

A Sustainable Banking Network (SBN)
Task Force Report

Addendum to the SBN Report
*Necessary Ambition: How Low-Income
Countries Are Adopting Sustainable Finance
to Address Poverty, Climate Change, and
Other Urgent Challenges*

June 2020

Country Profile Ghana



Sustainable
Banking
Network



IFC

International
Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

© International Finance Corporation [2020], as the Secretariat of the Sustainable Banking Network (SBN). All rights reserved.

2121 Pennsylvania Avenue, N.W.

Washington, D.C. 20433

Internet: www.ifc.org

The material in this work is copyrighted. Copying and/or transmitting portions or all of this work without permission may be a violation of applicable law. IFC and SBN encourage dissemination of their work and will normally grant permission to reproduce portions of the work promptly, and when the reproduction is for educational and non-commercial purposes, without a fee, subject to such attributions and notices as we may reasonably require.

IFC and SBN do not guarantee the accuracy, reliability, or completeness of the content included in this work, or the conclusions or judgments described herein, and accept no responsibility or liability for any omissions or errors (including, without limitation, typographical errors and technical errors) in the content whatsoever or for reliance thereon. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank Group concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

This work was prepared in consultation with SBN members. The findings, interpretations, and conclusions expressed in this volume do not necessarily reflect the views of the Executive Directors of The World Bank Group, IFC, or the governments they represent. The contents of this work are intended for general informational purposes only and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type. IFC or its affiliates may have an investment in, provide other advice or services to, or otherwise have a financial interest in, certain of the companies and parties named herein.

All other queries on rights and licenses, including subsidiary rights, should be addressed to IFC's Corporate Relations Department, 2121 Pennsylvania Avenue, N.W., Washington, D.C. 20433. International Finance Corporation is an international organization established by Articles of Agreement among its member countries, and a member of the World Bank Group. All names, logos and trademarks are the property of IFC and you may not use any of such materials for any purpose without the express written consent of IFC. Additionally, "International Finance Corporation" and "IFC" are registered trademarks of IFC and are protected under international law.

Ghana



SBN Members:

- Bank of Ghana (BOG) (member since 2016)
- Ghana Association of Bankers (GAB) (member since 2016)

SBN Working Group: IDA* Task Force

Key policy documents: Sustainable Banking Principles and Sector Guidance Notes (BOG, 2019)

SBN Progression Matrix Stage (2020): Developing – the country has formally launched a national sustainable banking roadmap, framework, policy, or voluntary industry principles, and a formal task force, working group, or institution has been tasked with implementation.¹

SBN and IFC role: IFC, through the Africa region Environmental and Social Risk Management (ESRM) Program for financial institutions, has provided technical support and advisory services to BOG in relation to policy development, implementation, and capacity building. Through SBN, BOG has consistently shared its experience with other SBN members and benefited from the collective knowledge base.

About this Country Profile:

This Country Profile is an addendum to the SBN report: *Necessary Ambition: How Low-Income Countries Are Adopting Sustainable Finance to Address Poverty*,

Climate Change, and Other Urgent Challenges. The report and country profiles for the first time capture in a systematic way how sustainable finance is being harnessed by low-income countries to address a range of common environmental and social priorities and drive financial sector innovation despite market constraints.

The report and profiles complement and build on the data collection and analysis for the SBN 2019 Global Progress Report, which covered 39 emerging markets. They delve deeper into the experiences of 8 low-income countries in the SBN network through an online survey, interviews, and desk research.

This country profile has four sections:

- The **Drivers of Action** – factors that spurred the country to develop sustainable banking policies or voluntary principles.
- The country's **Experiences in Developing Sustainable Banking Frameworks** and what was learned in the process.
- **Future Priorities** for the country as it continues to develop its sustainable banking systems.
- How the country views linkages between sustainable banking policies and **Broader Development of its Financial System**.

* IDA stands for the International Development Association (ida.worldbank.org), an international financial institution under the World Bank Group that offers concessional loans and grants to the world's poorest developing countries.

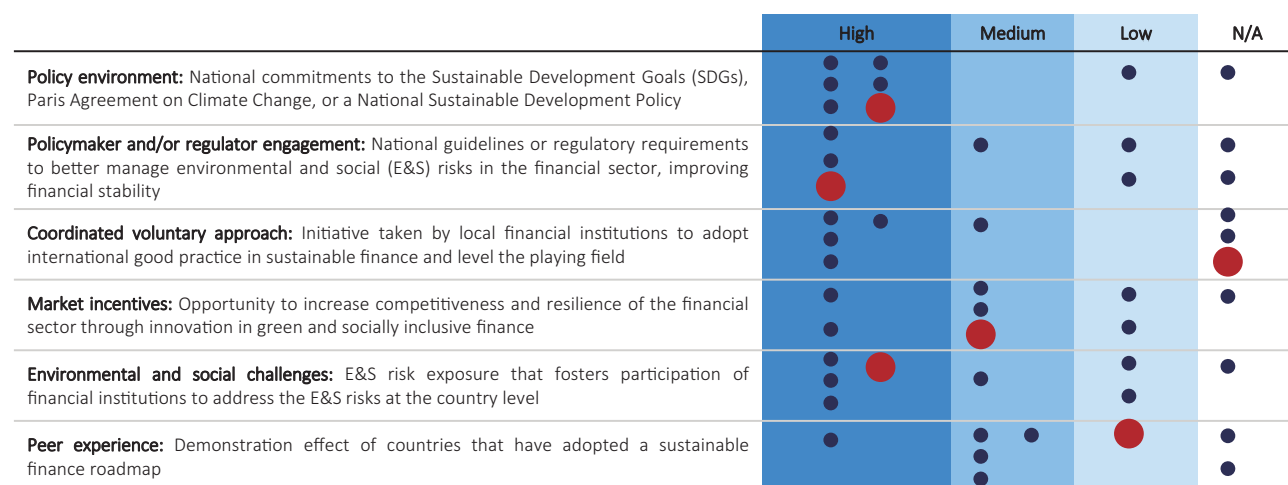
1.1 Drivers of action

Which factors spurred sustainable banking in Ghana?

The broad policy environment and specific regulation have been key to driving sustainable banking in Ghana. Figure 1 compares the drivers of sustainable banking in Ghana to other SBN IDA countries. In common with other SBN countries where

banking regulators have taken the lead on sustainable banking, Ghana places greater emphasis on the role of policymaker engagement and less emphasis on a voluntary industry approach. Ghana's banks have actively supported the regulator-led efforts. In common with IDA peers, sustainable banking has also been supported by Ghana's broad national policy commitments to sustainable development and awareness of environmental and social risks.

Figure 1 National policymaker leadership has been key to sustainable finance banking in Ghana



Note: Large dots represent Ghana's responses; small dots represent those of other countries.

Source: SBN IDA Diagnostic Survey responses.

1.2 Developing a sustainable banking framework

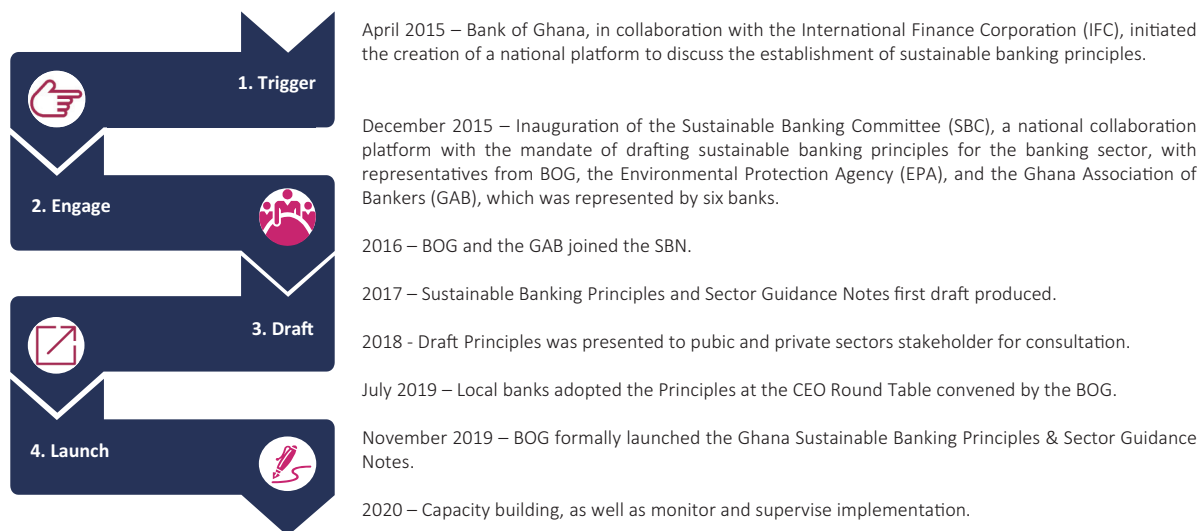
What process did Ghana go through to develop a framework to promote sustainable banking, and what have they learned on the way?

Ghana began its journey toward sustainable banking in 2015, and the process has been a collaborative effort among government regulators,

the banking industry, and international partners.

The leading body of the policy development process, the Sustainable Banking Committee (SBC), is a national collaboration platform established by Bank of Ghana (BOG) and includes representatives from the Environmental Protection Agency (EPA) and the Ghana Association of Bankers (GAB). BOG also worked closely with leading global organizations, such as IFC and SBN, to conduct capacity building and align its principles with international good practice.

Figure 2 Stages and steps for developing and implementing a sustainable finance banking framework in Ghana



Source: SBN Ghana Country Progress Report (2019) and speech by Governor of the Bank of Ghana (November 2019)

In the process of developing and implementing the sustainable banking framework, the key challenge was the limited capacity in the banking sector.

Local financial institutions initially lacked sufficient understanding and operational experience with regard to sustainable banking and thus were unconvinced that it would be a priority for their businesses. To educate the key stakeholders and establish a consensus for the proposed principles, the SBC organized multi-stakeholder engagements to enable a collaborative approach to the policy development process. In 2018, the SBC organized a consultation forum with representatives of the banking industry, academia, the private sector, civil society, and other institutions.

Participants provided feedback and further inputs for additional work that was done by the SBC subsequently. In July 2019, before the formal launch of the Sustainable Banking Principles, BOG hosted a CEO Roundtable to obtain the views of bank CEOs on the draft Principles and Sector Guidance Notes before they were finalized. Although the process from the first draft to the formal launch took over two years, the multi-stakeholder engagement process undertaken by the SBC improved the stakeholders' understanding of the Principles and strengthened their buy-in. In November 2019, the Principles and the guidance notes were launched formally.

“For banks to remain sustainable over the long term, it is important that their own internal operations and financing activities meet the present needs of economic agents today, while not compromising the ability of future generations to meet their own needs.”

- Bank of Ghana

1.4 Broader financial sector development

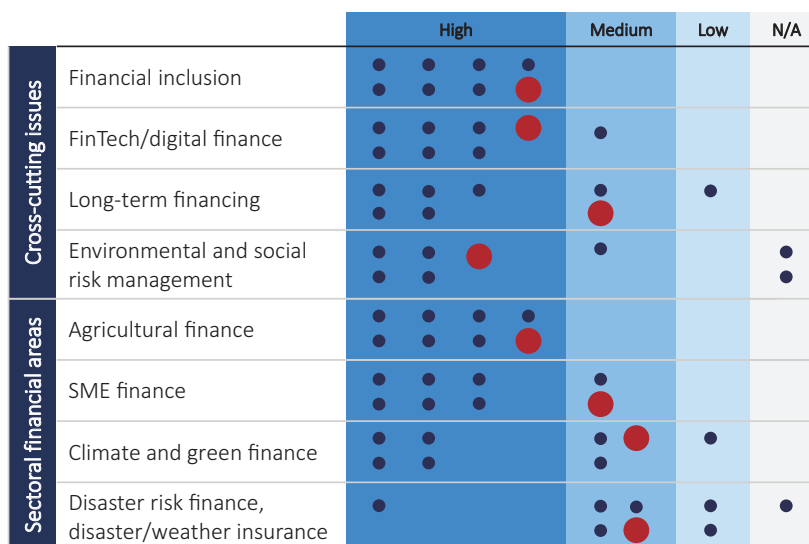
How does sustainable banking in Ghana connect with broader ambitions?

In Ghana, a number of broader financial sector priorities were listed alongside sustainable banking. Figure 4 compares Ghana's concerns related to financial sector development to those of other IDA SBN countries. In Ghana, concerns about environmental and social (E&S) risk management by financial institutions as well as increasing capital flows to climate and green finance are ranked as high

priorities, together with financial inclusion, fintech, and agricultural finance. This highlights the importance of clarifying the links and complementarities with these related topics, and leveraging sustainable banking strategies to accelerate progress in these areas.

For example, Bank of Ghana prioritizes the alignment of sustainable banking with the national agenda for financial inclusion. Sustainable banking activities should support financial inclusion through capacity building, awareness creation, and the expansion of digital finance. Closely related, sustainable banking should also support SME finance, which facilitates productive activities, employment creation, and poverty reduction.

Figure 4 Key areas of concern related to financial sector development for Ghana



Note: Large dots represent Ghana's responses; small dots represent those of other countries.

Source: SBN IDA Diagnostic Survey response

¹ Ghana was ranked at the "Preparation" stage in the SBN 2019 Global Progress Report. However, it has since issued the Ghana Sustainable Banking Principles, and thus its ranking in 2020 has been moved to the "Developing" stage.

Access SBN knowledge resources at:
www.ifc.org/sbn

Access the SBN Necessary Assessment Report
and associated Country Profiles at:
www.ifc.org/sbnnecessaryambition



Sustainable
Banking
Network



IFC

**International
Finance Corporation**
WORLD BANK GROUP

Creating Markets, Creating Opportunities