

GHANA

# THE LANDSCAPE FOR IMPACT INVESTING IN WEST AFRICA

Understanding the current status, trends,  
opportunities, and challenges



Dalberg

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# ACKNOWLEDGMENTS

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[www.theimpactprogramme.org.uk](http://www.theimpactprogramme.org.uk)

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# LIST OF COMMON TERMS AND ACRONYMS

<b>ADEPME</b>	Agence de Développement et d'Encadrement des Petites et Moyennes Entreprises	<b>HDI</b>	Human Development Index
<b>AfDB</b>	African Development Bank	<b>HNWI</b>	High-Net-Worth Individuals
<b>AMSCO</b>	African Management Services Company	<b>HR</b>	Human Resources
<b>APC</b>	All Progressives Congress	<b>I&amp;P</b>	Investisseurs et Partenaires
<b>APIX</b>	Agence de Promotion des Investissements et des Grands Travaux	<b>ICT</b>	Information and Communications Technology
<b>AUM</b>	Assets Under Management	<b>IEA</b>	International Energy Agency
<b>BCEAO</b>	Banque Centrale des Etats de l'Afrique de l'Ouest	<b>IFC</b>	International Finance Corporation
<b>BIO</b>	Belgian Investment Company for Developing Countries	<b>IFU</b>	Danish Investment Fund for Developing Countries
<b>BMN</b>	Bureau de Mise à Niveau	<b>IMF</b>	International Monetary Fund
<b>BOAD</b>	Banque Ouest Africaine de Développement	<b>IPO</b>	Initial Public Offering
<b>BoP</b>	Base of the Pyramid	<b>IPRES</b>	Institution de Prévoyance Retraite du Sénégal
<b>CACS</b>	Commercial Agriculture Credit Scheme	<b>IRR</b>	Internal Rate of Return
<b>CNCAS</b>	Caisse Nationale de Crédit Agricole du Sénégal	<b>LAN</b>	Lagos Angel Network
<b>CTIC</b>	Conseil en Technologies de l'Information et de la Communication	<b>MENA</b>	Middle East and North Africa
<b>DEG</b>	German Investment and Development Corporation	<b>MEST</b>	Meltwater Entrepreneurial School of Technology
<b>DFI</b>	Development Finance Institution	<b>MFI</b>	Microfinance Institution
<b>ECOWAS</b>	Economic Community of West African States	<b>MIS</b>	Management Information System
<b>ESG</b>	Environment, Social, and Governance	<b>NFSP</b>	National Food Security Program
<b>FCFA</b>	Franc Communauté Financière Africaine	<b>NGO</b>	Non-Governmental Organization
<b>FDI</b>	Foreign Direct Investment	<b>OHADA</b>	Organization for the Harmonization of Business Law in Africa
<b>FinTech</b>	Financial Technology	<b>OIC</b>	Organization of the Islamic Conference
<b>FMO</b>	Netherlands Development Finance Company	<b>OPIC</b>	Overseas Private Investment Corporation
<b>FONGIP</b>	Fonds de Garantie des Investissements Prioritaires	<b>PE</b>	Private Equity
<b>FONSIS</b>	Fonds Souverain d'Investissement Stratégiques	<b>PSE</b>	Plan Sénégal Emergent
<b>GAIN</b>	Ghana Angel Investor Network	<b>R&amp;D</b>	Research and Development
<b>GDP</b>	Gross Domestic Product	<b>SME</b>	Small and Medium-sized Enterprise
<b>GIIN</b>	Global Impact Investing Network	<b>SMEDAN</b>	Small and Medium Enterprises Development Agency of Nigeria
<b>GIMPA</b>	Ghana Institute of Management and Public Administration	<b>SSA</b>	Sub-Saharan Africa
<b>GIPC</b>	Ghana Investment Promotion Center	<b>TA</b>	Technical Assistance
<b>GVEP</b>	Global Village Energy Partnership	<b>UNDP</b>	United Nations Development Program
		<b>VC</b>	Venture Capital
		<b>WAEMU</b>	West African Economic and Monetary Union

# GHANA



# TABLE OF CONTENTS

<b>OBJECTIVES, DEFINITIONS, AND METHODOLOGY .....</b>	<b>2</b>
Definitions .....	3
Methodology .....	5
<b>1. COUNTRY OVERVIEW .....</b>	<b>6</b>
Brief Historical and Political Context .....	6
Economic Performance and Structure.....	6
Investment Climate and Drivers of Foreign Direct Investment .....	8
<b>2. SUPPLY OF IMPACT INVESTING CAPITAL.....</b>	<b>9</b>
Estimate of Impact Capital Deployed.....	9
Barriers and Opportunities.....	16
Main Perceived Opportunities .....	17
Impact Measurement and Tracking.....	18
<b>3. DEMAND FOR IMPACT INVESTING CAPITAL .....</b>	<b>19</b>
Development Context .....	19
Types and Distribution of Demand Actors .....	20
Challenges Faced by Demand Actors in Securing Investment.....	21
<b>4. ECOSYSTEM FOR IMPACT INVESTING .....</b>	<b>22</b>
Policies and Regulations.....	22
Efforts to Support Development of the Impact Investment Market.....	23

# OBJECTIVES, DEFINITIONS, AND METHODOLOGY

## ABOUT THIS REPORT

This report provides much-needed information on the impact investing market in West Africa. It contains four chapters—one outlining regional findings and three outlining specific findings in Nigeria, Ghana, and Senegal—each organized into four sections:

1. **“Overview”** provides a high-level outline of the political, economic, and investment climate of the region or country.
2. **“Supply”** outlines findings related to the volume of impact investing capital deployed to date—broken down by sector, instrument, and deal size. It describes the key barriers and opportunities identified by impact investors interviewed for this study and outlines impact measurement and reporting practices.
3. **“Demand”** describes the characteristics of impact investment recipients, as well as their needs for, and the perceived barriers to, accessing capital.
4. **“Ecosystem”** describes the regulatory environment for impact investing and the key actors involved in enterprise and investor support.

In addition to our primary countries of Nigeria, Ghana and Senegal, information on four additional countries is included in boxes throughout the regional chapter (Sierra Leone, Cote d’Ivoire, Togo, and Benin).

*The Landscape for Impact Investing in West Africa* is the third in a series of regional market landscaping studies published by the Global Impact Investing Network (GIIN) that seek to address the lack of data available on impact investing in emerging economies. The first such report focused on South Asia, the second examined East Africa, while a forthcoming report will examine Southern Africa.

# Definitions

## SUPPLY SIDE

The GIIN defines impact investments as “investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.”<sup>1</sup> Additionally, impact investors are defined as those having the following three characteristics:

1. **Expectation of financial return:** Expectation of a positive financial return over the life of the investment.
2. **Intention to create impact:** Stated intention to create positive social or environmental impact.
3. **Commitment to measure impact:** Commitment to measure and track social and/or environmental impact.

Impact investments are made across a large variety of sectors and investment instruments. A broad range of investor types are active in the impact investing sector in West Africa, including development finance institutions (DFIs),<sup>2</sup> foundations, family offices, banks, institutional investors, and fund managers.

### A NOTE ON DFI PORTFOLIOS

The definition of impact investing used in this study is based on investor intent to create positive impact. However, the authors recognize that intent can manifest itself in a range of different investment strategies. In particular, due to the unique nature and large size of DFIs, the authors of this report analyzed their activity separately from the activity of other types of impact investors (“non-DFI”), and present this separate analysis when appropriate. (As this report focuses on private sector development, finance provided directly to governments by DFIs is excluded.)

While there is value in attempting to segment DFI portfolios into “impact investments” and “other” types of investments, doing so was not feasible for this study. In the case of DFIs, there is continued evolution in how they are thinking about their portfolios. Some consider everything they do to be impact investing while others have begun to segment their activities into buckets. However, most do not publicly indicate which of their investments they consider impact investments and, given that there are many ways to achieve social and/or environmental impact, it would be inappropriate for the research team to segment portfolios for this study. Instead, we segment our analysis so readers are able to more easily interpret numbers in context.

1 The Global Impact Investing Network website, [www.thegiin.org](http://www.thegiin.org).

2 DFIs are defined as government-backed financial institutions that provide finance to the private (and in some cases public) sector for investments that promote development.



Impact investors invest both directly into enterprises and projects and indirectly through financial intermediaries (e.g., fund managers). To avoid double counting, since an unknown proportion of indirect investment acts as a source of direct investment, and due to severe data limitations on the nature of indirect investments, this report focuses on **direct investments**. Indirect investments are, however, discussed in more detail in Section 2 of this chapter.

Only capital deployed has been considered for inclusion in this study. Funds that have been committed but not yet deployed have been excluded from the data. All references to “capital deployed” and “impact capital” refer to impact investment unless otherwise stipulated. Available data fall within the period 2005 to mid-2015; all references to “capital deployed to date” refer to this period.

## DEMAND FOR IMPACT INVESTING CAPITAL

Impact investors target a range of enterprises, both large and small. DFIs tend to favor larger enterprises due to their ability to absorb the large amounts of capital DFIs are able to provide. This section focuses on two aspects of the demand landscape: social enterprises and the broader landscape of SMEs,<sup>3</sup> the latter of which account for 90% of all businesses in the region.

For the purposes of this report, social enterprises are defined as those that:

- **articulate a core objective** of generating a positive social or environmental impact, and
- **seek to grow to financial viability** and sustainability.

The precise definition of small and medium-sized enterprises varies by country, but typically refers to enterprises with fewer than 250 employees.<sup>4</sup> Interviewees did not specify revenue or employee numbers when discussing SMEs. Note that many social enterprises are also SMEs.

Both social enterprises and SMEs with no explicit social impact objectives are potential recipients of impact capital due to their role in creating employment and providing goods and services to underserved populations; however, they face significantly greater obstacles to accessing finance and driving growth than do large enterprises. The experiences of these enterprises therefore illustrate the main obstacles to accessing and deploying impact capital.

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<sup>3</sup> Social enterprises in West Africa are almost exclusively SMEs.

<sup>4</sup> “Micro, Small, and Medium Enterprises Around the World: How Many Are There, and What Affects the Count?” International Finance Corporation (2010). Available at: <http://www.ifc.org/wps/wcm/connect/9ae1dd80495860d6a482b519583b6d16/MSME-CI-AnalysisNote.pdf?MOD=AJPERES>.



## ECOSYSTEM ACTORS

For the purposes of this report, actors in the impact investing ecosystem are defined as those that are active in either **investor or enterprise support**. These include the following types of organizations:

- Incubators/accelerators<sup>5</sup>
- Technical assistance providers (including advisory service providers)
- Credit ratings services
- Industry associations and networks
- Research institutions
- Business plan competitions

## Methodology

This research relies on more than 50 in-person and telephonic interviews with impact investors, ecosystem actors, entrepreneurs, and business managers operating in West Africa. In-person interviews were conducted in the primary focus countries of Nigeria, Ghana, and Senegal, while telephonic interviews were used with those either situated outside of the region or operating across other West African countries.<sup>6</sup> A full list of interviewees is provided in the annex.

To supplement interview insights and ensure wide data coverage, desk research was conducted on impact investment portfolios and investment dynamics using academic studies, publicly available datasets, previous Dalberg projects, DFI and investor reports, government reports, and enterprise websites/publicity materials. In total, the data presented include transactions made by 13 DFIs and 27 non-DFI impact investors.

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5 Incubators and accelerators help SMEs establish themselves and grow through a combination of business development services (e.g., mentoring, coaching, and training in accounts management), funding, and access to physical space and/or machinery. Incubators usually focus on seed- and early-stage SMEs, while accelerators usually focus on growth-stage SMEs.

6 Cote d'Ivoire, Liberia, Sierra Leone, Benin, Burkina Faso, Cape Verde, The Gambia, Guinea, Guinea Bissau, Mali, Niger, and Togo.

# 1. COUNTRY OVERVIEW

## Brief Historical and Political Context

In 1957, Ghana became the first colonized country in Africa to gain its independence. After a series of coups, a new constitution restoring multiparty politics was approved in 1992. Since then, Ghana has proved itself a solid investment destination, with political stability and economic growth among the most impressive in the region.

While Ghana has attracted foreign investment and sustained high levels of economic growth over the last 10 years, the country is currently facing significant economic volatility and instability. Real gross domestic product (GDP) growth has been in steady decline since 2012, dropping from a peak of 14% in 2011 to 4% in 2014,<sup>7</sup> largely owing to sharp currency depreciation, rising inflation, high levels of government debt, and slowing growth in key sectors (explained in more detail below). As a result, its position as one of the leading African investment destinations is under threat.

To address the country's issues, the Ghanaian state is taking a more proactive stance to restore investor confidence in the country. In 2013, for example, it established the Ghana Investment Promotion Center (GIPC), which is tasked with promoting foreign investment through a range of functions that include investment advisory and the recommendation of investment-friendly policies and incentives. These efforts, coupled with a long history of political stability and economic openness, position Ghana well for recovery.

## Economic Performance and Structure

### GDP INDICATORS

Ghana's largest sector is services—in particular transport, public administration, defense, and financial services—which accounts for 50% of GDP.<sup>8</sup> Employment, meanwhile, is driven by agriculture. While it accounts for only 21% of GDP and has been steadily shrinking as a proportion of GDP since 2010, the agriculture sector employs more than 50% of the workforce, mainly through smallholder farming (Figure 1).<sup>9</sup>

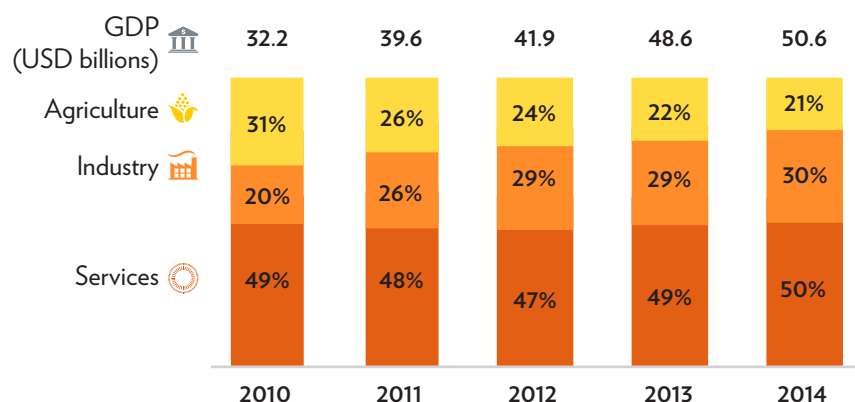
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7 "African Economic Outlook: Ghana Report," African Development Bank (AfDB) (2015). *Available at:* [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN\\_data/CN\\_Long\\_EN/Ghana\\_GB\\_2015.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Ghana_GB_2015.pdf).

8 *Ibid.*

9 "GDP statistics," Ghana Statistical Service (2015). *Available at:* <http://www.statsghana.gov.gh/gdp.html>; "World Development Indicators," World Bank (2015) *Available at:* <http://data.worldbank.org/data-catalog/world-development-indicators>.

FIGURE 1. GHANA'S GDP CONTRIBUTION BY SECTOR, 2010-2014



Source: World Development Indicators, World Bank (2015)

In general, economic growth has been impressive over the past ten years, with annual GDP growth averaging 7.4% between 2006 and 2013.<sup>10</sup> In 2014, however, growth dropped to 4.2%—down from 7.3% in 2013 and a ten-year peak of 14% in 2011.<sup>11</sup> Contributing factors include sharp currency depreciation, rising inflation, high levels of government debt, slow agricultural growth, and gas supply volatility in Nigeria (which led to electricity shortages in Ghana). As a result, the national government signed a USD 920 million extended credit facility with the International Monetary Fund (IMF) in April 2015 to aid in driving recovery.<sup>12</sup>

Despite these setbacks, Ghana's growth prospects appear positive over the next several years. GDP growth is expected to recover to 6% in 2016<sup>13</sup> and 7.8% in 2017<sup>14</sup> due to a combination of IMF reforms and improvements in oil and gas production, private sector investment, and public infrastructure.<sup>15</sup> Achieving this promise growth will, however, depend on adherence to the IMF reforms and stable commodity prices.

10 "Statistics," African Economic Outlook (2015). Available at: <http://www.africaneconomicoutlook.org/en/statistics>.

11 "African Economic Outlook: Ghana Report," AfDB (2015). Available at: [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN\\_data/CN\\_Long\\_EN/Ghana\\_GB\\_2015.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Ghana_GB_2015.pdf).

12 "Request for a Three-Year Arrangement under the Extended Credit Facility." International Monetary Fund (2015). Available at: <https://www.imf.org/external/pubs/ft/scr/2015/cr15103.pdf>.

13 *Ibid.*

14 "Ghana Country Profile," World Bank (2015). Available at: <http://www.worldbank.org/en/country/ghana/overview>.

15 "African Economic Outlook: Ghana Report," AfDB (2015). Available at: [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN\\_data/CN\\_Long\\_EN/Ghana\\_GB\\_2015.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2015/CN_data/CN_Long_EN/Ghana_GB_2015.pdf).

# Investment Climate and Drivers of Foreign Direct Investment

## TRENDS IN FOREIGN DIRECT INVESTMENT (FDI)

Ghana accounts for around 20% of total foreign direct investment (FDI) inflows to the Economic Community of West African States (ECOWAS),<sup>16</sup> and has maintained its position as a strong attractor of foreign investment during a time when regional FDI performance has suffered. While regional FDI inflows declined by 9% from USD 14 billion in 2007 to USD 12.8 billion in 2015, Ghana's increased from USD 855 million to USD 3.2 billion over the same period. In 2014, 310 of the 417 registered investments with foreign participation were wholly foreign-owned, with the other 107 being joint ventures with Ghanaian partners.<sup>17</sup>

## INFLATION AND EXCHANGE RATES

Ghana is currently experiencing a period of exceptionally high inflation—13.5% and 17% in 2013 and 2014, respectively—in part due to price adjustments in petroleum and utilities following government removal of subsidies. As a result, the Ghanaian cedi has depreciated sharply over the past several years—between 2013 and 2015, it suffered a cumulative depreciation of 45.7% against the US dollar.<sup>18</sup>

As a response to the increasing inflation, interest rates in Ghana have spiked significantly. The Central Bank's benchmark interest rate in Ghana was 22% as of July 2015, compared to 16% in 2013. This has led to a significant increase in the costs of lending, with annual rates of 30 – 50% not uncommon for individual and enterprise borrowers. While high interest rates may, in time, encourage appreciation of the cedi through enhanced foreign investment—Ghana treasury bills were yielding an average return of close to 27% as of July 2015, for example—the interim costs are high for those in need of capital.<sup>19</sup>

In response to Ghana's economic instability, a three-year aid program with the IMF, begun in April 2015, is aiming to restore economic stability through tightened fiscal discipline, increased tax collection, and fiscal consolidation. While it is too early to gauge the effects, the program does have the potential to set Ghana on a much-needed path to recovery.

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16 "African Economic Outlook: Ghana Report," AfDB (2014). Available at: [http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/CN\\_Long\\_EN/Ghana\\_ENG.pdf](http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/CN_Long_EN/Ghana_ENG.pdf).

17 "Ghana targets 20% FDI Increase in 2014," Oxford Business Group (2014). Available at: <http://www.oxfordbusinessgroup.com/news/ghana-targets-20-fdi-increase-2014>.

18 Laary, Dasmani. "Ghana Inflation at four year high," The Africa Report (2014). Available at: <http://www.theafricareport.com/West-Africa/ghana-inflation-rate-at-a-four-year-high.html>.

19 Central Bank of Ghana website. Available at: <http://www.bog.gov.gh>.

## EASE OF DOING BUSINESS

Relative to the rest of the region, Ghana is an exceptionally easy place to do business. It scored an impressive ranking of 70 in the 2014 World Bank's *Doing Business* index—by far the best score in West Africa, and considerably above the regional average of 152.<sup>20</sup> On the more comprehensive Global Competitiveness Index, Ghana ranks lower at 111 of 144 countries, though it is still higher than the other countries in West Africa.<sup>21</sup>

A lack of consistent electricity supply is, however, a major issue currently affecting the business climate, and is significantly hampering the ability of Ghana's core sectors to operate efficiently and effectively.<sup>22</sup> In early 2015, Ghana was generating less than half of its installed capacity—1,200 megawatts out of a potential 2,800.<sup>23</sup> Though the state is making an active effort to encourage alternative sources of electricity generation, these efforts will likely take some time to bear fruit.<sup>24</sup>

## 2. SUPPLY OF IMPACT INVESTING CAPITAL

### Estimate of Impact Capital Deployed

Just as Ghana is the second largest economy in the region after Nigeria, it also enjoys the second largest share of impact investments. All in all, 32 impact investors are active in Ghana, including 8 DFI and 24 non-DFI investors. Data presented in this chapter includes investments made by all 8 DFIs and 20 of the 24 non-DFIs for which the research team could obtain transaction-level data. This amounts to approximately USD 1.7 billion in direct investments into enterprises and projects across 142 deals since 2005 (Figure 2).

Impact investors in Ghana have deployed approximately USD 430 million in indirect investments through funds and intermediaries. To avoid double counting—an unknown proportion of indirect investment acts as a source of direct investment—and due to severe data limitations on the nature of indirect investments, we focus here on direct investments. Indirect investments are, however, discussed in more detail in the regional chapter of this report. In sum, they are driven almost exclusively by DFIs and focus on commercial banks, impact fund managers, and private equity

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20 “Doing Business: Measuring Business Regulations,” World Bank (2015). Available at: <http://www.doingbusiness.org/rankings>.

21 Schwab, Klaus. “The Global Competitiveness Report 2014-2015.” World Economic Forum (2014).

22 “CIA World Fact Book, Ghana Report,” CIA (2015). Available at: [https://www.cia.gov/library/PUBLICATIONS/the-world-factbook/geos/print\\_gh.html](https://www.cia.gov/library/PUBLICATIONS/the-world-factbook/geos/print_gh.html).

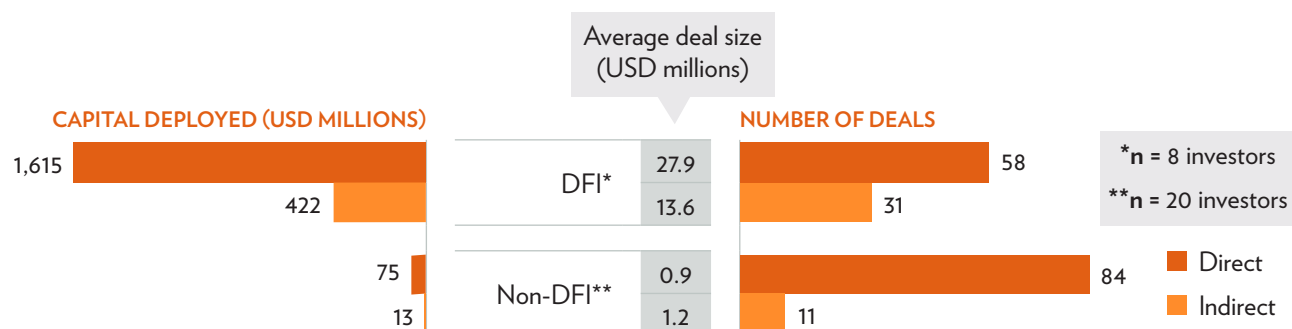
23 Laary, Dasmani. “Electricity: Ghana's power crisis deepens,” The Africa Report (2015). Available at: <http://www.theafricareport.com/West-Africa/electricity-ghanas-power-crisis-deepens.html>.

24 “Ghana receives resounding endorsement of investment plan to transform its renewable energy sector,” AfDB (2015). Available at: <http://www.afdb.org/en/news-and-events/article/ghana-receives-resounding-endorsement-of-investment-plan-to-transform-its-renewable-energy-sector-14234/>.

funds, reflecting DFI attempts to both support impact investing and build shallow commercial banking and private equity markets.

As in the rest of the region, DFIs make up an overwhelming majority of direct impact investment in Ghana, accounting for USD 1.6 billion or 96% of total capital deployed across 58 deals. Non-DFIs, meanwhile, account for USD 75 million across 84 deals.

**FIGURE 2. TOTAL IDENTIFIED IMPACT INVESTMENTS IN GHANA, JANUARY 2005–JULY 2015**

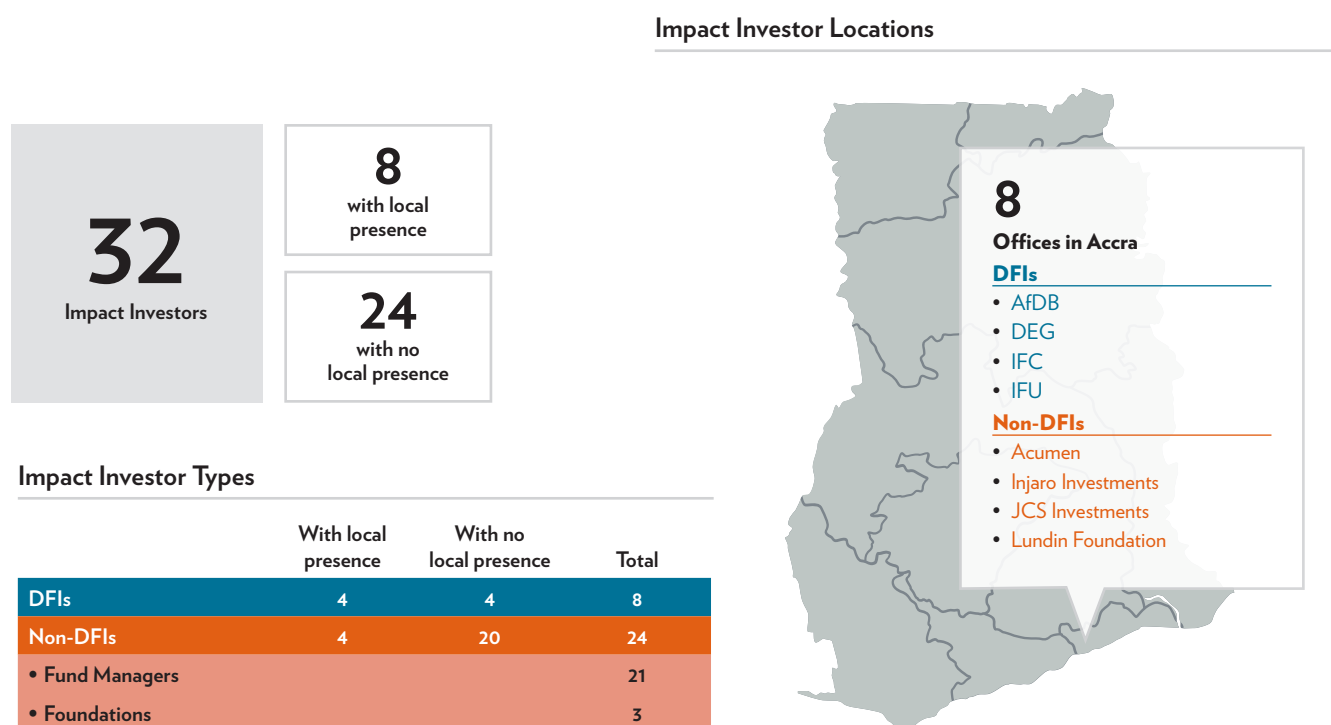


Note: Average deal sizes may not equal displayed capital deployed divided by deal sizes. Capital deployed rounded to nearest million, except where less than 1 million (rounded to nearest 100,000). Average deal sizes rounded to nearest 100,000. Includes three non-DFI deals of unknown size.

Source: Dalberg analysis; DFI and non-DFI portfolio data

The 24 non-DFI investors include 21 fund managers and three foundations (Figure 3). Of the identified impact investors in Ghana, eight have a local presence—four DFIs and four non-DFIs—one of which (JCS Investments) was founded in the country. While DFIs target a range of large enterprises and projects, mainly using debt, non-DFI impact investors focus on equity investments in SMEs in the startup and growth stages and invest for approximately five to seven years in each deal before exiting. Both DFIs and non-DFIs expect returns of around 18-25% (Internal Rate of Return, IRR) for their equity investments, which is high compared to the 13-17% expected in Nigeria. This can be attributed to the high interest rates currently prevailing in Ghana; with low risk investments such as treasury bills bringing in returns in the mid-20s, investors require additional incentives to bear the risks associated with enterprise investment. In terms of investor type, as in the rest of the region, fund managers dominate the non-DFI impact investment space, accounting for almost all non-DFI investors. Foundations also feature (Figure 3).

FIGURE 3. IMPACT INVESTOR TYPES AND LOCAL PRESENCE IN GHANA, JULY 2015



Source: Dalberg analysis

In Ghana, as in Nigeria, impact investors rely almost exclusively on foreign sources of capital to fund their activities. Most DFIs originate in Europe, while impact fund managers rely on a combination of these DFIs, family foundations, and high-net-worth individuals (HNWIs) from outside the country. The difficulty impact investors have in sourcing capital from local investors is discussed in more detail below.

## SECTOR

DFIs invest most heavily in energy, manufacturing, and information and communication technology (ICT) through large deals of approximately USD 50-60 million, while non-DFIs favor financial services, housing, and agriculture through much smaller deals of USD 1-2 million.

DFIs invest the largest proportion of their capital in energy,<sup>25</sup> with large deals in this sector representing approximately USD 600 million or almost 40% of total DFI capital deployed (Figure 4). As one interviewee noted—just after a power outage interrupted her comments—such energy investments are sorely needed in Ghana, and DFIs have a strong focus on solving the country’s energy challenges. Interestingly, infrastructure represents a fairly small proportion of DFI portfolios in Ghana. This

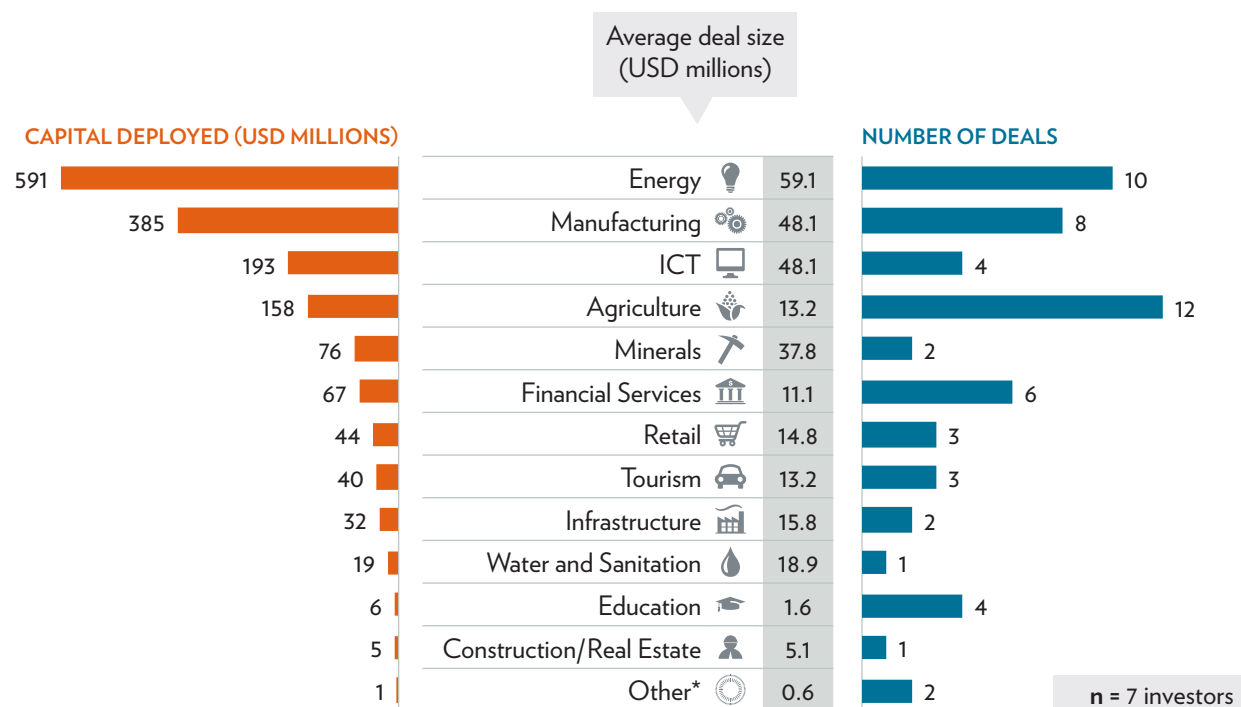
<sup>25</sup> Includes projects involving the construction and expansion of power plants, which some analysts may consider infrastructure spending.



reflects the fact that Ghana has made substantial leaps forward in infrastructural development over the past several decades and, over the last ten years,<sup>26</sup> has had fewer infrastructural needs than in other countries in the region. Manufacturing is the second largest sector by share of capital deployed, followed by ICT, where investments focus on strengthening mobile telephony infrastructure to accommodate Ghana's rapidly growing pool of mobile phone users.

Agriculture and energy lead the way in terms of number of deals, representing 21% (12 deals) and 17% (10 deals) of those concluded, respectively. The focus on agriculture, which also accounts for the fourth largest share of capital deployed, reflects DFIs' recognition of the sector as an important driver of economic growth and job creation. Manufacturing and financial services also receive a significant proportion of deals, with the large deal size in manufacturing driven by three sizable guarantees provided by the International Finance Corporation (IFC). The other manufacturing deals—made by the Danish Investment Fund for Developing Countries (IFU),<sup>27</sup> the Netherlands Development Finance Company (FMO),<sup>28</sup> and the Overseas Private Investment Corporation (OPIC)—are all below USD 10 million.

FIGURE 4. SECTOR DISTRIBUTION OF DIRECT DFI INVESTMENTS, JANUARY 2005-JULY 2015



\*Other includes one deal in recycling (USD 0.84 million) and one in health (USD 0.27 million).

Note: Average deal sizes may not equal displayed capital deployed divided by deal sizes. Capital deployed rounded to nearest million, except where less than 1 million (rounded to nearest 100,000). Average deal sizes rounded to nearest 100,000.

Source: Dalberg analysis; DFI portfolio data

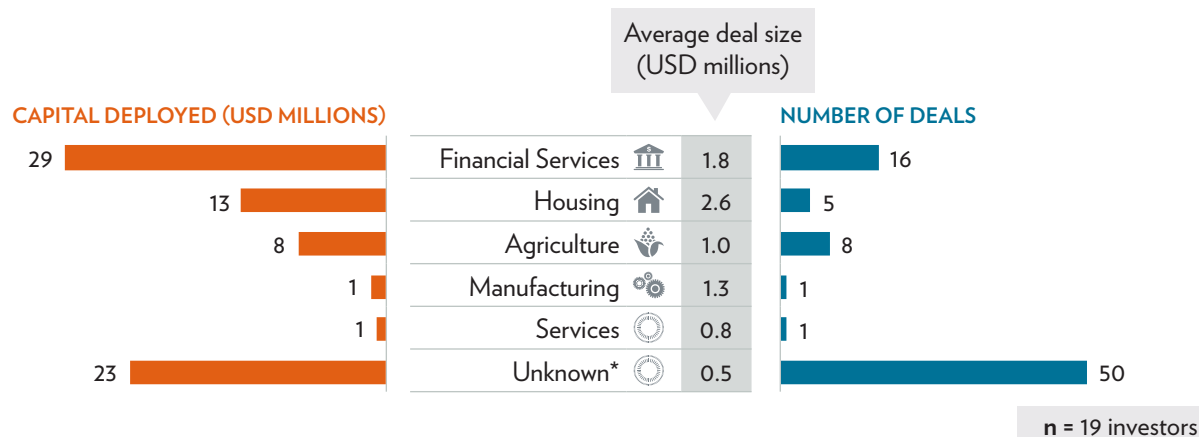
26 Our data include investments from 2005.

27 Acronym refers to the Danish name Investeringssonden For Udviklingslande.

28 Acronym refers to the Dutch name Financierings-Maatschappij voor Ontwikkelingslanden.

Non-DFI investments, in contrast, focus on a very narrow range of sectors (Figure 5). Financial services makes up the bulk of investment, with USD 29 million deployed to date in the sector, representing approximately 40% of total capital deployed. These investments tend to focus on microfinance institutions (MFIs) and, to a lesser extent, rural banks serving individuals and SMEs, reflecting investors’ recognition of the large financing gap for both individuals and enterprises in Ghana, as well as the strong “culture of accountability” underpinning low default rates, even among low-income populations. Housing<sup>29</sup> and agriculture also represent significant sectors of interest, with many investors viewing agro-processing—for example, in the shea butter industry—as a particularly promising investment opportunity.

FIGURE 5. SECTOR DISTRIBUTION OF DIRECT NON-DFI INVESTMENTS, JANUARY 2005-JULY 2015



\*These investments are in SMEs in the following sectors: education, manufacturing, healthcare, business services, transport, wholesale and retail, and agro-processing. However, disaggregating by sector has not been possible. Excludes three energy deals of unknown amount.

Note: Average deal sizes may not equal displayed capital deployed divided by deal sizes. Capital deployed rounded to nearest million, except where less than 1 million (rounded to nearest 100,000). Average deal sizes rounded to nearest 100,000.

Source: Dalberg analysis; non-DFI portfolio data

## DEAL SIZE

DFIs favor large deals of above USD 20 million, while non-DFIs focus on much smaller deals below USD 5 million. This reflects both DFIs’ considerably larger resource pools and their mandate to address critical challenges to national development—for example, by investing in large energy projects.

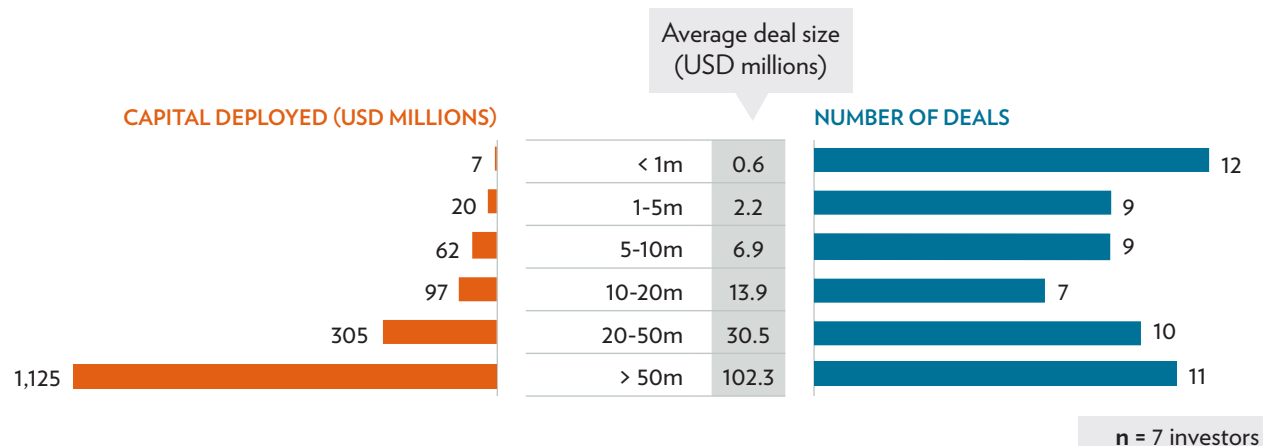
DFIs in Ghana are channeling most of their capital through large deals—deals of more than USD 20 million account for almost 90% of total capital deployed

29 Information on individual housing deals is limited, though both the provision of home loan services and legal services for land rights are features of them.

(Figure 6). These reflect DFI investments into large enterprises in energy, manufacturing, ICT, and, to a lesser extent, agriculture—mainly on the part of the IFC, the African Development Bank (AfDB), and IFU. Most capital is concentrated in deals over USD 50 million, which account for 70% of DFI capital deployed.

Smaller deal sizes do, however, account for a significant number of deals—21 DFI deals (36%) are less than USD 5 million. These are primarily directed at SMEs in agriculture, manufacturing, and education, and driven by AfDB, IFU, and IFC.

**FIGURE 6. DIRECT DFI INVESTMENTS BY DEAL SIZE, JANUARY 2005-JULY 2015**

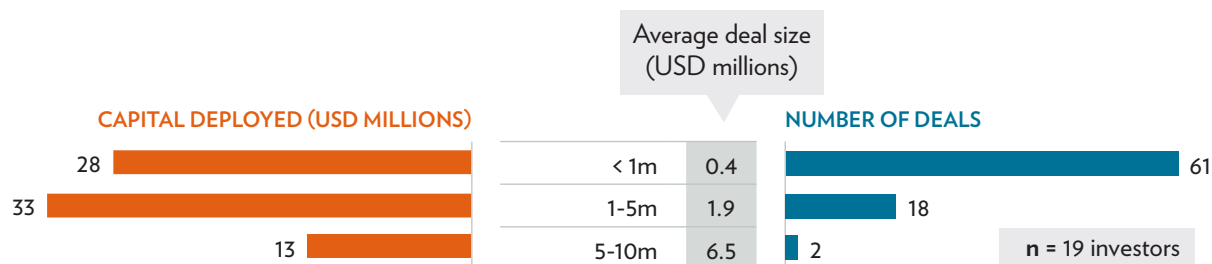


Note: Average deal sizes may not equal displayed capital deployed divided by deal sizes. Capital deployed rounded to nearest million, except where less than 1 million (rounded to nearest 100,000). Average deal sizes rounded to nearest 100,000.

Source: Dalberg analysis; DFI portfolio data

Non-DFI deals, on the other hand, are considerably smaller, with the majority of capital deployed in the USD 1–5m range (Figure 7) through investments in MFIs, rural banks, and agro-processing firms. By far the greatest number of deals, however, are below USD 1 million (64 deals or 76% of all those made), though the sector breakdown of these particular deals is unknown.

**FIGURE 7. DIRECT NON-DFI INVESTMENTS BY DEAL SIZE, JANUARY 2005-JULY 2015**



Note: Average deal sizes may not equal displayed capital deployed divided by deal sizes. Capital deployed rounded to nearest million, except where less than 1 million (rounded to nearest 100,000). Average deal sizes rounded to nearest 100,000. Excludes three deals of unknown size.

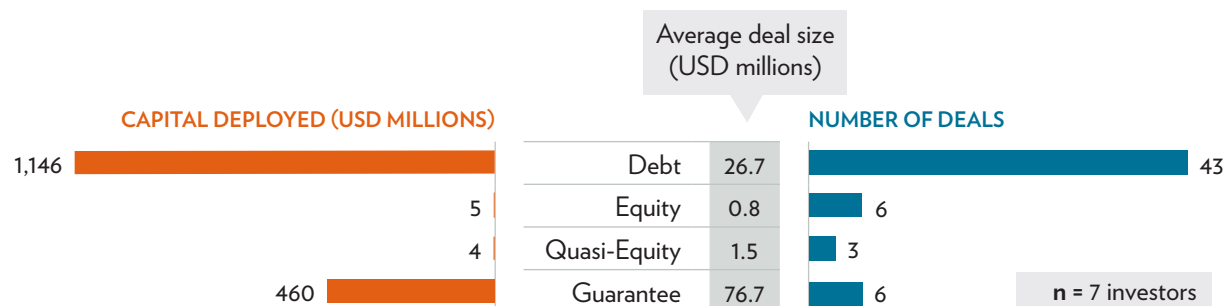
Source: Dalberg analysis; non-DFI portfolio data

## INVESTMENT INSTRUMENTS USED

DFIs focus almost exclusively on debt and debt guarantees, while non-DFI investors balance their portfolios more evenly between debt and equity. The high use of debt by Ghanaian non-DFIs, relative to similar investors in the region, is likely owing to a strong perception among enterprises that equity deals imply a loss of business control.

DFIs channel nearly all of their direct investments through debt, which accounts for approximately 70% of capital deployed and 75% of deals made (Figure 8), and which flows largely into sizable loans in the energy, ICT, and infrastructure sector. This reflects DFIs' preference for debt as a lower-risk, easier-to-manage instrument with greater prospects for exit than either equity or quasi-equity. While information on loan tenures is limited, the size and nature of many DFI projects—including the construction of power plants and expansion of mobile telephony infrastructure—suggests that they are in the region of 10–15 years.<sup>30</sup> The six debt guarantees are all provided by IFC; they focus primarily on deals between USD 40 and 150 million in agriculture and manufacturing. The considerably smaller equity and quasi-equity deals are being driven primarily by IFC and IFU, with the majority in agriculture, manufacturing, and financial services.

FIGURE 8. DIRECT DFI INVESTMENTS BY INSTRUMENT, JANUARY 2005-JULY 2015



Note: Average deal sizes may not equal displayed capital deployed divided by deal sizes. Capital deployed rounded to nearest million, except where less than 1 million (rounded to nearest 100,000). Average deal sizes rounded to nearest 100,000.

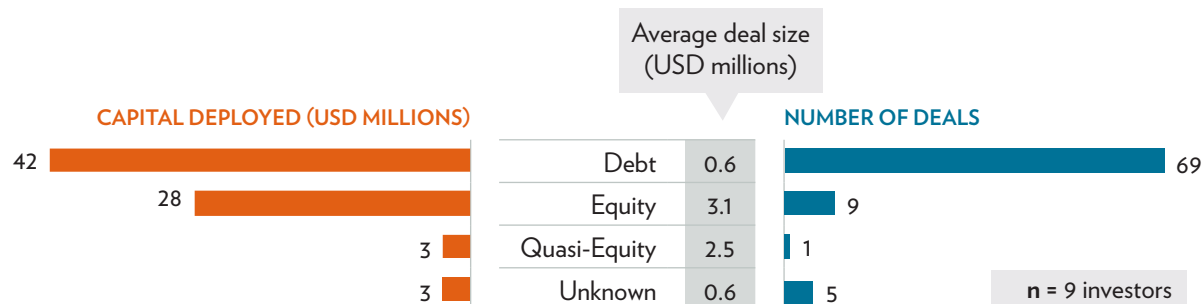
Source: Dalberg analysis; DFI portfolio data

Non-DFI investors are considerably more balanced in the instruments they use to make direct investments. Debt remains dominant—56% of total capital deployed and 82% of deals made—but equity represents a significant share of capital deployed (37%). Quasi-equity only represents a single deal of USD 3 million (Figure 9).

30 "Project focus: Takoradi, Ghana," PIDG (2015). Available at: <http://www.pidg.org/news/project-focus-takoradi-ghana>; "Africa's ICT Infrastructure: Building on the mobile revolution," World Bank (2009). Available at: [http://siteresources.worldbank.org/INFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/AfricasICTInfrastructure\\_Building\\_on\\_MobileRevolution\\_2011.pdf](http://siteresources.worldbank.org/INFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/Resources/AfricasICTInfrastructure_Building_on_MobileRevolution_2011.pdf).

The share of debt in Ghanaian non-DFI portfolios is similar to that in the rest of the region (regional averages are 60% of capital deployed and 83% of deals made). This is a surprising finding given the high rates of interest currently prevailing in the Ghanaian economy. Interviews indicate two possible reasons for this. First, several non-DFI impact investors are offering loans at rates below those prevailing in the commercial market—though precise information on these rates is limited. Second, there is strong enterprise resistance to accepting equity investment due to business owners’ fears that they will “lose control” of their businesses. This is discussed in more detail below.

FIGURE 9. DIRECT NON-DFI INVESTMENTS BY INSTRUMENT, JANUARY 2005-JULY 2015



Note: Average deal sizes may not equal displayed capital deployed divided by deal sizes. Capital deployed rounded to nearest million, except where less than 1 million (rounded to nearest 100,000). Average deal sizes rounded to nearest 100,000.

Source: Dalberg analysis; non-DFI portfolio data

## Barriers and Opportunities

### MAIN BARRIERS ENCOUNTERED TO DEPLOYING CAPITAL

Given current economic volatility, impact investors involved in Ghana are facing challenges related to both the sourcing and deployment of their capital as well as to the enabling environment in which they operate. Common challenges identified by interviewees include the following:

- **Lack of investable enterprises.** Investors in Ghana struggle to find enterprises that fit their financial and impact criteria and that are also robust enough to support investment. Critical gaps in human capital and business support lead to a lack of business systems, governance, and professional management on the part of enterprises. Because of this, many investors offer enterprise support in addition to financial investment: DFIs often provide technical assistance in the form of formal grants, while non-DFI investors support enterprises mainly through in-kind assistance and mentorship. Investors seem happy to take this hands-on approach and see it as a necessary part of the investing ecosystem in Ghana. While such an approach does raise the costs of investing directly, it is not clear whether this disadvantages impact investors, as commercial investors likely face the same problems and may offer similar forms of enterprise support.
- **Enterprise reluctance to offer equity.** There is a strong aversion to equity investment among enterprises in Ghana, even given high interest rates. As mentioned, this may

explain the greater share of debt in Ghanaian non-DFI portfolios relative to their Nigerian counterparts, though DFI preference for debt, as mentioned above, is likely driven by its fit with DFI risk profiles and capacities.

To many enterprises, giving up equity means giving up ownership of their businesses to investors they perceive as potentially untrustworthy, rather than engaging in a productive partnership. A strong culture of trading as the main form of enterprise in Ghana also contributes to this mindset—as debt is well-suited to the buying and reselling of goods, it has become the default means of enterprise finance.

- **Exits.** Investors highlight a lack of exit options for equity investments as among the most challenging aspects of impact investing in Ghana, given the shallow financial markets and lack of secondary buyers.<sup>31</sup> Still, it is worth noting that impact investors in Ghana did not emphasize this challenge as much as their counterparts in Nigeria did. While finding exits remains difficult in Ghana, several impact investors have managed to do so through owner or board buyouts.
- **Due diligence.** Though not a major concern for DFIs, given their large capacity relative to non-DFIs, the small size of many non-DFI investment portfolios in Ghana (average capital deployed by actor is less than USD 5 million) makes it difficult for them to commit substantial resources to due diligence. This limits their ability to properly consider deal pipelines, even where deals exist, and through this generate a steady supply of investable opportunities.
- **Difficulty raising capital from local sources.** Though it is not a major concern for DFI actors, non-DFI impact investors highlighted fundraising from local investors as a major challenge in Ghana—more so than in Nigeria. As in Nigeria, there is general mistrust of the ability of impact investors to generate significant financial return in the Ghanaian market. Considering the current economic volatility, this makes local investors very wary of impact investing as a viable investment strategy, and may limit growth prospects in the short to medium term.

## Main Perceived Opportunities

Perhaps owing to the small number of impact investors focusing on Ghana, opportunities highlighted by interviewees centered both on ways to expand the impact investing community as well as on particular sectors of interest. Key opportunities highlighted by interviewees include the following:

- **Engaging African high-net-worth individuals (HNWIs).** There are several African HNWIs either currently or potentially interested in more responsible and impactful investing in West Africa, but they are not yet familiar with impact investing. Interviewees noted that, with sufficiently targeted outreach and coordination efforts, such HNWIs could create a large source of additional funding for impact investment.<sup>32</sup>

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<sup>31</sup> Secondary markets involve the trading of existing investments into a given enterprise.

<sup>32</sup> The Ghana Venture Capital Trust has established the Ghana Angel Investor Network (GAIN) to serve angel investors (but is not limited to those with impact intent).

- **Enterprise capacity and awareness building.** The lack of management skills, previously noted as a barrier, also represents an opportunity for investors to add value in the form of guidance and training for new and growing ventures. Through enhanced engagement between enterprises and investors, such activities could also build trust in and awareness of the role of equity investments as productive, rather than exploitative, partnerships.

Encouragingly, efforts in this regard appear to already be underway—as mentioned, most investors provide substantial guidance and support to their investees, while a recent business roundtable in Ghana’s Northern Region involved a discussion of the benefits of equity for SMEs.<sup>33</sup>

- **Microfinance.** Despite the high interest rates, repayment rates for microfinance loans in Ghana appear to be generally very high—as high as 98%, according to one interviewee. Some interviewees ascribed this to a so-called “culture of accountability” in Ghana, while others noted that microfinance is often used as working capital for microenterprises (street vendors, for example) that, while struggling to access finance, have a steady supply of business. Coupled with the high need for finance among both individuals and enterprises, the high repayment rates make microfinance a high-impact and relatively low-risk target for investment. It should be noted, however, that one interviewee viewed the Bank of Ghana’s recent decision to raise capital requirements for microfinance institutions as a reflection of the Bank’s concerns about MFIs’ capacity to handle deposits securely.<sup>34</sup> Another interviewee noted the need for other microfinance products such as micro-insurance for individuals or crops, seeing these as a key area for future diversification among microfinance providers.
- **Renewable energy.** Due to the country’s chronic energy shortages and the state’s active support of renewable energy (the government has committed to providing 10% of the country’s electricity generation through renewables by 2020<sup>35</sup>), investments in the sector provide an environmentally sustainable means of addressing both a viable market opportunity and a pressing social need. Recognizing this, one local impact investor is currently raising USD 25 million exclusively dedicated to renewable energy investment.

## Impact Measurement and Tracking

Approaches to measuring and tracking social and environmental impact in Ghana are very similar to those in the rest of the region: DFIs track and report an internally

33 “Venture Fund holds roundtable for SMEs in Northern Region,” Ghana News Agency (2012). Available at: <http://www.ghananewsagency.org/economics/venture-fund-holds-roundtable-for-smes-in-northern-region-43837>; Dalberg interviews.

34 “MICROCAPITAL BRIEF: Bank of Ghana Doubles Minimum Capital Requirement for Microfinance Institutions (MFIs) to \$610k As of 2018.” Microcapital Website, July 31, 2015. Available at: <http://www.microcapital.org/microcapital-brief-bank-of-ghana-doubles-minimum-capital-requirement-for-microfinance-institutions-mfis-to-610k-as-of-2018/>.

35 “Ghana receives resounding endorsement of investment plan to transform its renewable energy sector,” AfDB (2015). Available at: <http://www.afdb.org/en/news-and-events/article/ghana-receives-resounding-endorsement-of-investment-plan-to-transform-its-renewable-energy-sector-14234/>.



consistent set of indicators annually—though these differ between DFIs—and non-DFI actors’ efforts are largely ad hoc, based on a combination of reporting requirements to ultimate investors (in the case of fund managers) and indicators that are feasible for enterprises to report on. While non-DFI investors noted a preference for placing as little reporting burden on their investees as possible, they also had limited capacity to collect and publish information alongside their core business of sourcing investable deals.

While some efforts are being made to drive greater alignment of impact measurement frameworks across impact investors (such as the work of the Ghana Institute of Management and Public Administration [GIMPA] Center for Impact Investment, which was partly set up to develop and disseminate shared impact measurement frameworks for investors in Ghana), these have yet to yield consensus on a core set of common indicators or measurement and reporting practices.

One interviewee did note, however, that impact reporting is likely to become easier as the private equity market expands and a track record of successful investment is developed and showcased. In a more mature private equity environment, the topic of shared industry metrics may be much easier to broach with both commercial and impact investors alike.

## 3. DEMAND FOR IMPACT INVESTING CAPITAL

### Development Context

With nearly 26 million people, Ghana is the second most populous country in West Africa. Ghana’s Human Development Index (HDI) score is 0.573. This is above the sub-Saharan African average of 0.502 and the West African average of 0.446, and up 12% from its level of 0.511 in 2005.<sup>36</sup>

Impressive achievements in education bode well for the development of a robust skills base to drive economic growth. Average years of schooling increased from 8.7 to 11.5 in the last 10 years, indicating a significant uptick in educational levels. As of 2014, tertiary school enrollment was 14% of those within five years of leaving secondary school, higher than other major regional players like Cote d’Ivoire (9%) and Senegal (8%).<sup>37</sup>

Despite these positive indicators, significant development challenges remain. Despite progress in education, more than 25% of the population is still illiterate, compared to the global average of 16%. In terms of access to financial services, only 8% of the Ghanaian population had access to credit facilities in 2014 and less than 20% of

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36 “Human Development Reports,” United Nations Development Program (2015). Available at: <http://hdr.undp.org/en/data>.

37 “World Development Indicators,” World Bank (2015). Available at: <http://data.worldbank.org/data-catalog/world-development-indicators>. Data not available for Nigeria.

the population over 15 had any form of savings. Further, an estimated 35% of the population still does not have access to electricity and those that do experience frequent and unpredictable blackouts.<sup>38</sup>

## Types and Distribution of Demand Actors

Impact investors target a range of enterprises, both large and small—DFIs, especially, favor larger enterprises due to their ability to absorb the large deals DFI provide. In this section, we focus on two sets of actors in the demand landscape: social enterprises and commercial SMEs. Both are potential recipients of impact capital due to their role in creating employment and providing goods and services to underserved populations; however, they face significantly greater obstacles to accessing finance and driving growth than do large enterprises. Their experiences, therefore, illustrate the main obstacles that stand in the way of channeling impact investment to where it is most needed.

While the term “social enterprise” generally implies a focus generating social or environmental benefits, there is no universally accepted definition for the term, which makes it difficult to quantify the social enterprise landscape. A study conducted by the Overseas Development Institute and the British Council attempted to do so in Ghana, and defined social enterprises as “businesses that exist to address social and environment needs, and focus on reinvesting earnings into the business and/or the community.”<sup>39</sup> Using this somewhat narrow definition, the study identified just 24 social enterprises in Ghana, mainly based in Accra.<sup>40</sup> While the organizations identified in the study focus on sectors potentially interesting to impact investors—such as agriculture, education and skills, health, and clean technology—only around half (11) of them are profit-seeking, arguably shrinking the pool of potential impact investees able to offer significant financial return.<sup>41</sup>

According to the study, only 3 of the 24 social enterprises identified make use of returnable finance, with the rest benefitting from grants and donations. Foundations serve as the primary source of funding for these social enterprises, accounting for almost a third (27%) of funding received. Many are also sustained by founders and/or their family members (21% of funding), as well as donor and government support (16% of funding).<sup>42</sup>

Even with a broader definition of social enterprises (businesses with a social or environmental impact objective), it is likely that social enterprises represent an

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38 “World Development Indicators,” World Bank (2015). Available at: <http://data.worldbank.org/data-catalog/world-development-indicators>. Data not available for Nigeria.

39 “Social enterprise landscape of Ghana,” Overseas Development Institute (2014). Available at: [http://www.britishcouncil.org/sites/britishcouncil.uk2/files/social\\_enterprise\\_landscape\\_in\\_ghana\\_report\\_final.pdf](http://www.britishcouncil.org/sites/britishcouncil.uk2/files/social_enterprise_landscape_in_ghana_report_final.pdf).

40 *Ibid.*

41 While this reliance on non-returnable finance may make their designation as social ‘enterprises’ dubious, it is worth noting that all enterprises are making attempts to become financially sustainable.

42 “Social enterprise landscape of Ghana,” Overseas Development Institute (2014). Available at: [http://www.britishcouncil.org/sites/britishcouncil.uk2/files/social\\_enterprise\\_landscape\\_in\\_ghana\\_report\\_final.pdf](http://www.britishcouncil.org/sites/britishcouncil.uk2/files/social_enterprise_landscape_in_ghana_report_final.pdf).

underexploited potential target for impact investment in Ghana. The space appears to be growing—most social enterprises identified were registered in the past two years.

With the pool of social enterprises currently small, commercial SMEs make up a large proportion of current and potential impact investees in Ghana. There are three main reasons for this. First, SMEs are numerous—they account for 90% of all registered businesses.<sup>43</sup> Second, they represent significant drivers of economic growth and job creation—SMEs employ 60% of the workforce and estimates for SME contribution to GDP in Ghana range from close to 50%<sup>44</sup> to over 70%.<sup>45</sup> Third, they operate across various sectors providing goods and services to underserved populations—agribusiness, healthcare, and education, for example.<sup>46</sup>

## Challenges Faced by Demand Actors in Securing Investment

Given the impact potential of both social enterprises and commercially oriented SMEs, it is important to investigate the challenges they face in obtaining finance for their operation and growth. Interviewees identified the following as most pressing:

- **Awareness of financing options beyond commercial banks.** Awareness of financing options beyond commercial banks is severely limited, with very few enterprises knowledgeable about alternative options. Those impact investors that are operating in Ghana, whether local or foreign, do not seem to be on the radar of the vast majority of Ghanaian enterprises. Further, Ghanaian SMEs that are aware of impact investors often view their diligence requirements as too onerous and their preferred deal sizes as too large for their needs.
- **High collateral requirements.** When enterprises approach commercial banks for finance, they struggle to get it. Banks in Ghana tend to lend only to clients who can provide large amounts of collateral in the form of assets and savings, which many SMEs and social enterprises do not have. Some banks provide loan financing not backed by assets, but a strong track record is required to access it, and in any case these funds remain small. These stringent collateral requirements make it difficult for enterprises to access finance.
- **High cost of lending.** The most common financing mechanism in Ghana is debt (including for impact investors). Given the high interest rates, however, those enterprises that can access loans find it hard to sustain debt repayments. This situation is often worsened by prohibitively expensive rates for enterprises with unproven business models and low initial levels of revenue.

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43 “Venture Capital Trust Fund,” WEF (2015). Available at: <http://reports.weforum.org/social-innovation-2013/06-the-venture-capital-trust-fund-ghana/#view/fn-2>.

44 “Ghana Banking Survey,” PWC (2013). Available at: [https://www.pwc.com/en\\_GH/gh/pdf/ghana-banking-survey-2013-pwc.pdf](https://www.pwc.com/en_GH/gh/pdf/ghana-banking-survey-2013-pwc.pdf).

45 “Ghana Government Services, Business Report,” Government of Ghana (2013). Available at: <http://www.eservices.gov.gh/Pages/Empowering-SMEs-in-Ghana-for-Global-Competitiveness.aspx>.

46 “Venture Capital Trust Fund,” WEF (2015). Available at: <http://reports.weforum.org/social-innovation-2013/06-the-venture-capital-trust-fund-ghana/#view/fn-2>.

- **Capacity gaps.** Enterprises often lack financial literacy, do not employ consistent bookkeeping practices, and struggle to administer their staff and activities effectively. Further, they struggle to find investors, and are often ill equipped to articulate their value proposition to them when they do find them. Several incubation and accelerator models are trying to work with entrepreneurs to address these challenges (see Ecosystem section below for more details).

Due to these challenges, many SMEs turn to informal lenders and personal networks of family and friends to obtain access to finance. This is proving a workable but inadequate solution—financing is unpredictable and often insufficient to meet even basic working capital needs. Impact investors are attempting to overcome enterprise challenges through the provision of formal and informal technical assistance, as well as through a more flexible approach to collateral for debt. However, broader efforts are needed to address the underlying issues related to SME access to capital, such as business systems and internal capacity—for example, through business incubation (discussed in more detail below).

## 4. ECOSYSTEM FOR IMPACT INVESTING

### Policies and Regulations

Ghana has done well to provide a stable and enabling investment environment and has the highest scores in the region on the World Bank / IFC Doing Business index.<sup>47</sup> In 2004, the government of Ghana established the Venture Capital Trust Fund to catalyze the country's venture capital market through support to local venture capital funds investing in SMEs. Moreover, the Ghanaian Government actively provides incentives for investment, including the following:

- **Tariff exemptions on large machinery imports** to encourage enhanced enterprise productivity through mechanization, especially for enterprises involved in manufacturing.
- **Double taxation agreements** with a number of countries to prevent multinational organizations and foreign citizens from paying tax both in Ghana and the countries in which they are domiciled.
- **"Tax holidays"** for specific sectors ranging from five to ten years of tax-free operation depending on the size, scale, and location of the investment. Examples of sectors that may receive such incentives include rural access to finance, affordable housing, and agricultural investments.

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<sup>47</sup> "Doing Business: Measuring Business Regulations," World Bank (2015). Available at: <http://www.doingbusiness.org/rankings>.

While interviewees did not flag the regulatory environment as a major barrier to investment, they did highlight a number of challenges related to the government's role in promoting investment:

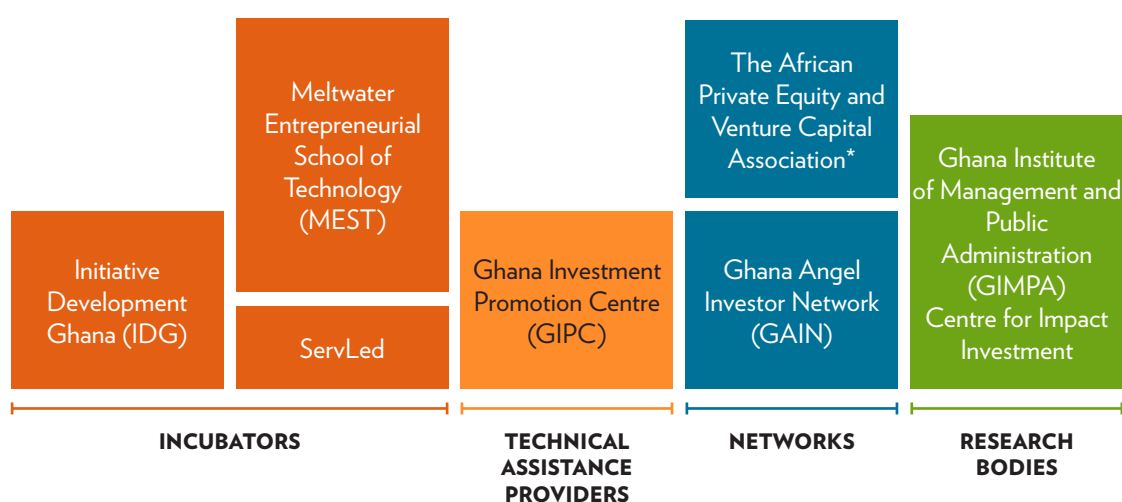
- **Lack of awareness of incentives.** While incentives exist, it appears that knowledge of how and where to access them is low among both domestic and foreign investors.
- **Restrictions on foreign investment.** A minimum of USD 500,000 must be invested by foreigners wishing to invest in Ghana—USD 1 million (with a minimum employment of 20 people) if engaged in trading. This is viewed by many investors as overly restrictive.
- **Inadequate incentives for impact investors.** While incentives exist for investments aimed at addressing critical development challenges, interviewees were of the opinion that more could be done to address impact investment specifically—for example, providing tax incentives for investors explicitly targeting both financial and social/environmental return.

## Efforts to Support Development of the Impact Investment Market

### TYPES OF ACTORS

The ecosystem of enterprise and investor support is still very small in Ghana (Figure 10).

FIGURE 10. GHANIAN ECOSYSTEM ACTORS, JULY 2015



\*Also present in other West African countries

Source: Desk research; interviews

Three incubators were identified by the research team, with two focused on start-up technology enterprises (Meltwater Entrepreneurial School of Technology—MEST—and ServLed) and one on general small enterprise support (Initiative Development Ghana). The Ghana Investment Promotion Center provides investment advisory services, acting as a kind of technical assistance provider, while the Ghana Angel Investor Network (GAIN) is beginning to drive coordination among the country’s small but growing pool of angel investors.

Impressively, Ghana does have a research center specifically dedicated to impact investing. The GIMPA Center for Impact Investment aims to provide information on, drive awareness of, and advocate for impact investors in the country, and has published several reports on the state of the sector.<sup>48</sup> As mentioned, GIMPA also intends to drive coordination in impact measurement and reporting, though efforts in this regard are still nascent.

## MAIN OPPORTUNITIES AND CONSTRAINTS

Given the small size of the enterprise and investor support ecosystem, interviewees emphasized the need for a larger number of entrants into the space. While interviewees were careful to note that the ecosystem was still very young and thus likely to develop over time, two key barriers to its growth emerged:

- **Lack of awareness.** There is a limited awareness of the value of broader ecosystem support—in particular, the role of incubation in strengthening enterprises for investment and growth. This makes it difficult for incubators and other supporting organizations to generate revenue, as both enterprises and investors are reluctant to pay for services they deem ‘unproven.’
- **Insufficient investor linkages.** Interviewees indicated that there were few forums to facilitate linkages between ecosystem actors and investors. Incubators noted that finding ways of engaging investors was crucial to supporting the enterprises in their programs, while the GIPC noted the importance of enhanced investor engagement as a means of empowering the state to become more investor-friendly.

Ecosystem actors identified similar opportunities to those articulated by investors—in particular investing in renewable energy and engaging African HNWIs—but also emphasized technology as a key area of potential for Ghanaian enterprises, both in terms of market opportunity and for addressing key needs in areas such as health and education.

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<sup>48</sup> See <http://gcii.gimpa.edu.gh> for more details.



#### **ABOUT THE GLOBAL IMPACT INVESTING NETWORK**

The Global Impact Investing Network (GIIN®) is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. For more information, see [www.thegiin.org](http://www.thegiin.org).

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