

GHANA'S GREEN BUSINESS ECOSYSTEM IS GROWING RAPIDLY, BUT THE GOVERNANCE AND MARKET CONSTRAINTS ARE STALLING THE SCALABILITY OF GREEN ENTERPRISES.

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1. Introduction

Climate change presents both fiscal and humanitarian threats to Ghana's sustainable development. Ghana's economic growth remains environmentally unsustainable due to the high greenhouse gas emissions recorded over the last decade and a half, where growth has been relatively stable. Between 2012 and 2019, total greenhouse gas emissions increased by 40 per cent, and emissions per capita increased by a quarter to a third, indicating unsustainable production and consumption patterns[1]. This has intensified the country's exposure and vulnerability to climate change events like droughts, floods, and other forms of hazards.

The fiscal and socio-economic impact of climate change has become more visible, threatening the gains made in reducing poverty and social inequality. For instance, the International Monetary Fund reported that the recent dry spell in the Northern region accounted for about 10 per cent loss in agricultural production and affected about one million farmers, and the World Bank estimates that the losses could be in the range of 0.7 and 1.5 per cent of GDP, more than the total expenditure on goods and services by mid-year of 2024[2]. In 2024, the compensation to farmers affected by the dry spell was estimated at about GHC8 billion[3], more than eight times the combined expenditure on social protection programmes in 2024[4].

Notwithstanding these challenges, Ghana has a unique opportunity to address climate change and create sustainable businesses and jobs. Ghana is endowed with enormous green resources and market potential that can be leveraged to address the threats of climate change. For instance, less than 5 per cent of the total energy mix is sourced from renewable energy[5]. Additionally, less than 5 per cent of Ghana's solid waste is recycled, and vast climate-smart agriculture, ecotourism, and other nature-based solutions remain underutilized. These potentials present opportunities for green enterprises to create sustainable businesses, jobs, and address the threats to climate change. Green enterprises adopt innovative approaches and technologies that reduce waste, maximize natural resources, and employ production mechanisms that reduce greenhouse gas emissions. Currently, approximately a fifth of business establishments in Ghana can be considered green establishments. To effectively harness the green growth opportunities, the governance regime (policies, laws and regulations) must create the necessary incentives to stimulate investments and provide sufficient support for green enterprises to overcome market-related factors that may affect scalability and competitiveness.

[1] Energy Commission. (2024). Energy Statistics. Key Energy Statistics

[2] IMF. (2024). Third Review – Extended Credit Facility. Ghana: Third Review Under the Arrangement Under the Extended Credit Facility, Request for Modification of Performance Criteria, and Financing Assurances Review-Press Release; Staff Report; and Statement by the Executive Director for Ghana

[3] Government begins distribution of food grants to farmers from October 10 | Ghana News Agency

[4] Ministry of Finance. (2025). Budget Statement and Economic Policy. 2025-Budget-Statement-and-Economic-Policy_v5.pdf

[5] Environmental Protection Authority. (2023). National Greenhouse Gas Inventory Report. Microsoft Word - gh_nir5_15052022_final.docx

2. Key Issues

Green businesses are different from conventional businesses in several ways. The business models of green businesses prioritize environmental sustainability and resource efficiency alongside profit maximization. As a result, the way they procure raw materials, produce and deliver value to customers must ensure environmental sustainability. This requires that green businesses adopt climate-smart technologies or sustainable operational processes, which can be expensive in lower-middle-income countries like Ghana that heavily rely on imported capital goods. Considering that green business activities have a direct impact on the country's climate ambitions, the government needs to implement a supportive governance regime that accelerates investment, enhances competitiveness and scalability of green business innovations. This ensures that the benefits of green opportunities are localized.

Ghana's decarbonization plans are fragmented, incoherent, and the policies are not mutually reinforcing. Ghana's climate action, as evident in the updated Nationally Determined Contributions, National Climate Change Master Plan, and the National Climate Change Policy, covers several sectors and a wide range of issues. The various sectors tend to have independent decarbonization policies and strategies that are not mutually reinforcing and coherent. This results in fragmentation in action, complicates institutional coordination, and overlapping sectoral policies and initiatives. For instance, in addition to the Nationally Determined Contributions, Ghana has an Energy Transition and Investment Plan, Climate-Smart Agriculture Strategy and Investment Plan, National E-Mobility Policy and Market Readiness Framework, and the National Methane Roadmap. Similarly, there is a plethora of sectoral policies that are misaligned with the current climate ambitions of the country and incoherent, leading to overlapping and ineffective sectoral policies. For instance, Ghana has two energy transition frameworks with different anchor technologies and assumptions[6]. Also, the Customs (Amendments) Act 2020, which bans the importation of overaged vehicles, was suspended in 2021 due to public outrage, which also reflects policy consistency[7].

While all these efforts are useful, it is unclear whether their implementation would lead to the achievement of Ghana's climate ambitions. To address the fragmentation in policies and sectoral plans, Ghana needs a composite long-term decarbonization strategy (LTDS) as required by Article 4.19 of the Paris Agreement to synchronize the various sectoral emission reduction plans into a single plan, which will become the basis of developing all sectoral plans and other short-term climate action strategies. By the end of 2024, only eight (8) countries in Africa have communicated LTDS to the UNFCCC: Benin, Gambia, Ethiopia, South Africa, Morocco, Zimbabwe, Nigeria, and Tunisia[8]. The LTDS does not stop the government from developing sectoral plans, but ensures that they are aligned with the long-term emissions reduction of the country, and the accompanying policies and institutional reforms reinforce existing actions and policies in other sectors.

Moreover, the current climate change law lacks effective and binding provisions to drive a shift towards green products and services. Even though the Environmental Protection Authority Act 2025 (Act 1124) attempts to create a separate legal provision for climate change governance, it is still embedded in broader environmental laws, unlike countries like Kenya, South Africa, Nigeria and Zambia, which separate climate laws from environmental laws. A specialised climate change law helps the country to establish elaborate accountability frameworks to govern climate change issues. This is particularly important because, unlike other environmental issues that can be addressed in isolation, climate change issues are multi-sectoral, and thus a separate accountability framework establishes binding obligations on public institutions to comply and commit to the broader national goal, which helps to address conflicting and overlapping climate response actions. This benefit could be missed if climate change accountability is co-mingled with broader environmental governance frameworks.

[6] Financing Ghana's Energy Transition: National and International Public-Private Sources - Imani Africa

[7] https://documents1.worldbank.org/curated/en/099325011162237062/pdf/P17598901bf31e0d0ad0a08f44fdf5dedf.pdf

[8] LTLEDS Validation Workshop CN_Final.pdf

Additionally, Ghana's climate change law gives no legal backing to existing emissions reduction strategies, especially the NDCs. The law does not refer to existing emission reduction strategies or any sectoral long-term emissions reduction plan. This makes the existing plans unenforceable, and it does not provide any framework to ensure that public institutions mandatorily integrate the existing policies and emission reduction plans into sectoral plans, as is detailed in the Kenyan and South African climate change laws. The absence of legislation to back the existing emissions reduction plans minimizes the extent of policy credibility in terms of government commitment to follow the existing strategies.

Also, Ghana's climate change law lacks obligations on the private sector to decarbonize. In the absence of tools like carbon pricing and an emissions trading scheme, governments can use legislation to influence businesses to transition to environmentally sustainable production and consumption solutions. In Ghana's climate change law, no provision places binding obligations on private and public entities to reduce carbon emissions, as seen in the South African law that uses a carbon budget to control the emissions of entities. Such provisions create incentives for green business investments because they indirectly create support for green products and services. For instance, the South African carbon budget indirectly creates a voluntary emissions trading market where green businesses can swap carbon credits with high-emitting entities. Achieving self-regulation can be difficult, and thus, climate laws ensure that they place a mandatory need for businesses to integrate environmentally-sustainable solutions in their operations.

Businesses are concerned about policy credibility – the trust and confidence that the government will fully commit to its climate policies over a period. Such confidence tends to drive market confidence and long-term investment in the green business sector. The prevailing policy inconsistencies, misaligned sectoral green investment plans, and the absence of legal support for existing decarbonization strategies amplify the uncertainties and the risk of investment in Ghana's green business ecosystem, which is quite nascent. When businesses are uncertain of the government's short-term to medium-term policy actions, they are likely to adopt a wait-and-see attitude and delay investments in the green sector. Policy credibility can be achieved where sectoral policies are consistent and coherent, provide adequate incentives, and establish robust institutional frameworks to enforce the policies. The existing governance failures, evidenced by the high policy and institutional fragmentation and the lack of binding and effective laws to drive demand for green products and services, could potentially affect the speed of investments in the green business ecosystem, which can also slow the progress on the government's climate action. Thus, addressing the prevailing governance failures is crucial to signalling a strong policy support for the green business ecosystem and minimizes uncertainties that can potential fuel delayed investments in existing and new green business innovations.

Apart from the governance failures, several market factors could stall the scalability of green business investments in Ghana. Green businesses are mostly associated with high upfront costs and relatively long periods to deliver positive financial returns, especially in developing economies like Ghana, where the market for green products and services is relatively small. As a result, green businesses need relatively long-term permanent capital with relatively low interest rates in addition to other market incentives to effectively compete. Additionally, a volatile macroeconomic environment could significantly increase the cost of doing business for green businesses, considering that most Ghanaian green enterprises heavily rely on imported inputs.

[6] Financing Ghana's Energy Transition: National and International Public-Private Sources - Imani Africa

[7] https://documents1.worldbank.org/curated/en/099325011162237062/pdf/P17598901bf31e0d0ad0a08f44fdf5dedf.pdf

[8] LTLEDS Validation Workshop CN_Final.pdf

Despite the growth rebound, critical macroeconomic variables like the exchange rate and inflation rate are largely volatile. For instance, inflation rose significantly, reaching about 54 per cent in 2022 before declining to 23.1 per cent in 2025[9]. Over the same period, the average lending significantly rose to 36 per cent in 2022 before declining to 30 per cent in 2025[10]. The exchange rate has been volatile over the past three years, recording an average depreciation rate of about 25 per cent between 2022 and 2024. These challenges have resulted in an unpredictable business environment, manifesting through the high cost of goods and services. Additionally, the cost of capital remains excessively high. For almost a decade, Ghana's average lending rate has been about 25 per cent, which is high for businesses investing in green solutions, which tend to pay off over the long term but are associated with high upfront costs.

Apart from the high cost of capital, banks are making less capital available for the private sector, and the risk of credit default remains high. For instance, the real private sector capital expanded by just 1.4 per cent between 2014 and 2024, indicating relatively low credit available to the private sector and the rate of non-performing loans averaged about 16.9 per cent over the same period, indicating high risk compared to the international benchmark of 10 per cent[11]. This shows a dual challenge of low credit to the private sector and high lending risk. In such a market context, the bankability of green projects becomes a critical driver of green financing, but IMANI's past climate finance engagements reveal relatively low capacity to develop pipelines of bankable projects by the public and private sectors.

Furthermore, the existing green fiscal policies are poorly targeted and mainly revenue mobilization instruments instead of driving climate investments. Green fiscal policies are essential to driving investments in green businesses through three main channels – (i) they place a high premium on fossil fuels and other GHG-emitting activities, making them expensive for producers and consumers, (ii) they create multiple revenue channels that can support fiscal take and investments in clean technologies and green businesses, and (iii) green fiscal policies communicate the green investment readiness of a country to domestic and international investors. Currently, Ghana does not levy a carbon price on emissions but combines environmental taxes with international carbon market mechanisms and sectoral incentives to support green investment. A major reason for the absence of carbon pricing in the form of a carbon tax is that the government has identified that the targeted sectors are already overtaxed, and an imposition of a domestic carbon tax could increase the cost of doing business for the firms and the cost of living for households[12]. The government intends to trade about 24MtCO_2e of the conditional absolute emissions reduction under the Article 6.2 Framework of cooperative approaches[13]. The government has established the Carbon Market Office to authorize and coordinate issues related to carbon credit trading.

Apart from these measures, there are environmental taxes like the sanitation and pollution levy and environmental excise tax, but these fiscal measures have only been used for domestic revenue mobilization instead of supporting climate innovations. Additionally, the renewable energy feed-in-tariffs are not properly targeted. For instance, there is no specific tax incentive package available for firms and individuals whose business activities align with the NDCs. Kenya passed a corporate income tax rate of 15 per cent for 10 years for businesses that engage in carbon exchanges and emissions trading schemes[1]. Such initiatives can directly influence firms to cut back on emissions and trade the savings in the carbon market for both tax benefits and other financial gains.

[9]Ghana Statistical Service. (2025). Consumer Price Index Report. Bulletin_ CPI February 2025.pdf

[10]Bank of Ghana. (2025). Summary of Economic and Financial Data. Summary-of-Economic-and-Financial-Data-January-2025.pdf

[11]Demirgüc-Kunt, A., and E. Detragiache. (1998). "The Determinants of Banking Crises in Developing and Developed Countries," IMF Staff Papers, Vol. 45, No. 1, pp. 81–109.

[12]Interviews with the Environmental Protection Agency.

[13]Ghana-Carbon-Market-Framework-For-Public-Release_15122022.pdf

[14]Kenya publishes Climate Change (Carbon Markets) Regulations, 2024 | EY - Global

Also, the existing fiscal incentives do not significantly impact the overall tax burden for businesses and individuals. For instance, businesses may receive an exemption for importing solar PV panels. However, the tax obligations associated with the entire project implementation neutralise the benefits of the incentives. A typical example is the Ghana Chamber of Mines 84 KW solar PV system, where taxes constituted about 11% of the contract cost[15]. The tax effect could be higher for large-scale utility solar PV projects, and act as a disincentive for green solutions. Additionally, there are policy inconsistencies associated with the implementation of fiscal policies and incentives. The new government has repealed the emissions levy, which was passed by the previous government to mobilise financing to support climate interventions. Even though the tax handle was improperly structured and mainly used as fiscal support, it could have been reviewed to become a form of carbon tax for Ghana.

Another challenge that could stall the scalability of green businesses in Ghana is the lack of a highly skilled workforce to support the green economy. Typically, green jobs would require high skills, especially in science, technology, engineering, mathematics, and other technical fields. A look at Ghana's workforce dynamics in terms of skill shows significant capacity gaps. For instance, the 2021 population and housing census data shows that about 73 per cent of the existing workforce are engaged in low-skilled jobs such as agriculture and fisheries, crafts, and sales and services[16]. In terms of education and training, there is a relatively low educational attainment among the population 18 years and older, which typically forms the workforce. The highest level of educational attainment for about 70 per cent of the population above 18 years is the basic level (JHS and SHS), and about 14 per cent of the population are pursuing different forms of tertiary education, and only 3 per cent have vocational and technical skills[17].

In the last tertiary education enrolment report by the Ghana Tertiary Education Council, about 68 per cent of all tertiary education students were enrolled in arts and humanities programmes, mainly education, business, arts and social science programmes, and 12 per cent enrolled in science and engineering courses and 18 per cent enrolled in applied science programmes[18]. This shows that the high-skill graduate output is highly concentrated in humanities, business, and social science skills, which are not highly needed in the green transition. Meanwhile, only about a third of graduates are studying one form of STEM programme that is highly needed for the green transition. This implies that the current educational system is not adequately aligned with the skills needed for the green economy, which will likely create significant skills and capacity gaps for the transition. While the skill gaps are evident, Ghana lacks the requisite mechanisms for evaluating the critical green skills gaps. The existing policy and strategies on skills and capacity development have not significantly transformed skills acquisition and incentivised the creation of green jobs. For most of the strategies, there are limited reports about their successes, and funding challenges have delayed the full rollout of most action plans. More importantly, there is currently no mechanism for estimating the green skills capacity gaps across the priority areas of the NDCs[19].

[15]Taxes on imported equipment threatens energy transition agenda - Graphic Online

[16]Ibid

[17]Ghana Statistical Service. (2021). Population and Housing Census – Literacy and Education. POPULATION OF REGIONS AND DISTRICTS REPORT

[18]Ghana Tertiary Education Council. (2019). Tertiary Education Statistical Report. Tertiary Education Statistics

[19]International Labour Organization. (2018). Skills for Green Jobs in Ghana. Skills for green jobs in Ghana - English - International Labour Organization

Other crucial challenges that could potentially stall green business development are the high infrastructure deficit and the lack of readily available off-takers for green products and services. In Ghana, most green businesses are likely to rely on the national grid for power to run their operations, but Ghana's energy mix remains highly fossil-fuel based. Excluding large hydropower, renewable energy accounts for 3.1 per cent of the total installed power generation mix, mainly solar PV, and about 70 per cent of the generation mix depend on natural gas, light crude oil, heavy fuel oil, and liquified natural gas[20]. This implies that apart from a few green businesses engaged in self-generation from renewable energy, most green businesses are sourcing their power from highly fossil fuel-based generation sources, which results in their contribution to scope 2 emissions.

Some of the businesses may run machines that rely on electricity or petroleum products. In that case, the business contributes directly to Scope 1 emissions. For example, a recycling company that uses heavy-duty machines to sort and transform waste into recyclable products. This suggests that green businesses can effectively transform their value chain where sustainable infrastructure is available. Other infrastructure challenges include physical infrastructure, such as poor road networks. Across the country, only 35 per cent of roads have been rated as good, 46 per cent are rated fair, and 19 per cent of the roads are rated poor according to the Road Condition Survey report[21]. These infrastructure gaps can affect the effective operations of business activities, including green businesses.

Although there is a high sense of political awareness of the threat of climate change in Ghana, there appears to be a low awareness of the challenge among the general population. Green businesses face difficulties building a sizable consumer base in such a context due to low public awareness of the need to shift to green products and services. This makes green products niche products targeted at environmentally conscious consumers. Also, the absence of a clear legal requirement for registering and certifying green businesses increases the risk of greenwashing, where consumers could be misled about the environmental benefits of certain products and services. The complexities in verifying a product's environmental benefits may discourage consumers from patronizing green products[22].

[20] Energy Commission. (2025). Energy Outlook – Demand and Supply Plan. Energy Outlook

[21] Ghana Highway Authority. (2023). Annual Report. MINISTRY OF TRANSPORTATION

[22] Challenges for green businesses in 2024 - P27

3. Conclusion & Policy Recommendations

Overall, the business environment for green business investment is uncertain, expensive and unsupportive. The existing policies, laws and regulations are not appropriately harmonized to ensure effective and binding obligations towards emissions reductions, which can potentially drive the shift towards green products and services. The lack of an effective and binding governance regime for climate change issues creates uncertainties about the long-term commitment and priorities of the government, which can potentially slow down the pace of investment needed to achieve the country's climate ambitions. Moreover, the market conditions are unfavourable for green business investment in Ghana. The cost of credit is expensive, and macroeconomic factors are highly volatile due to a lack of political commitment to long-term fiscal reforms. Currently, business support for green business investments is not structured and poorly coordinated. As a result, the fiscal incentives and policies do not lend much support to green businesses.

Moreover, Ghana lacks the requisite workforce to perform green jobs and the trajectory of graduate output from the tertiary institutions is not aligned with the skills and capacity needs of green business investments. Notwithstanding these challenges in the business environment, the assessment recognises that specific projects can scale these hurdles through well-structured project arrangements. But most public and private businesses cannot prepare a pipeline of bankable projects.

To overcome the identified governance and market challenges to scaling green businesses in Ghana, the following policy reforms are recommended;

The Environmental Protection Authority must pass a regulation to complement the section of the EPA Act on climate change. The regulation must provide a clear operational framework for harmonising all the policies and frameworks for governing climate change issues.

The government must develop a specific climate change law linked to a long-term decarbonisation strategy. An effective climate change law is needed to support a long-term decarbonisation plan. A specific climate change law would help to separate climate change governance from the broader environmental management governance framework. This will contribute to strengthening accountability on climate change issues in Ghana.

The climate finance division must develop an operational framework that streamlines all the incentives available for green investments. The Climate Finance Division must develop a framework that identifies and provides an operational plan for making the available fiscal incentives accessible to green businesses.

Green businesses must leverage existing financing opportunities to enhance their capacity in project bankability. The Green Climate Fund has several grant funding opportunities for businesses to build capacity to improve their skills in developing pipelines of bankable projects. Furthermore, businesses must take advantage of international incubation programmes that provide support to scale their businesses to maturity.

MESTI, MoE, and MELR must collaborate with academic institutions to include critical green skills in the education curriculum. First, MESTI, working with GTEC and tertiary institutions, must collaborate to undertake a long-term green skills gap analysis to identify the present shortfalls. The findings from the analysis must inform the development of courses and programmes to fill the identified skills gaps. Secondly, academic institutions must work with the Ministry of Finance to identify how the GCF funding can be leveraged to support capacity building and fill the identified skills gaps. They can also work with development partners to access grants linked to capacity-building on green skills.

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CSOs must leverage the provisions in the new EPA Act to demand more participation and accountability. CSOs in the climate governance space must take advantage of the provisions for consultation and collaboration in the new EPA Act to demand more participation in policymaking and implementation. Also, CSOs must ensure that there are clear guidelines on consultation in the upcoming regulations of the EPA Act. Also, CSOS must effectively use newly created institutions like the Citizens' Bureau at the Office of the Speaker of Parliament and the new Office of the Minister of State on Climate Change to champion the need for more engagement and inclusion of CSOS in climate issues.

About this Brief

This brief is a summary of key findings of a recent assessment undertaken by IMANI Centre for Policy and Education with support from the Africa Centre for Energy Policy. The assessment identifies critical governance and market constraints that negatively impact the business environment for green enterprises in Ghana. The findings and recommendations are expected to contribute to ongoing policy reforms towards creating a green economy in Ghana. To read more about the key issues in this brief, kindly visit this link to access the full report. Does Ghana's Business Environment Support Green Businesses ? A Governance And Market Readiness Assessment - Imani Africa

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