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



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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

	High	Medium	Low	N/A
Policy environment: National commitments to the Sustainable Development Goals (SDGs), Paris Agreement on Climate Change, or a National Sustainable Development Policy			•	•
Policymaker and/or regulator engagement: National guidelines or regulatory requirements to better manage environmental and social (E&S) risks in the financial sector, improving financial stability	ė	•	•	•
Coordinated voluntary approach: Initiative taken by local financial institutions to adopt international good practice in sustainable finance and level the playing field	•••	•		i
Market incentives: Opportunity to increase competitiveness and resilience of the financial sector through innovation in green and socially inclusive finance	•	i	•	•
Environmental and social challenges: E&S risk exposure that fosters participation of financial institutions to address the E&S risks at the country level	•	•	•	•
Peer experience: Demonstration effect of countries that have adopted a sustainable finance roadmap	•	• • •		•

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



April 2015 – Bank of Ghana, in collaboration with the International Finance Corporation (IFC), initiated the creation of a national platform to discuss the establishment of sustainable banking principles.

December 2015 – Inauguration of the Sustainable Banking Committee (SBC), a national collaboration platform with the mandate of drafting sustainable banking principles for the banking sector, with representatives from BOG, the Environmental Protection Agency (EPA), and the Ghana Association of Bankers (GAB), which was represented by six banks.

2016 - BOG and the GAB joined the SBN.

2017 - Sustainable Banking Principles and Sector Guidance Notes first draft produced.

2018 - Draft Principles was presented to pubic and private sectors stakeholder for consultation.

July 2019 - Local banks adopted the Principles at the CEO Round Table convened by the BOG.

November 2019 – BOG formally launched the Ghana Sustainable Banking Principles & Sector Guidance Notes.

2020 - Capacity building, as well as monitor and supervise implementation.

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 multistakeholder 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.

66 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

1.3 Future priorities

What are Ghana's priorities as it continues to develop a sustainable financial system?

The next steps in Ghana's sustainable finance journey are threefold:

- Develop and implement a roadmap for implementing the Sustainable Banking Principles.
- Extend sustainable finance beyond banking, to the insurance, capital markets, and pension sectors.

□ Develop green bond guidelines.

Figure 3 compares Ghana's ongoing challenges in sustainable banking development with those faced by other SBN IDA countries. As with peer countries, ongoing progress in sustainable banking development requires proactive strategies to develop a supportive enabling environment, build capacity, and develop specific tools to support sustainable banking implementation. BOG emphasized that the steps above could be threatened by inadequate awareness, commitment, and capacity among banks, as well as budgetary constraints at BOG to support and enforce implementation.



		High		Medium	Low	N/A		
Enabling environment and capacity building	Build the capacity of regulators and financial institutions	•	•	•	•			
	Enhance cooperation among financial institutions	•	•	•		•		
	Provide clear incentives for sustainable finance	•	•	•		•		
Enablin and ca	Develop and launch a sustainable finance roadmap	•	•	•		•		٠
	Expand sustainable finance to other financial sectors	•				•••	•	
Specific regulations or tools	Develop a taxonomy of green/socially inclusive projects	•	•	•	•	•		
	Promote publicly available environmental data	•	•	•		•		
Specif	Create green asset guidelines, incentives, and awareness	•	•	•		•	•	

Note: Large dots represent Ghana's responses; small dots represent those of other IDA countries. Source: SBN IDA Diagnostic Survey response

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

		High			Medium	Low	N/A	
Cross-cutting issues	Financial inclusion	•	•	•	•			
	FinTech/digital finance	•	•	•		•		
	Long-term financing	•	•	•		•	٠	
	Environmental and social risk management	•	•	•		•		•
Sectoral financial areas	Agricultural finance	•	•	•	•			
	SME finance	•	•	•		•		
	Climate and green finance	•	•			•	•	
	Disaster risk finance, disaster/weather insurance	•				•	•	٠

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.

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





