Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 25-Apr-2019 | Report No: PIDISDSA26653

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Ghana	P166539	Ghana Economic Transformation Project	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
AFRICA	03-Apr-2019	06-Jun-2019	Finance, Competitiveness and Innovation
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance	Ghana Investment Promotion Center, Ministry of Trade and Industri, Ministry of Business Development	

Proposed Development Objective(s)

The Project Development Objective is to promote private investments and firm growth in non-resource based sectors.

Components

Enabling investments
Crowding-in investments
Accelerating entrepreneurship and SME growth
Project management and evaluation

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	200.00
IDA Credit	200.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Ghana is a middle-income country which has performed well in the last two decades, with economic growth slowing in recent years.** Between 2005 and 2012, the Ghanaian economy grew an impressive 7.7 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. Economic growth has largely been driven by commodity exports (cocoa and gold, for which prices more than tripled between 2000 and 2010) and the start of commercial oil production in 2011. However, GDP growth rates slowed between 2012 and 2016, averaging 5.6 percent (with a low of 1.6 percent in 2015), while picking-up again to 8.5 percent in 2017.
2. **Dependence on commodities results in volatility and non-inclusive growth.** Ghana's commodity driven growth has increased economic volatility with cyclic volatility costing 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.[1] Moreover, while growth rates are still high, their impact on poverty has dramatically slowed since 2012. As emphasized by the recent SCD for the country, Ghana's largest fall in poverty, 2 percent a year, was experienced during 1991–1998. As growth accelerated, however, the annual reduction in poverty rate fell to 1.4 percent in 1998–2005 and 1.1 percent in 2005–2012. Between 2012 and 2016, the poverty rate declined by only 0.2 percent per year, and stood at 23.4 percent in 2016[2]. This may reflect the declining contribution of agriculture, in which the majority of poor households are engaged, the limited job opportunities for higher productivity in the services sector, and a largely capital-intensive industrial development in commodity focused sectors.
3. **Ghana needs to invest more, diversify, and increase productivity – in short, accelerate *economic transformation*, if it is to achieve higher and inclusive growth.** Ghana's medium-term prospects are strong:

[1] Ghana SCD 2018.
[2] Ghana SCD 2018.

GDP growth was 8.5 percent in 2017[3] and is projected to be 7.5 percent in 2018, assuming fiscal consolidation remains on track. However, the "lack of structural transformation and economic diversification" are the key challenges to achieve inclusive development for commodity-dependent developing countries such as Ghana[4]. 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. However, at 16.7 percent of GDP during 2014–2016, Ghana's overall gross capital formation is low compared with its structural and aspirational peers and productivity growth remains limited. According to the World Bank Long-Term Growth Model, even if investment levels reached 25–30 percent of GDP—moderately higher than the historical average of 20–25 percent—the predicted per capita growth would not go much beyond the 1.7–2.5 percent range, barely keeping up with the projected 2.2 percent population growth. This suggests that raising overall productivity, in addition to higher investments in non-traditional (non-extractive) sectors, will be critical to ensuring that growth is inclusive and achieves poverty reduction.

4. **The current 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 beyond primary products (hydrocarbons, gold and cocoa).

Sectoral and Institutional Context

5. **Enhancing the quality of laws, regulations, and institutions that affect businesses will be a critical element to improve the competitiveness of the Ghanaian economy and its ability to diversify**. Doing business in Ghana is challenging: the Doing Business 2019 report ranked Ghana 114th out of 190 economies on the ease of doing business (EODB) index. Over the last 5 years, Ghana has recorded only a few positive reforms on the EODB index, counterbalanced by a series of actions making it harder to do business[5]. Several key constraints are highlighted by Doing Business:
    i. Starting a business—since 2012, Ghana has increased the cost to start a business by 70 percent (DB2012), along with increasing requirements and fees for registration/authentication (DB2017).
    ii. Resolving insolvency—Ghana ranks 158th in this category with several key reforms (such as the Companies' Act and Insolvency Bill) currently pending in the legislative process;
    iii. Enforcing contracts—enforcement currently takes 710 days and costs 23 percent of the claim value (DB2018) with a clear need to enhance the efficiency of the judicial system;
    iv. Trading across borders—although Ghana has introduced a paperless customs clearance processing system that should help reduce both time and money for border clearance, additional work is required to eliminate overlapping fees and sequential clearances.
6. **Foreign investment flows into Ghana have increased significantly since the mid-2000s, without successful diversification.** Over the past decade and a half, the country has attracted little efficiency-seeking investment that could be leveraged towards more transformative economic benefits. If Ghana is to remain

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

4 UNCTAD Commodity Markets, Economic Growth and Development Report 2017
5 The Doing Business Distance to Frontier score indicates no change or declining performance in most indicators between 2017 and 2018.

competitive in this global context, it will urgently need to adopt investment policy reforms that provide investors with the fundamentals of legal certainty and minimize restrictions that are deterring new entrants. At the same time, the national agency in charge of investment attraction (GIPC) needs to be empowered to play a more assertive role in attracting strategic FDI.

7. **Ghana's private sector is still relatively weak and faces a number of challenges to increase its export and manufacturing competitiveness**. The delivery of quality and standardized products and services to local and international markets is critical to support rapid economic transformation underpinned by strong growth of manufacturing. Reaching these high standards of products and services demanded by global trading partners and customers is a challenge for most Ghanaian companies.
8. **Recognizing the importance of National Quality Infrastructure**, the GoG has embarked on a reform agenda to strengthen the regulatory and institutional framework for Standardization and National Quality Infrastructure (NQI)[6]. The goal is to support companies to adopt appropriate production technologies and improved processes to ensure that all goods and services for international and domestic markets meet the required quality, environment, health and safety standards. One of the most critical shortcomings in the NQI system is the absence of a demand assessment for QI services. This is needed so that the system can prioritize QI services, improving efficacy and efficiency in the utilization of public resources.
9. **Access to well located, well serviced and affordable industrial land is a binding constraint in Ghana, especially for 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. The market rate for one acre of land in the Tema Free Zone (the only operational Special Economic Zone in Ghana, already at full capacity) is $350,000, reportedly the highest price in West Africa. Ghana's Special Economic Zone (SEZ) regime remains in inception stages despite the relative success in filling the TEMA Free Zone, two hours outside of Accra. The Tema Free Zone is operated by private developer/operator LMI Holdings and houses 75-80 companies (some with and without free zone status). Tema has received World Bank assistance in the past, and, as measured by uptake of plots, has been successful in providing serviced, industrial land to its tenant companies with a 98% occupancy rate. However, the demand of the private sector in Ghana for serviced, industrial land is far greater than this single project, and furthermore there have been some coordination challenges with LMI Holdings that should be improved upon for subsequent private developer/operators.
10. The Ghana Free Zones Authority (GFZA) is the SEZ authority in the country, in accordance with the Free Zone Act of 1995. A nascent agency under the Ministry of Trade and Industry, **GFZA is committed to improving its capacity for better analysis, planning, efficacy, and efficiency so that it can fulfill its mandate to improve the enabling environment for investments in Ghana through free zones**. Ghana's Free Zone Act allows private management of the country's SEZs, incentivizing a PPP framework, especially given the large upfront investment required for such initiatives. The government has identified additional sites for which it seeks private developers; however, to do so effectively, investments are needed to upgrade the legal and regulatory frameworks for SEZ, upgrade GFZA's institutional set-up, improve investor promotion and aftercare programs, and strengthen GFZA's overall capacity for critical analysis of potential sites (including economic, physical, and financial viability, environmental and social impact analysis, and overall cost-benefit analysis)[7]. There are multiple lessons learned from past experiences in working with the GFZA to which international best practices can be applied, such as coordinating more closely with the private developer/operator and the complications with co-locating companies with and without SEZ benefits.

[6] NQI is defined as the institutional framework that establishes and implements the practice of standardization.
[7] According to World Bank analyses on Ghana's SEZ regime

11. **Ghana's entrepreneurship and SME support ecosystem has been growing steadily in recent years.** The 24 active entrepreneurship hubs (business incubators, accelerators, and similar spaces for entrepreneurs) now in Ghana represent an increase of 50% since 2016.[8] Although startup activity and the number of formal SMEs are not yet tracked, $266M of private capital was deployed in 15 venture capital deals in 2016-17 compared to $63M in 16 deals in 2014-15, illustrating some growth in venture financing.
12. **However, entrepreneurs and SMEs still face considerable challenges to grow their businesses.** Beyond the poor business environment, SMEs also have difficulty accessing financing, have limited access to quality providers of technical assistance, and demonstrate inefficient practices and low management capabilities.[9] Entrepreneurship support organizations – ranging from hubs to investor networks to business mentorship organizations – are of mixed quality and are not able to adequately support businesses past startup stage through to growth and maturity. The hubs are concentrated in Accra and in ICT sectors. While some hubs are actively incubating and growing new startups, many are more akin to co-working spaces with limited support services.[10] These challenges in adequately preparing start-ups and SMEs for growth is reflected later on in opportunities for venture funding. Most VC companies operating in Ghana identify the poor quality of the pipeline of potential investees as one of the main constraints for their growth in the country[11].

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

PDO Level Indicators

The following indicators are proposed to monitor progress towards achieving the Project Development Objectives:

1. Improvement in the overall business enabling environment, as measured by the Doing Business Ease of Doing Business Score;
2. Private sector investments leveraged through project activities, including investments (pledged or realized) to develop SEZ and early-stage or risk financing for SMEs and start-ups supported by the project, in non-resource sectors;
3. Increase (additional) in average value of gross sales by firms supported by the project;

D. Project Description

13. The guiding principle of this Project is to promote and strengthen a growth model that is conducive to

[8] https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/03/Africa.pdf
[9] Enterprise Surveys, Ghana Country Private Sector Diagnostic (2018), Ghana Private Enterprise Foundation Survey (Annual), Ghana Association of Industries Survey (Annual)
[10] Mapping of Ghana Entrepreneurship Ecosystem (DFID, 2013), Accra Entrepreneurship Ecosystem (ANDE, 2017)
[11] "The Ghana VCPE Market: A Potential Role for the Venture Capital Trust Fund", report by Patrick McGinnis for the World Bank, December 2018.

economic transformation, to achieve higher rates of investment and productivity growth across the economy, especially in non-resource-based sectors. Growth and increased productivity in other sectors of the economy can help to decrease macro volatility and its impact on equity in the country, while also providing more and better employment opportunities that can raise incomes. The project therefore is well aligned with the World Bank's twin goals of ending poverty and promoting shared prosperity.

14. In order to support the Government of Ghana to achieve this comprehensive economic transformation model, the project will support activities organized under three complementary components, along with a fourth component for project management:
    i) **Component 1 - Enabling investments (USD 33 million),** will focus on improving the enabling business environment, investment attraction capacity and the quality infrastructure support system for companies that want to invest and grow their businesses in Ghana;
    ii) **Component 2 - Crowding-in investments (USD 78 million),** will focus on enhancing the Government's programs in investment promotion and spatial development (Special Economic Zones);
    iii) **Component 3 - Accelerating Entrepreneurship and SME growth (USD 78 million),** will support entrepreneurship and SME growth in non resource-based sectors.
    iv) **Component 4 – Project Management and Evaluation (USD 11 million),** will finance project management activities including fiduciary responsibilities, procurement, communication and dissemination, as well as monitoring and evaluation of project implementation and its impact. This will include impact evaluation of the entrepreneurship and SME growth activities, as well as tracker studies of companies and start-ups supported to complement with qualitative assessments the changes that participation in program activities has brought on for these companies.

Component 1: Enabling Investments— improving the enabling business environment, investment promotion capacity and quality infrastructure support system. (USD33 million)

15. The objective of this component is to improve the enabling business environment, investment promotion capacity and the quality infrastructure support system for companies that want to invest and grow their businesses in Ghana. This component will leverage the technical assistance for business reforms provided under the Ghana Investment Climate Project (IFC).

Sub-Component 1.1: Improving the Business Regulatory Environment.

16. The project will support the Registrar General Department (RGD) identify, design and implement administrative and institutional changes and streamline its operations in delivering business-registration services. It will also support the inter-connectivity of all agencies related to new business registrations (Registrar General, Ghana Revenue Authority, Social Security, Metropolitan Authority), in order to create a one-stop shop for business registration. This will include development of a data exchange solution, as well as required staff training to effectively support, maintain, and operate this e-Registrar solution. This support is expected to lead to the following outcomes:
    - Reduce the regulatory burden on foreign and domestic businesses to start up a business through reducing time and cost of compliance with business-registration procedures;
    - Improve the efficiency of business-registration services through simplifying and streamlining procedures for business registration, and automating registry functions;
    - Shift from the revenue-generating approach for the registration services to a self-sustained model covering cost of provision of registration services;

17. The project will also support the implementation of the new Companies Bill, specifically the establishment of an autonomous Office of the Registrar of Companies (ORC), separate from the Registrar Generals' Department, headed by a substantive Registrar, with a full complement of staff and resources to operate a modern Companies Registry in Ghana. The support to the ORC is expected to have the following impact:
    - Automate current business registrations (sole proprietorships and LLCs) at the central registry location.
    - Digitize all historical records.
    - Identify dead or dormant companies and create a new baseline.
    - Show an increase in the monthly new-company registration rate.
    - Identify any necessary legal and institutional changes.
    - Train registry staff in new systems and make any personnel reorganization, increase or decrease of staff and all the necessary recommendations to the line Ministry.

18. **Sub-Component 1.2: Investment Policy and Promotion:** The objective of this subcomponent is to assist the Government of Ghana in creating the conditions to better attract, support and retain foreign and domestic investment. The support provided will build upon the diagnostics and advisory work currently being carried out under the Ghana IC project, and will be organized as follows:
    - ***Development of GIPC Corporate Ghana Investment Promotion Center (GIPC) Corporate Strategy:*** This subcomponent will support GIPC develop a well-articulated multi-year Corporate Strategy.
    - ***Improving GIPC's Systems and Tools:*** This subcomponent project will support the enhancement and/or deployment of the systems and tools to ensure that GIPC is efficient and maximizes its ability to service investors, by providing software, hardware and training as needed.
    - ***Roadmap for capacity building of GIPC staff***
    - ***Strengthening GIPC Investor Services***
    - ***Supporting Legislative Reforms to Minimize Sector-Specific Investment Barriers***
    - ***Supporting upgrade in physical infrastructure of the GIPC space***

19. **Sub-Component 1.3: Improving Ghana's Quality Infrastructure (QI).** The project will support the Government's Industrialization agenda by strengthening the regulatory and institutional framework for QI in Ghana. Under these GSA objectives, the project will support key reforms, regulations and investments including the Ghana Standards Bill, NQI Policy, ISO certification of GSA units and departments, and development of regional labs.

Component 2: Crowding-in Investments: Promoting spatial and industrial planning and development ($78 million)

20. The objective of this component is to build upon the Tema success and scale up the model in several other sites in order to provide industrial land on a broader scale. The activities under this component will assist the Government of Ghana put in place a sound framework and processes for spatial planning and development (specifically for Special Economic Zones), that can lead to increased investments and to maximize their economic rate of return in terms of jobs, incomes and productivity growth. Also, the Project seeks to address certain aspects of Ghana's SEZ experience to date that were not optimal and seeks to place the country firmly on a path of SEZ development based on international best practices and lessons learned,

such as enhanced coordination with private developer/operators of SEZs.

21. The component will involve:
    i. Technical assistance to build the institutional and planning capacity in GFZA as well as in other relevant line agencies such as the Customs Authority and GIPC;
    ii. Disbursement linked indicators (DLIs) to support and advance regulatory and institutional reform in spatial development; and
    iii. A viability gap fund that will finance last-mile infrastructure in eligible zones.

22. Subcomponent 2.1 will focus on building the Government's capacity to enable and foster the private development and operation of SEZs on government owned land allocated and strengthening and clarifying the Government's role as a regulator, enabler and promoter of spatial development. Subcomponent 2.2 will support last-mile infrastructure investments to make developmentally attractive SEZ projects viable.

Sub-Component 2.1: Technical assistance to build institutional and planning capacity (US$ 15 million).

23. This subcomponent will apply international best practice in light of lessons learned from the experience to date with Tema to provide technical assistance to a) develop the first set of diagnostics for both the country's overall SEZ regime and specific SEZ zones/projects, b) build planning and development capacity to regularly carry out such assessments on needs, opportunities and potential for various zone projects, c) improve institutional efficiency, efficacy and strategic alignment with development objectives, d) strengthen investment promotion and marketing, and investor aftercare,, e) negotiating and coordinating with private developer/operators of SEZs. More specifically, diagnostics and subsequent training will focus on:
    i. **Benchmarking** to identify Ghana's comparative advantages and areas for improvement to compete with SEZ regimes in other countries.
    ii. **Value Proposition/Marketing Plan** for the SEZ regime in Ghana based on the benchmarking information and geared both toward potential private developer/operators and anchor/tenant companies in the SEZs.
    iii. **Analysis of SEZ incentives** to determine if the specific incentives offered to SEZ developers and companies (i) are attractive and complementary to other incentives offered to the private sector in Ghana; (ii) if the SEZ incentives are consistent with bilateral, regional, and international trade agreements, as well as best practices in terms of impact on growth, jobs and productivity, and (iii) if the SEZ incentives are clear, well-advertised, and easily accessible.

24. The Project will also support diagnostics for a long list of 8-10 specific SEZ Projects with perceived potential for development:
    i) **Preliminary site assessments**: The TA will support preliminary site assessments for this select number of sites that have been proposed for the specific FZ/IP projects. These provisionally selected sites will also be assessed for security, environmental, social, resettlement, cultural, religious or other issues and risks, including any potential reputational risks for the WBG and development partners.
    ii) **Demand Forecasting:** For the 2-4 sites prioritized the TA will help identify the demand from potential tenant companies and complete a 20-year demand forecast. This exercise will closely coordinate with GIPC in identifying potential developers and large anchor companies.

25. In addition to developing the first set of diagnostics listed above, this TA will provide relevant training and develop methodologies and operational manuals to streamline these diagnostics, identify other skill gaps and upgrade personnel capacity where possible, and prepare TORs for additional staff if necessary.

Sub-Component 2.2: Viability Gap Fund for zone development (US$ 63 million)

26. This sub-component will support spatial development with the establishment of a Viability Gap Fund (VGF) to be managed by a Special Purpose Vehicle (SPV), which will invest in off-site and on-site infrastructure in those zones identified as priority in subcomponent 2.1. Funding off-site infrastructure is in keeping with the traditional government role of enabling such projects by building an access road or extending an electric power network to the doors of the SEZ. However, governments often recognize that in an incipient SEZ regime, such as Ghana's, the profitability of the SEZ may not initially be attractive enough for potential private developer/operators. Hence, the VGF could also be used to fund on-site infrastructure that is needed in order to enhance the project's feasibility and result in attractive internal rates of return for the private developer/operator. Often the minimal investment of the government in an on-site waste-water treatment plant or an electric power plant leverages significant funds from the private sector developer in creating public goods like infrastructure as well as other benefits such as job creation. The diagnostics conducted under Component 2.1 – the financial and economic analyses completed as part of the feasibility study – will determine if the benefits to the country outweigh the cost of on-site infrastructure projects in individual SEZs.
27. Eligibility for funding from the VGF 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, income growth and promotion of strategic non-resource-based industries); and c) demonstration that private financing alone is not viable; and that this is a critical last-mile investment that crowds-in additional private finance. Feasibility studies and master plans for specific infrastructure projects as well as for entire SEZ projects will also be funded through the VGF.

Additional criteria to access VGF would include, but not be limited to:

- The industrial estate land (and other land where off-site infrastructure may be needed) is undisputed, legally owned by the Government or the private developer and is not subject to any actual or impending legal liability or contingency that could give rise to a legal claim.
- The environmental and social impact assessment identify low to moderate social and environmental issues and those that are identified contain approved environmental management plans and sufficient health and safety schemes to mitigate negative impacts in a cost-effective way. Projects that are deemed to have significant environmental and social safeguards risks will not be funded under the project;
- The feasibility study demonstrates the economic, physical and financial viability of the industrial estate;
- The developer/operator demonstrates experience in successfully developing industrial estates;
- The developer/operator has the financial resources to carry out the obligations of a developer/operator;
- The master plan presented by the private developer/operator is comprehensive and includes land use planning and zoning, on-site infrastructure plans and phasing plans.

28. The VGF will not be funding the following kinds of projects (either the entire SEZ or sub-projects such as access roads, waste-water treatment plants, electric power plants, etc.):

- Those with any environmental issues too costly or prohibitive to mitigate (i.e., those for which mitigation will lead to unacceptably low internal rates of return (IRRs) or economic rates of return (ERRs)
- Those involving dams and reservoirs, whether new construction or upgrading of dams and reservoirs
- Those on lands for which acquisition, ownership, titling or leasing is ambiguous
- Those requiring the founding of worker camps or villages for longer than two months.

29. Examples of off-site activities that could be funded under the VGF include: construction, paving or upgrading of access roads to the SEZ site; extension or upgrading of the electric power network to the SEZ site; extension or upgrading of the water network to the SEZ site, including pipeline construction or upgrading; provision of infrastructure and services to surrounding communities (schools, clinics and hospitals, water, electric power, waste treatment and solid waste removal).
30. Examples of on-site activities that could be funded under the VGF include: construction of an electric power plant or the extension of the network throughout the park; construction of an on-site waste water treatment plant or water purification/storage facility, waste stabilization ponds, storm drainage and capture systems, sewage systems; construction of a perimeter wall surrounding the SEZ; paving of internal roads; construction or upgrading of on-site customs office and facilities; construction of or upgrading on-site training facilities; and construction or upgrading of on-site day care facilities.
31. Other activities that could be funded under VGF (technical assistance, diagnostics and studies) include: site assessment; benchmarking; demand forecasting for specific SEZs; master planning for specific SEZs; feasibility study for specific SEZs (including industry and sector analysis, infrastructure analysis, and any other analysis included in the feasibility study); and environmental and social impact assessments, and management frameworks for specific SEZs.

Component 3: Accelerating Entrepreneurship and SME growth ($78 million)

32. The objective of this component is to enable the entry and expansion of enterprises with high-growth potential that can contribute to economic dynamism and job creation in the non-resource sectors of Ghana's economy. This will be achieved through strengthening and rationalizing the government's main entrepreneurship and enterprise support programs, the delivery of financial and non-financial support to SMEs, and the strengthening of entrepreneurship hubs and other organizations in the entrepreneurship ecosystem.[12]

Sub-Component 3.1 Reform and Rationalization of Government Entrepreneurship and SME Support Agencies ($5 million)

33. Sub-component 3.1 will support reforms and capacity building for key government agencies that support entrepreneurs, SMEs, and innovative enterprises, including the NBSSI, NEIP, and VCTF. Particularly for NBSSI and NEIP, the project will also support the harmonization and rationalization of these agencies and related programs, with a goal to the establishment of a new apex entrepreneurship authority that consolidates many of these currently dispersed initiatives. This support will also emphasize the incorporation of more effective monitoring and evaluation of programs and initiatives as part of operational core functions for these agencies.

[12] Entrepreneurship hubs is defined broadly for the project to include business incubators, accelerators, technology centers, or other organizations with a mission to support the startup and growth of businesses.

34. The sub-component will support the planned review and updating of the NBSSI Law and improve the structure and operational efficiency of the NBSSI agency. An institutional review will assess NBSSI's structure and capabilities, including a potential consolidation or spin-out of NBSSI's network of BACs and other reforms to make the NBSSI institutional structure fit for purpose and less involved in delivery of services. Following these reforms, the sub-component will support capacity building of the NBSSI to ensure that its staff and systems are operating at a level to efficiently manage the organization and its programs.

35. The sub-component will support capacity building for the NEIP to strengthen its ability to plan, manage, and monitor its programs. Currently the NEIP is operating with a small staff relative to its budget and an unclear distinction in its relationship with private sector implementation partners. The capacity building will include recommendations on how to improve operational efficiency and more effectively structure the NEIP, based on good international practice, to carry out its plans while maintaining appropriate separation between funding and implementation of programs.

36. The sub-component will support a review of the VCTF mandate, structure and strategy. Based on the outcomes of this review, this sub-component will also include support to the implementation of recommended reforms, including the strengthening of an independent governance and management structure, training and capacity building of staff, and strengthening of IT systems for a more effective management and tracking of VCTF and its activities. More broadly, the subcomponent will also review the legal and regulatory environment for venture capital in Ghana. Key recommendations that come out of this review will be incorporated into DLI targets for venture financing.

37. Finally, in the medium-term, the sub-component will support the establishment of a Ghana Entrepreneurship Authority[13] (GEA) that will assume the mandate for enterprise development and consolidate key entrepreneurship and SME support programs under its authority. The GEA would take over relevant responsibilities from the NBSSI and NEIP to avoid duplication of roles, with these agencies presumably absorbed into the GEA. This consolidation is the subject of pending legislation and reform in Ghana and the project includes a DLI to incentivize this consolidation, which is critical to rationalizing Ghana's enterprise support and providing clarity to the private sector beneficiaries of such support programs. The GEA would be developed based on good international practice of similar agencies such as Enterprise Ireland, Enterprise Singapore, the U.S. Small Business Administration, or Chile CORFO. International expertise with experience at these types of agencies would be brought to Ghana to provide the GEA with practical knowledge on how to establish and operate the GEA and perform its program funding and oversight roles effectively. The project will also seek out long-term partnership opportunities for the GEA with a well-run, similarly mandated agency in another country to improve the GEA's chance for success in operations and sustainability. Key features expected for this new agency include:

i. Operational independence, to give the agency the ability to hire highly qualified professionals and to provide confidence to the private sector that support programs are free of political influence.
ii. Longer term funding allocation, to avoid stop-and-go annual funding uncertainty, while keeping strong fiduciary transparency and reporting of results responsibilities towards the government.
iii. In general, operating by channeling resources to private sector providers of services, thereby

[13] This name is a placeholder for the name this agency will eventually be given by the Government of Ghana. The important aspects are the structure, capacity, functions and roles that the new (or even reformed) agency will take on.

providing appropriate separation of funding and implementation roles.

iv. Strong focus on monitoring and evaluating impact of programs and initiatives, to continually improve and adjust the suite of instruments being deployed to achieve overall objectives.

Sub-Component 3.2 High-Growth SMEs and Entrepreneurship Ecosystem Strengthening ($28 million)

38. Sub-component 3.2 will support growth and productivity improvements for domestic SMEs and start-ups by providing customized support to SMEs and support to Ghana's entrepreneurship ecosystem. The sub-component will target SMEs and start-ups with high growth potential operating in any of the non- resource-based sectors, in particular the sectors identified by the Ghana CPSD (ICT, agribusiness and education).

39. The strategy for implementation of this subcomponent is for the direct support to SMEs, start-ups and innovation hubs to be initially channeled through a company (or two, if needed) hired through a competitive process, while the existing agencies with a mandate to provide similar support are strengthened and reformed. Once the capacity is built and the new agency for SME and entrepreneurship is established, the financing of these support programs will be transitioned to either the new agency or a reformed one (in case a new agency is not established), as agreed by the GoG and the Bank at that point in time.

40. To support the emergence of high-growth SMEs, the sub-component will finance a *MarketConnect* type program[14] that focuses on 360-degree assessments of business capabilities and growth targets and delivers custom-tailored technical assistance and grant financing 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). This support aims to assist their transition into the next stage of growth, improving their ability to increase sales and incomes, and create jobs. The support will entail technical assistance for up to 400 SMEs on business development, management capabilities, and productivity enhancing improvements. Participating SMEs will also be eligible for well-aligned financial assistance, in the form of matching grants that address the need for one-time, productivity and competitiveness enhancing investments. An impact evaluation will be incorporated into the design of this support from the beginning, and funds under Component 3 will be used for these evaluations.

41. The sub-component will also support the development of the entrepreneurship ecosystem by providing capacity building to entrepreneurship hubs to bring the quality of their services up to international standards. This will be done first through a benchmarking exercise for the projected 20 participating hubs, which will establish the baseline for where they are in terms of the quality of their services. Technical assistance and capacity building will follow, to address gaps identified during the benchmarking exercise.

42. After completing this upgrading exercise, the participating hubs that manage to improve their services will be eligible to receive funding to manage business acceleration programs for participating start-ups and SMEs. Similar to the *MarketConnect* activity, an impact evaluation will be incorporated into the design of this initiative from the beginning.

43. Additional funding will be available to "launch" 12 entrepreneurship hubs that are beginning operations and need core funding for the first 2-3 years of operations. Participating hubs can be existing or new hubs that have a mission to support entrepreneurs or SMEs. Eligible hubs include business incubators, accelerators,

[14] Such as the ones being financed by the World Bank in Zambia and other countries.

technology centers, or other entrepreneurship support organizations. It is expected that some of these hubs may have specific sector focus (e.g. digital technologies), and the project will look to proactively fund (either through *MarketConnect* or incubation/acceleration programs) specific industries or value chains for at least some of the cohorts.

Sub-Component 3.3 Venture Financing for Early-Stage Businesses and Strategic Industries ($45 million)

44. Sub-component 3.3 seeks to provide seed and venture capital to SMEs through the establishment of funds for co-investments in SMEs and strategic industries. Resources for these funds will be channeled through VCTF. As a requirement for VCTF to channel these funds to the private sector, it will need to complete a strategic review (funded under sub-component 3.1 of its governance, institutional and operational structure, and implement the recommended reforms from this assessment. The project will finance the implementation of these reforms, which may include training and capacity building and the procurement of IT systems. Should VCTF not be able to implement the reforms needed, the funding to stimulate early-stage financing will be channeled through a different vehicle to be agreed upon between the Government and the World Bank. Both of these types of investments will look to provide a potential pipeline of growth firms for IFC's and other VC/PE later stage or larger scale investments.

45. *Startup Catalyst Fund ($20mn).* This sub-component's resources will finance a new SME financing mechanism, the "Startup Catalyst" Fund (SC Fund), which will focus on promoting seed (startup) and very early stage funding to startups and SMEs with growth potential. Following the recommendations of reviews conducted in 2018 identifying the greatest need for government intervention in Ghana's private financing ecosystem to be the earlier stages of the enterprise/venture lifecycle, this SC Fund will focus on investments in the range of $25K - $500K, coming in a variety of equity, debt, or quasi-equity forms. The SC Fund would operate indirectly, i.e. by providing capital to third party partners that manage early-stage investment vehicles.

46. The SC Fund will operate at "arms-length", meaning that the VCTF would not be directly involved in the selection or financing of any SMEs. Rather, the managers of the third-party investment vehicles that are involved in early stage investment would undertake the assessment of SMEs and make investment decisions, validated by an external Investment Committee. In this way, the SC Fund would operate similarly to a "fund of funds", except that it would capitalize a wider range of investment vehicles, not only traditional investment (venture capital) funds. The SC Fund would be catalytic, meaning that it would seek to crowd in additional capital to any activity it finances. Such co-funding could be provided by, for example, private investors or development finance institutions (DFIs) that are keen to find ways to increase their early-stage investment in Ghana while managing related risks. The SC Fund calls for proposals will be structured to incentivize such co-funding. The final design of the Startup Catalyst Fund will depend on recommendations of the VCTF strategic review.

47. *Strategic Industries Fund Feasibility Analysis & Potential Capitalization* (*$20mn).* The subcomponent will also finance a feasibility study for a potential "Strategic Industries" fund that would provide co-investment for qualified investment funds that make investments in businesses operating in sectors relevant to Ghana's economic transformation, such as agriculture, manufacturing, ICT. The feasibility study would clarify the market failure; identify a government investment strategy that will address the market failure while avoiding crowding out of private capital; and outline a design and structure for the fund if the analysis deems such an intervention is appropriate. Subject to this feasibility analysis, $20m would be made available through the

Strategic Industries co-investment fund.

48. *Technical Assistance ($5mn).* The subcomponent will also fund technical assistance (TA) to further develop the early stage financing ecosystem. This TA will go towards (i) fund management team training, (ii) investor training (e.g. for pension fund and insurance fund managers to better understand PEVC mechanisms), and (iii) reimbursement of actual TA expenses of PEVC funds that were made for completed early-stage investments.

E. Implementation

Institutional and Implementation Arrangements

49. **A Project Coordinating Unit (PCU)** within the Ministry of Finance and Economic Planning (MOFEP) will provide project oversight and lead day-to-day management of the project. The PCU will consist of a Project Coordinator, fiduciary specialists (FM and Procurement), Safeguards Specialists (Environmental and Social), Technical specialists (at least one per component), and specialists to cover other PIU functions such as M&E, Communications, etc. The Technical specialists will work directly with the Technical Implementing Agencies (TIAs) to ensure that each TIA is provided with the technical, financial and political support required to achieve desired outcomes for the project. Procurement will be overseen by a Procurement Specialist within the PCU who will supervise several Procurement Consultants who will work directly with the TIAs to ensure adherence to World Bank procurement rules and guidelines. All other fiduciary and safeguards functions will be centralized within the PCU.
50. **Technical Implementing Agencies** (TIAs) consist of the implementing institutions for the overall project. A full list of TIAs is provided in Annex A. Each TIA will designate a project focal point who will receive technical support from the relevant Technical Specialist(s) within the PCU.
51. **Technical Committee** (TC): The TC will provide strategic, facilitative, and problem solving support to the project and will be comprised of each TIA focal point, with discussions led by the Project Coordinator.
52. **Project Steering Committee:** The Steering Committee will provide high level directional oversight to the project including the TIAs. The Steering Committee will comprise Ministers (or their representatives) of all relevant Ministries and Heads of relevant Agencies, as well as representatives from the private sector and it will be co-chaired by the Minister for Finance and the Minister for Trade and Industry or their representatives.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The proposed project will be implemented across the country but will prioritize areas that do not have ecologically sensitive sites. It is anticipated that the interventions to improve quality and standard infrastructure under component 1 may include the development of regional laboratories that will likely involve refurbishment of existing laboratories or construction of new ones, and procurement of specialized laboratory and testing equipment, which may generate different types of environmental and social impacts. The project will therefore consider environmental and social issues during the planning and the operational phase of these laboratories. Technical assistance for the planning of Special Economic Zone (SEZ) and operationalization of a Viability Gap Fund (VGF) for zone development under component 2 may have indirect or direct environmental and social risks and impacts. which are not known at the time of project preparation. Therefore, an Environmental and Social Management Framework (ESMF) will be prepared as a framework for subsequent environmental and social analyses. During project implementation, once the sites and activities are identified, the project will conduct Environmental and Social Impact Assessments (ESIA) for prioritized individual SEZ projects, to identify any social and environmental issues and prepare a site specific Environmental and Social Management Plan (ESMP) to provide mitigation measures for implementation. Activities deemed to have significant environmental and social safeguards risks will not be funded under this project. Investments under the VGF will be implemented in areas designated as SEZ that comprise mainly industrial estates on land that is free of any adverse encumbrance and is legally and clearly owned by the Government or the private developer. Whether on greenfield or brownfield sites, SEZ projects will be prioritized where there are no encroachment or squatter issues, but to facilitate achievement of the project objective, sites assessed to have only minor resettlement impacts may be considered, if the potential impacts are localized and can easily be mitigated. The project will not fund sites that may involve large and complex land acquisition and compensation. The project will also support improvements in the environmental and social regulatory framework to avoid adverse effects on the environment and natural resources and promote public participation in decision making.

G. Environmental and Social Safeguards Specialists on the Team

Asferachew Abate Abebe, Environmental Specialist
Charles Ankisiba, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project is expected to have significant positive impacts through the implementation of most of its activities. However, the Environmental Assessment (OP/BP 4.01) is triggered and the project is categorized as a B, as some of the Project activities stated under Component 1, 2 and 3 could have adverse environmental and social impacts and risks. Since the scope and nature of the activities, are not yet fully known/decided, the specific instrument proposed for analyzing potential environmental and social risks is the Environmental and Social Management Framework (ESMF). Accordingly, government will prepare, consult on and publicly

		disclose an ESMF before appraisal. The ESMF will develop a screening process for sub projects which cannot be identified at this stage in terms of location and provide guidance on methodologies measures and procedures to facilitate environmental and social management (risk management and impacts). Again, this will ensure that projects that are deemed to have significant environmental and social safeguards risks will not be funded under the project. When scope and nature of site specific activities are identified the borrower will develop site specific instruments (environmental and social management plans or environmental and social impact assessment reports) before the commencement of activities. If any activities included in any Annual Work Plan would require the preparation of an environmental and social assessment or environmental management plan, the government shall ensure that no such activities shall commence unless approved by the World Bank.
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	Yes	Mitigation measures will be incorporated in specific ESIA's as needed.
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	Yes	Mitigation measures, if needed, will be incorporated in specific ESIA's including preparation of Chance find Procedure.
Indigenous Peoples OP/BP 4.10	No	This policy id not triggered because there are no indigenous peoples in the country as defined under OP4.10 in Ghana. It is therefore not applicable.
Involuntary Resettlement OP/BP 4.12	Yes	This policy is triggered because the project may be funding activities on sites that may require minor resettlement. Key criteria developed under component 2.2 for selecting eligible sites for the Viability Gap Fund specifically excludes those that may require large/complex resettlement issues and land acquisition and compensation. Since the specific sites are not yet determined until completion of the preliminary site assessments (sub-component 2.1) the project will prepare an RPF, which will be consulted and Publicly Disclosed prior to appraisal.

Safety of Dams OP/BP 4.37	No
Projects on International Waterways OP/BP 7.50	No
Projects in Disputed Areas OP/BP 7.60	No

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

Any project environmental impacts are likely to be site-specific, potentially reversible, and with feasible mitigation measures. The proposed project will be implemented across the country but will prioritize areas that do not have ecologically sensitive sites.

An Environmental and Social Management Framework (ESMF) will be prepared as a framework for subsequent environmental and social analyses.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

At the national level the Environmental Protection Agency has the overall mandate for ensuring environmental and social sustainability, compliance, monitoring and enforcement of environmental and social performance and standards. The EPA has adequate capacity and experience working on World Bank funded projects and has provided guidance to respective government ministries to ensure compliance with national standards on environment and to some extent the social aspects. The institutional and functional capacity within EPA is within acceptable standards but monitoring and enforcement is challenged due to under-staffing and resource constraints. The Project will benefit from the EPAs capacity and this will be augmented by the guidance and support from the World Bank’s safeguards team to ensure the project complies with both national and World Bank safeguards requirements.

In addition, the borrower will recruit and maintain an Environmental and Social Management Specialists at the Project Coordinating Unit (PCU) with the responsibility to support and coordinate activities between the implementing agencies and the EPA. The project will extend technical resources to the EPA to strengthen their capacities to manage project risks and impacts.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
05-Apr-2019	08-Apr-2019	

"In country" Disclosure

Ghana
08-Apr-2019

Comments

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
05-Apr-2019	08-Apr-2019

"In country" Disclosure

Ghana
08-Apr-2019

Comments

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?
Yes
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?
Yes
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?
Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

NA

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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APPROVAL

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