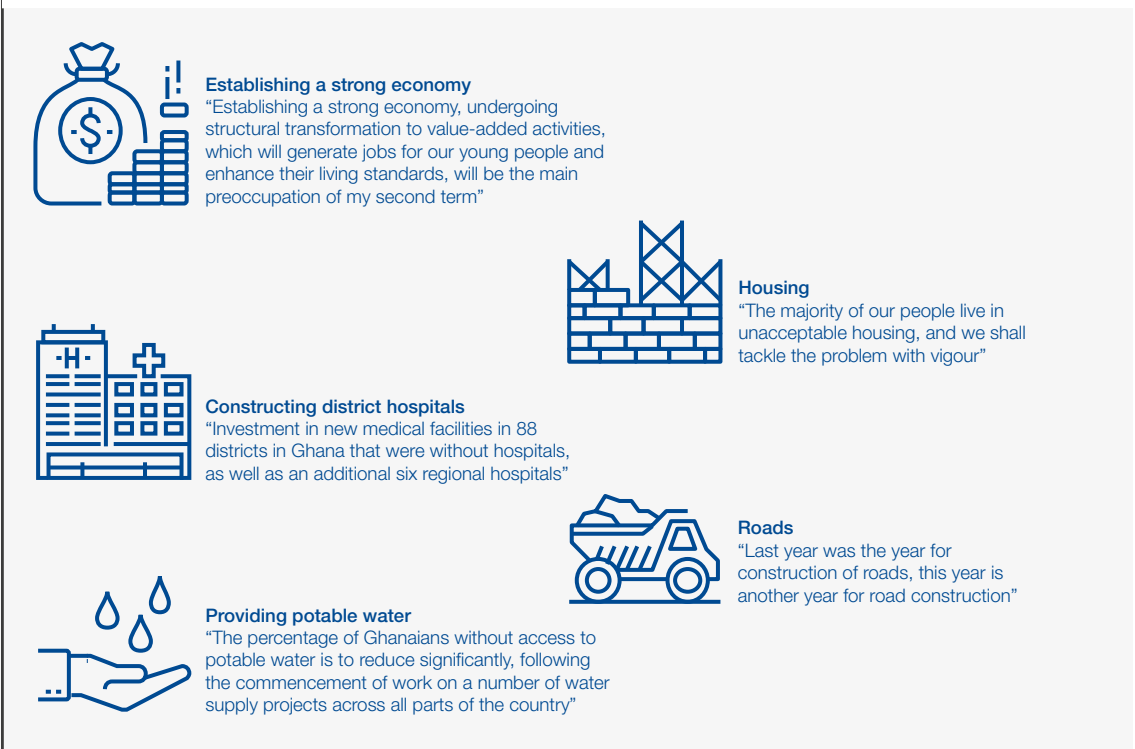
1. **Macroeconomic stability:** Practise prudent fiscal, debt, monetary and exchange-rate management. Key policy targets include a target inflation rate of 5% by 2028, a competitive and stable real exchange rate, current budget surplus and debt-to-GDP ratio of less than 50%.
2. **Higher public-resource mobilization:** Increase tax-to-GDP ratio to 23% by 2028, with revenue from primarily domestic sources financing SDGs. Plus, identify innovative and diversified financing sources, including municipal bonds to finance local projects and raising diaspora bonds and green bonds at competitive rates.
3. **Efficient resource allocation:** Increase efficiency in using all public resources and take a more professional and transparent approach to public investments. This will involve digitization and a cashless payments system, standardization and reduction of construction costs, control of cost of consumption of public goods and services, and efficient management of state-owned enterprises.
4. **Infrastructure:** Improve public infrastructure and allow easier and more secure access to land. Includes investment in the power, transport, water and ICT sectors, and the use of public-private partnerships to drive investment in infrastructure. Plus: digitization of land records and creation of land banks to solve issues with access to land for investment.
5. **Financial sector:** Promote a robust financial sector for higher domestic private savings and foreign private portfolio investment. Includes setting up of the Development Bank of Ghana (DBG, see Box 4), strengthening the Ghana Infrastructure Investment Fund (GIIF, see Box 1) and Ghana EXIM Bank, and ensuring indigenous participation in the financial sector.
6. **Foreign direct investment and entrepreneurship:** Create a more supportive private-sector environment for domestic businesses and FDI, more aggressive investment-promotion efforts and support for small-scale enterprises and entrepreneurship.
7. **Export promotion and import substitution:** Adopt trade facilitation, stabilizing exchange rates, promotion of traditional and non-traditional exports, and import substitution measures, as Ghana is heavily reliant on the import of basic foods such as rice, sugar and poultry.
8. **Building technological capabilities:** Focus and strengthen attention on scientific and technological capability in key sectors such as agriculture and food processing, sanitation, biofuels, green energy and energy storage systems.
9. **Partnership:** Create a strong social partnership among government, business and organized labour to provide a platform on how to move Ghana's developmental agenda forward.
10. **Strategic mobilization and use of aid:** Use cheaper sources of finance to support non-commercial investments and services.

President Akufo-Addo re-emphasized his government's commitment to the Ghana Beyond Aid vision and other flagship programmes to achieve the SDGs in his January 2021 inaugural address to the nation when he was sworn in for a second term. Highlights included:

- **Universal health coverage**, constructing hospitals in all districts
- Declaration of the second "**Year of Roads**" dealing with the deficit in road infrastructure
- Development of the **Rail sector**

- **Ghana Beyond Aid**, built around enterprise and ingenuity, especially of young people, in the **digitization journey of the nation**
- Greater push in the "**One-District-One-Factory (1D1F)**" flagship policy to increase emphasis on "made in Ghana" locally produced goods
- **Electricity coverage** for the remaining 15% of communities currently without coverage
- Reducing the percentage of Ghanaians without **access to potable water**
- Raising the supply of adequate **housing for the majority**¹⁸

FIGURE 14 Presidential inaugural address, key priorities



Source: Office of the President, Republic of Ghana, *Inaugural Address by the President of the Republic, Nana Addo Dankwa Akufo-Addo, at his swearing in as President of the Republic and Commander-In-Chief of the Ghana Armed Forces*, 7 January 2021: <https://presidency.gov.gh/index.php/briefing-room/speeches/1850-inaugural-address-by-the-president-of-the-republic-nana-addo-dankwa-akufo-addo> (link as of 7/6/21).

To implement the SDGs - mobilize financing, raise awareness, leverage stakeholder networks, etc. - Ghana established an institutional coordinating arrangement, supporting the Office of the President as below:

High-Level Ministerial Committee (HLMC): Chaired by the Minister for Planning (until 2020), the President's Special Adviser on SDGs as Secretary and 15 ministers to provide strategic direction on SDG implementation. The United Nations Country Team (UNCT) and the Civil Society Organizations (CSOs) Platform on SDGs serve as observers.

SDGs Advisory Unit: Provides technical, policy and strategic support to the president by focusing efforts on driving awareness of and interest in the SDGs.

SDGs Implementation Coordinating Committee (ICC): Streamlines and strengthens cross-sectoral coordination and partnerships in implementation, monitoring, evaluation and reporting of SDGs. The UNCT acts an observer, and the National Development Planning Commission (NDPC) is the Secretariat.

SDGs Technical Committee (TC): Made up of key representatives from government ministries, departments and agencies (MDAs), CSOs, the private sector and academia, as well as other stakeholders to ensure integration of the SDGs into development plans, implementation, monitoring and evaluation and reporting on the SDGs in their respective sectors.

Civil Society Organisations (CSO) Platform on SDGs: More than 300 local and international CSOs serve as the focal point of engagement between CSOs, the private sector and government to ensure coordination and partnerships.

In addition, the President is also the Co-Chair of the UN Secretary-General's Group of Eminent SDGs Advocates.

See Appendix C for more detail on the “Institutional arrangements for the SDGs in Ghana” provided in the government's 2019 *Voluntary National Review (VNR) report*.¹⁹

2.2 Status of SDGs in Ghana

The government's 2019 *Voluntary National Review (VNR) report* highlighted progress to date towards achieving the SDGs. Improvements were recorded for some critical goals, while others appear to be plateauing (see Figure 15). It's important to note

that the VNR highlighted a limited capacity to monitor and evaluate SDG progress. Access to reliable and timely data at the appropriate levels of disaggregation, across sectors and at all levels is needed.

FIGURE 15 Progress towards achieving the SDGs²⁰



Source: National Development Planning Commission (NPDC), *Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development, June 2019*: <https://ghana.un.org/en/19155-ghana-voluntary-national-review-report-implementation-2030-agenda-sustainable-development> (link as of 7/6/21), and KPMG analysis.

2.3 Financing SDGs

2.3.1 SDG budgeting

Ghana has integrated SDG budgeting and financing into its national budgeting process - and taken a bottom-up approach, in which local authorities can actively participate to help track budget allocations to each goal. The SDG budget is based on a system developed by the Ministry of Finance, and annual SDG funding allocation is presented in the ministry's *SDGs Budget Report*.

In 2019, total funds budgeted for SDG implementation was GH¢ 51 billion (**\$9.3 billion**),²¹

73% of total government expenditure. Goals 3, 4, 16 and 17 were allocated the highest level of expenditure, with Goal 17 (Partnerships) accounting for 73.5% of the total SDG budget.²²

In 2020, there was a marginal increase in the SDG budget to GH¢ 53 billion (**\$9.1 billion**, with the reduction in the US dollars figure due to the depreciation of the cedi), approximately 53% of total government expenditure.²³ Goal 17 (Partnerships) was again allocated the highest amount, and the proportion for Goal 4 (Quality Education) increased from 4.9% in 2019 to 11.1%.²⁴

TABLE 4 Government of Ghana budget allocation to SDGs, 2019 and 2020

Budget allocation (GH¢ million)					
SDG goal	Description	2019	% of total	2020*	% of total
Goal 1	No Poverty	384	0.8	1,528	2.9
Goal 2	Zero Hunger	436	0.9	997	1.9
Goal 3	Good Health and Well-Being	4,129	8.1	4,300	8.1
Goal 4	Quality Education	2,492	4.9	5,870	11.1
Goal 5	Gender Equality	330	0.6	65	0.1
Goal 6	Clean Water and Sanitation	1,000	2.0	660	1.2
Goal 7	Affordable and Clean Energy	491	1.0	14	0.0
Goal 8	Decent Work and Economic Growth	144	0.3	422	0.8
Goal 9	Industry, Innovation and Infrastructure	320	0.6	449	0.8
Goal 10	Reduced Inequalities	147	0.3	181	0.3
Goal 11	Sustainable Cities and Communities	505	1.0	855	1.6
Goal 12	Responsible Consumption and Production	267	0.5	65	0.1
Goal 13	Climate Action	181	0.4	221	0.4
Goal 14	Life Below Water	260	0.5	110	0.2
Goal 15	Life on Land	109	0.2	117	0.2
Goal 16	Peace, Justice and Strong Institutions	2,309	4.5	2,098	4.0
Goal 17	Partnerships for the Goals	37,462	73.5	34,877	66.0
		50,966	100%	52,829	100%

Source: Ministry of Finance, Government of Ghana, *Ghana's 2019 SDGs Budget Report*, 2019: <https://www.mofep.gov.gh/sites/default/files/news/Ghana-SDGs-Budget-Report-July-2019.pdf> and *Ghana's 2020 SDGs Budget Report*, 2020: https://www.mofep.gov.gh/sites/default/files/news/2020_SDGs_Budget_Report.pdf (links as of 7/6/21).

Note: *figures have been rounded up.

2.3.2 Sources of SDG funding in Ghana

Where does SDG financing originate? Analysing Ghana's 2019 SDGs Budget Report, the *Voluntary National Review Report*, and the Addis Ababa Action Agenda, which defines the framework for SDG financing,²⁵ KPMG identified 10 funding source

types currently funding SDGs in Ghana (see Figure 16).

The Government of Ghana is, by far, the largest source of SDG financing in the country. Further, the government's \$9.3 billion SDG budget (see section 2.3.1) as well as other public domestic sources (statutory funds, internally generated funds and other funds as classified by the Ministry of

Finance in the *SDG Budget Reports*) represented approximately 92% of total SDG funding in 2019. The remaining 8% of funding was provided mainly by development partners.

Prominent private-sector initiatives towards financing SDGs include convening a **CEO Advisory Group**, made up of eminent CEOs from the private sector, to rally the private sector to support the

implementation of the SDGs. The group intends to set up two main funds: the SDG Delivery Fund and the Green Fund. The SDG Delivery Fund is intended to be a philanthropic gesture to be financed from the corporate social responsibility budget of the private sector. The Green Fund is intended to be an investment fund, which will target critical sectors of the economy including renewable energy, transport, agriculture, transportation, housing and forestry.

FIGURE 16 Sources of SDG funding in Ghana

Source: KPMG analysis.

Note:

Statutory funds - these are funds set up by an act of parliament with the sums transferred into the designated account. These include the Ghana Infrastructure Investment Fund (GIIF), Ghana Education Trust Fund (GETFund), the National Health Insurance Levy and the Road Fund.

Internally generated funds (IGFs) - this includes income generated by district assemblies and some public institutions that are allowed to keep part of their revenues for internal use.

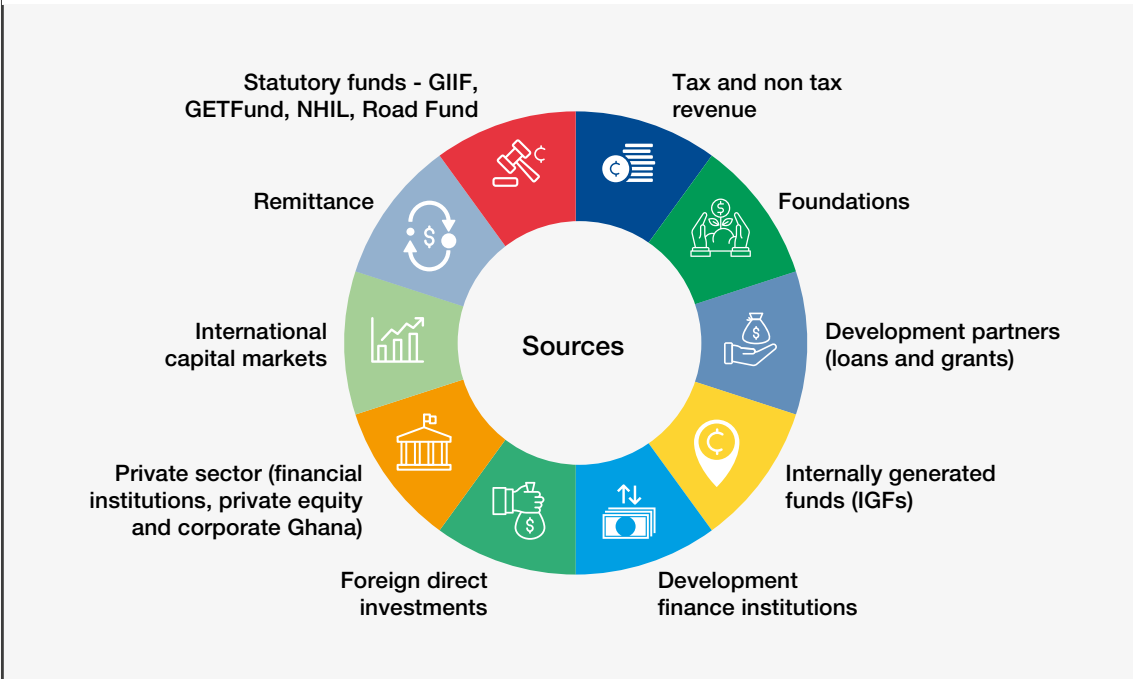
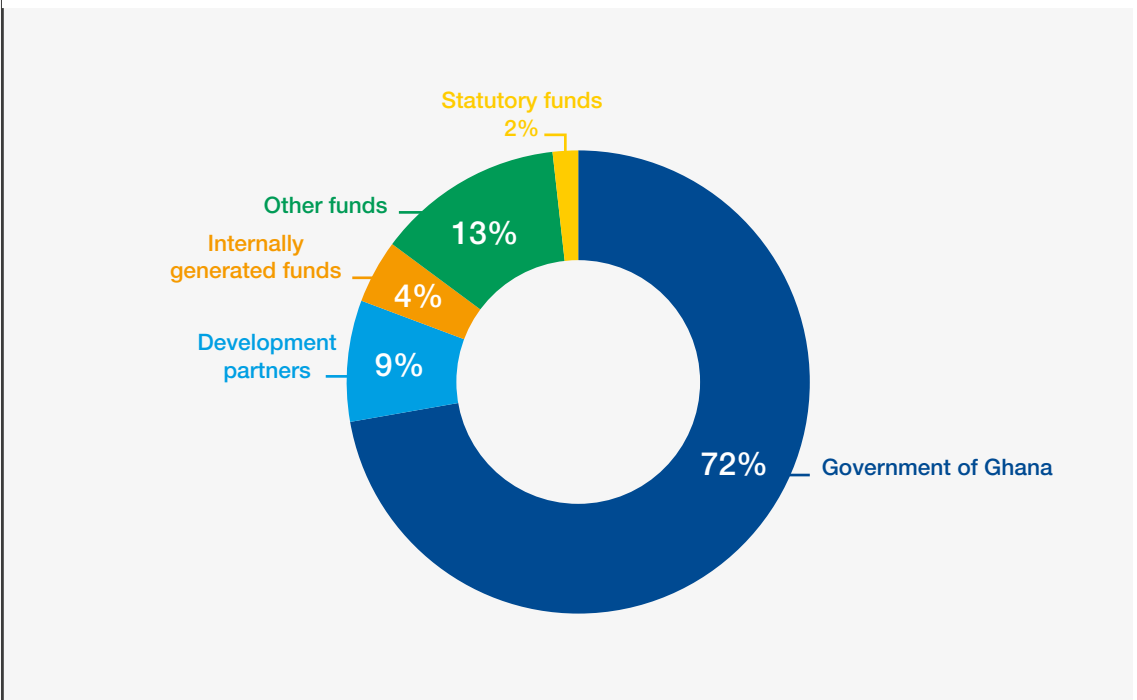


FIGURE 17 Breakdown of SDG funding sources



Source: Ministry of Finance, Government of Ghana, *Ghana's 2019 SDGs Budget Report*, 2019, and KPMG analysis.

2.3.3 SDG financing gap

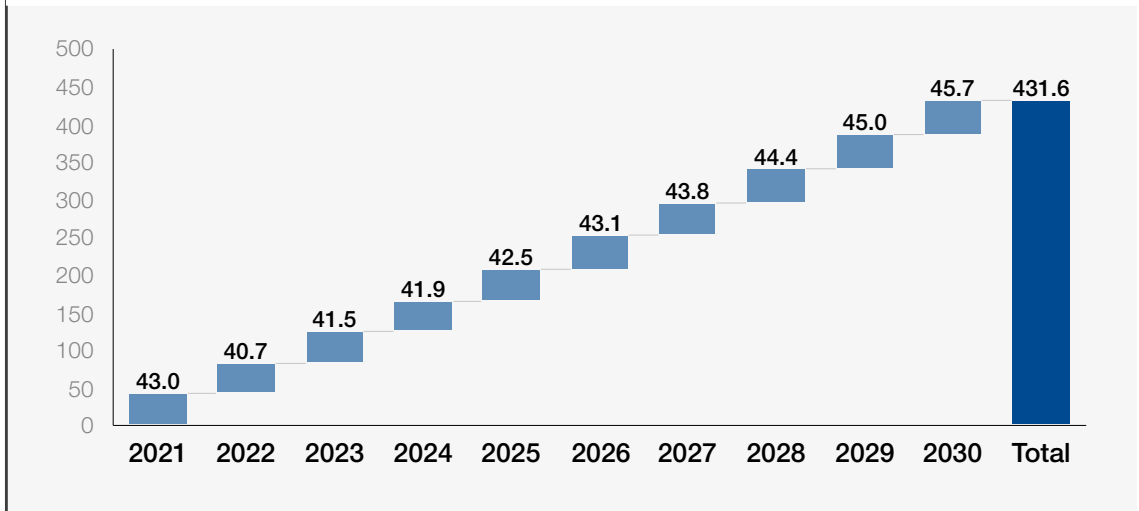
Despite the importance that the government is placing on sustainability and the SDGs as an integral component of its long-term economic development agenda, there is a significant imbalance between what is needed to achieve the SDGs and the financing and investment that is currently available.

Ghana's Institute of Statistical, Social and Economic Research (ISSER) of the University of Ghana - with the support of the Ministry of Planning (in 2020), the SDG Advisory Unit, Office of the President, United

Nations Development Programme (UNDP) and KPMG - have estimated both the cost for Ghana to achieve the SDGs by 2030 and the actual funding needed (funding gap). To fully meet the country's SDG targets, total cost is estimated to be \$522.3 billion, averaging **\$52.2 billion per year**. This translates into an average per capita cost of \$1,505 per year (GDP per capita was \$2,220 in 2020).²⁶

Aligning this with the budget figure for SDGs yields a funding gap in 2021 alone estimated to be **\$43 billion, rising to \$45.7 billion in 2030**. This means a cumulative gap reaching **\$431.6 billion by 2030**.

FIGURE 18 SDG financing gap (\$ billion), Government of Ghana estimates



Source: University of Ghana, Institute of Social, Statistical and Economic Research (ISSER).

TABLE 5 Summary of SDG cost and financing gap

2021–2030 cumulative	
SDG costs \$522.3 billion	SDG financing gap \$431.57 billion
Non-SDG costs \$52.5 billion	Domestic revenue and ODA \$143.3 billion

Domestic resources and ODA would need to be leveraged three times through de-risking actions and innovative financing mechanisms to crowd in private capital to bridge the SDG financing gap.

Since it is clear that the Government of Ghana - the country's largest source of SDG financing - cannot bridge this gap alone, it is taking the following proactive steps, among others:

- a. Taking measures to increase domestic revenues to generate SDG financing: implementation of a national identification system, a tax identification number for all individuals and entities and a national digitization drive to allow for company registration and payment to go online. An increase in the domestic revenue-to-GDP of 5% could result in additional revenues of \$3.5 billion.²⁷
- b. Implementing the ongoing Integrated National Financing Frameworks (INFFs) with the UNDP to inform how the national SDG strategy will be financed and implemented.
- c. Convening a CEO Advisory Group, made up of eminent CEOs from the private sector, to rally private sector to support the implementation of the SDGs.
- d. Undertaking this Country Financing Roadmap (CFR) for SDGs initiative, a country- and private sector-led platform to formulate actions, networks and investment innovations to create and de-risk SDG financing opportunities, which are aligned to a country's sustainable development priorities, using an impartial, multistakeholder approach.

3

Addressing the SDG financing gap with the Country Financing Roadmap (CFR)

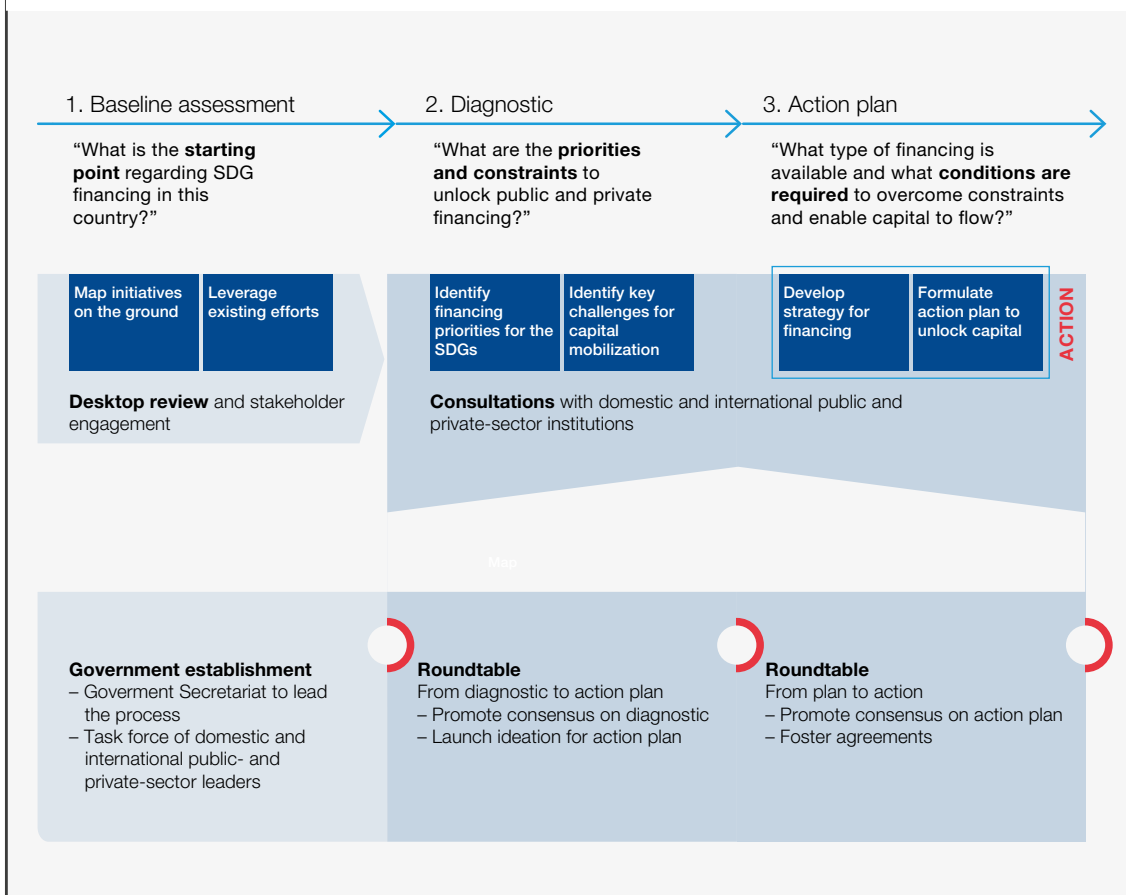
As noted in section 2.3.3, Ghana faces a significant financing gap to meet its SDG targets - and the gap cannot be bridged solely by relying on current resources. To successfully attract sufficient capital from new sources of funding, the government is undertaking several initiatives by which such capital can be attracted. To meet part of this need, the government initiated a **Country Financing Roadmap (CFR)** for SDGs, with a particular focus on formulating solutions for mobilizing private-sector capital at scale in key priority sectors through public-private collaboration.

The CFR is a country- and private sector-led platform, developed by the Sustainable Development Investment Partnership (SDIP) - a joint initiative between the World Economic Forum

and the Organisation for Economic Co-operation and Development (OECD) - to formulate actions, networks and investment innovations to create and de-risk SDG financing opportunities that are aligned to a country's sustainable development priorities, using an impartial, multistakeholder approach.

The CFR is not a comprehensive roadmap, but rather focuses on select sectors with the goal of initiating and establishing a public-private multistakeholder-led approach to formulate financing roadmaps where needed, focusing on the top priorities first. The hope is to raise awareness and create experience within the country and the necessary ecosystem by piloting this approach initially in one or two sectors.

FIGURE 19 | CFR process



After conducting a baseline assessment for the first step in Ghana’s CFR process, multistakeholder discussions were held with experts, thought leaders and representatives from over 50 institutions, including public-sector institutions, development finance institutions, banks, private-sector investors and others. These discussions centred on the specific barriers and solutions for Ghana to unlock greater sources of financing to address its SDG financing gap.

Challenges identified included:

- Lack of data for investment decision-making and inability to quantify risk
- Land acquisition challenges
- Infrastructure provision gaps
- Unwillingness of domestic funds to take first-level risk
- Currency risk exposure
- Relatively small funding requirements of M/SMEs

While the SDG needs of Ghana cut across various sectors and industries, the **sustainable infrastructure and M/SME sectors** were prioritized as the first sectors to target for CFR activities. Both not only have a clear need for further investment but also, importantly, exhibit existing traction that private investors can draw on and scale.

These sectors were also filtered along several considerations, namely:

- Direct links to the national priorities on SDGs
- Where leveraging existing assessments, initiatives and funds via linkages and consensus around innovation(s) is likely to have a multiplier effect or impact on scale, both within country and in terms of Ghana’s vision to become a hub for the region
- Where solid in-country momentum exists around initiatives that could benefit from aggregation and technical/financial support as a result of greater visibility via the CFR platform

3.1 Unlocking greater SDG financing for sustainable infrastructure

Infrastructure is a key indicator and driver of economic growth and development. Why? First, infrastructure development on its own is a key development imperative; second, access to basic infrastructure is an important enabler of private-sector investment and sustainable growth. The World Bank Strategic Country Diagnostic (SCD) noted that Ghana's ability to attract sizeable investment (both domestic and international) is hampered by "inadequate availability and reliability of basic infrastructure such as energy and transport", among other factors.²⁸

Further, economic as well as social infrastructure has been identified as one of Ghana's key strategic anchors, according to the Coordinated Programme of Economic and Social Development Policies (CPESDP) 2017–2024. A large part of the road network is already in good or fair condition, and institutional reforms have been adopted in the ICT, Ports, Roads and Water Supply sectors. The Energy sector has seen dramatic growth, with more than 4,000 MW (megawatt) of installed generation capacity, though significant challenges with power transmission and distribution remain.²⁹

Despite progress over the past decade, Ghana still faces challenges in developing its critical infrastructure networks. In particular, there are gaps in access to electricity, transportation, water and telecommunication coverage, etc. In addition, infrastructure investment in Ghana has traditionally been dominated by public investment. While there have been successful government-run projects, many have been poorly implemented. The lack of private-sector capital flowing at scale to infrastructure projects reflects a valid perception of risk, uncertainty and volatility. According to the [Ghana Beyond Aid Charter and Strategy Document](#), Ghana's infrastructure needs are estimated at \$7 billion annually over the next 10 years.³⁰

CFR consultations identified the following barriers to sustainable infrastructure financing in Ghana, and some proposed solutions to address them. Table 6 outlines:

1. Barriers noted during stakeholder consultations in column 1
2. Requests and proposed solutions to address these barriers in column 2
3. Relevant initiatives that the government is already undertaking to address the outlined barriers, and "for action" items in column 3

The barriers and solutions outlined in Table 6 can be summarized as follows:

Regulatory/policy and structural/institutional barriers

Barriers: Investment climate stability, lack of pipeline, capacity limitations

Solutions: Set up a Project Preparation Facility (PPF), develop list of priority SDG infrastructure projects, greater technical assistance to implementing institutions

Financial and investment risk barriers

Barrier: Limitation in financing for Sustainable Infrastructure projects

Solution: Set up an SDG first-loss fund, explore SDG bonds

TABLE 6 | Barriers and solutions to sustainable infrastructure financing in Ghana

Sustainable infrastructure		
Barriers	Proposed solutions	Government initiatives to address barriers, and “for action” items
Non-financial de-risking actions		
<p>Investment climate instability, including the cost and length of procurement cycle for PPP projects</p> <p>Recent cancellations and renegotiations of Power Purchase Agreements (PPAs) have also undermined investor confidence in the stability of the investment climate (see more below on “PPAs”)</p>	<ul style="list-style-type: none"> – Establish transparent, long-term strategies and targets for priority infrastructure areas linked to the SDGs – Identify priority projects and enable a process for fast-tracking project appraisal, structuring and procurement – Ensure greater clarity, certainty and constancy in long-term agreements, such as PPAs, that are established with power agencies – Strengthen coordination among relevant stakeholders to improve transparency and efficiency for investors, via an institutional champion with clear accountability and appropriate expertise (see “Spotlight on the Project Preparation Facility [PPF]”, page 34) 	<p>The government has made great strides in strengthening the investment climate via:</p> <ul style="list-style-type: none"> – The PPP Act, enacted in 2020, which provides a legal, regulatory and institutional framework for the governance of PPPs – Replacement of the Energy sector’s feed-in tariff system with the Competitive Procurement Scheme (CPS) <p>The government has also:</p> <ul style="list-style-type: none"> – Integrated the SDGs into its Ghana Infrastructure Plan (GIP 2018–2047) – Identified priority projects in line with the SDGs with support from the UN DESA/UNOPS/UNRCO (see “SDG infrastructure projects” on page 33) <p>For action: Further develop this list of priority projects the private sector can immediately use, with tangible government support</p>
<p>Insufficient pipeline of bankable projects</p>	<ul style="list-style-type: none"> – Enhance project preparation capacity either through a dedicated facility (PPF) or other measure to ensure a steady pipeline of well-prepared, commercially attractive projects that consider all relevant market- and project-specific risk elements and devise appropriate mitigation measures 	<p>For action:</p> <ul style="list-style-type: none"> – Further analysis of the scope and structure of project preparation solutions, using a sector as a pilot assessment (e.g. affordable housing) (a “sprint”)³¹ – Coordinate various state entities to map their project preparation activities – Identify champion entity for coordination of project preparation activities
<p>Limitations in capacity of government entities to prepare and implement infrastructure projects, lack of funds to undertake feasibility studies and assessments</p>	<ul style="list-style-type: none"> – Further equip the Public Investment and Asset Division (PIAD) within the Ministry of Finance, the Public Private Partnerships (PPP) unit within PIAD and the metropolitan, municipal and district assemblies (MMDAs) with skills, tools and human capital to move projects from conception to financial close 	<p>For action:</p> <ul style="list-style-type: none"> – Engage PIAD, PPP unit and the MMDAs to identify skills, tools and human capital needs to move projects from conception to financial close – Link with the Africa Infrastructure Fellowship Program, a capacity-building initiative driven by the Global Infrastructure Hub, Meridiam and the Forum

Barriers	Proposed solutions	Government initiatives to address barriers, and “for action” items
Non-financial de-risking actions		
Complexity and uncertainty around leasing or owning property	<ul style="list-style-type: none"> – Streamline processes for land/property permitting/ownership procedures 	<p>The government has made great strides in strengthening the investment climate via:</p> <ul style="list-style-type: none"> – Passage of a land law that consolidates and harmonizes all existing legal provisions on land and land resources³² – Establishment of the Ghana Enterprise Land Information System (GELIS) to digitize and automate land administration, among other services³³
Financial de-risking actions		
Lack of appetite from investors to take the first-level risk	<ul style="list-style-type: none"> – Provide seed funds and engage development partners to set up a first-loss fund to improve the risk profile of priority SDG infrastructure investment projects to crowd in both international and domestic private investors 	<p>For action:</p> <ul style="list-style-type: none"> – Engage development partners to explore a first-loss fund, possibly channelled through the Development Bank of Ghana (see “SDG first-loss fund” on page 33)
Limitations in public domestic revenues for financing	<ul style="list-style-type: none"> – Explore alternative financing instruments, such as SDG bonds: government to expand opportunities in the international bond markets and increase access to commercial debt financing (see “Sustainable bonds” on page 33) 	<p>For action:</p> <ul style="list-style-type: none"> – Select at least two priority SDG infrastructure projects to pilot issuance of SDG bonds, e.g. affordable housing – Engage technical assistance providers in the structuring and issuance of Ghana’s first SDG bond

The table above provides detail on these solutions, linked to the relevant barriers. Further context on the barriers and solutions is provided below.

Investment Climate Stability (PPA): In 2014 and 2016, Ghana experienced shortfalls in power supply due to limited generating capacity, forcing the government to seek new power sources and to contract entities to supply power through various PPAs. Several PPAs were negotiated on a take-or-pay basis, where the country paid for the capacity installed whether the plant was operational or

not. It was estimated that, together with existing power-generating plants, the PPAs would together generate 11,000 MW, which was far more than the 2,900-peak demand.³⁴

According to the Ministry of Finance, the total cost of the excess capacity charges paid to independent power producers (IPPs) was estimated to be \$2.1 billion (GH¢12 billion) in 2020.³⁵ After a government review of existing PPAs, some contracts were cancelled and others renegotiated - which led to cost savings but created uncertainty among private

investors seeking to enter the power sector but wary that a change in government could result in changes in agreements.

Greater transparency in negotiating PPAs and greater certainty for investors are key areas for improvement voiced by stakeholders from the private sector during the CFR consultations.

Developing a list of SDG infrastructure projects:

Ghana has integrated SDGs into its long-term strategies and targets via the Ghana Infrastructure Plan (GIP 2018–2047), which aims to deliver sustainable, climate-resilient infrastructure across major sectors, while mainstreaming gender issues through policy and impact-monitoring, to improve quality of life.

At the recent 2021 SDG Investment Fair (held virtually 13–14 April), the government presented priority, early-stage projects in line with the SDGs in railway development, transport, agriculture and education etc. to generate interest among investors. Projects were identified with technical support from the United Nations Department for Economic and Social Affairs (UN DESA), United Nations Office for Project Services (UNOPS) and the United Nations Resident Coordinator's Office (UNRCO). See [Ghana Rising: Sustainable Infrastructure Post COVID-19, Pipeline of Infrastructure Projects, 2021 SDG Investment Fair](#).

Setting up an SDG first-loss fund: A first-loss fund is distinct from other “*pari passu*” guarantees in that it commits expressly to always takes the first loss, up to a predetermined threshold. A first-loss fund can be set up and incorporated into a project's capital structure through a range of instruments: grants, guarantees, subordinated debt and even the most junior equity position in the capital structure. An SDG first-loss fund could be used to attract investors to the priority projects presented at the recent 2021 SDG Investment Fair, as well as to other projects.

Exploring sustainable bonds: The current cap to raise financing via the capital markets is \$3 billion, but discussions are already under way to increase this cap and explore newer types of debt financing, including **sustainable bonds** (for purposes of the CFR, we refer to SDG bonds as encompassing sustainable, green, social bonds).

To that end, the Ghana Stock Exchange (GSE) is:

- Partnering with the State Interests and Governance Authority (SIGA) and other private-sector associations to target at least **four new corporate bond issuances in 2021**
- Developing, together with market stakeholders, rules for sustainability financing to enable the issuance of green bonds and bio-credit trading
- Conducting, together with market stakeholders including **UNDP**, extensive investor and public awareness campaigns about financing and investing opportunities available to the public
- Collaborating with international partners, including the **London Stock Exchange Group**, to transform the GSE into an emerging, internationally recognized securities market
- Seeking to permanently extend the **tax-exemption on capital gains** on listed securities (expiring end of 2021) to encourage investors, particularly domestic investors, to actively participate in the market and make Ghana a preferred investment destination³⁶
- Planning to engage the **National Pensions Regulatory Authority (NPRA)** and its members to boost the pensions industry's investments in the productive sectors of the economy. Currently, local participation in Ghana's equities market is limited, with less than 2.5% of pension fund assets held in listed equities. Pension funds hold \$3 billion, or 5% of GDP (provisional 2019 data), in Ghana³⁷



Spotlight on the Project Preparation Facility (PPF)

Concept

One way to address barriers and challenges to SDG financing is to enhance the pool of investible infrastructure projects that the private sector can take on. This requires a steady pipeline of well-prepared, commercially attractive projects. In Ghana, project preparation occurs at various touchpoints within the public and private sectors. In the public sector, preparation is mainly driven by the Public Private Partnerships (PPP) unit within the Ministry of Finance, as well as within various government ministries and state-owned enterprises.

To enhance project preparation, the government has three main options:

1. Set up a centralized **Project Preparation Facility** (PPF) as the primary repository of project preparation expertise and information on projects at various phases of preparation, as well as the coordinating entity for the disaggregated preparation efforts of various entities. This will be akin to the PPP unit, but not solely focused on PPP-type transactions
2. Align with an existing international project preparation support entity (e.g. Public-Private Infrastructure Advisory Facility [PPIAF], IFC [Upstream](#), etc.) to play the coordination, screening and repository roles in support of the government
3. Enhance the capacity of existing preparation units to improve their effectiveness and efficiency, rather than create another institution with its associated costs and bureaucracy

While options 2 and 3 leverage existing capacities and institutions, option 1 requires setting up a centralized facility. How might that work? Ideally, the PPF would have the capacity to take a stake in a project once it has been ascertained to be viable and reached financial close. Any preparation costs would count towards the contribution of the fund to the capital. The PPF would also fund the preparation of projects. Preparation support in this regard would encompass technical, legal, environmental and commercial structuring.

Structure

The PPF could be placed within an existing infrastructure investment or financing institution. It would allow for early-stage risk on the preparation of infrastructure projects, and recoup its investment by including a success fee (e.g. 1–2%) once a project reaches financial close.

Phases of project preparation covered by the PPF could include:

- **Project definition, screening:** initial concept development, specification of desired outputs, development of terms of reference for further studies
- **Project development:** pre-feasibility studies, institutional assessments, initial financial and economic analysis

Components

Funding type	Either grants or recoverable from successful projects
Funding eligibility	Projects that have a suitable commercial structure and clearly demonstrate commercial viability. Projects must also meet the requirement of a high developmental mandate. Projects must have the potential to crowd in significant private-sector capital
Beneficiaries	Government entities (departments, state-owned entities, and regional and district bodies)

TABLE 7 PPF approaches: pros and cons

Options	Advantages	Disadvantages
New centralized unit	<ul style="list-style-type: none"> – Convenient, centralized point where all flagship projects are prepared – Greater accountability for outputs 	<ul style="list-style-type: none"> – New bureaucratic entity – If all decision-making done by a single entity, principal-agent issues may be exacerbated – Delays in project preparation if not resourced adequately
Engaging existing international partners	<ul style="list-style-type: none"> – International best practices – Experience from other jurisdictions 	<ul style="list-style-type: none"> – May limit the ability of local entities to drive/support key projects
Enhancing existing local preparation units	<ul style="list-style-type: none"> – Maintains role played by government entities with the most experience in their sector – Enhances local capacity 	<ul style="list-style-type: none"> – Unlikely to greatly catalyse more projects being prepared at scale – More a long-term solution, unlikely to deliver impact in short term

Ultimately, the government will have to decide which approach is most suitable, based on efficiency, effectiveness and practicality. Further research,

scoping and engagement with entities preparing projects will be conducted.

BOX 1 **Ghana Infrastructure Investment Fund (GIIF)**

The Ghana Infrastructure Investment Fund (GIIF) is a body corporate wholly owned (100%) by the Republic of Ghana and established pursuant to the *Ghana Infrastructure Investment Fund Act, 2014, Act 877*. The fund is a permanent capital investment vehicle, capitalized at \$325 million (anchor equity), with a mandate to identify, develop, invest, mobilize and manage investments in a diversified portfolio of infrastructure assets in Ghana for national development, in a profitable and sustainable way. The fund is flexible in the instruments of financing it can use, from equity to debt and anything in between.

Major current initiatives

In the past three and a half years, GIIF has invested \$280 million in a portfolio of 12 infrastructure projects in six sectors across Ghana. More importantly, for every \$1 GIIF has put in, it has managed to leverage an additional \$10 from external investors. This is already a sizeable return on the initial capital deployed by the government in GIIF.

Collaborative projects to date include: the Ghana Airports Company (the development of a new international terminal at Kotoka International Airport), the Takoradi Port expansion (improved container and process handling), the Western Corridor Fibre project (creating ultra-modern communication network infrastructure) and the Atuabo Power plant (which will convert flared gas into electricity), among others. GIIF's initial results have been encouraging.

Challenges faced

Many local sponsors of projects are weak (financially) and inexperienced in putting together sustainable structures to attract long-term funding, which often makes it difficult to back them. The lack of long-term financing and equity in the local market, along with many weak financial institutions, results in an over-reliance on foreign funding for infrastructure with different risk appetites and FX risk. The prolonged duration for closing infrastructure projects creates frustration, opening ample opportunities to cut corners and conduct subpar deals.

Lessons learned

GIIF has incorporated lessons from the past by focusing on strong investment criteria and principles. It has maintained *very strict investment criteria and principles*, including ensuring:

- Sufficient equity in a project (to prevent over-leverage), and not being the sole investor in a project (market test)
- Sufficient cashflows are generated to repay any loans and equity
- Alignment with government priorities, and only investing within its mandate

Notwithstanding its 100% government ownership, GIIF has remained a *technical* institution, employing only proven experienced technical staff operating according to commercial principles. GIIF has prioritized effective and efficient project preparation as a critical success factor in developing its

projects and outsources all due diligence (DD) to world-class firms that work closely with GIIF staff and the Ghanaian sponsors, facilitating full skills transfer. This has resulted in GIIF's DD having credibility in the market, providing comfort to potential co-financiers.

The CFR exercise brings to light the recurring question of **addressing infrastructure deficits in Africa**, specifically why governments, along with their development partners, seemingly struggle to address these hurdles urgently and sufficiently.

The CFR solutions, particularly related to enhancing project preparation initiatives, resonate with GIIF's mandate, and form a welcome initiative to help create a positive domino effect—private-sector investment that drives competitive returns, economic growth, attracting more private and foreign investment, powering greater GDP growth, innovation and societal advancement. This in turn will bring Ghana and African countries closer to achieving the various SDGs, resulting in improved quality of life for the inhabitants of the continent, as well as the world at large.

Vision for next three to five years

GIIF is exploring ways to execute commercially sustainable solutions in a few new areas. GIIF would play the initial anchor investment role where needed to help raise complementary third-party funding to complete the project, on **GIIF terms**, as below:

- a. **Affordable university hostel accommodation:** There is a relatively unknown crisis in Ghana, with universities unable to provide affordable student accommodation for up to 90% of their students in some cases. GIIF is exploring commercially sustainable solutions to address this shortage.

- b. **Affordable housing:** GIIF is assessing a major intervention in this problem area that affects all countries in Africa, including Ghana. GIIF has analysed the sector and the reasons behind earlier failures in Ghana to design an affordable and socially acceptable housing product that is commercially and environmentally sustainable, involving local banks and developers.

- c. **New toll roads:** The Ministry of Finance has requested that GIIF look into providing a solution for the failed Accra-Tema Motorway project, which was meant to be a privately funded toll road. GIIF has done the research and analysis, and believes it has a solution in which GIIF takes the anchor equity position.
- d. **Help lead and manage the large-scale expansion of renewable energy projects in Ghana:** Ghana should gradually adjust the mix of its power assets to include more renewables. This should be done in a carefully coordinated manner, which through GIIF the government could more easily manage.

Website: www.giif.gov.gh.

BOX 2

Affordable housing with the National Mortgage and Housing Financing Initiative

In 2018 the Government of Ghana implemented the National Mortgage and Housing Finance Initiative (NMHFI) to facilitate alignment of demand and supply in the housing market.

The policy objectives of the NMHFI are as follows:

- Revive and stimulate the mortgage market
- Promote an affordable real estate investment trust (REIT) to enable rent-to-own schemes
- Promote the legislation for mandatory contribution with fiscal incentives to facilitate long-term savings for home ownership
- Review and strengthen the Mortgage Act including the REIT regulations

To operationalize this initiative, the government set up the National Homeownership Fund (NHF) in 2018 to tackle the demand-side challenges of housing.

Highlights

In 2018–2020, the fund piloted two schemes:

1. National Mortgage Scheme (NMS) with participating banks
2. Affordable housing (REIT) rent-to-own scheme

These have resulted in four completed projects in at least two regions in Ghana:

- Model Tema Community 22 NHMF Estate: construction of an affordable housing community of 204 units, including a mortgage arrangement with GCB Bank to offer financing for the Model Tema Community 22 project
- Procurement of 450 units of affordable housing through a low-cost mortgage arrangement between the NMS and Republic Bank Ghana for the Ghana Medical Association
- Adom City Affordable Housing: PPP project with 60 housing units procured and operated under the rent-to-own scheme
- TDC/Kpone Affordable Housing: 32 housing units procured for the rent-to-own scheme

Total financing unlocked as a result of the two schemes was approximately \$12 million.

Challenges faced, lessons learned

Challenges include a lack of a robust mortgage underwriting structure, commitment for long-term lending and limited interest in construction financing due to construction risks by banks/the private sector.

Key lessons learned include the need to:

- Build a strong credit and administrative system that standardizes the mortgage underwriting process
- Create a more favourable enabling environment, e.g. a mortgage **(green) bond programme** that encourages the private sector to provide lower-cost and long-term financing for both construction and mortgage finance
- Develop a mortgage database to encourage data-driven decisions

The CFR solutions - project preparation and a first-loss fund in particular - can help Ghana create a more favourable enabling environment to attract the private sector into the affordable housing space by addressing the challenges currently deterring the private sector from driving the homeownership sector in Ghana. **It will also allow Ghana to deliver on its commitment to climate change by potentially structuring and issuing green bonds and constructing houses based on high ESG principles.**

Vision and financing needs for next two years

- Review and set up permanent structures for the NHMF
- Scale up funding for the NHMF and develop communities like the model project in Tema Community 22
- Review the *Home Mortgage Finance Act, 2008 (Act 770)* to strengthen the mortgage market
- Use REITs to provide more off-take for local developers towards rent-to-own schemes, focusing on inner-city development and high-rise buildings
- Support the National Housing Committee (NHC) to become the Ghana Housing Authority
- Expand the schemes to cover all Ghanaians

Total financing needs: approximately \$74 million.

Website: <https://www.nhmf.com.gh>.

3.2 Unlocking greater financing for micro, small and medium-sized enterprises (M/SMEs)

The M/SME sector is a critical economic engine in Ghana and throughout the continent. The IMF and World Bank estimate that SMEs will generate 80%–90% of jobs in sub-Saharan Africa over the next decade. Providing access to greater sources of capital for their operations and growth could result in a significant increase of their annual output, GDP and employment, as well as in boosting much-needed domestic tax revenues.

Ghana's M/SME sector³⁸ represents approximately 85% of all private-sector businesses and contributes about 70% of GDP.³⁹ Using the IMF's estimated 2020 GDP of \$67.3 billion, this translates to over \$47 billion per year. The M/SME sector is therefore a priority sector for the government, with the potential to affect several SDGs: No Poverty

(Goal 1), Zero Hunger (Goal 2), Gender Equality (Goal 5) and Decent Work and Economic Growth (Goal 8).

Ghana's M/SMEs operate primarily in Agribusiness, Manufacturing, Trade and Services. Ghana Statistical Services shows that, while only 13% of investment in fixed assets go to M/SMEs, they account for 50% of revenues and 45% of profits. Other sources of M/SME financing in Ghana, like the private equity and venture capital (PEVC) industry, account for an estimated \$25 million per year - a small sum compared to the **\$6.1 billion financing need** estimated by the International Finance Corporation (IFC) for the sector.⁴⁰

CFR consultations identified the following barriers to financing M/SMEs in Ghana, and some proposed solutions to address them. Table 8 outlines:

1. Barriers noted during stakeholder consultations in column 1
2. Requests and proposed solutions to address these barriers in column 2
3. Relevant initiatives that the government is already undertaking to address the outlined barriers, and “for action” items in column 3

The barriers and solutions outlined in Table 8 can be summarized as follows:

Regulatory/policy and structural/Institutional Barriers

Barriers: Scale, lack of investable pipelines, limitation in M/SME capacity

Solution: Greater coordination of M/SME programmes for economies of scale to both increase investment volume and consolidate technical assistance activities, leverage existing pipeline building activities

Regulatory/policy and financial barriers

Barrier: Limitation in financing available for M/SMEs

Solution: Explore SDG bonds, explore tax incentives for M/SME financiers, investors

Financial and investment risk barriers

Barrier: Limitations in access to finance for M/SMEs (affordability/collateral requirements)

Solution: Set up innovative blended finance mechanisms (debt or equity), SDG first-loss fund

TABLE 8 Barriers and solutions to M/SME financing in Ghana

M/SMEs		
Barriers	Proposed solutions	Government initiatives to address barriers, and “for action” items
Non-financial de-risking actions		
<p>Small ticket size investments for M/SMEs</p> <p>Perceived or real lack of managerial skills and innovation needed to boost investor confidence in the sector</p>	<ul style="list-style-type: none"> – Strengthen coordination and strategy to build a more coherent M/SME financing macro environment – Create economies of scale for financing and technical assistance 	<ul style="list-style-type: none"> – The government has recently taken initiatives in linking, coordinating and combining various initiatives and funds to strengthen the M/SME financing macro policy environment by promoting scale, coherence and efficiency (see Box 3 on “CAP-BuSS and GEA” on page 40) – Aggregation and technical assistance initiatives could be led or coordinated by the newly established Ghana Enterprises Agency (GEA) <p>For action: Map various ongoing initiatives and projects supporting M/SMEs by international and domestic agencies/entities to promote greater coordination and support. This will be needed to create the kind of volume attractive to private investors, and in linking with various technical assistance initiatives supporting M/SME incubation, acceleration and growth</p>

Barriers	Proposed solutions	Government initiatives to address barriers, and “for action” items
Non-financial de-risking actions		
<p>Limitations in public domestic revenues for financing</p>	<ul style="list-style-type: none"> – Unlock greater financing for M/SMEs via incentives – Explore new sources of financing for M/SMEs via the issuance of SDG bonds (see section 3.1 for more on “sustainable bonds”) 	<p>For action:</p> <ul style="list-style-type: none"> – Some suggested incentives voiced during the CFR process were lowering corporate tax rates or tax holidays to encourage domestic investors to finance M/SMEs or M/SME-related projects – Conduct an assessment on necessary incentives to boost domestic financing for M/SMEs (via a “sprint”)⁴¹ <p>For action: Engage technical assistance providers to assess possibilities for structuring a sustainable bond for M/SMEs</p>
<p>High level of informality, related to the lack of information and data needed by investors to assess creditworthiness/profitability</p>	<ul style="list-style-type: none"> – Develop a comprehensive database of M/SMEs and sectors of operations to address information asymmetry 	<p>The National Board for Small Scale Industries (NBSSI) under CAP-BuSS received over 500,000 applications from M/SMEs for support. This could serve as the basis for further developing a comprehensive database under the NBSSI (to become the GEA)</p> <p>For action: Engage and explore support to the GEA to consolidate existing data on M/SMEs to build a comprehensive database on M/SMEs in Ghana</p>
<p>Need for bankable pipelines</p>	<ul style="list-style-type: none"> – Employ initiatives building, identifying and preparing pipelines of projects and potential investments 	<p>For action: Link investors and intermediaries with existing pipelines being built, assess bankability, identify gaps, e.g. the UNDP’s SDG Investor Maps, the Ground Up Pipeline Builder, etc.</p>

Barriers	Proposed solutions	Government initiatives to address barriers, and “for action” items
Financial de-risking actions via innovative financing instruments		
<p>Interest rates for financing needed to expand business too costly for M/SMEs</p> <p>Collateral: many cannot meet the collateral requirements of commercial FIs, also limiting access/growth</p>	<p>The government, together with DFIs, could put in place innovative financing instruments to reduce financing costs for private-sector investors and transfer financial risk to other actors. Blending concessional financing, or grants with private financing, could lower interest rates and relax collateral requirements for M/SMEs</p> <p>Instruments proposed during CFR stakeholder consultations were:</p> <ul style="list-style-type: none"> – SDG first-loss fund – M/SME working capital and capital expenditure (debt) facility – M/SME (equity) SDG investment vehicle <p>(See more under “Spotlight on innovative financing instruments for M/SMEs”, page 41)</p>	<p>Several government initiatives to improve access to competitive finance for M/SMEs and entrepreneurs could integrate these proposed mechanisms (see more under “Spotlight on innovative financing instruments for M/SMEs”, page 41)</p> <p>For action:</p> <ul style="list-style-type: none"> – Segment M/SMEs by size, sector and financing needs – Analyse different financing structures tailored per size, sector and financing needs – Engage private investors with initial pool of larger/most promising M/SMEs to refine vehicle structure

BOX 3

CAP-BuSS and the Ghana Enterprises Agency (GEA)

The GH¢750 million (**approx. \$130.2 million**)⁴² **Coronavirus Alleviation Programme–Business Support Scheme (CAP-BuSS)**, enacted in May 2020, is designed to mitigate the impact of COVID-19 on M/SMEs. The **National Board for Small Scale Industries (NBSSI)**,⁴³ in collaboration with over 80 business associations and financial institutions (FIs), was tasked with helping to disperse the funds. By December 2020, more than half the funds had been disbursed to over 277,000 M/SMEs (69% of which were female-owned), saving over 650,000 jobs in the sector and providing technical training on entrepreneurship, financial literacy and bookkeeping to over 8,000 participants.

CAP-BuSS has also resulted in:

- Generating 800,000 Tax ID Numbers (TIN) to support greater formalization of the informal sector
- Activating 10,000 business registrations
- Improving financial inclusion, with 60% of beneficiaries securing bank accounts as part of the scheme

- Positioning the NBSSI to leverage an additional GH¢100 million (**approx. \$17.4 million**)⁴⁴ from the Mastercard Foundation and the German Agency for International Cooperation (GIZ) in support of M/SMEs
- Parliament transforming the NBSSI into a much stronger institution, the **Ghana Enterprises Agency (GEA)**, to streamline and manage all M/SME and entrepreneurial programmes in Ghana⁴⁵

Aggregation and technical assistance initiatives (in entrepreneurship, managerial capacity-building, financial literacy and bookkeeping, for example) could be led or coordinated by the newly established GEA, to include synergizing ongoing initiatives supporting M/SME capacity by international and domestic entities. For example, the Ghana Jobs and Skills Project and the Skills Development Partnership with Faith-Based Organizations are tasked with catalysing the government drive under the **GhanaCARES programme** (see Box 4 for more information) to advance technical and vocational skills, including retraining, in targeted sectors.⁴⁶



Spotlight on innovative financing instruments for M/SMEs

Three innovative financing instruments to boost M/SME financing in Ghana were proposed during CFR stakeholder consultations:

1. **SDG first-loss fund:** to lower risk and encourage DFIs and private-equity funds to invest in the M/SME sector, which may be in line with what the Development Bank of Ghana (see Box 4 on the DBG) is proposing on a Partial Credit Guarantee facility with the World Bank
2. **M/SME working capital and capital expenditure (debt) facility:** managed by the GEA and using government funds as seed capital to leverage private funds and donor funding
3. **M/SME (equity) SDG investment vehicle:** using government seed funds and donor funding to attract impact investors to a “fund of funds”

Several government initiatives to improve access to competitive finance for M/SMEs and entrepreneurs could integrate these proposed mechanisms:

- Establishing the **Development Bank of Ghana (DBG)** to finance the growth and development agenda under the GhanaCARES programme. The DBG is set to launch by mid-2021 and will provide credit to qualifying FIs to lend to their SME clients at longer tenor and affordable rates
- Capitalizing the **Venture Capital Trust Fund**⁴⁷ (a quasi-public group of funding institutions established to increase access to long-term funds for SMEs) with an additional \$45 million to strengthen their operations

- Strengthening and expanding the operations of the **Ghana Incentive-Based Risk-Sharing System for Agricultural Lending (GIRSAL)**⁴⁸ and **Ghana Export-Import Bank (GEXIM)**⁴⁹ to meet the needs of entrepreneurs⁵⁰

In support of these types of innovative financing instruments, Table 9 outlines the activities and entities suggested for higher levels of M/SME financing with the following objectives:

- Doubling of M/SME financing in three to five years (minimum)
- Greater supply of funds to local banks and microfinance institutions (MFIs) to increase supply of senior loans to M/SMEs
- Greater supply of equity to M/SMEs that can accommodate equity
- Greater supply of mezzanine capital for M/SMEs, beyond the levels of debt provided by conventional lending programmes and to support M/SMEs that cannot attract equity
- Increased risk capital in the system (beyond exiting bank and MFI equity) to bear the risk of M/SME loans
- Greater supply of local currency financing (FX hedging) to ensure M/SMEs do not borrow in hard currency and expose themselves to unheeded FX risk

TABLE 9 Activities and entities to boost M/SME financing in Ghana

Activities	Ghana government participation	Other donors	Ghana organizations	SME-focused organizations
Increase debt finance to banks and microfinancing institutions (MFIs)	Contributions	TBD	Ghana banks and MFIs	DFIs, international banks and private credit funds
Increase capital that take on risk of SME senior loans	Contribution to blended finance SDG first-loss fund	Contribution to blended finance SDG first-loss fund	Ghana banks and MFIs	e.g. Africa Guarantee Fund
Increase supply of mezzanine capital	Contribution to blended finance SDG first-loss fund	Contribution to blended finance SDG first-loss fund	Ghana banks, MFIs and fund managers	Mezzanine capital funds

Source: Clubb, Chris, Managing Director, Convergence, <https://www.convergence.finance/> (link as of 7/6/21).

Activities	Ghana government participation	Other donors	Ghana organizations	SME-focused organizations
Increase equity to SMEs	Contributions	TBD	Private-equity funds	Private-equity funds
Increase local currency finance/ foreign exchange (FX) hedging	TBD	TBD	Ghana banks and MFIs	e.g. Currency Exchange Fund (TCX), Africa Local Currency Bond Fund

CFR stakeholder discussions with both international and domestic private investors on how to crowd in private financing recommended that any M/SME financing vehicle consider the following:

- Vehicle to be managed/advised by investment experts with track record of managing commercial funds
- Identify and narrow initial scope towards sectors most likely to generate returns for demonstration effect
- Vehicle to set targets on how to allow M/SMEs to eventually access capital from commercial banks; tailor timing and structural transitioning for when subsidies and technical assistance are gradually phased out to encourage successful transition by M/SME type and size

- Put in place rigorous credit-risk controls to ensure private-investor involvement
- Boost automation and standardization of data and documentation required from M/SMEs for simplicity of lending, cost saving, enhanced controls (potentially collateralization), and in building an enhanced database/credit history on M/SMEs needed for investment decisions
- Ensure security and collateral requirements are understood by M/SME clients (consider what can be pledged and its effectiveness)
- Consider alternative products (e.g. import-export guarantees, invoice financing) that may be more capital-efficient options in certain sectors or cases

BOX 4 Development Bank of Ghana (DBG)

In October 2020, \$250 million from the International Development Association (IDA) was approved to “support the establishment of the Development Bank of Ghana (DBG) to increase access to long-term finance and boost job creation for 10,000 enterprises in key sectors, including Agribusinesses, Manufacturing and high-value Services”. The plan “will include the establishment of a **Partial Credit Guarantee facility** and a digital financing platform to leverage private-sector financing by making it more efficient and less risky for private financiers to lend to MSMEs”.⁵¹ DBG will seek to “mobilize private capital from both domestic and international markets ... and focus mainly on manufacturing, agriculture, agro-processing, mortgages, ICT, and housing sub-sector to propel economic growth and create jobs, and improve domestic mobilization”.⁵²

In addition, the DBG has as of May 2021 received an additional €170 million of European Investment Bank (EIB) backing.⁵³

The DBG is set to finance the GH¢100 billion (**\$17.3 billion**)⁵⁴ **GhanaCARES (Obaatan pa)** Economic Recovery programme, launched by the government in November 2020. The programme is designed to transform the challenges created by COVID-19 into opportunities for socioeconomic

transformation. The programme welcomes the support and participation of the private sector, labour, the people, development partners and foreign investors, and seeks to:

- Expedite government’s digitization agenda to achieve greater efficiency and effectiveness in public-service delivery
- Revitalize the housing and construction industry to address the severe housing deficit and create job opportunities
- Establish Ghana as a hub for the region, leveraging its position within the Economic Community of West African States (ECOWAS) and as host of the Secretariat of the Africa Continental Free Trade Area (AfCFTA) to focus on Manufacturing, Financial Services, Education, Healthcare, Aviation and Logistics, Digital Services, Petroleum, Automobile, Tourism, Hospitality and Creative Arts
- Support the private sector and entrepreneurs to become powerful engines for job creation, and actively promote both local and international investments, including the use of public-private partnerships (PPPs)
- Upgrade the skills of workers through retraining programmes focusing on technical and vocational skills⁵⁵

Note: GhanaCARES was launched after CFR baseline assessment, diagnostic and stakeholder consultations, and is thus not included in Section 2 of this report, “Ghana and the SDGs”, which describes Ghana’s SDG strategy, status and financing landscape, including quantifying the cost of and gap in financing the SDGs by 2030.

Implementing the solutions

Using the discussions and dialogues - including proposed solutions and other recommendations - that have come out of the numerous consultations, CFR activities will pivot towards formulating and implementing an action plan that creates clear conditions to attract new financing sources, devise innovative financing mechanisms and mobilise capital to flow where it is needed most, taking into account Ghana's particular national context, to make progress towards achieving SDG targets.

The solutions proposed require a clear roadmap of implementation, mainly outlining the key activities and stakeholders required to effectively design, implement and continuously monitor their effectiveness. A first step to support this process is a conceptual accountability matrix, which is presented in Table 10. This is naturally a collaborative process, and further engagement between the government, development community and private sector will be necessary.

TABLE 10 Ghana CFR accountability matrix

Sustainable infrastructure			
Barriers	Proposed solutions	Action	Key stakeholders
Non-financial de-risking actions from government			
<p>Investment climate instability, including the cost and length of procurement cycle for PPP projects</p> <p>Recent cancellations and renegotiations of Power Purchase Agreements (PPAs) have also undermined investor confidence in the stability of the investment climate</p>	<ul style="list-style-type: none"> Establish transparent, long-term strategies and targets for priority infrastructure areas linked to the SDGs Identify priority projects and enable a process for fast-tracking project appraisal, structuring and procurement Ensure greater clarity, certainty, constancy in long-term agreements, such as PPAs that are established with power agencies Strengthen coordination among relevant stakeholders to improve transparency and efficiency for investors, via an institutional champion with clear accountability and appropriate expertise 	<p>Further develop this list of priority projects that the private sector can immediately leverage, with tangible government support</p>	<p>SDG Advisory Unit</p> <p>Ministry of Finance</p> <p>Relevant line ministries</p> <p>Development partners</p> <p>GIPC</p> <p>UN DESA</p> <p>UNOPS</p> <p>UN RCO</p>
<p>Insufficient pipeline of bankable projects</p>	<ul style="list-style-type: none"> Enhance project preparation capacity either through a dedicated facility (PPF) or other measure to ensure a steady pipeline of well-prepared, commercially attractive projects that consider all relevant market- and project-specific risk elements and devise appropriate mitigation measures 	<ul style="list-style-type: none"> Perform further analysis on scope and structure of project preparation solutions, using a sector as a pilot assessment (e.g. affordable housing) (a "sprint"). Coordinate various state entities to map their project preparation activities Identify champion entity for coordination of project preparation activities 	<p>SDG Advisory Unit</p> <p>Ministry of Finance</p> <p>Relevant line ministries</p> <p>Development partners</p> <p>GIIF</p>

Sustainable infrastructure

Barriers	Proposed solutions	Action	Key stakeholders
Non-financial de-risking actions from government			
<p>Limitations in capacity of government entities to prepare and implement infrastructure projects, lack of funds to undertake feasibility studies and assessments</p>	<ul style="list-style-type: none"> Further equip the Public Investment and Asset Division (PIAD) within the Ministry of Finance, the Public Private Partnerships (PPP) unit within PIAD, and the metropolitan, municipal, and district assemblies (MMDAs) with skills, tools and human capital to move projects from conception to financial close 	<ul style="list-style-type: none"> Engage PIAD, PPP unit, and the MMDAs to identify skills, tools and human capital needs to move projects from conception to financial close Link with the Africa Infrastructure Fellowship Program, a capacity-building initiative driven by the Global Infrastructure Hub, Meridiam and the World Economic Forum 	<p>SDG Advisory Unit</p> <p>Ministry of Finance</p> <p>Relevant line ministries</p> <p>Development partners</p>
Financial de-risking actions via innovative financing instruments			
<p>Lack of appetite from investors to take the first-level risk</p>	<p>Provide seed funds and engage development partners to set up a first-loss fund to improve the risk profile of priority SDG infrastructure investment projects to crowd in both international and domestic private investors</p>	<ul style="list-style-type: none"> Engage development partners to explore first-loss fund, possibly channelled through the Development Bank of Ghana 	<p>SDG Advisory Unit</p> <p>Ministry of Finance</p> <p>Relevant line ministries</p> <p>Development partners</p> <p>Development Bank of Ghana</p>
<p>Limitations in public domestic revenues for financing</p>	<p>Explore alternative financing instruments, such as SDG bonds: government to expand opportunities in the international bond markets and increase access to commercial debt financing</p>	<ul style="list-style-type: none"> Select at least two priority SDG infrastructure projects to pilot issuance of SDG bonds, e.g. affordable housing Engage technical assistance providers in the structuring and issuance of Ghana's first SDG bond 	<p>SDG Advisory Unit</p> <p>Ministry of Finance</p> <p>Relevant line ministries</p> <p>Ghana Stock Exchange</p> <p>SEC</p> <p>National Pensions Regulatory Authority (NPRA)</p> <p>CEO Advisory Group</p>

M/SMEs

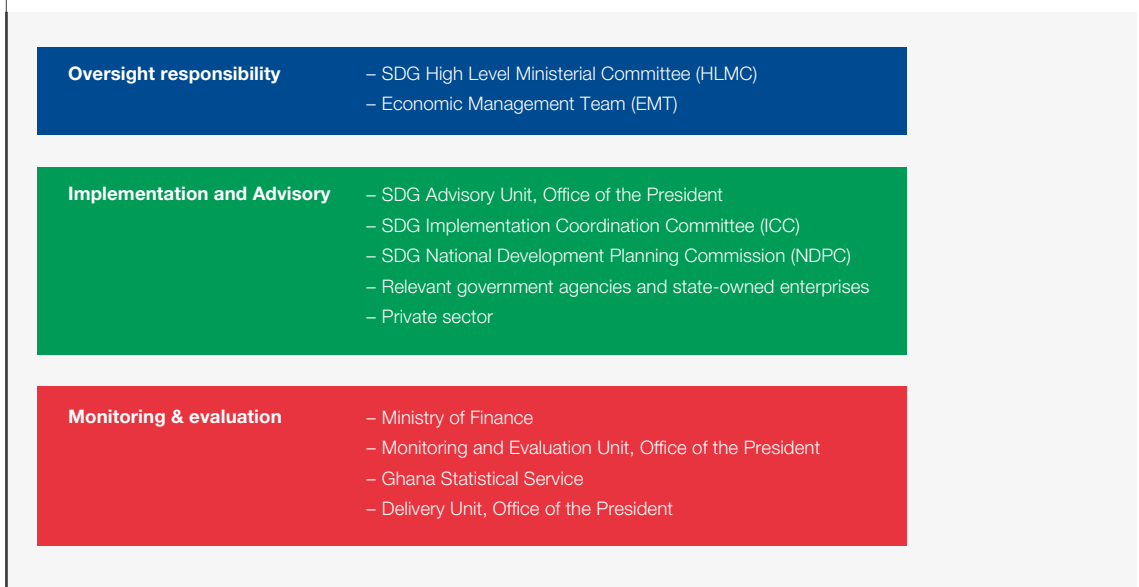
Barriers	Proposed solutions	Action	Key stakeholders
Non-financial de-risking actions from government			
<p>Small ticket size investments for M/SMEs</p> <p>Perceived or real lack of managerial skills and innovation needed to boost investor confidence in the sector</p>	<ul style="list-style-type: none"> Strengthen coordination and strategy to build a more coherent M/SME financing macro environment. Create economies of scale for financing and technical assistance 	<ul style="list-style-type: none"> Map various ongoing initiatives and projects supporting M/SMEs by international and domestic agencies/entities to promote greater coordination and support. This will be needed to create the kind of volume attractive to private investors, and in linking with various technical assistance initiatives supporting M/SME incubation, acceleration and growth 	<p>SDG Advisory Unit</p> <p>GEA</p> <p>Development partners</p> <p>Development Bank of Ghana</p> <p>I/NGOs</p> <p>Foundations</p>
<p>Limitations in public domestic revenues for financing</p>	<p>Unlock greater financing for M/SMEs via incentives</p>	<ul style="list-style-type: none"> Some incentives suggested during the CFR process were lowering corporate tax rates or tax holidays to encourage domestic investors to finance M/SMEs or M/SME-related projects Conduct an assessment on necessary incentives to boost domestic financing for M/SMEs (via a “sprint”) 	<p>SDG Advisory Unit</p> <p>GEA</p> <p>Development partners</p> <p>I/NGOs</p> <p>Foundations</p>
	<p>Explore new sources of financing for M/SMEs via the issuance of SDG bonds</p>	<p>Engage technical assistance providers to assess possibilities for structuring a sustainable bond for M/SMEs</p>	<p>SDG Advisory Unit</p> <p>GEA</p> <p>Ghana Stock Exchange</p> <p>SEC</p> <p>National Pensions Regulatory Authority (NPRA)</p> <p>CEO Advisory Group</p>
<p>High level of informality, related to the lack of information and data needed by investors to assess creditworthiness/profitability</p>	<p>Develop a comprehensive database of M/SMEs and sectors of operations to address information asymmetry</p>	<p>Engage and explore support to the GEA to consolidate existing data on M/SMEs to build a comprehensive database on M/SMEs in Ghana.</p>	<p>SDG Advisory Unit</p> <p>GEA</p> <p>Ghana Statistical Services</p>
<p>Need for bankable pipelines</p>	<p>Leverage initiatives building, identifying and preparing pipelines of projects and potential investments.</p>	<p>Link investors and intermediaries with existing pipelines being built, assess bankability, identify gaps, e.g. the UNDP’s SDG Investor Maps, the Ground Up Pipeline Builder, etc.</p>	<p>SDG Advisory Unit</p> <p>GEA</p> <p>GIPC</p> <p>GEXIM</p>

M/SMEs			
Barriers	Proposed solutions	Action	Key stakeholders
Financial de-risking actions via innovative financing instruments			
<p>Interest rates for financing needed to expand business too costly for M/SMEs</p> <p>Collateral: many cannot meet the collateral requirements of commercial FIs, also limiting access/growth</p>	<p>The government, together with DFIs, could put in place innovative financing instruments to reduce financing costs for private-sector investors and transfer financial risk to other actors. Blending concessional financing, or grants with private financing, could lower interest rates and relax collateral requirements for M/SMEs</p> <p>Instruments proposed during CFR stakeholder consultations were:</p> <ul style="list-style-type: none"> – SDG first-loss fund – M/SME working capital and capital expenditure (debt) – M/SME (equity) SDG investment vehicle 	<ul style="list-style-type: none"> – Segment M/SMEs by size, sector and financing needs – Analyse different financing structures tailored per size, sector and financing needs – Engage private investors with initial pool of larger/most promising M/SMEs to refine vehicle structure 	<p>SDG Advisory Unit</p> <p>GEA</p> <p>Development partners</p> <p>Development Bank of Ghana</p> <p>Venture Capital Trust Fund</p> <p>GIRSAL</p> <p>CEO Advisory Group</p>

To support the accountability matrix in Table 10, an implementation and oversight structure will be a critical starting point. Figure 20 proposes such an arrangement, drawing on the existing SDG implementation structure (see Appendix C). This

is not a fully exhaustive list, noting that there will be other relevant institutions indicated to play an important role in the oversight, implementation and monitoring activities.

FIGURE 20 Ghana CFR implementation structure



4

Conclusion

The CFR has provided an important basis for the government to advance initiatives to meet the significant SDG financing gap, working collaboratively with private-sector players. Importantly, it is hoped that it will also serve as a reference point to investors (private and institutional) seeking opportunities in emerging markets such as Ghana. The solutions proposed, once implemented, should serve to enhance the positive enabling environment for investment that Ghana has already created, as well as help reduce the risk perception that investors typically have when investing in such markets.

The CFR presents a unique opportunity for the government to lay down a clear marker of its key priorities in meeting the SDGs targets, as well as providing a concise roadmap of efforts to meet the challenges identified to crowding in private-sector finance at scale. Importantly, it is recognized that achieving this will require collaboration between the government and key players, including the private sector, development partners and other domestic, regional and international organizations. Such collaboration will help crystallize the solutions further into concrete action plans and institutional arrangements.

SDIP, in partnering with the Government of Ghana, is aiming to further expand on the solutions. Importantly, the CFR provides a platform for an expansion of the investible regime that Ghana is seeking to create into the neighbouring region. This is critical as Ghana seeks to serve as a gateway for trade and investment into the West African subregion, not least due to its unique position as the host country of the Secretariat of the Africa Continental Free Trade Area. Working through SDIP in Africa, the process undertaken for this CFR, with Ghana as the pilot country, serves as an important launchpad to expand this initiative to other countries.

A

Appendix A

The World Economic Forum and Ghana



GLOBAL PLASTIC ACTION PARTNERSHIP

The Ghana National Plastic Action Partnership (NPAP) aims to shape a more sustainable and inclusive world through the eradication of plastic pollution. Through a multistakeholder platform designed for all, it brings public, private and civil society leaders together to develop joint solutions to the plastic pollution crisis in Ghana. Since its launch in October 2019, the Ghana NPAP has committed to delivering five critical decision-making tools to drive plastic action at scale.

The Ghana NPAP focuses on three key areas: convening communities and curating conversations; generating new insights and action roadmaps; and catalysing strategic financing for high-potential solutions. From 2020 to 2021, the Ghana NPAP will deliver five critical knowledge tools to drive plastic action at scale:

1. A well-functioning governance framework and highly engaged ecosystem of actors across the plastics value chain to convene and join forces to scale action and impact.
2. A widely endorsed baseline analysis that offers a comprehensive look at the current state of plastic pollution and action in Ghana.

3. A national action roadmap jointly adopted by leading actors across public, private and civil society sectors, streamlining efforts towards systems transformation.
4. An investment strategy to support the understanding and importance of de-risking and incentivizing finance to mobilize investments required for infrastructure and the transition towards a circular economy.
5. A gender mainstreaming strategy that cuts across all work, enabling transformation and gender equality in the plastics sector.

The Ghana CFR solutions for unlocking financing in both sustainable infrastructure and M/SMEs will provide a valuable framework and support the development of an enabling investment environment for high-potential solutions to eradicate plastic pollution.

Website: <https://globalplasticaction.org/>.



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The World Economic Forum's [Platform for Shaping the Future of Trade and Global Economic Interdependence \(TGEI\)](#) and Ghana Investment Promotion Centre (GIPC) launched a Sustainable Investment Policy and Practice pilot in March 2019 with the aim of increasing both investment and its development impact. A final toolkit was developed with 38 economy-level and 24 agribusiness policies and measures that Ghana might consider adopting. Following [publication of the Toolkit](#), the [Government of Ghana agreed](#) to implement [two sustainable investment measures](#) in 2020. The two measures are:

1. Adoption of responsible business conduct (RBC) and corporate social responsibility standards by investors. This would be operationalized through the creation of an RSI (see below).
2. Creation of a category of [Recognized Sustainable Investor \(RSI\)](#) to provide greater support to investors that commit to investing sustainably. This draft policy document was developed, and the CEO of GIPC shared it with cabinet officials.

On 26 May 2021 Yofi Grant, CEO of GIPC, [announced that](#) the RSI was included in the new exemptions bill for tax reform.

UpLink is the first World Economic Forum-managed online network to which anyone can sign up and contribute. Through its challenges, UpLink seeks to connect entrepreneurs with game-changing SDG solutions to experts and investors looking to identify and scale up the most innovative solutions. Through its action groups, UpLink offers thought leaders and activists a curated platform on which to discuss ongoing roadblocks to SDG attainment and build alliances with like-minded champions from across the globe.

UpLink could be a platform to link the investment, expert and multinational communities with Ghanaian entrepreneurs making a positive impact towards meeting the SDGs in sustainable infrastructure and the M/SME sector.

Website: <https://www.weforum.org/uplink>.

B

Appendix B

Country Financing Roadmaps: country-led and action-oriented

The consequences of the COVID-19 pandemic for developing countries and emerging markets have been far-reaching. Since March 2020, 100 million more people have been pushed into extreme poverty, with many countries facing increased pressure on their social infrastructure and economies. Moreover, there is an increased burden of debt distress due to credit-rating implications and reduced access to sources of capital such as foreign direct investments (FDI).

The Country Financing Roadmap (CFR) platform - devised and managed by the Sustainable Development Investment Partnership, a joint initiative between the World Economic Forum and the Organisation for Economic Co-operation and Development (OECD) - is a joint country- and private sector-led initiative to formulate actions and innovations needed to create and de-risk opportunities for financing for sustainable development priorities using an impartial, multistakeholder approach.

CFRs leverages a strong network of key players across the investment value chain. In addition to expert and industry networks at the World Economic Forum, they convene knowledge and insights from private investors, financiers, asset managers, pension funds, donor organizations, development finance institutions and philanthropic foundations to deliver and mobilize an action plan for finance and investment.

The primary power of the CFR is in facilitating cooperation between mainstream investors, domestic decision-makers, innovators, donors and country leadership to unlock financing opportunities at scale, generate and accelerate regional

opportunities for sustainable investments, and serve as a blueprint to replicate and scale across regions.

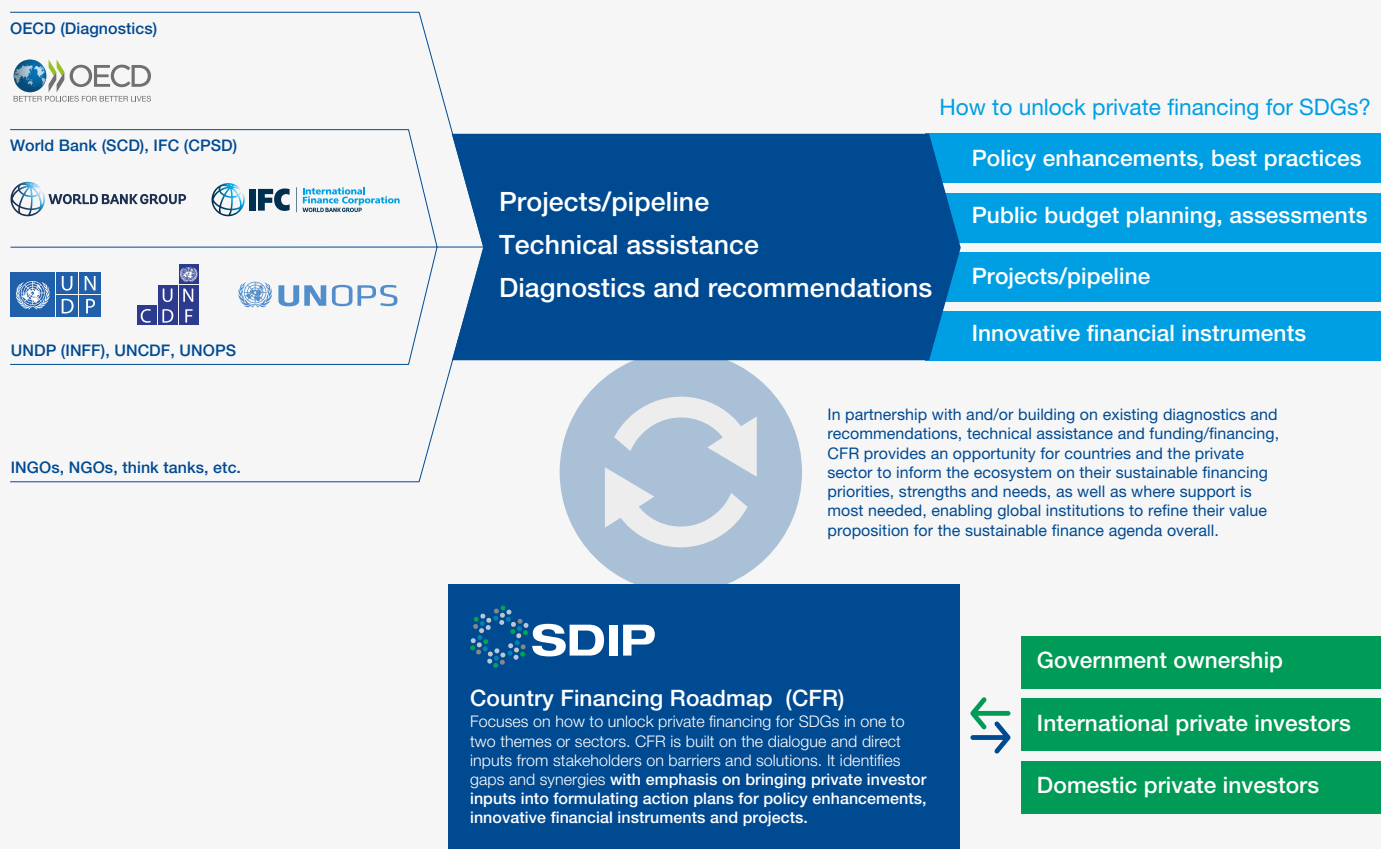
Turning recommendations into action

The CFR framework builds on recommendations advanced by international fora such as the [Inter-Agency Task Force on Financing for Development](#), the [G20 Eminent Persons Group](#) and the [World Economic Forum's Global Future Council on Development Finance](#).

Five pillars of the Country Financing Roadmaps

1. **Country-led:** An impartial platform raising awareness of the conditions needed for ground-level, in-country investments.
2. **Systems-change approach:** Foundation for scaling up regional and thematic financing agendas for greater impact, creating alignment for a diverse and supportive network and ecosystem to mobilize national development priorities.
3. **Private capital:** Inspires greater private-sector participation in sustainable development, building public-private consensus on the way forward, by involving the foreign and domestic private sector in shaping financing opportunities.
4. **Action orientation:** Catalyses concrete action and merges diverse voices to unlock sources of capital, reduce inefficiencies and break down silos.
5. **Replicable:** Serves as a blueprint for replication across other countries and regions; flexible and adaptable to prioritize country needs and leadership.

FIGURE B1 | How the CFR contributes to the broader SDG financing ecosystem



About SDIP

Launched in 2015, SDIP is a global platform of 43 public, private and philanthropic institutions with the shared ambition to scale finance for meeting the sustainable development goals in developing countries and emerging markets. As a joint initiative of the World Economic Forum and the Organisation for Economic Co-operation and Development (OECD), SDIP’s mission is to address

the systemic challenges to SDG financing by creating the conditions for capital to flow where it is needed most. SDIP membership encompasses governments, multilateral development banks, development finance institutions, foundations, asset managers, investment funds and pension funds. SDIP is financially supported by the European Union and DANIDA.

C

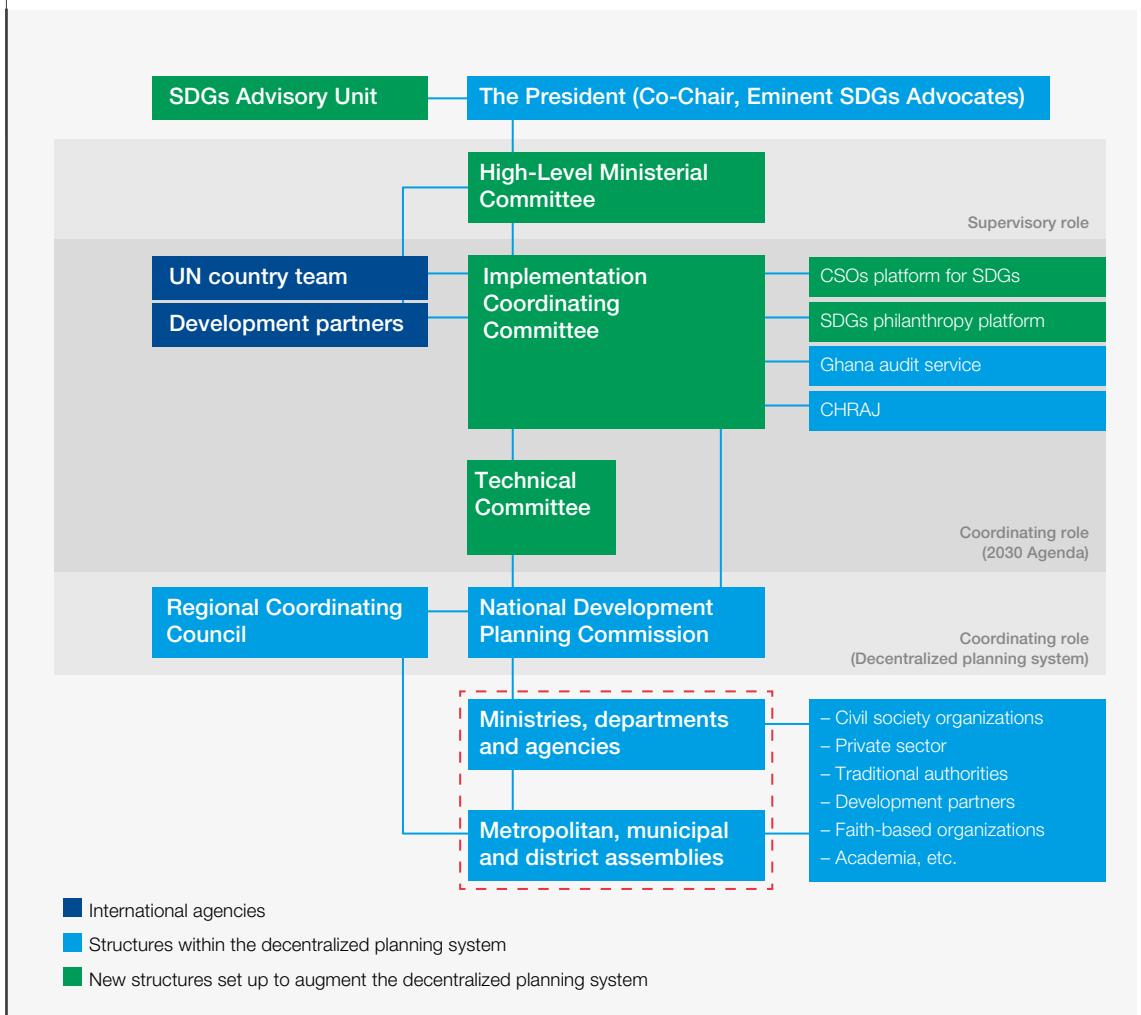
Appendix C

Institutional arrangements for SDGs in Ghana

Ghana has instituted a national SDG implementation structure that ensures all relevant stakeholders participate in the country’s development agenda. Figure C1 summarizes this structure. For further information, see the *Ghana Voluntary National*

Review Report on the Implementation of the 2030 Sustainable Agenda: June 2019: <https://ghana.un.org/en/19155-ghana-voluntary-national-review-report-implementation-2030-agenda-sustainable-development>.

FIGURE C1 Structure of SDG implementation in Ghana



D

Appendix D

SDG costs and financing gap, detailed methodology

TABLE D 1 Summary of SDG cost and funding gap calculations

\$ million = 2019 prices	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total cumulative
(B) Total SDG costs (b1 x b2)	47,552	48,535	49,538	50,562	51,607	52,674	53,763	54,875	56,009	57,167	522,281
b1 Projected population (millions)	31.6	32.2	32.9	33.6	34.3	35.0	35.7	36.5	37.2	38.0	
b2 SDG cost per capita (\$)	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	1,505	
(C) Non-SDG expenditure	3,961	4,190	4,417	4,655	4,888	5,132	5,389	5,658	5,941	6,238	50,468
(C) COVID-19 additional expenditure	2,081	-	-	-	-	-	-	-	-	-	2,081
Total Cost (B + C)	53,593	52,725	53,955	55,217	56,495	57,806	59,152	60,533	61,950	63,405	574,830
(D) Domestic revenue	9,968	11,434	11,827	12,683	13,317	13,983	14,682	15,416	16,187	16,996	136,493
(E) ODA	616	629	642	655	669	683	697	711	726	741	6,767
Total funds (D + E)	10,585	12,063	12,469	13,338	13,986	14,665	15,379	16,127	16,913	17,737	143,260
(A) SDG funding gap (Total cost minus total fund)	43,009	40,662	41,486	41,879	42,510	43,141	43,773	44,406	45,037	45,668	431,570
GDP 2019 (Constant 2019, \$ million)	67,127.0	71,020.4	74,855.5	78,897.7	82,842.6	86,984.7	91,334.0	95,900.7	100,695.7	105,730.5	
SDG costs/GDP	71%	68%	66%	64%	62%	61%	59%	57%	56%	54%	
Total expenditure/GDP	80%	74%	72%	70%	68%	66%	65%	63%	62%	60%	
Funding gap/GDP	64%	57%	55%	53%	51%	50%	48%	46%	45%	43%	

Source: University of Ghana Institute of Social, Statistical and Economic Research (ISSER).

(A) SDG funding gap = \$431.6 billion cumulative for 2021–2030

(B) SDG costs = \$522.3 billion cumulative for 2021–2030

Where:

- (A) SDG funding gap = (total costs) minus (total funds)
- Total costs = (B) total SDG costs + (C) non-SDG related expenditures
- Total funds = (D) domestic revenue + (E) Official Development Assistance (ODA)

(C) Non-SDG and COVID-19-related expenditures

- Non-SDG expenditures is assumed by the United Nations Sustainable Development Solutions Network (SDSN) to be about 6% of GDP

- 2021 COVID-19 expenditures derived from the 2020 Mid-Year Budget Review

(D) Domestic revenue: estimated by projecting domestic revenue using revenue-to-GDP ratios. Post-COVID-19 estimates from the 2020 Mid-Year Budget Review will be used until 2023 and assume a recovery to pre-COVID trends by 2024.

(E) Official Development Assistance (ODA) per capita from the Sustainable Development Solutions Network (SDSN)'s [SDG Costing and Financing for Low-Income Developing Countries](#) report is used to project ODA assistance over the next 10 years. To be conservative in ODA projections, it is assumed that Ghana will receive only 50% of the estimated ODA.

(A) Details on SDG funding gap

The SDG funding gap in 2021 is estimated to be \$43 billion, rising to \$45.7 billion by 2030. The cumulative funding gap is estimated at **\$431.6 billion**. It must be noted that estimates are based on 2019 prices and that nominal costs could be much higher than the estimates. There may also be complementarities within the SDGs for which the costing has not specifically accounted.

Scenario analysis: SDG funding gap analysis can be stress-tested using the following two scenarios, varying two critical variables: domestic revenue-to-GDP and real GDP growth rate.

Under Scenario 1, where projected domestic revenue-to-GDP declines from 16% to 14%, the cumulative SDG funding gap increases to \$449.3 billion.

SCENARIO 1

Domestic revenue-to-GDP declines from 16%–14% from 2025

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total cumulative
Funding gap (\$ billion)	45.0	42.1	43.0	43.5	44.2	44.9	45.6	46.3	47.1	47.8	449.3

Under Scenario 2, where projected real GDP growth rate doubles to 10% per year, the cumulative SDG funding gap reduces to \$420.8 billion.

SCENARIO 2

Real GDP growth rate doubles from 5%–10% from 2025

Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total cumulative
Funding gap (\$ billion)	43.0	40.7	41.5	41.9	42.1	42.3	42.4	42.4	42.4	42.2	420.8

Based on these two scenarios, the cumulative SDG funding gap for the period 2021–2030 is estimated to be between **\$420 billion** and **\$450 billion**, so the final estimate of **\$431.6 billion** is within this range.

(B) Details on SDG costing

The total cost of Ghana achieving the SDGs is estimated to be **\$522.3 billion** by the end of 2030, averaging \$52.2 billion per year. This translates into an average per capita cost of **\$1,505 per year** (see Table D2).

Costing was based on Sustainable Development Solutions Network (SDSN) estimates.⁵⁶ ISSER

localized SDSN data by using per capita estimates obtained from the *SDSN Costing and Financing Report* (SDSN), *Copenhagen Consensus Reports* (CC), Nationally Determined Contributions (NDC, from the Paris Agreement on climate change) and the Ghana Living Standards Survey (GLSS 7).

TABLE D2 Per capita estimates for SDG costing

Goal	SDSN (\$)	CC/NDC (\$)	GoG estimates per capita per year (2020)	Adjusted for 2021 start	Comments
1. No Poverty		4.8	4.8	5.3	Estimated as the poverty GAP from Ghana Living Standards Survey (GLSS)
2. Zero Hunger	9.5		9.5	10.5	Based on Agriculture in SDSN report
3. Good Health and Well-Being	136.9		136.9	150.6	Based on Health per capita estimate in SDSN report
4. Quality Education	167.5		167.5	184.3	Based on Education in SDSN report
5. Gender Equality		19.5	19.5	21.5	Based on Copenhagen Consensus estimates
6. Clean Water and Sanitation	21.2	4.2	21.2	23.3	Based on SDSN - Water, Sanitation and Hygiene (WASH)
7. Affordable and Clean Energy	30.4	141.3	141.3	155.4	Based on NDCs Renewable energy
8. Decent Work and Economic Growth		26.5	26.5	29.2	Based on Copenhagen Consensus reports
9. Industry, Innovation and Infrastructure	56.1	304.9	315.0	346.5	Based on Copenhagen Consensus plus Telecommunication
10. Reduced Inequalities	71.3		71.3	78.4	Child and orphan benefits, maternity, disability and pension
11. Sustainable Cities and Communities		93.0	93.0	102.4	Volta Lake Transport, Bus Rapid Transport system, stabilization ponds, drain widening, waste management, etc.
12. Responsible Consumption and Production		30.0	30.0	33.0	Replacement of destructive nets, subsidizing feed aquaculture, mining cooperatives
13. Climate Action	13.5	296.7	296.7	326.4	NDCs reducing emissions from deforestation and forest degradation (REDD) and reducing emissions
14. Life Below Water	2.45		2.5	2.7	Biodiversity per capita estimate in the SDSN report has been halved
15. Life on Land	2.45		2.5	2.7	Biodiversity per capita estimate in the SDSN report has been halved
16. Peace, Justice and Strong Institutions	20		20.0	22.0	Based on per capita estimate for Justice in SDSN report
17. Partnerships for the Goals	10		10	11.0	Addition of estimates for Humanitarian and Data in the SDSN report
Total	541.3		1,368.2	1,505.0	

Source: University of Ghana Institute of Statistical, Social and Economic Research (ISSER).

Timeframe: The basis of the SDG costing, SDSN and Copenhagen Consensus reports was per capita estimated over the period 2020–2030, a total of 11 years inclusive. As total costing has already been done for 2021–2030 (a 10-year period), per capita costs have been adjusted to reflect the difference in time horizon for the SDSN costing and that of Ghana.

Population projections: Per capita SDG cost estimates have been determined for the next 10 years. The population of Ghana has been projected to grow from 31.6 million in 2021 to 38 million in 2030, based on the Ghana Statistical Service's [2010 Population and Housing Census National Analytical Report](#).

Five SDGs (Goals 9, 13, 4, 7 and 3) make up **77%** of Ghana's total SDG costs. Goal 9 – Industry, Innovation and Infrastructure – constitutes almost one-quarter (23%) of the total funding requirement.

Table D3 presents the cumulative costs of each goal over the next 10 years, ranked in order of proportion of funding required.

TABLE D3 Cumulative SDG funding requirements, 2021–2030

SDG		\$ million	Percentage
Goal 9	Industry, Innovation and Infrastructure	120,240.05	23.0
Goal 13	Climate Action	113,262.68	21.7
Goal 4	Quality Education	63,938.90	12.2
Goal 7	Affordable and Clean Energy	53,944.63	10.3
Goal 3	Good Health and Well-Being	52,258.12	10.0
Goal 11	Sustainable Cities and Communities	35,518.94	6.8
Goal 10	Reduced Inequalities	27,216.98	5.2
Goal 12	Responsible Consumption and Production	11,452.55	2.2
Goal 8	Decent Work and Economic Growth	10,121.79	1.9
Goal 6	Clean Water and Sanitation	8,092.57	1.5
Goal 16	Peace, Justice and Strong Institutions	7,634.50	1.5
Goal 5	Gender Equality	7,452.86	1.4
Goal 17	Partnerships for the Goals	3,817.25	0.7
Goal 2	Zero Hunger	3,626.39	0.7
Goal 1	No Poverty	1,832.54	0.4
Goal 14	Life Below Water	935.23	0.2
Goal 15	Life on Land	935.23	0.2
	Total	522,281.19	100.0

Source: University of Ghana Institute of Statistical, Social and Economic Research (ISSER).

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3. Ibid.
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8. KPMG estimates that, assuming GDP is \$70 billion and domestic revenue-to-GDP increases by 5%, then an additional revenue of \$3.5 billion will be realized.
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10. In 2001, Ghana was declared a highly indebted poor country; yet after years of economic restructuring and debt relief its debt burden fell to 55% of GDP in 2015.
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