

# Climate Finance in Ghana

Ghana's National Determined Contributions (NDCs) lay out ambitious climate goals, but the country faces significant challenges in accessing the necessary climate finance. This brief provides an overview of climate finance in Ghana, highlighting key issues, sources of funding, and sector-specific challenges.

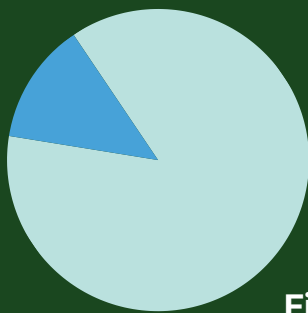
## Current Climate Finance Gap

only **5%** out of the **USD 15 billion** Climate Finance Needs are met



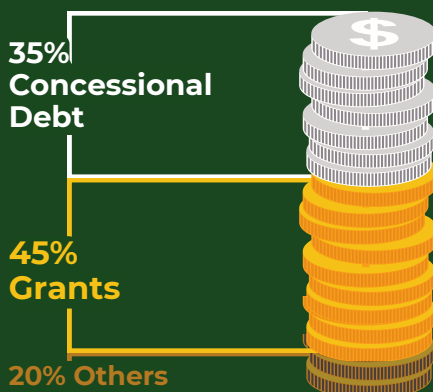
## Sources of Climate Finance

13% Private Finances



87% Public Finances

## Climate Finance Instruments



## Sectoral Allocation of Funds

- Climate finance in Ghana is almost equally distributed between mitigation and adaptation.
- The agriculture, forestry, and land use (AFOLU) sector receives the highest investment, with a significant focus on adaptation.
- The energy sector, which is a major greenhouse gas emitter, receives substantial investment, mainly in electricity generation.
- Investments are also directed toward disaster risk management, policy support, and capacity building.

## Challenges and Recommendations

- Challenges in tracking private sector investments and a lack of standardized reporting methodologies are identified, especially for adaptation projects.
- This brief recommends improving the granularity of climate finance tracking at the national level.
- Suggestions for using innovative financing measures like green bonds, guarantees, and blended finance instruments are put forward to increase private sector involvement in climate projects.

In conclusion, Ghana faces a substantial gap in meeting its climate finance needs, which poses a significant barrier to achieving its NDCs. To address this issue, comprehensive tracking and reporting frameworks are needed, along with innovative financing mechanisms to attract private sector investments and ensure that climate funds are allocated efficiently and effectively to tackle the country's climate challenges.

# CLIMATE FINANCE IN GHANA

Ghana's National Determined Contributions (NDCs) have been instrumental in outlining a framework for climate action, yet the resources required to implement these ambitious goals remain a critical concern. Ghana's efforts to access climate finance are confronted with the added constraint of a complex local financial landscape marked by debt vulnerabilities. The opportunity to mobilise additional climate finance is crucial not just for achieving climate goals, but also meeting Ghana's development needs and paving the way for a sustainable future.

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***Only 5%<sup>1</sup> of Ghana's climate finance needs are currently being met***

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An analysis of climate finance flows in Ghana shows that an annual average of USD 830 million was tracked in 2019 and 2020. This is a meagre 5-9% of its required investment – estimated between USD 9.3-15.5 billion – highlighting the pressing need to bolster climate finance to achieve Ghana's NDCs (UNFCCC, 2021). This gap is likely to be wider as countries often underestimate their financial needs due to a lack of capacity and guidance to make accurate assessments, especially on adaptation and a lack of data from subnational governments and vulnerable communities (CPI, 2022c).

This brief examines the lifecycle of climate finance and provides key insights into who is providing what type of finance and through which instruments to enable the identification of key gaps, opportunities, and areas of collaboration among capital providers based on available information. It leverages Climate Policy Initiative's over-a-decade-long experience and methodology in tracking and analysing climate finance data, including through its [Global Landscape of Climate Finance](#) and numerous regional, national, and sub-national landscape analyses.

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<sup>1</sup> This analysis leverages on Climate Policy Initiative (CPI)'s '[Landscape of Climate Finance in Africa](#)' series which is based on a best effort basis and is not to be taken as a replacement or substitute for conducting more comprehensive national climate finance tracking in Ghana. Several methodological issues and data limitations persist, including challenges in tracking climate-relevant budget expenditures and domestic private sector investments in sectors like agriculture, water, and adaptation etc. For more details refer to the methodology for 'Landscape of Climate Finance in Africa' (CPI, 2022b).

# LANDSCAPE OF CLIMATE FINANCE IN GHANA IN 2019/2020

## SOURCES & INTERMEDIARIES

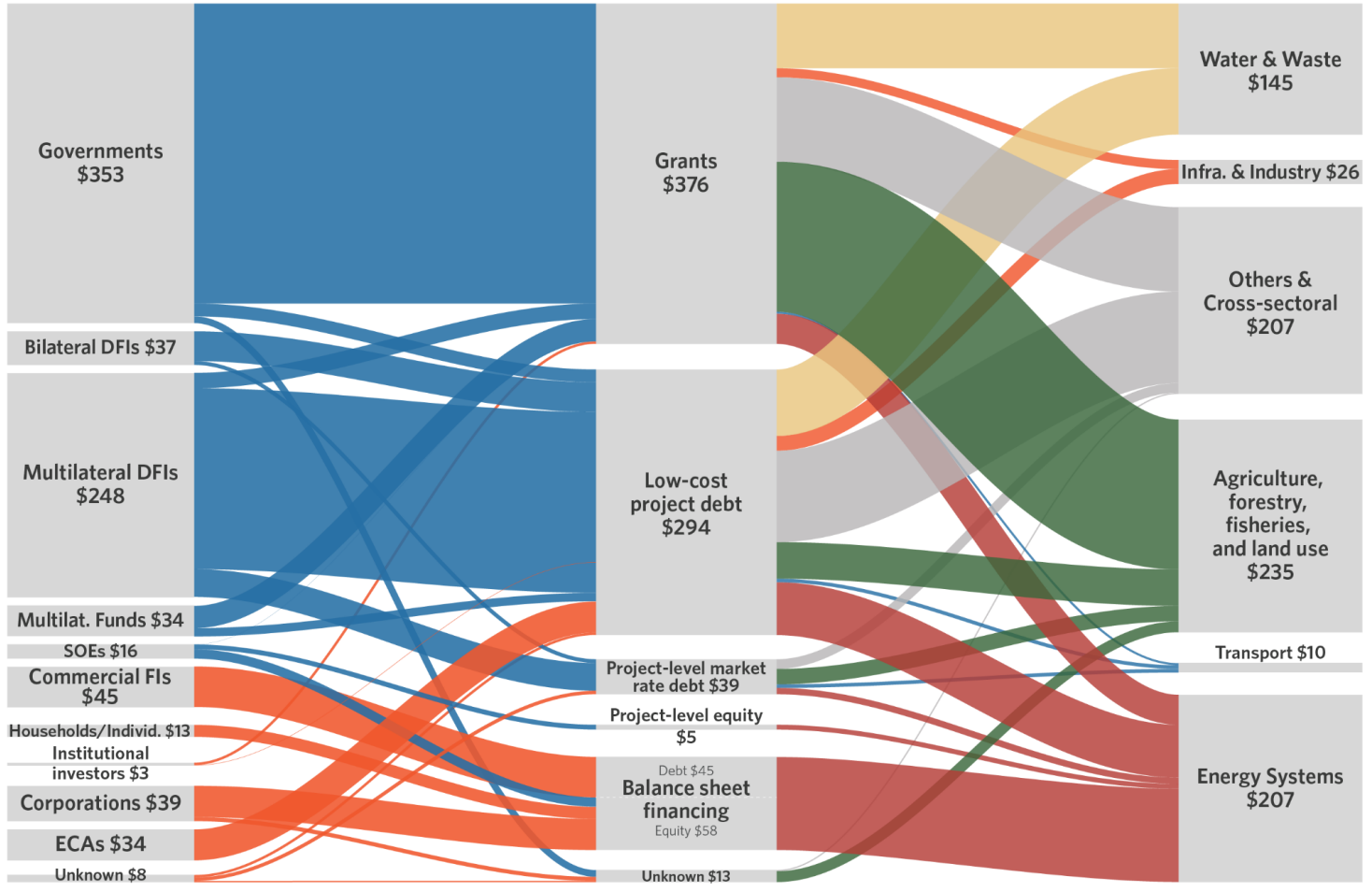
KEY Public Private

## INSTRUMENTS

Values are an average of two years' data, in USD millions

**830** MN USD ANNUAL AVERAGE

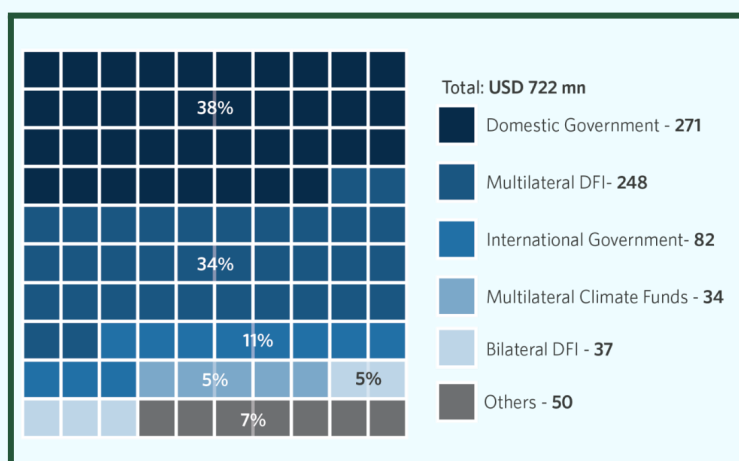
## SECTOR



**Figure 1: Climate Finance in Ghana Snapshot – Sources, Instruments and Sectors (2019/ 2020, USD million)**

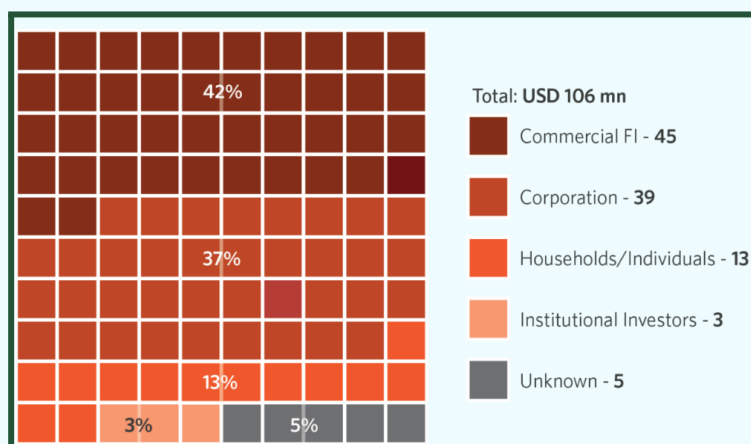
**Key messages:**

- (1) **Public actors accounted for 87% of climate finance in Ghana (USD 722 million).** Public climate finance emanated mainly from domestic budgets (USD 271 million) and Multilateral Development Financial Institutions (USD 248 million) in the form of grants and low-cost project debt.



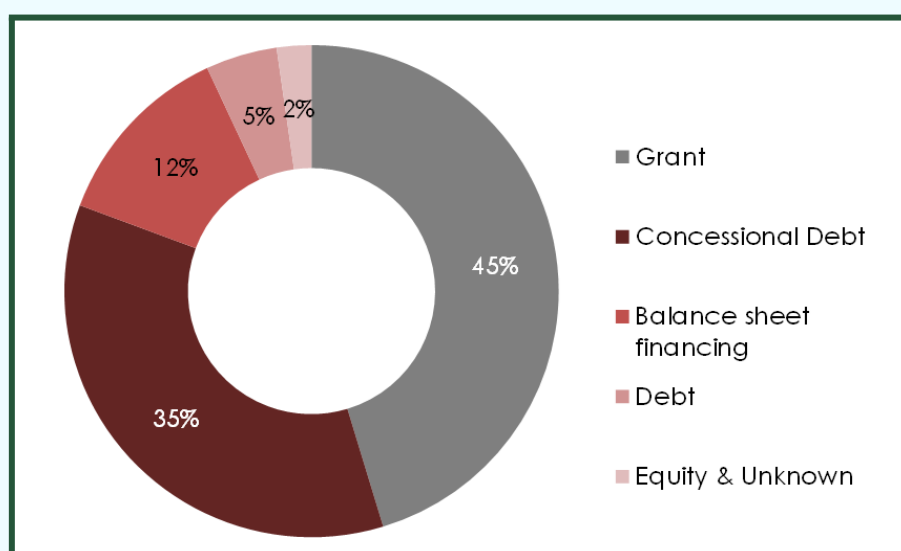
**Figure 2: Climate Finance by Public Sources (2019/2020, USD million)**

- (2) **Private finance remains largely elusive in Ghana, accounting for only 13% of overall climate finance (USD 106 million).** Private finance was almost equally split between equity (45%) and debt (47%), with commercial FIs and corporations accounting for most private flows. In line with observed global trends, 88% of Ghana’s private climate finance was invested in energy systems equally through debt and equity. International private finance constituted around 7% of overall private climate finance in 2019/2020, highlighting the opportunity for higher international climate-based investments in Ghana.



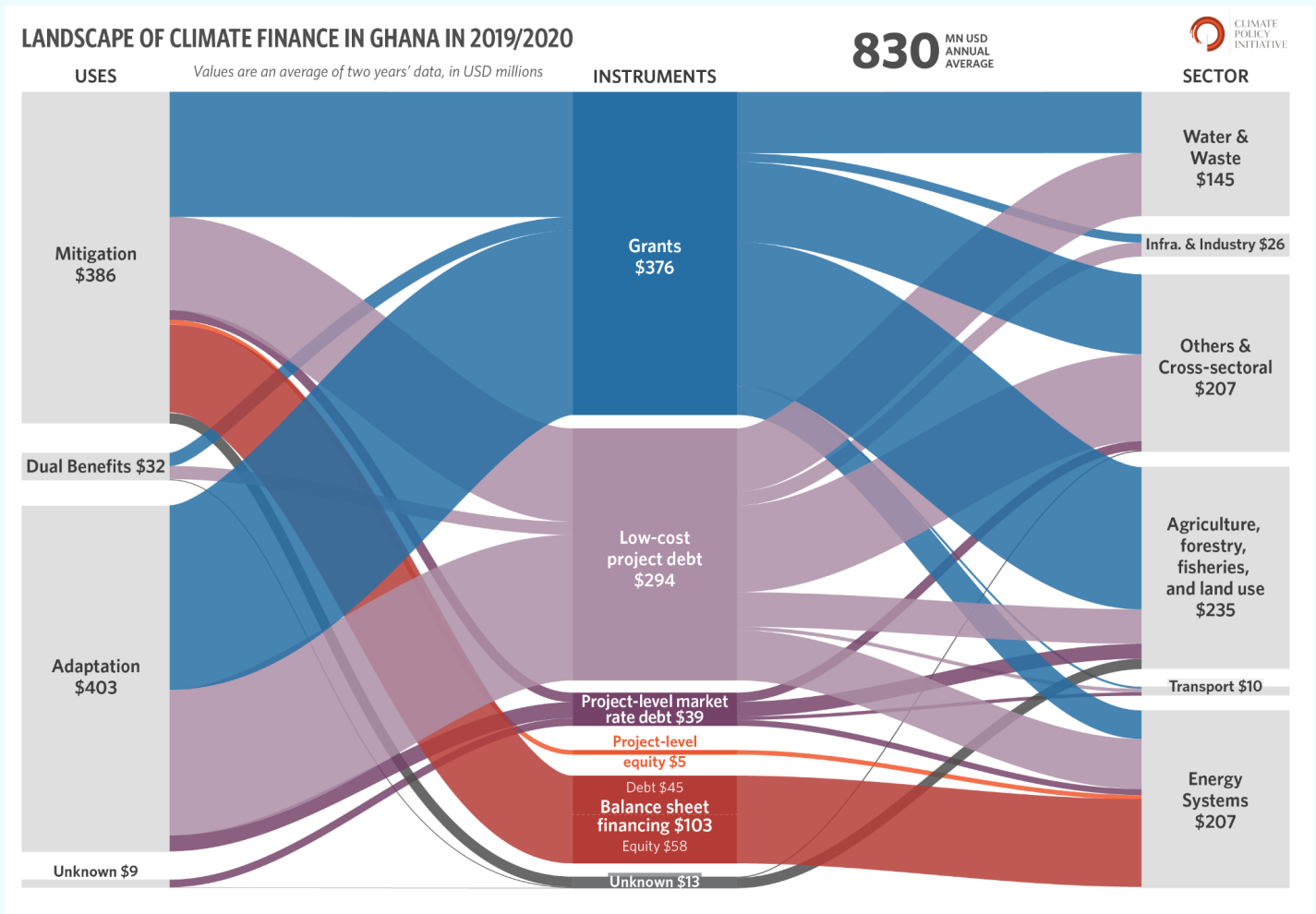
**Figure 3: Climate Finance by Private Sources (2019/2020, USD million)**

(3) **45% of climate finance flows were disseminated through grants (USD 376 million) and 35% through concessional debt (294 million),** cumulatively amounting to over USD 660 million (80%). While public sector debt dependence is a current concern in Ghana due to its high risk of debt distress according to IMF’s Debt Sustainability Analysis (World Bank, 2020), private sector debt and equity instruments remain a miniscule fraction of finance flows. This also underscores the importance of exploring the role of International Financial Institutions (IFIs) and Multilateral Development Banks (MDBs) in enhancing debt sustainability, contributing to a comprehensive strategy that ensures financial resilience and long-term sustainable development for African nations, such as Ghana.



**Figure 4: Climate Finance by Instruments (2019/2020, USD million)**

(4) **There was a nearly equal allocation of climate finance towards mitigation and adaptation activities in Ghana.** Given Ghana’s vulnerability to climate change, due to the heavy reliance of the majority of Ghanaian households on rainfed agriculture, the importance of adaptation measures is reflected in its climate finance flows. Adaptation finance accounted for 49% (USD 403 million), primarily funded by public actors, followed by mitigation finance at 47% (USD 386 million). In terms of sectoral split, adaptation finance was channelled mainly to AFOLU (32%), other & cross-sectoral (30%), and water & wastewater (28%). Mitigation finance was concentrated in the energy sector, accounting for 51% of total mitigation finance (USD 197 million), followed by AFOLU (USD 86 million), and other & cross-sectoral (USD 63 million).



**Figure 5: Climate Finance Snapshot – Uses, Instruments and Sectors (2019/2020, USD million)**

Mitigation finance was channelled via a more diverse range of financial instruments split almost equally between grants (38%), concessional debt (28%), and balance sheet financing and debt (27%). Adaptation finance was mainly made up of grants (53%) and concessional debt (42%). Any further growth in adaptation finance is heavily dependent on unlocking private capital in adaptation activities. The creation of bankable projects and improving the business environment for international financial flows is key to creating an enabling environment for private capital investment (World Bank, 2022).

It is also important to acknowledge that tracking private sector investment, especially in water, agriculture, transport, and other sectors remains limited due to lack of standardised approaches and reporting requirements, as well as limited internal resources and capacity. These challenges are even more pronounced for adaptation investments, for which locally contextualised definitions and tracking mechanisms are required. Much wider adoption,

standardisation, and reporting on the Climate Change Finance Tracking tool (CLIMFINTRACK<sup>2</sup>), developed by the Ministry of Finance and Economic Planning, could further improve climate finance tracking in Ghana.

- (5) **The two largest contributors to GHG emissions in Ghana – the AFOLU and energy sectors – accounted for more than 53% of total climate finance in Ghana.** While largely public investment driven, the AFOLU sector received 28% (USD 235 million) of total climate finance investment, the highest amount for any sector, over half of which was dedicated for adaptation, with mitigation receiving 37% of funds. Given that the agriculture sector employs over 50% of Ghana’s population, and accounts for 20% of its GDP and 50% of exports, focusing on adaptation-centric investment is crucial due to the sector’s vulnerability to climate change (World Bank, 2021). With more than 45% of Ghana’s population dependent on rainfed agriculture, the effects of changing rainfall patterns coupled with flooding in coastal areas and increased number and intensity of droughts generate severe risks for health and agriculture (World Bank, 2021). Considering the needs of the sector, its contributions to Ghana’s GDP, and its vulnerability to climate change, the current climate flows are insufficient, especially those from the private sector.

Energy systems received the second highest sectoral investment (25% or USD 207 million), with more than half identified as solar PV based investments. Considering that the energy sector is the largest emitter, contributing to 63% of the country’s GHG emissions, the climate finance needs of the energy sector are considerably large (UNFCCC, 2021). Within energy systems, 65% of investments were directed towards electricity generation, whereas transmission and distribution received less than 5% of overall investment. Ghana has made considerable progress in energy access with over 86% of the population having access to electricity (World Bank, 2023). On the other hand, energy demand is on the rise, with demand expected to double between 2022 and early 2030s, justifying the heavy investment in power generation (Government of Ghana, 2021). However, thermal generation accounted for two-thirds of Ghana’s power generation followed by hydro (33%) (ITA, 2022). Ghana’s Renewable Energy Master Plan (2019) aims to increase the proportion of renewables in the energy mix to 1,364 MW by 2030 and increase the provision of renewable-based off-grid electrification options for communities to increase last-mile electrification.

Finance tagged under the other & cross-sectoral category constituted 24% of overall climate finance in 2019/2020, 25% of which was directed towards

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<sup>2</sup> CLIMFINTRACK aims to capture relevant end-of-year climate-relevant expenditures, offering users within the Public Sector domain guidance on how to track finance on climate change-related activities.

disaster risk management and 19% towards Policy & National Budget Support and Capacity Building. Climate change solutions are split across several sectoral categories, especially in the case of adaptation (CPI, 2022). Since the sectors of key economic importance for Ghana are highly vulnerable to climate change, investment in disaster-risk management is necessary to build resilience against potential shocks. Capacity building has been another key priority of the government, with Ghana's NDC outlining key capacity building needs and financing requirements.

Water and waste received 17% of overall climate finance. Due to the lack of targeted tagging mechanisms within the sector, its detailed assessment could not be conducted.

**There is a growing need to understand climate finance flows at the sectoral level. However, the absence of a national-level taxonomy with specific definitions to understand what activities constitute climate finance severely limits the tagging of investments at the sector and sub-sector level.** Moreover, within the private sector, climate investments at the sectoral level lack a standardised reporting methodology coupled with the lack of incentives and resources for tracking financial flows. This problem is inflated, as many private sector investments, especially in adaptation, are often smaller climate constituents of larger investment portfolios, further complicating the tracking process. There is a strong need for the creation of an overarching tracking and reporting framework to support a more detailed assessment of sector-level investments (CPI, 2022b).

### Recommendations:

- **Improve tracking and granularity of climate finance needs and flows at the national level to develop sectoral financing roadmaps.** While the development of CLIMFINTRACK, a climate finance tracking tool that aids the tracking of public sector climate finance, shows promise for climate tagging of investments, there remains a strong need for better tracking and reporting of climate-focused investments especially from the private sector (Ministry of Finance Ghana, 2020). Comprehensive budget tagging for public investment combined with standardised reporting of private climate investments using existing frameworks such as the Sustainability Accounting Standards Board (SASB) or Global Reporting Initiative (GRI) can be a helpful measure in aiding detailed investment reporting and alignment with international taxonomies. Establishing a climate finance baseline is a crucial first step to close the investment gap by removing investment barriers in each sector, and incentivizing new investments.



- **Deploy innovative financing** instruments such as green bonds and guarantees can help leverage climate action with private market priorities. Moreover, using blended finance instruments can help create added incentives for the private sector to increase climate investments, and diversify investments into sectors with more nascent opportunities.
- **Build pipelines of investable companies to attract more climate capital.** Catalysing new private finance flows requires both a supply and demand for capital. Several climate finance providers report limited demand from investable enterprises, including SMEs. A stronger ecosystem of business advisory services providers could improve the quality and quantity of demand for climate finance through investment readiness and climate impact metrics support.
- **Improve alignment between Nationally Determined Contributions (NDCs) and develop Ghana’s climate finance taxonomy** to foster more rigorous tracking of finance flows and needs towards national priorities.
- **Establish case studies and examples of climate finance opportunities in adaptation.** Ghana’s context and needs for adaptation finance, especially to improve the resilience of households dependent on rainfed agriculture, will pave the way for innovation and tracking of private adaptation finance flows.
- **Promote Ghana’s climate investment opportunities to diverse private capital providers, including those offering equity instruments.** Only 8% of finance flows were categorised as “equity or other.” Ghana can attract investors who are today deploying capital in other countries like Nigeria, Kenya, and South Africa.
- **Foster collaboration between financial institutions and the climate finance ecosystem, including business advisory services providers,** to build more connectivity between the demand and supply of climate finance. Stronger communication on the opportunities and barriers to climate finance will allow all actors to contribute to overcoming obstacles to greater deal flow.

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