Impact Investing Ghana

Impact Investing in Ghana

Unlocking Private Sector Capital for Profit and Impact

Report Summary

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Foreword A Timely Realignment of Values

For all the misery it caused, the pandemic that first engulfed the world in January 2020 has created a greater opportunity and willingness to engage in inclusive development and public investment. For one thing, it has made many reflect on what matters most and led them to fresh and sometimes surprising insights about the value of time, money, and relationships. We have seen how social groups of different sizes—governments, businesses, and NGOs, communities, families and clubs—have made creative decisions that have profoundly helped their fellow citizens, including spending decisions that only a few months earlier would have made little economic sense, and yet now, looking back, have deeply impacted others' lives.

The coronavirus crisis has brought people closer and renewed their sensitivity toward others. It has realigned our understanding of what money should be used for, and revealed the extreme vulnerability many are forced to endure when others choose to use global resources for self-centred gain. In so doing, the pandemic has laid bare the truth that we cannot take the quality of people's lives for granted because many people's lives are too fragile for others to continue to live selfishly.

By happenstance, this new understanding—this shift toward a more interdependent, more humane world—strongly aligns with the outlook and core message of **impact investing.**

Impact investing is an investment approach governed by the view that capital, managed wisely, can not only attract returns but have a positive impact on people's lives and on the planet's future. It is based on the realization that progress toward the United Nations Sustainable Development Goals cannot be put on auto-pilot. They require intentionality. We will not get there simply by default. The kind of progress that lets all boats rise will require captains of industry, entrepreneurs and business owners, development partners, philanthropists, fund managers, social ventures, and official policymakers to develop a mindset that channels capital toward ends that achieve beneficial impact.

The vision? That this mindset becomes so prevalent that the principles of impact investing will come to form the heart of every major investment decision made in both the Global North and the Global South.

As the realization has sunk in that hard-won progress can unravel in a matter of weeks, concerned groups everywhere—Ghana included—have begun to ask how this new mindset of ensuring that one's resources benefit others, can more widely be acquired: what kinds of educational materials, knowledge dissemination channels, research data, financial models, and policy positions do we need to develop to spread the impact investing model throughout the world's business sectors?

These questions gave greater impetus to the initiative to develop this Report as part of Impact Investing Ghana's mission to provide thought leadership within this space. The report is timely. The recalibrations of value and the realignment of priorities triggered by the coronavirus crisis have created a window of opportunity for all who are concerned about securing the future to build on what has already been set in motion, by embracing the impact investment model.

One can already sense this sea change. Interest in impact investing is growing. This is especially true among Gen-X entrepreneurs, women, millennials, foundations, and endowments. As stated in a 2021 report by the G7 Impact Taskforce (ITF):[1]

> **The opportunity to mobilise private capital for public good at an unprecedented scale is real. The problem is not primarily the supply of money. There is plenty of private capital available... [and] we are also seeing real momentum in response to the growing societal and regulatory pressure for capital markets to give greater prominence to environmental, social, and governance (ESG) issues.[2]**

Current global investable assets are estimated at—wait for it—$250 trillion. The problem, the report notes, is not money. The problem is whether that money believes in impact. We are happy to report that that seems to be changing—more rapidly in the global arena, true, but Ghana's private sector is slowly beginning to play catch-up. Here is a telling statistic: Internationally, ITF notes, thousands of institutions that together hold a total of more than $120 trillion in assets have become signatories to the six Principles for Responsible Investment promulgated by PRI, the UN-supported global network of institutional investors. That should tell you the kind of traction impact investment is gaining.

On the home front, just this past December 2021, a new institutional investor with nearly $1 billion in assets under management—Development Bank Ghana (DBG)—was launched. Meanwhile, institutional pension funds in Ghana have grown to $5.8 billion in assets, with the private equity and venture capital sector beginning to expand as well.

These data—especially the international data—make it abundantly clear that there is more than enough funding available to finance a full portfolio of impact projects, initiatives, and enterprises in Ghana—indeed, much more than our economy could even possibly absorb. The real question is, what must the Ghanaian impact investment ecosystem do to unlock and re-channel the flow of international and local private capital into profit-making domestic projects that have a positive social and environmental impact?

At IIGh, it is our hope that as people, institutions and governments around the world shift gear to align their spending choices and investment decisions with the new demands of the post-pandemic world—with its emphasis on making every significant expenditure count by asking how it will generate socially beneficial impact—we in Ghana will not be left behind. We believe we won't, and that we will be right there in lockstep with the vanguard of that movement.

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Chief Executive Officer
Impact Investing Ghana

Alex Asiedu
Board Chair, Impact Investing Ghana
Head, Africa Region Investments,
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[1] Boston Consulting Group (BCG). 2021. *Global Wealth 2021: When Clients Take the Lead.* https://web-assets.bcg.com/d4/47/64895c544486a7411b06ba4099f2/bcg-global-wealth-2021-jun-2021.pdf.

[2] G7 Impact Task Force (ITF). (2021). *Time to Deliver: Mobilising Private Capital at Scale for People and Planet.* https://www.impact-taskforce.com/media/gq5j445w/time-to-deliver-final.pdf.

Introduction How We Got Here

The Launch of Impact Investing Ghana

On 18 June, 2019, at the eco-friendly headquarters of Ecobank Ghana at 2 Morocco Road in Accra, delegates from a range of business sectors gathered for the launch of Impact Investing Ghana (IIGh), Ghana's representative to the UK-based Global Steering Group for Impact Investment (GSG), and only the second GSG National Advisory Board in Sub-Saharan Africa.

It was an auspicious moment. The impressive cross-section of leaders in attendance to share remarks and offer statements of support included Sir Harvey McGrath, the Chair of Big Society Capital and the UK National Advisory Board for Impact Investing, who gave a memorable keynote address, Ken Ofori-Atta, Ghana's Minister of Finance, Iain Walker, the British High Commissioner, Sylvia Lopez-Ekra, the United Nations Resident Coordinator, and Dan Sackey, the Managing Director of Ecobank.

The launch of IIGh in just under six months—a record—was the result of intense collaboration among the members of a national taskforce convened by the Venture Capital Trust Fund (VCTF) and chaired by its General Manager, Hamdya Ismaila, a diverse group of professionals deeply committed to seeing more private sector funding directed towards projects in Ghana that generate beneficial social and environmental impacts. Their mission was to design and launch a GSG national advisory board in Ghana that would take the lead role in shifting the mindset of the private sector to embrace the idea of investments that can achieve both impact and financial returns. Their work laid the foundation for what can now be described with certainty as the beginnings of a Ghanaian private sector movement increasingly committed to putting societal impact at the core of the country's economic transformation.

> **Impact investing is a practice and an industry, yes, but most importantly, it's also a movement—a movement that seeks to reshape the fundamental purpose of business and capital by integrating impact as the "new normal."**
>
> **– Abhilash Mudaliar, Research Director, Global Impact Investing Network**

The idea to set up a national advisory board took seed six months earlier at the Kempinski Hotel in Accra, where the very first Accra SDG Investment Fair was held. Amit Bhatia, the Indian-born social entrepreneur and then CEO of GSG, one of the speakers, was there from London to talk about what a Ghanaian GSG National Advisory Board for Impact Investment could do to transform the landscape of investment. The GSG's global network of 34 national advisory boards act as platforms for promoting impact investment and catalysing the building of private sector-led impact economies around the world.

A day after the SDG Investment Fair, the GSG convened the inaugural Ghana Impact Dialogue. Out of the conversations that unfolded during the course of these two events, the VCTF stepped up to lead the effort to create a national advisory board, and soon thereafter, the taskforce of Ghanaian business professionals was formed.

Making "Impact" Part of the Vocabulary of Our Private Sector

The alignment of the SDGs with impact investment—at the SDG Investment Fair, during the Ghana Impact Dialogue, and through other initiatives in Accra—is not coincidental. It reflects an agenda to re-channel private capital toward projects that fall under the umbrella of the Strategic Development Goals, using the SDGs as a framework for impact investment. And here is why: The World Economic Forum reports that "the total costs required to achieve the SDGs in Ghana is estimated at $522.3 billion by the end of 2030.... The current SDG financing gap for the next 10 years is $431.6 billion...."[1] That averages to about $43 billion a year.

Ghana has been a passionate supporter of the Sustainable Development Goals from their inception. It is only the second country, after Mexico, to embed the SDGs directly into its measurement of national development progress. But without extensive private sector assistance, $43 billion a year is an impossible goal for the government alone to meet. As Ghana's representative to the Global Steering Group, Impact Investing Ghana's mandate is to help foster a mindset change that recalibrates the balance between financial risk, financial returns, and societal impact, and thereby direct private sector capital toward impact-focused projects.

One challenge is that investors demand precision data, and "impact" is one of the most imprecise words in the English language, a generic catch-all term that can mean anything from "positive impression" to "amazing effect" to "awesome change." In other words, signifying precisely nothing definite.

But thanks to the ongoing effort to link impact investment to the SDGs, the global private sector, and now increasingly the local private sector, is beginning to see the SDGs as investment opportunities—even as asset classes—not just a wish list of dreamy aspirations that, with luck, may be fulfilled through donor-based funds and national government public welfare budgets.

The SDGs, in turn, offer the business world an already constructed framework for defining and measuring impact, and timetables for achieving a range of large-scale impact objectives. In so doing, the SDG framework brings the vague concept of "impact" into the world of measurable, objective, real-world targets that entrepreneurs and investors feel comfortable with. In short, they make the business case for sustainability.

Capitalising on this, IIGh has launched a number of ecosystem-building initiatives that bring together the private sector, government, development partners, and other institutions to explore new models of financing and drive development at scale, employing the SDGs as a framework, and to identify and address key gaps. These initiative include a Pensions Industry Collaborative to increase pension funding for impact, an Enterprise Support Organisation Collaborative to increase the quality and quantity of enterprise support, and a Ghana Impact Investing Research Industry Collaborative to ensure a flow of reliable, validated, empirical data and insights to inform action.

[1] Aylin Elci. 2021. "Ghana to Boost Private Investment to Achieve Sustainable Development Goals." 15 June, 2021, World Economic Forum. https://www.weforum.org/press/2021/06/ghana-to-boost-private-investment-to-achieve-sustainable-development-goals.

A Time-Sensitive Window of Opportunity

The history of humankind is punctuated by ambitious movements through which pioneering actors have challenged the status quo and sought transformational change in the way the world operates. As ideas progress and gain traction, there are moments when it is important to step back and take stock of the bigger picture. Moments to think differently and dream bigger, to reflect on the lessons learned, consider the desired changes in the years ahead, and honestly assess whether enough is being done to contribute to a better, brighter, and more equitable future. The impact investing movement has reached such a moment.[1]

- Amit Bouri, Co-Founder and CEO
Global Impact Investing Network

The result is that, all around the globe, impact investing is a growing trend. When a movement has momentum because it is right, because there are few alternatives, and because it is here to stay, embracing it as an early adopter offers significant rewards. Having climbed the learning curve, you gain expertise where others are only now beginning to find their feet. Many businesses—including Ghana's communications centres and internet cafes—have gone under because they failed to adjust when their markets shifted to a new technology or a new way of doing things.

What does this mean? It means the time to act is now. Hindsight is 20/20, but it rarely comes with the opportunity to return to the past and do it right. Very much like the once-in-a-lifetime demographic dividend[2] that a number of countries have had the chance to capitalise on because of the particular age structure of their population pyramids, the wide-ranging reconfigurations precipitated by the confluence of five uniquely historical developments—the framing of the SDGs, the onset of climate change, COVID-19, the Build Back Better initiatives of the multilateral development agency community, and the emergence of the impact investing model as perhaps the world's only viable long-term investment strategy—have created a time-sensitive window of opportunity we can capitalise on if we act in a focused way. The time, emphatically, is now.

What are Impact Investments?

Impact investments are investments made to achieve a financial return as well as a positive, measurable, social or environmental impact. In Ghana, the greatest impact will come from investments that, alongside other measurable outcomes, are directed to the most pressing needs: (i) unemployment and underemployment; (ii) disparities in the quality of, and access to, basic services such as healthcare, education, housing and financial services; and (iii) climate change.

[2] Amit Bouri, Abhilash Mudaliar, H. Schiff, Rachel Bass, and Hannah Dithrich. 2018. "Global Impact Investing Network. Roadmap for the Future of Impact Investing: Reshaping Financial Markets." Letter from the CEO, 20 March 2018. Global Impact Investing Network (GIIN). https://thegiin.org/research/publication/giin-roadmap

[3] See, for example, Population Reference Bureau. *Fact Sheet: Attaining the Demographic Dividend.* PRB website. *November 26, 2012.* https://www.prb.org/resources/fact-sheet-attaining-the-demographic-dividend; and United Nations Population Fund. Demographic Dividend. https://www.unfpa.org/demographic-dividend.

What Exactly is Impact Investing?

Impact investing, in a nutshell, is an investment approach that aims to attract financial returns while also generating positive social or environmental impacts, especially those impacts that—at least in the Ghanaian context and, perhaps more broadly, in the context of the Global South—go beyond achieving Net Zero emissions and help to create sustainable livelihoods and promote inclusive development by providing employment, alleviating poverty, improving people's resiliency, and transforming the economy.

Business and finance professionals use a range of methods, including some very sophisticated computational tools, to balance risk and return when trying to decide whether to invest in an opportunity. The impact investment model goes further. It invites potential investors to balance not just risk and return but risk, return—and impact. It makes the case that, in the long term, responsible investment that aims to optimise the risk-return-impact balance creates the most value for individuals, communities, nations, and the globe because pure profit-maximisation deepens social inequalities, fosters instability, stunts market growth, inhibits human development, and raises risk. That message finally is coming through.

The Need for a Comprehensive Data-Driven Report

This is the purpose for which IIGh was created—to serve as a focal institution structured and positioned to lead the development of an impact investment ecosystem in Ghana. But as powerful as the message may be, this work needs to be driven by research-based data that not only maps out the primary actors and interrelationships in the ecosystem but establishes baselines, identifies weaknesses, and monitors trends within it, because that is the only effective way to focus action and track progress over time. This Report is therefore the first in what we expect to become an periodic series.

Research Questions

Our research agenda sought to answer the following questions:

- Who makes up the Ghanaian impact investment ecosystem?
- What are the systemic gaps and structural impediments in the system, and what negative consequences may they be having?
- What are the underlying causes of those gaps, and what short- and long-term steps can private sector actors, government agencies, and other market participants together take to bridge these gaps?
- Which of the gaps, and which proposed solutions, should the nation prioritise?
- What are the levers of transformational change that the data indicate could drive the exponential growth of the ecosystem?

The Country Context

It is important to understand context because it can put issues and opportunities in a very different light, changing the way you should approach them.

Cited as the fastest-growing economy in Africa in 2019,[4] the Ghanaian economy is poised for a strong post-COVID-19 recovery. With an impressive economic growth rate of 3.5% in 2021—amid COVID—a recent extensive bank sector cleanup, an improved supervisory and regulatory framework, a youthful and entrepreneurial ecosystem, and an expanding private sector, Africa's largest gold producer and second-largest cocoa producer is ranked the easiest in West Africa to do business in.[5] Although the effects of COVID-19 slowed growth from 6.5 percent in 2019 to 0.4 percent in 2020, the economy avoided the extreme contractions seen in much of the rest of the region.[6]

The first sub-Saharan country to gain independence, one of the most stable democracies in Africa, and a long-term committed supporter of the United Nations SDGs, Ghana has made good strides in reducing poverty and its associated deprivations.

But there is much more to be done. COVID-19 exacerbated unemployment, poverty, and the difficulty of accessing investment capital. The country faces 12% youth unemployment and more than 50% youth underemployment,[7] and between 2020 and 2021 it experienced an estimated decrease in foreign direct investment of 20–30%. In the face of such a large contraction in FDI, it is all the more urgent for impact investments to fill the gap left in order to support national developmental goals.

The World Economic Forum now estimates that for Ghana to achieve the SDGs, the country needs to be mobilise and invest $43 billion a year in areas that have SDG impact, especially for the growth of small- and medium-size enterprises (SMEs).[8]

That is a tall order. Where might such massive capital flows come from? It points to the need not only for the country's own private sector to become more engaged but also to find alternative sources of capital such as long-term patient capital to support social, public and developmental priorities. Development-oriented impact investment stands out as one of the most viable options. That movement has begun in Ghana.

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Part I introduces us to the landscape of the investment ecosystem where this is happening.

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[4] Christine Patton. 2021. "Five African Countries for Investors to Watch in 2022." Investment Monitor Insights (blog). 20 December, 2021. https://www.investmentmonitor.ai/insights/five-countries-investors-watch-2022-african.

[5] World Economic Forum. 2021. *Country Financing Roadmap for the SDGs*. https://www3.weforum.org/docs/WEF_SDIP_CFR_Ghana_Report_2021.pdf.

[6] International Monetary Fund (IMF). 2021. *Ghana Article IV Consultation. Press Release. Staff Report; And Statement By The Executive Director For Ghana.* Country Report No. 2021/165. https://www.imf.org/en/Publications/CR/Issues/2021/07/23/Ghana-2021-Article-IV-Consultation-Press-Release-Staff-Reportand-Statement-by-the-462570.

[7] World Bank. 2020. "Addressing Youth Unemployment in Ghana Needs Urgent Action, calls New World Bank Report." Press Release No: 2021/045/AFR, September 29, 2020. World Bank Group: Washington, DC. https://www.worldbank.org/en/news/press-release/2020/09/29/addressing-youth-unemployment-in-ghana-needs-urgent-action.

[8] World Economic Forum, 2021.

Executive Summary

About This Report

This Report presents the findings of an intensive, 12-month research effort to construct a comprehensive, data-rich, baseline understanding of Ghana's impact investment and entrepreneurship ecosystem. It is the first report in what we expect to become a continuing series, and the first phase of a two-phase fact-finding exercise. Phase 2, scheduled for release later in 2022, will gather additional information with the aim of driving transformational change through the creation of a live online map and a market-sizing project.

About Impact Investing Ghana

Created in June 2019 by a taskforce of Ghanaian private sector professionals, IIGh is Ghana's representative to the UK-based Global Steering Group for Impact Investment (GSG), and only the second GSG National Advisory Board in Sub-Saharan Africa. Its vision is to transform the landscape of investment in Ghana by providing thought leadership in a range of modes. The Board was formed to act as a focal institution structured and positioned to lead the development of a Ghanaian impact investment market, using its convening power to bring together private sector stakeholders, government, development partners, and other institutions to explore new models of funding and collaboration in order to drive development at scale, employing the Strategic Development Goals as a framework both for development financing and for the articulation and measurement of impact.

Its dossier of associated roles includes identifying structural deficiencies within the impact system, supporting the policy formulation process, influencing policy directions, monitoring implementation lapses, prioritizing actionable steps, creating market intelligence, stimulating mindset change, facilitating research-industry collaboration, and leveraging the Board's influence as a corporate subscription membership platform to drive cooperation among ecosystem actors and market participants.

A Timely Realignment of Values

The formation of IIGh is timely because crises create realignments. The large-scale realignment of priorities, and the reassessment of personal and communal values occasioned by the COVID-19 pandemic, have revised our understanding of what the world's money should be used for, and revealed the extreme vulnerability many are forced to endure when others choose to use global resources for self-centred gain. By shaking things up on so many levels, this global crisis has, paradoxically, created a greater opportunity and willingness among people to work across once rigid boundaries, to engage more readily in inclusive development and public investment, and to embrace new ways of getting things done. Despite the untold misery the pandemic has caused, this is the one silver lining in its cloud.

It represents a real window of opportunity because the new understanding it has brought about human vulnerability, and the shift it has spurred toward a more interdependent world, strongly align with the core principles of impact investing. It has shone a new light on the fundamental message of the impact movement—that investment decisions made purely to maximise profit aggravate social inequalities, spur instability, hamper market growth, retard human development, and incur a range of risks, and that capital investments should not only attract returns but also have positive effects on lives and on the planet's future, because development progress cannot be put on auto-pilot.

That message is as timely in Ghana as anywhere else, one, because we do have pressing development needs, two, because Ghana stands out as one of Africa's top impact funds destinations in part because of several attractive features of its culture and economy, and three, because Ghana's long-standing, bipartisan commitment to the Strategic Development Goals offers something of tremendous value to those considering impact investment in Ghana: top-down official support, as well as a well-structured, ready-made United Nations framework within which to evaluate impact opportunities.

Our Research Approach

Our 12-month research project employed both rigorous quantitative and qualitative methodological tools, including interviews, industry consultations, and data analysis. We used a mixed-method, multi-logic approach to gain a three-dimensional view of Ghana's impact investment market, and in order not to miss or risk distorting the complexity of the issues involved.

We adopted the GSG's global impact investment ecosystem framework, with its five-pillar construct, to evaluate our mapping of the ecosystem, and engaged a "Delphi team" of experienced industry experts with real-world knowledge of the impact investment space to identify traditional cases of impact investment practice as well as unique special cases that revealed structural gaps. We thereafter cross-validated these gaps through interviews with numerous participants and desk reviews of articles and reports. Using the 5 whys of root cause analysis, our research team and expert interviewers then drilled down to identify the underlying causes of these systemic gaps. (For more information about the methodology approach we used in our research, please see **Annex I: Methodology**.)

Part I: Who, What, Where — Mapping the Ghanaian Impact Ecosystem

Part I, which lays a foundation for IIGh's upcoming market-sizing project, presents a comprehensive baseline map of the impact ecosystem in Ghana to understand how it functions, who is doing what, how capital flows through it, and what kinds of initiatives and enterprises get funded or fail to get funded.

By volume of assets, traditional commercial banks dominate the supply of capital in Ghana. But although some of them do have impact products, commercial banks do not typically offer the long-term capital businesses need for growth, especially for businesses that are small or just starting out. A highlight of Ghana's impact investment ecosystem therefore is the country's 145 rural and community banks that create impact in rural communities.

Another highlight is emerging sources of capital such as faith-based organisations and foundations. Our research also uncovered financing alternatives that seizing the opportunity to innovate, ranging from our traditional, small-town Rotating Savings and Credit Associations (ROSCAs), many of which are now migrating to digital platforms, to the new crowdfunding platforms.

In light of the country's small but growing venture capital industry, emerging venture fund managers offer another opportunity to increase the supply of capital to impact projects, as does the $5.8 billion pension industry. Significantly, just as we were going to print,five locally domiciled pension funds took the decision to make what we can all celebrate as the first major private equity investment by Ghanaian pensions into Injaro Ghana Venture Capital Limited, a GHS150 million (roughly $21 million) fund and the very first venture fund to be denominated in Ghanaian cedis.

This notable development comes on the back of IIGh's launch, in 2021, of the Pensions Industry Collaborative—which brings the largest pension funds and fund managers together to work to increase alternative investments—and the launch of the Ghana Venture Capital and Private Equity Association (GVCA), both of which are expected to drive industry growth.

Twelve development finance institutions (DFIs) —which typically invest debt directly in large projects and indirectly through funds—have historically been the largest suppliers of impact capital in Ghana.

Finally, Part I highlights the reorganisation of the Ghana Angel Investor Network (GAIN) into an apex organisation for angel investors to drive the growth of the sector. The network represents an opportunity to engage Ghana's estimated 2,800 millionaires (with $1 million or more in assets) and the 110 multi-millionaires with $10 million or more in assets.[1]

The following two tables offer a snapshot of capital suppliers.

Table 1: Suppliers of Capital in Ghana

Category	2022
Venture Capital & Private Equity Funds	38
Development Finance Institutions	12
Corporate Pension Trustees	27
Government Institutions	7
Crowdfunding Platforms	7
Guarantee Funds & and De-risking Mechanisms	5

Source: DTGh Analysis

Table 2: Bank & Non-Bank Finance Institutions in Ghana

Category	2012	2017	2022
Commercial (Universal) Banks	26[2]	34[3]	23
Rural and Community Banks	136	141	145
Microfinance Companies	90	566	180

Source: Bank of Ghana

[1] AfrAsia Bank. 2021. *Africa Wealth Report 2021: Full Report. AfrAsia Bank.* https://www.bladi.net/img/pdf/africa-wealth-report-2021.pdf.

[2] The Bank of Ghana. 2012. *Annual Report 2012.* https://www.bog.gov.gh/wp-content/uploads/2019/07/AnnRep-2012.pdf.

[3] The Bank of Ghana. 2017. *Annual Report 2017.* https://www.bog.gov.gh/wp-content/uploads/2019/07/AnnRep-2017.pdf.

On the demand side, demand for impact capital comes from impact ventures, private-public partnerships, and government projects, especially in the agriculture, energy, manufacturing, information and communications technology (ICT) sectors. There is an urgent need to scale up the supply of capital to meet demand. As stated, Ghana's financing gap for the SDGs is estimated at $43 billion a year, including a $5 million financing gap to meet the needs of small-and-medium-size enterprises (SMEs).[4]

Concurrently, there is an oversupply of capital in search of larger deals, and an undersupply for smaller deals. Medium-sized enterprises looking for midsized funding—$50,000 to $1 million—tend to fall between the cracks, forming a "missing middle": too small to attract capital from private equity firms and development finance institutions, yet too big to qualify for funding from rural banks and micro-finance institutions.

Policy and regulatory environment: Although it is generally supportive of impact capital, there is more than could be done to enable and encourage impact investments. The government's Venture Capital Trust Fund (VCTF) has recently been recapitalised with $40 million and continues to focus on supporting impact investing. The private sector and regulators such as the Securities and Exchange Commission are now collaborating more closely to grow the private equity and venture capital sector. Government institutions such as the Ghana Investment Promotion Centre, Ghana Enterprises Agency, the National Entrepreneurship and Innovation Program, are drawing in foreign investors or deploying capital to SMEs for impact. Institutions such as the Ghana Stock Exchange could also play a more pivotal role in driving the growth of the supply and demand of impact capital.

Other policy directions the country urgently needs to take include the creation of a limited partnership legal structure, the passage of a start-up bill, the development of social enterprise policy, and the streamlining of burdensome requirements, especially in the area of licensing.

Certain market builders such as enterprise support organisations (ESOs) have increased significantly in number, but ESOs need substantial funding and support to raise the quality and breadth of their services. Impact Investing Ghana, Ghana Enterprises Agency, National Entrepreneurship & Innovation Program, Ghana Hub Network, Social Enterprise Ghana and other leading ESOs have set up an Enterprise Support Organisation Collaborative to achieve this. Unlike the number of ESOs, there are not enough market builders and professional services such as capital-raise services for SMEs, placement agents for venture funds, and outsourced chief investment officer services for institutional investors.

Although there is some research activity in the market builder and professional services subsector, there needs to be a lot more research and data as well as research-industry collaboration. A Ghana Impact Investing Research-Industry collaborative, jointly launched by IIGh and VCTF, is working to change this.

[4] World Economic Forum. 2021. *Country Financing Roadmap for the SDGs: Ghana*. https://www3.weforum .org/docs/WEF_SDIP_CFR_Ghana_Report_2021.pdf.

Part II: The Ten Most Critical Gaps in the Impact Ecosystem

In our research, we identified 10 interrelated structural gaps or systemic deficiencies through collaboration with our assembled group of industry experts. Some gaps affect the demand for, or the supply of, capital. Others affect the ecosystem as a whole, impeding innovation, slowing down entrepreneurship, or making collaboration among stakeholders more difficult. An important goal was to determine their root causes in order to outline and propose practical solutions, both short- and long-term.

Table 3 presents the ten gaps we believe represent the most critical obstacles. Although each is in its own box, in practice many of them are interrelated and, more importantly, work together synergistically, compounding the effect of each obstruction.

Table 3: The Ten Most Important Systemic Gaps: Root Causes And Proposed Solutions

Systemic Gap	Root Causes	Recommendations	Most Influential Actors
SUPPLY AND DEMAND OF CAPITAL			
GAP 1 **Limited local financing vehicles and, additionally, not enough local institutional investors for impact investing**	• Inadequate funding for emerging fund managers • Lengthy licensing process • High fund set-up cost • Insufficient innovation in securing capital to establish a track record of investments by emerging fund managers Causes of not having enough local institutional investors: • A weak pipeline of institution -grade investment products • Lack of data on how alternative assets actually perform • Unrealistically high client expectations about receiving a positive return on every investment • Investment-restrictive regulations, especially in real estate and affordable housing	Creation of de-risked, pooled funds to invest in local financing vehicles, fund manager development programmes, capacity building for local institutional investors (peer learning, structured courses), and increased visibility of existing local financing vehicles	1. Venture Capital Trust Fund 2. Impact Investing Ghana 3. Pensions Industry Collaborative 4. Development Bank Ghana 5. Mastercard Foundation 6. Ghana Investment Promotion Centre 7. Ghana Venture Capital Association

Systemic Gap	Root Causes	Recommendations	Most Influential Actors
SUPPLY AND DEMAND OF CAPITAL			
GAP 2 **Inadequate catalytic funding and initiatives to significantly increase the volume of investments and deliver long-term capital at a deal size and cost that the market needs**	• Only a limited number of catalytic investors are currently operating in Ghana • No intermediaries to connect local funds with catalytic capital providers • A lack of information on catalytic investment opportunities	Engage international catalytic capital providers, advocate and increase understanding of potential local catalytic capital providers and connect them with opportunities that are good candidates for catalytic funding	1. Ministry of Finance 2. Impact Investing Ghana 3. Catalytic Capital Consortium 4. Research Institutions 5. Ghana Investment Promotion Centre 6. Ministry of Trade
GAP 3 **There is a mismatch between demand and supply of investment funds. The investible deals in Ghana are smaller than the available capital funding**	• Low number of funds and impact investors doing small deals • Only a limited number of active angel investors • Inefficient deal sourcing because of the lack of matching services to connect impact ventures to impact investors • Poor investment readiness of SMEs	Ecosystem builders and associations should support local emerging fund managers who work on smaller deals, increase angel investing and capital-raise services, and support ESOs that build up the investment readiness of SMEs	1. Impact Investing Ghana 2. ESO Collaborative 3. Ghana Enterprises Agency 4. Ministry of Finance 5. Ghana Hub Network 6. Venture Capital Trust Fund 7. Ghana Private Equity and Venture Capital Association 8. Association of Ghana Industries
GAP 4 **Impact investing is not widely understood and there is no shared understanding that business needs to be good for people and the planet**	• Historic economic instability, combined with the rise of an individualistic mindset • Only a few widely known examples of successful impact investing despite the evidence that is out there • Lack of shared language, tools and practices for impact investing • Businesses focus on survival and individuals focus on basic needs	Ecosystem builders, industry associations, and researchers should use their local experience to contextualize definitions, tools and practices to make them more relevant and to help key stakeholders understand what impact investing is and how to drive support for it	1. Impact Investing Ghana 2. Venture Capital Trust Fund 3. Ghana Journalists' Association 4. Research Institutes, Colleges and Universities 5. Media Houses

Systemic Gap	Root Causes	Recommendations	Most Influential Actors
SUPPLY AND DEMAND OF CAPITAL			
GAP 5 **Low capacity of businesses, especially in working with long-term capital providers, and inadequate capital-raising services**	• Inadequate knowledge and skills of many businesses on how to raise long-term capital • The size of investment sought by early-stage businesses ($10k to $250k) is often too small to be commercially viable for professionals with fund-raising skills • Many Ghanaian entrepreneurs prefer to maintain complete managerial and governance control over their business • Many SME owners struggle to attract and retain needed talent to scale their enterprises • Low managerial expertise on scaling a business, which is the goal of many long-term capital providers • Ghana lacks an effective credit-referencing system; and there are inadequate negative consequences for those who default on repayments • Ghana has a relatively slow and bureaucratic legal system, which undermines the enforcement of contracts, leading to impunity and low-trust culture	The ESO Collaborative should (i) increase programmes that help businesses to scale and raise funds from long-term capital providers; and (ii) create programmes to increase the volume of capital -raising services and subsidise them for qualifying SMEs- Government should facilitate the setting up of credit-referencing systems	1. Ministry of Finance 2. Ghana Enterprise Agency 3. National Entrepreneurship and Innovation Programme 4. Impact Investing Ghana 5. Ghana Hub Network 6. Social Enterprise Ghana 7. ESO Collaborative 8. Association of Ghana Industries

Systemic Gap	Root Causes	Recommendations	Most Influential Actors
SYSTEM-LEVEL DEFICIENCIES			
GAP 6 **Although the enterprise support sector is growing, there is inconsistent or uneven quality, gaps in available services, and inadequate data on results**	• Few funders focus on subsidising SME enterprise support, which is typically provided as a public good • Poor ESO programme design is not based on best practices nor delivered by experienced coaches • Lack of guidelines or standards of service and data on the performance of ESOs to enable their stakeholders to evaluate their results • Inadequate internal systems such as governance, HR, and financial systems in the ESOs themselves • Most services focus on earlier-stage businesses, and ESO support outside the major cities is insufficient	Catalytic capital providers and the Enterprise Support Organisation Collaborative should increase funding sustainably and develop guidelines, ratings, training and programme-sharing by enterprise support organisations to increase quality	1. Impact Investing Ghana 2. ESO Collaborative 3. Ghana Hub Network 4. Ghana Enterprises Agency 5. National Entrepreneurship and Innovation Programme
GAP 7 **Inadequate relevant data, research, and insights for the ecosystem, particularly on impact investing**	• Inadequate connections between academic researchers and industry practitioners • Inadequate funding from government, the private sector and development partners for research • Lack of a robust national research data infrastructure such as up-to-date databases and systems for quickly and conveniently sharing research findings • Inadequate models of effective research commercialisation	Government, development partners and IIGh should commission research, build databases of existing research, and deepen academia-industry collaboration to increase funding, dissemination and commercialisation of research	1. Universities and Research Institutions 2. Ghana Impact Investing Research-Industry Collaborative 3. Ministry of Science Technology and Innovation (MESTI) 4. Ministry of Education 5. Donor Agencies 6. Impact Investing Ghana

Systemic Gap	Root Causes	Recommendations	Most Influential Actors
SYSTEM-LEVEL DEFICIENCIES			
GAP 8 **Inadequate collaboration among ecosystem participants such as asset owners, financial intermediaries, enterprise support organisations (ESOs), and other market builders to co-create, design and test solutions, products and services**	• Inadequate funding for initiatives aimed at driving collaborative action to solve ecosystem problems • Insufficient under-standing of ecosystem participants motivations, roles and goals, which is necessary to build trust and create incentives for collaboration • There are not enough sustainable collabora-tives that focus on a multisectoral approach • Bad prior experiences from unsuccessful collaborations undermine momentum, enthusiasm, trust, confidence, and the sharing of ideas and learnings	Impact Investing Ghana and other ecosystem builders should set up and increase support to collaborative initiatives to build the impact eco-system, document and share learnings from successful collaboratives, and establish an annual national review of the state of the ecosystem	1. Impact Investing Ghana 2. Ministry of Finance 3. Ministry of Trade 4. Ghana Investment Promotion Centre 5. International Development Agencies 6. Foundations 7. Private Sector Associations 8. Venture Capital Trust Fund 9. Ghana Enterprises Agency
GAP 9 **Ecosystem participants such as asset owners, government regulators, and market builders do not adequately encourage and pursue innovation, experimentation and change, most importantly to address the gaps in the ecosystem**	• Lack of a supportive culture and mindset of innovation • Inadequate financing of innovation • Poor understanding of what innovation is • Lack of evidence from successful innovative models • Inadequate connections between and incentives for researchers, funders, government and business to scale up innovations	IIGh, MESTI, other institutions should (i) mobilise key stake-holders to support promotion of a cul-ture of innovation; (ii) create forums and working groups for ecosystem play-ers to collaborate to innovate on critical ecosystem gaps; (iii) create closer connec-tions between re-search and industry to provide clearer path-ways for the diffusion of innovative ideas; and (iv) fund good innovations, including prototypes and com-mercialisation efforts	1. Innovation Hubs 2. Media Houses 3. MESTI 4. Other Government Min-istries 5. Universities 6. Industry Associations 7. Donor Agencies

Systemic Gap	Root Causes	Recommendations	Most Influential Actors
SYSTEM-LEVEL DEFICIENCIES			
GAP 10 **Although there have been significant improvements, the current policy and regulatory environment does not sufficiently enable, facilitate and encourage impact investments**	• Relatively young regulatory agencies still finding the balance between protecting the public vs. growing their respective sectors • Some cumbersome, costly regulations that are arduous to comply with. Tax regime can be complicated and unfriendly toward start-ups • Like general population, regulatory agencies have limited understanding of impact investing, venture capital, and private equity • Private sector still relatively small, with competing interests, e.g., between importers and manufacturers; fractured composition affects ability to significantly influence government policy	Government should consider developing and passing legislation on a limited partnership structure and start-up bill; encourage government agencies to provide funding to local impact funds; and strengthen existing dialogues and connections among regulators, policymakers and industry	1. National Development Planning Commission 2. Securities and Exchange Commission 3. Government Ministries (Finance, Communications, Trade & Industry, and Justice/AG's Office) 4. Ghana Enterprise Agency 5. National Entrepreneurship and Innovation Programme 6. Impact Investing Ghana 7. Ghana Venture Capital & Private Equity Association 8. Ghana Hub Network 9. Social Enterprise Ghana

What is Catalytic Capital?

Catalytic capital is investment financing that, in comparison to conventional financing, is more flexible, tolerates higher risk, can work with longer payback timelines and/or offers concessionary returns. It typically takes the form of debt, equity or guarantees. It is often called the "Missing Link" because it often enables third-party investment into an impact-generating initiative, without which the financing might not otherwise have been possible.

In emerging markets like Ghana where impact investing is still in its early stages, patient catalytic capital is critical. To make such capital available, foundations, philanthropists, and grant providers need to collaborate with conventional investors to work out innovative deal structures.

Part III: What Constitutes the Nucleus of Change?

The big things that may hold back the dynamism of a market are not always obvious. Culture, for example, can exert a "soft influence" over investment processes and outcomes that eludes conventional measurement using the instruments of hard finance and business administration, yet its profound presence can be felt. During our research, therefore, we asked ourselves what might be the elements of "soft power" within our economy that may be exerting the greatest influence over the growth, or lack of growth, of the impact investing ecosystem. What might be the intangibles that go beyond the usual cookie-cutter solutions?

In close collaboration with our Delphi team of industry experts, we identified eight factors that we conclude have the greatest potential to accelerate or retard impact investment in Ghana—eight levers of change:

- Multi-Level Collaboration
- Leadership
- Ethics
- Culture of Innovation
- Mindset Change
- Research
- Policy & Regulation
- Education/Capacity Building

Of these eight levers, our industry survey data suggested that the core levers—the **Nucleus of Change**, if you will—are Adequacy of Leadership, Level of Commitment to Ethics, Level of Funding for Research, and Mindset Change.

By contrast, at IIGh, our own intuitions and analysis of the data tell us that besides the first three factors, two additional levers—a Culture of Innovation and Level of Collaboration—are particularly powerful in inhibiting or stimulating transformational exponential change.

It is important to note that we are to an extent theorizing. The discrepancy between our survey results and our own perspective underscores the fact that this is a work in progress, an exercise in abductive, not deductive, logic. These intuitions will need to be tested out in several more rounds of iterative research as we engage the industry to find out what works and what does not.

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