Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 08-Jun-2018 | Report No: PIDC161675

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Parent Project ID (if any)	Program Name
Ghana	P166539		Ghana Economic Transformation Program
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Does this operation have an IPF component?**
AFRICA	01-Oct-2018	30-Nov-2018	No
Financing Instrument	**Borrower(s)**	**Implementing Agency**	**Practice Area (Lead)**
Program-for-Results Financing	Ministry of Finance	Ghana Investment Promotion Center, Ministry of Trade and Industri, Ministry of Business Development	Finance, Competitiveness and Innovation

Proposed Program Development Objective(s)

The Program Development Objective is to promote sustainable private investments, productive jobs and firm growth in non-resource based sectors.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	300.00
Total Operation Cost	100.00
Total Program Cost	100.00
Total Financing	100.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	100.00
World Bank Lending	100.00

B. Introduction and Context

Ghana's economy has performed well in the last two decades, but growth has slowed down in recent years. Between 2005 and 2012, the Ghanaian economy grew an impressive 8 percent per year on average, with an annual job creation rate of 4.0 percent, meaning that every 1 percent increase in economic growth was associated with 0.5 percent increase in job growth. Having outperformed most African peers, the country achieved the lower-middle-income country status in 2011, and reduced extreme poverty from 47.4 percent in 1991 to 13.6 percent. During this time employment shifted toward off-the-farm self-employment (especially in urban areas) and, to a lesser extent, to private sector wage employment.

While the past growth momentum helped place Ghana at the forefront of poverty reduction in Africa, the changing determinants of growth in recent years reduced its impact on poverty. Human capital accumulation, in terms of labor and education, was the main factor contributing to growth during 1970–1990, however fixed capital growth soon became the primary driver with soaring investments in the natural resource sector. Economic growth in the early 2000s was largely driven by strong price increases in Ghana's main commodity exports (cocoa and gold, for which prices more than tripled between 2000 and 2010) and the start of commercial oil production in 2011. In terms of structural/economic transformation, however, while labor moved from agriculture to services sectors**,** productivity growth in the services sector has remained low and stagnant with manufacturing continuing to play a very limited role. Most of the aggregate increase in labor productivity, in fact, came from *within sector* (vs *between sector*) improvements in productivity, with agriculture contributing more than half of the increase.[1]

In addition to its limited impact on poverty, commodity-driven growth also increased economic volatility. Cyclical volatility cost Ghana about 0.3 percent of growth per year during 2000–2015, and as much as 0.7 percent per year in the early 2010s. Along with fiscal challenges, these cycles primarily reflect Ghana's commodity-based economy and its increasing natural resource dependency. Natural resource rents reached 20 percent of GDP in 2015, the highest share in West Africa; three products—gold, cocoa, and petroleum—account for over 80 percent of exports[2].

Inefficiencies within the government have also had a negative impact on economic growth, private sector development, and the labor market. Public sector employment now represents 30 percent of wage employment, more than half of all workers with tertiary education, and costs 9.5 percent of GDP. The figure below shows that using cross-country regressions to decompose Ghana's growth determinants and after controlling for the growth-enhancing factors that public spending achieves—such as education and infrastructure—the contribution of the large government on growth is significantly negative. This underscores the need to improve cost-effectiveness of government programs and ensure that resources focus on increasing productivity growth and attracting private sector investments that both spur economic growth and job creation.

Ghana needs to invest more, diversify, and increase productivity – in short accelerate

[1] Analysis of World Bank Country team, included in Draft SCD, 2018.
[2] Analysis of World Bank Country team, included in Draft SCD, 2018.

***economic transformation*, if it is to achieve higher and inclusive growth.** Ghana's medium-term prospects are strong: GDP growth was 8.5 percent in 2017[3] and is projected to be 7.5 percent in 2018, assuming that fiscal consolidation remains on track. However, the oil and gas sector is expected to continue to be the main driver of growth, with a recovery of commodity prices in the medium term further boosting exports earnings. With its population expected to almost double by 2060, Ghana needs to concurrently increase investments in non-traditional (non-extractive) sectors and related infrastructure, and increase total factor productivity (TFP), so that it can achieve higher and inclusive growth. At 16.7 percent of GDP during 2014–2016, Ghana's gross capital formation is low compared to its structural and aspirational peers. Moreover, overall productivity growth remains limited . According to the World Bank Long-Term Growth Model, even if investment levels were to reach 25–30 percent of GDP—moderately higher than the historical average of 20–25 percent—the predicted per capita growth over the long term would not go much beyond the 1.7–2.5 percent range, barely keeping up with the population growth of 2.2 percent; suggesting that raising overall TFP and the contribution of human capital to the growth process, in addition to higher investments, will be critical to ensuring that growth is inclusive and achieves poverty reduction.

The newly elected government's strategy is to transform the Ghanaian economy to achieve inclusive and sustainable growth, with the private sector as the main driver. In the words of Ghana's President, the aim is to "build the most business-friendly economy in Africa" and foster the competitiveness of Ghanaian firms. To achieve this, the government's agenda includes: reforming the energy sector; improving trade facilitation and the business environment; investing in infrastructure; and diversifying the economy beyond primary products - hydrocarbons, gold and cocoa.

Sectoral (or multi-sectoral) and Institutional Context of the Program

In Ghana, the private sector is small, and doing business is challenging. The ability to strengthen TFP growth will depend to a large extent on the competitiveness and dynamism of the private sector. Across recent assessments focusing on competitiveness in Ghana, three cross-cutting constraints to private sector growth stand out (Figure 5): access to finance/credit, access to land, and access to electricity. Moreover, Ghana's competitiveness, relative to comparator countries has been slipping over time. The Doing Business ranking, an aggregate ranking on the ease of doing business, first declined between 2015 and 2016 and then again in 2018 to 120 from 108 the previous year. The Doing Business Distance to Frontier score indicates no change or declining performance in most indicators between 2017 and 2018 (see Table 1 below).

Moreover, Ghana's ability to attract sizeable (domestic or foreign) investment is also hampered by macroeconomic instability, infrastructure deficiencies, difficult access to land, and weak managerial and entrepreneurial skill-base. While FDI performance has been strong, with net FDI at 6.5 percent of GDP in 2016, much of it remains concentrated in commodities. Though limited, non-

[3] Trading Economics Magazine, https://tradingeconomics.com/ghana/gdp-growth-annual

traditional sectors, such as renewable energy, financial services, information and communication technology (ICT), and construction are also attracting FDI, more needs to be done to significantly raise growth rates in these sectors, as well as in the job-intensive agribusiness and manufacturing sectors, which have also been underperforming. Based on IMF data from 2012, mining and quarrying accounted for 75 percent of FDI; however, finance and insurance accounted for over 10% of FDI, with ICT and manufacturing each accounting for *only* about 5 percent.[4] Figure 6 below shows an overview of FDI in 2017. Importantly, the figures represent both fully owned FDI and joint ventures, from countries such as China, India, Turkey, the UK, France, and the United States, among others.[5]

Lack of access to land is a significant determinant to investments in agriculture and manufacturing, and particularly efficiency-seeking FDI. Ghana CPSD (2017) reports that access to land for large-scale investment continues to be complex and costly, with one case taking as much as six years to secure its land lease. While this type of delay is difficult for large, foreign investors, it can be even more devastating for local businesses and the 80 percent of businesses that participate in the informal economy. While there are certainly processes in place to lease and rent land in areas under traditional modes of governance, the variety, and often absence of clear rules on how to rent or legally obtain such land hinders investment, including by smaller informal firms. This in turn limits the output potential of such businesses.[6] In the context of FDI, a study by Barthel (2011), which surveyed FDI-linked firms, found that 62 percent of participants said access to land was a problem, while registering property was the second most salient problem, as cited by 38 percent of businesses surveyed.

Access to electricity is another major constraint on firm growth in Ghana. The absence of reliable power hampers the growth of the industrial sector, development of household enterprises, and the growth of cities. In 2010, 91 percent of households used electricity for lighting in Accra, while less than 10 percent of households in four districts in the three northern regions had access to electricity. As of 2016, 79.3% of all Ghanaians had access to electricity; 66% of the rural population and almost 90% of the urban populace had access,[7] although blackouts are still a major problem, with load-shedding in Accra now impacting commercial enterprises.[8] According to IFC, strengthening the energy value chain should be a key strategic investment for GoG to improve private sector productivity, reducing both outages and distribution cost.[9]

Lack of access to finance hampers entrepreneurship and productivity enhancing investments. In 2013, 49.5 percent of firms in Ghana reported access to finance as a major constraint. This is considerably higher than both the Sub-Saharan Africa average (24.8 percent) and the global average (15.7 percent). An added source of difficulty for manufacturing firms trying to access finance in Ghana is that most firms are both small and typically informal. Both characteristics act as a serious barrier to

[4] Managing Capital Flows: Lessons from Emerging Markets for Frontier Economies: Policy Responses to Capital Inflows in Ghana, Bank of Ghana. https://www.imf.org/external/np/seminars/eng/2015/CapFlows/pdf/Narh.pdf
[5] World Bank Ghana Country team data, 2018.
[6] Agyeman-Duah 2007; Dawda & Dapilah 2013; Owusu-Mensah 2014.
[7] Data.worldbank.org, Accessed May 22, 2018. https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?locations=GH
[8] World Bank: Ghana Policy Note—Manufacturing Competitiveness, 2016.
[9] IFC Country Private Sector Diagnostic, Ghana. November 2017. https://www.ifc.org/wps/wcm/connect/ac42c20a-c82c-48b7-8432-221c0e066e2a/CPSD-Creating-Markets-in-Ghana-Nov-2017_v1.pdf?MOD=AJPERES

borrowing money. Smaller firms face higher transactional costs and lack collateral, and informal firms lack documentation of their assets and financial position.

Nevertheless, there are opportunities to achieve growth outside of natural resource sectors. In Ghana, recent entry of the private sector into agricultural services such as land consolidation, technical skills development, irrigation management, new financial products, and ancillary services point to significant opportunities for services development to align with core sectors such as agriculture**.** Moreover, while manufacturing is still significantly constrained (by poor power supply, high levels of taxation, a lack of access to finance and inputs, poor trade logistics, and access to land and skills); there are also factors in its favor, such as growth of internal demand, relatively low labor costs, and a small number of medium-size firms that seem to do relatively well (pharma, some steel manufacturing, and some plastics associated with oil) (Ghana CPSD 2017). Ghana also shows potential in ICT: the country has been digital ready for some time, but no transformation has yet taken place. With the right policies, there is potential for Internet backbone development, mobile banking, and applications in agriculture, health insurance, and e-government.

Agribusiness, including agriculture and downstream processing activities, is the largest sector in Ghana's economy and should be better harnessed for inclusive growth. Agribusiness accounts for 25 percent of GDP, employs nearly half the workforce, and with 35 percent of exports, is Ghana's main exporter. The sector has been growing at more than 5 percent annually since 2008. Overall, Ghana provides favorable conditions for agribusiness with vast expanses of arable land and access to large resources of freshwater, such as the Volta river, which runs through the entire country. Ghana also have access to rapidly growing domestic and regional markets (which imported US$13.3 billion worth of foodstuffs in 2015), preferential access to the EU and the United States markets, political stability, and resourceful English-speaking workers. Moreover, the rural and urban demand for food has been strong at approximately 50 percent of domestic consumption and is projected to grow exponentially, close to 5-fold by 2030 (*Growing Africa: Unleashing the Potential of Agribusiness*);[10] this highlights the huge potential of the agribusiness sector based only on domestic and regional demand.

In order to unleash agribusiness' potential, a number of key constraints need to be addressed. These include inadequate public sector-led research and development, combined with restrictive policies on the import of breeder and foundation seeds; erratic trade policies (such as the ad hoc liberalization of imports and changes in duty-free access to agricultural equipment (which added a financing burden to enterprises, and discourages mechanization, reducing productivity)); often inefficient input subsidies, together with their poor targeting; and under-developed ancillary services, such as the lack of certified testing laboratories and cold storage at the airport.

The digital economy, along with the ICT sector, also holds great promise to drive growth and job creation, if bottlenecks to its progress are removed and its capacity strengthened. Ghana is one of Africa's largest mobile markets.[11] There are about 34.57 million subscribers of mobile phones with a penetration rate of 119 percent.[12] In addition, 10.11 million—nearly one-third of the country's population—are active Internet users. Ghana's future growth path should tap into this potential. The

[10] Sources: World Development indicators, Ghana Living Standards Survey 2006 and 2010, World Bank Open Data.
[11] http://ghana.gov.gh/index.php/media-center/news/4470-jumia-annual-mobile-report-2018-launched-in-accra.
[12] Penetration rate is over 100% due to some individuals owning more than one phone.

digital economy has been growing at 15–25 percent per year in developing markets. Average annual growth of the ICT sector over 2009-14 was 30 percent, which has been led by the revolution in mobile voice telephony. Ghana could be at the forefront of the same transformational wave in West Africa, however a number of constraints need to be addressed from the cost of access, to data infrastructure, an underdeveloped regulatory framework, and skill gaps**.** There is a vibrant environment for start-ups in Ghana, however these lack the capacity to transform information technology (IT) innovations into viable market solutions, and survival rates are low. Two missing links are responsible for this failure. First, *while incubation is offered, acceleration is not* (i.e., the "missing middle"), an issue that affects SMEs at large (especially high growth SMEs), and access to venture capital or early stage "angel" investors is difficult. As a result, good ideas rarely translate into commercial success and imported business solutions are preferred. Second, there is a missing link between developers and users, which limits the ability of start-up solutions to effectively pivot and address market needs. This project will focus on both these missing links.

Relationship to CAS/CPF

This project is firmly aligned with the Country Partnership Strategy ((CPS) for Ghana (2013-2016-extended to 2017) whose governing pillars are: (i) improving economic institutions; (ii) improving competitiveness and job creation; and (iii) protecting the poor and vulnerable. In recent years, CPS emphasis on enhancing overall competitiveness and job creation has assumed even greater importance and urgency, since the recent terms-of-trade shocks, commodity-price volatility generated considerable uncertainty regarding the oil sector's future economic contribution.

The Government of Ghana's (GoG) Private Sector Development Strategy I & II, Ghana's Industrial Policy and Ghana's Export Policy also acknowledge the importance of strengthening the manufacturing sector and diversifying away from extractives and natural resources towards more complex products that will create jobs in higher paid, non-agricultural work and over time lead to greater competitiveness and better standards of living. Further, the 2018 Ghana Country Systematic Diagnostic, which is fully aligned with Ghana's SCD, also highlights diversification and jobs as major challenges that needs to be addressed.

The government of Ghana has expressed unequivocal commitment to take measures to diversify the economy to better shock-proof against volatility in primary commodity prices, spur a transition to an economic structure that generate higher growth that is more sustainable over the long term and one that can better respond to the imperative of creating more and better jobs for a youthful and rapidly growing labor force. The Government vision of a Ghana Beyond aid is also anchored in spurring a culture of entrepreneurship among the youth and of value addition to leverage Ghana's primary products and move away from the export of raw materials. The government of Ghana recognizes the critical role of the private sector in achieving this vision through economic transformation.

As such, the Project applies the WBG approach of maximizing finance for development (MFD), maximizing the GOG's scarce resources and will help ensure that IBRD funding leverages higher levels of complementary private financing. Close collaboration between the World Bank, IFC, and MIGA, along with the private sector in project design and implementation will be ensured to leverage private sector participation and investment in the infrastructure and services that will be delivered through the Project. This project is therefore an integral part of World Bank engagement with GoG and the country partnership strategy for boosting economic growth, further accelerating poverty reduction and enhancing shared prosperity in Ghana.

Rationale for Bank Engagement and Choice of Financing Instrument

1. The Bank's approach supports key aspects of the Ghanaian government's Economic Transformation Program through both sector-specific and cross-sectoral interventions. The Bank's intervention is justified by the following factors:
    a. The need to address key investment climate constraints that impact all businesses and investments in Ghana, and implement investment promotion strategies that attract FDI in key sectors. The Bank has supported similar projects worldwide, including in Ghana, and is able to build upon existing or planned TA, IPF, and DPO operations.
    b. Experience designing and implementing development projects that address entrepreneurship development and innovation from both a sector-specific and horizontal (cross-cutting) perspective. Additionally, the Bank has experience in turning such programs into sustainable government-led solutions that will continue after the project has closed.
    c. The Bank's convening power to succeed in donor and line ministry coordination around the Government of Ghana's Economic Transformation program can play a critical role in program's success.

2. The PforR instrument was chosen rather than a DPF or IPF because:
    a. Implementing the Government's Economic Transformation Program requires a complex mix of policy actions, investment activity, and technical assistance to achieve the desired results. Implementation of the program requires: i) a combination of strong focus on improving the investment climate and enabling environment for business, addressing key constraints to investments; ii) support to sector-specific reforms and investments; and iii) development of key innovation and entrepreneurship strategies and a business incubation program.
    b. The PforR will enhance the World Bank's ability to partner with line ministries directly in supporting the different activities and investments under the Government's Economic Transformation Program, and help ensure that a much larger amount of resources mapped to this program are effectively utilized to achieve their objectives. This also allows for improvement and strengthening of the systems and institutions that play a key role in implementing this program. The PforR instrument will help strengthen coordination across Government agencies that implement different parts of the program, and eliminate inefficiencies, redundancies, and promote clearer roles and responsibilities for better results. Strengthening the efficiency and efficacy of Government's interventions across this program is one of the prime objectives for Ghana, and it is especially important given the current negative impact of Government spending on economic growth. Such a broad level of support would not generally be feasible through an Investment Project Financing.

c. The achievement of results by both the government and the World Bank is underlined through disbursements linked to results and strong M&E mechanisms. The P4R instrument also allows for a flexible and scalable disbursement schedule provided results are achieved and verified.

3. The PforR instrument will enhance the result orientation of the GoG when it comes to implementing critical reforms and enforcement of laws and regulations that the private sector needs to become competitive. Over the past 10 years, Ghana has underperformed in the area of business reforms as many of the reforms initiated were only partially implemented, leaving key aspects of the process incomplete and the private sector frustrated. Further, the instrument will encourage cross-ministerial collaboration, reduce coordination failures across Government as well as rationalize key Government Programs designed to deliver the Economic Transformation agenda.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

The Program Development Objective is to promote sustainable private investments, productive jobs and firm growth in non-resource based sectors.

PDO Level Results Indicators

In order to help achieve a comprehensive economic transformation model, the program will support the Government's Program under the following three pillars and six result areas:

1. **Pillar 1 - Enabling investments:** This pillar will focus on improving the business environment and quality infrastructure for private investments, export growth and jobs;
    a. Improvement in Ghana's Ease of Doing Business performance in particular along the following indicators: (1) Starting a Business (2) Registering Property, (3) Trading across Borders, (4) Enforcing contracts and (5) Resolving Insolvency;
    b. Support exports diversification through the development of National Quality Infrastructure in Ghana;

2. **Pillar 2 - Crowding-in investments:** This pillar will focus on investment growth, both domestic and foreign, via support to Government's programs in investment regulation, promotion, and spatial development:
    a. Improvements in investment promotion and regulation, especially in agribusiness, IT-enabled services, manufacturing and construction;
    b. Improvements (regulatory, governance and infrastructure) in spatial and industrial development with a specific emphasis on non-resource based sectors;

3. Pillar 3 - Catalyzing investments: This pillar will support entrepreneurship, innovation and firm growth:

a. Harmonization and coordination of the government's entrepreneurship and SME support policies and programs;
b. Improvements in entrepreneurship, firm growth and productivity in non-resource based sectors.

There are four key Program Results measuring progress along the dimensions of the PDO across all three pillars:

1. Improvement in aggregate Doing Business performance;
2. New investments in non-resource sectors (of which % FDI) in zones and firms supported by the project;
3. Increase (additional) in average value of gross sales by firms supported by the project;
4. Number of jobs created by the investments and firms supported by the project;

D. Program Description

PforR Program Boundary

The proposed Program supports the Government's Economic Transformation Program being coordinated and implemented under the newly formed Economic Transformation Unit within the Ministry of Finance, along with line Ministries of Trade and Industry, Business Development, and the Office of the President. It encompasses sub-initiatives by these line ministries and offices including; a) trade and industry development sector plans, which involves Business Regulatory Reform Strategy; Standards Authority Strategic Business Plan; b) National Entrepreneurship and Innovation Plan; c) Investment Promotion and Management; and d) Venture Capital Trust Fund.

As part of Government's overall theme of "Sowing the seeds for Growth and Jobs[13];" the Government's Economic Transformation Plan aims to a) build the most business-friendly and industrialized economy in Africa, capable of creating decent jobs and prosperity for all Ghanaians; b) modernize agriculture, improve production efficiency, achieve food security, and profitability for farmers with special emphasis on value-addition; c) promote sustainable and integrated infrastructure development across the country; d) develop leadership skills, quality education, entrepreneurship, job skills and creative skills; and e) promote diversification and investment growth in strategic sectors.

Pillar 1 - Enabling investments – improving the business environment for private investment and jobs.

Results area 1: Improved Ease of Doing Business

Under this results area, the Program will support Government's Business Regulatory Reform Program in order to improve the ease of doing business and strengthen the regulatory frameworks that support improved market linkages and firm growth. The Program will focus especially on 5 priority Doing Business indicators. Ghana's recently endorsed the Business Regulatory Reform (BRR) Strategy is a comprehensive and ambitious plan to create a regulatory environment that allows all businesses to

[13] 2017 Budget Statement and Economic Policy

create more jobs and spearhead economic transformation and intend to increase Ghana's performance across these indicators among others. Some of the Government's business regulatory reform priorities that will be supported by the Program include (some could be GET's prior results): Automation of selected Government to Business services, reengineering and equipping the Department of the Registrar General, automation of the Commercial Courts and training of judges.

Results area 2: Improvements in Ghana's National Quality Infrastructure

The Program will also support the implementation of Ghana Standards Authority's (GSA) Strategic Business Plan in achieving 5 of its 8 objectives that directly contribute to Ghana's Economic transformation, namely: (1) Support industrial development in Ghana, (2) Facilitate Ghana's export trade (3) Facilitate the development of a National Quality Infrastructure, (4) Effectively promote fair trading practices, and (5) Promote the use of weighing and measuring instruments in Ghana. Under these GSA objectives, in line with the broader economic transformation plans of the Government, the Program will support a number of key reforms, regulations and investments including the Ghana Standards Bill, NQI Policy, ISO certification of GSA units and departments, and development or regional labs. The Program will also support GSA's work under the "Planting for Foods and Jobs" program in the development of standards for agricultural commodities, agricultural inputs and extension services; testing of agriculture exports for safety and quality; training in agricultural best practices, and provision of system and product certification.

Some of the DLIs that will be considered under this pillar include:

a) Improvements in Ghana's aggregate performance across Doing Business indicators and Women Business and Law;
b) Increased percentage of businesses registered online;
c) Increased percentage of construction permits issued online;
d) Increased standards adopted/supported for industry development,
e) Increased certification of locally made products, product training and systems certification;

Pillar 2 - Crowding in investments: promoting foreign and domestic investments and spatial industrial development.

Results area 1: Improvements in investment promotion and regulation, especially in agribusiness, IT-enabled services, manufacturing and construction;

The Government has set an ambitious agenda to foster an enabling environment that drives FDI growth—including plans to improve the regulatory environment, and encourage transparency and accountability, while maintaining fiscal discipline. The Government's commitment to invigorate the private sector, combined with the need to create more and better jobs , presents a decisive moment to tackle much-needed investment policy and promotion (IPP) reforms. Under this result area the Program will support Government's efforts to attract efficiency-seeking investment with a special focus on technology absorption and job creation via promotion of forward-looking, transparent and investor-friendly regulations, policies and institutional practices. In particular, the Program will support a focused investment attraction and retention strategy that is founded on national development goals, identifies the types of FDI and sectors that will be prioritized, outlines the policy considerations and required reforms across the stages of the investment lifecycle, and includes key performance indicators through time-bound investment targets to assess progress and achieve significant results.

Results area 2: Improvements (regulatory, governance and infrastructure) in spatial and industrial development with a specific emphasis on non-resource based sectors;

Under this result area, the Program will support the Government's industrial development agenda illustrated in MoTI's 10 Point Industrial Plan, with an emphasis on spatial development. In particular, it will support:

a) **planning capacity**: i) to develop an overall action plan for the prioritization of public investments required for the operationalization of the undeveloped, government-owned special economic zones, and other spatial investment requirements of the Industrialization Program, ii) to develop and implement a master plan for the development of one to two selected priority zones[14]; iii) to develop a maintenance plan for both off-site and on-site infrastructure in Govt zones (water tank in Tema, access road to Tema); and iv) to maximize the participation of the private sector in the development and operation of SEZs and industrial parks as well as identifying third-party providers of electric power, water, transport and telecommunications infrastructure.

b) **regulatory and governance capacity:** i) with improvements and priority amendments to the Free Zone Act 1995; and ii) support to the Ghana Free Zones Authority with training on, among others, site selection, demand forecasting, master planning and feasibility studies, negotiating contracts, leases and licenses with the private sector, understanding zone revenue streams and financial viability, international best practices for regulating zones and models of empowering private developers;

c) **implementation capacity:** i) with the establishment of a Viability Gap Fund to be managed by a Special Purpose Vehicle (SPV), which will invest in off-site and on-site infrastructure in spatial development. The Fund's access will be conditional on a number of criteria including a) conformity with social and environmental safeguards/standards; b) high economic rate of return (especially with regards to jobs and income growth); c) establishing that solely private financing is not viable; and d) at least 2 accompanying PPP proposals to crowd-in additional finance. ii) The Program will also provide direct technical assistance to pioneer private free zone projects that will be catalysts for other such projects (which again will fulfill strict criteria in terms of economic impact and promotion of strategic non-resource based industries). This will primarily involve conducting fundamental diagnostics such as site assessments and demand surveys to identifying which are the priority projects which demonstrate the greatest likelihood of success.

Some of the DLIs that will be considered under this pillar include:

a) All large spatial development related public investment projects consistent with the prioritization plan and strategy developed under the Economic Transformation Program;

[14] Such as the Kumasi Industrial City and SEZ and the 3000 ha along the Accra-Tema-Dawa Corridor, which are identified by the Government as priority and high potential zone developments

b) Free Zone Act reformed consistent with the prioritization plan, best practice and ET strategy;
c) Feasibility studies, masterplans and accompanying safeguards frameworks completed for top 2 sites coming out of the prioritization plan;
d) The number of site visits by leading foreign investors in non-resource based sectors facilitated by GIPC and GFZB;
e) Number of PPP proposals submitted for spatial development and consistent with the prioritization plan.

Pillar 3 – Catalyzing investments: supporting entrepreneurship, innovation and firm growth

Results area 1: Support harmonization and coordination of the government's entrepreneurship and SME support policies and programs

Lack of coordination is a main area of concern as entrepreneurship programs and responsibilities are spread across several ministries and agencies. Given the related mandates of the NEIP and the NBSSI and two polices under formulation – an SME Policy and an Entrepreneurship Policy – there is an apparent need to ensure harmonization and coordination across the various government programs. Another concern is the gap between the requested budget for entrepreneurship programs and the allocated budget. Finally, there is a risk of political capture within entrepreneurship programs if they are not designed with adequate implementation arrangements that ensure fairness and transparency in support to the private sector.

The Bank's support will target these concerns by supporting the consolidation of the entrepreneurship mandate via streamlined processes, institutional improvements and realignments, strengthened accountability, and overall rationalization of roles and responsibilities across different organizations, possibly under a single coordinating agency, as well as with support to capacity building and good governance within that agency. Efforts under this area would link directly to the results area 2 under this pillar, with shared targets and disbursement linked indicators.

Results area 2: Promote entrepreneurship, innovation, and firm/productivity growth

The Program will build the capacity of growth-oriented SMEs outside of the non-resource based sector. The support will be structured towards implementing a *MarketConnect* model (such as is being implemented in Zambia and other countries), and focus on 360-degree assessments of business capabilities and growth targets, and deliver custom-tailored support (TA and finance) to firms at different levels of growth (from those at entry level, to those gearing up for expansions, and those well placed for product upgrading and enhanced competitiveness), to assist their transition into the next stage of business, and ability to increase sales, incomes and create jobs. The support will entail technical assistance to firms on business development and productivity enhancing improvements, with well-aligned financial assistance to alleviate access to finance concerns, and address needs for one-time, productivity and competitiveness enhancing investments.

MarketConnect model has a number of guiding principles that will be integrated into the government's existing SME/entrepreneurship support programs through this Program. These include a) *an emphasis on growth-oriented SMEs* that are shown to be the major drivers of growth and job creation across the world;[15] b) *technical assistance to the firms informed by recent best practices,* which include hands-on

[15] Across the world, on average, growth-oriented SMEs that represent less than 20 percent of all SMEs, account for more than 60 % of new jobs created.

and continual training both in core business needs (accounting, operational efficiency, cash flow management, market intelligence), as well as soft issues such as entrepreneurialism, networking, confidence building, and innovative marketing strategies, c) *financial assistance that is closely-aligned with the abovementioned technical assistance* to ensure the best use of resources as well as firms' ability to tap into commercial finance opportunities during and after project support; d) *strong alignment with local, regional and international demand* that the SMEs should take advantage of by developing and promoting explicit links to major buyers, off-takers and strategic markets; e) *sustainability through a revolving fund* that is built via royalty payments (success fees) by those SMEs that achieve sales growth over and beyond their historical averages; f) *professional management of the MarketConnect services* (both TA and financial) that is conducted by private service providers with clear performance metrices, targets and incentives for success. With this model, the Program will also put a special emphasis on women-owned businesses, and support and promote female entrepreneurs with additional custom-tailored services, and a dedicated task team.
Finally, the Program will also support firms with strong prospects for growth via innovation and stronger market linkages to large off-takers in strategic industries such as manufacturing, agribusiness and services sectors. The Program will also implement strong M&E systems across SME support programs. Possible DLIs that could be considered under this Pillar will include a mix of actions, outputs and outcomes:

a) Enterprise support is coordinated and supervised by a streamlined institutional framework; (possibly consolidating NEIP and NBSSI, and aligning these with the Venture Capital Trust Fund, and ensuring this new structure has adequate staffing, governance structures, and institutional capacity)
b) Number of firms/SMEs supported;
c) Number of beneficiary firms with additional increase in sales
d) Increase in number of beneficiary firms raising private financing;
e) Number of entrepreneurs adopting digital technologies or innovative approaches;

E. Initial Environmental and Social Screening

[Potential environmental and social effects; knowledge and general understanding of the Program system to manage environmental and social risks and impacts; and timeframe for launching the E&S systems assessment including consultation on and disclosure of the draft systems assessment]

Environmental:

The project aims at promoting sustainable private investments. Most of the activities are designed to improve business performance and encourage investments. There is a plan to improve quality of infrastructure and prepare a master plan for industrial zone development. These activities will have moderate environmental risk. As part of this program, the Bank team will carry out an environmental and social system assessment (ESSA) to address environmental and social risks.The ESSA will provide guidance on how to integrate environmental and social issues into project activities. The draft

ESSA will be consulted upon and disclosed by the Bank prior to appraisal. The final disclosure of the ESSA including agreed actions will be made after appraisal.

Social: The Program Development Objective is to promote sustainable private investments, jobs and firm growth in non-resource based sectors**.** Activities to be implemented under the Program will include support to develop Government's Business Regulatory Reform Program to improve the ease of doing business and strengthen the regulatory frameworks that support improved market linkages and firm growth. Most of the activities under the Program are designed to improve business performance and encourage investments. There is a plan to improve quality of infrastructure and prepare a master plan for industrial zone development. These activities are envisaged to have moderate social risks and impacts. Under the Program the Bank safeguards team will prepare an Environmental and Social System Assessment (ESSA), which among others will identify and assess potential environmental and social risks and impacts of Program activities, access the client's legal framework and capacity to manage environment and social risks and impacts and to develop a Program Action Plan (PAP) to provide guidance on how to integrate environmental and social issues into the Program activities. The draft ESSA will be consulted and disclosed prior to appraisal.

The lead implementing ministry MOTI and related agencies have acquired experience during the previous WB projects GATEWAY and MSMES Development. They will be responsible to closely follow implementation of the project activities as outlines in the project document.

The regulating body for environmental and social assessment in the country is EPA and it was established in 1994 by Act 490 and mandated by LI 1652 to provide oversight, assess, monitor, prescribe standards and guidelines, issue environmental permits, as well as ensure compliance of all development activities undertaken in the country. The EPA has its headquarters in Accra and has established 11 regional offices in each of the regional capitals as well as a number of area offices within the districts to support the access to new and better jobs project. The Board provides policy direction and the day-to-day operations is directly under an Executive Director and three divisional heads (Deputy Executive Directors) with support from the 11 Regional Directors.

CONTACT POINT

World Bank

Name :	Kaliza Karuretwa		
Designation :	Senior Private Sector Specialist	Role :	Team Leader(ADM Responsible)
Telephone No :	5241+4130 /	Email :	kkaruretwa@worldbank.org

Name :	Tugba Gurcanlar		
Designation :	Senior Private Sector Specialist	Role :	Team Leader
Telephone No :	473-7147	Email :	tgurcanlar@worldbank.org

For Official Use Only

Borrower/Client/Recipient

Borrower :	Ministry of Finance		
Contact :	Michael Ayesu	Title :	Director External Ressource Mobilization
Telephone No :	233244973278	Email :	mayesu@mofep.gov.gh

Implementing Agencies

Implementing Agency :	Ghana Investment Promotion Center		
Contact :	Yofi Grant	Title :	CEO
Telephone No :	233244687113	Email :	yofi.grant@gipcghana.com

Implementing Agency :	Ministry of Trade and Industri		
Contact :	Patrick Niimo	Title :	Advsor to Minister
Telephone No :	233244318285	Email :	paddynimo@gmail.com

Implementing Agency :	Ministry of Business Development		
Contact :	Joe Tackie	Title :	Ag. Chief Director
Telephone No :	233	Email :	joe.tackie@mbd.gov.gh

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects