Strategic Youth Network for Development (SYND)

Ghana's Climate Financing Architecture:

Using Domestic Resource Mobilization as a sustainable approach

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Background and context

The urgency required to fighting climate change cannot be overlooked given its adverse impact and serious threat to human life and environmental sustainability. The annual Conference of Parties (CoP) meetings under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC) therefore provides a platform for state parties to discuss progress and take corrective actions (where necessary) to tackling climate change. One of the key outcomes from the CoP meetings was the issue of climate financing, without which the attainment of set goals cannot be realized. Climate finance refers to local, national or transnational financing, which may be drawn from public, private and alternative sources of financing[1].

Although the pool of climate finance is to be filled by the Global North or Annex I countries (usually referred to as Developed countries), they have unfortunately been unable to meet or redeem their pledges or obligations. For example, though the Green Climate Fund (GCF) is intended to mobilize about \$100 billion annually, only \$10 billion has been realized. This has huge implications.

At the country level, Ghana is making efforts to raise enough resources to execute her climate obligations. Total climate related financial inflows for the period 2011-2014, was US\$1,208,746,027 representing 3.7% of GDP. When the loan from China Development Bank is included, the total financial flow was US\$2,208,746,027 which was 6.7% share of GDP. Grants constituted the largest share (69.2%), followed by loans (19.1%), national budget (6.9%) and result-based payment (4.9%)[2]. This clearly shows that Ghana has been relying heavily on donor support which raises the question of sustainability. Our government's 7% budgetary allocation is woefully inadequate. This needs to be addressed.

In 2011, Ghana government indicated that it is formulating national legislation leading to the setup of the "Ghana Green Fund" with GHc5,000,000 (equivalent of USD 1.4 million at an exchange rate of 3.7) [3]. Six years down the line, the status of this Fund is still unclear. It appears government is uncertain whether to proceed or renege on this intention.

Ghana's Climate Change Governance

In 2014, government launched the National Climate Change Policy (NCCP) of Ghana with a vision to "*ensure a climate-resilient and climate-compatible economy while achieving sustainable development through equitable low-carbon economic growth for Ghana".* The NCCP has three key objectives notably Effective adaptation, Social development and Mitigation.

Subsequently, a Climate Change Master Plan (2015-2020) was developed. The purpose of the strategic Master Plan document is to put in place robust measures needed to address most if not all of the challenges posed by climate change and climate vulnerability. The estimated amount of resources required to prosecuting this plan is US\$1,057,000,000.[4] After 3 years of developing this plan, it is still unknown how much government has succeeded in achieving the set goals or objectives.

As part of the Paris Agreement commitments, the government developed its Nationally Determined Contributions (Gh-NDCs) - [2020-2030], intending to mobilize US\$ 22.6 billion investments from both domestic and international public and private sources. US\$ 6.3 billion domestically (28.3% of total

[1] http://unfccc.int/focus/climate_finance/items/7001.php
[2] Ghana's 3rd Communication Report
[3] Ghana's 3rd Communication Report
[4] Climate Change Master Plan (2015-2020)

investment) will be mobilized nationally whereas the US$ 16 billion will come from international support.[5] This means that an average of US$ 2 billion is needed annually to prosecute this agenda.

In addition, the National Climate and Green Economy Strategy (2016) document was produced in order to address the capacity building and learning components of the NCCP. It will be a critical tool in implementing the Gh-NDCs from 2020. The 10-year implementation period of this strategy is expected to cost about US$103,073,000.At the same time, the government is considering a review of the current Gh-NDCs and one of the key areas likely to be revisited is the estimated cost of US$ 22.6 billion.

Regardless of the outcome of this review, it is obvious that adequate financial resources will be needed for the programme.

Our Position

There are over 20 financial mechanisms in place to supporting climate change-related interventions such as the Global Environmental Facility (GEF), Adaptation Fund, Forest Carbon Partnership Facility, Forest Investment Programme, Special International Climate Initiatives by some Developed Countries and the recent Green Climate Fund (GCF). How much Ghana has obtained from these financial pots is unknown. What is very clear is that Ghana cannot rely continually on donor or international assistance in the light of dwindling funding support. We argue that a sure way to dealing with this is to re-strategize and focus more on how to mobilise resources domestically in line with President Nana Addo's **"Ghana Beyond Aid"** policy.

Domestic Resource Mobilization (DRM) emerged during the Post 2015 negotiations as a key mechanism for financing the world's development agenda. It is the process through which countries raise and spend their own funds to provide for their people seen as the long-term path to sustainable development finance. It offers an antidote to aid dependence on donor countries and organizations.

It is on the basis of the DRM that SYND offers recommendations for the consideration of policy and decision makers on how we can sustainably pursue our climate change agenda. Also, it is based on the background that the next in-session workshop on long-term climate finance, to be held in 2018, will, with a view to scaling up climate finance for mitigation and adaptation, focus on experiences and lessons learned from articulating and translating needs identified in country-driven processes into projects and programmes.[6]

Our Recommendations:

1. Hamornise sectors identified in the Gh-NDCs:

The Gh-NDCs recognizes that to help attain low carbon climate resilience through effective adaptation and greenhouse gas (GHG) emission reduction, the following 7 sectors must be prioritized:

1. Sustainable land use including food security
2. Climate proof infrastructure
3. Equitable social development
4. Sustainable mass transportation
5. Sustainable energy security
6. Sustainable forest management; and

[5] Nationally Determined Contributions (Gh-NDCs)
[6] COP23. Decision -/CP.23. Long-term climate finance

7. Alternative urban waste management.

SYND proposes that the work of various government sectors or institutions charged with the above responsibilities must be harmonized to obtain maximum results. Resources accrued by these sector institutions (both from national and international sources) should be re-engineered in order to avoid duplication of activities, as well as overlaps or conflicts.

In 2017, the Petroleum Funds programmed for Annual Budget Funding Amount (ABFA) spending were as follows[7]:

- GHc156.08 million for Agriculture expenditure
- GHc211.72 million for Physical Infrastructure and Service Delivery in Education. GHc50.0 million for the improvement of Physical Infrastructure and Services Delivery in Health.
- GHc376.62 million for the Roads, Rail and Other Critical Infrastructure priority area

It is however unclear how climate change was mainstreamed into the planning and implementation of the above interventions. Moving forward therefore, the 2018 allocations to be made should be seen as contributing directly to the achievement of the programmes such as the **Agriculture and food security & Resilient Infrastructure in built environment** as outlined in the Gh-NDCs. This contribution should be verifiable including government's unconditional contribution from the commercial facility to develop Sankofa-Gye Nyame transformational gas project.[8]

Additionally, harmonizing these institutions through the creation of a **Climate Change Working Group** pursuing a common agenda is vastly preferable to the establishment of the "Ghana Green Fund" as the latter may pose as a threat to some institutions that stand the risk of directly losing some of their financial resources to the Fund. This will likely affect the cooperation of such institutions, thus defeating the overall principle of collaboration. Already, the government concedes that it is faced with institutional challenges relating to tracking climate finance, duplication of activities and funding, lack of transparency on climate finance that have multiple use, insufficient transparency on non-financial support for training and technical assistance & inadequate financial allocation in national budget as the Financial constraints and gaps[9]. Unfortunately, no clearly defined and pragmatic measures have been provided in tackling these endemic problems. This can only lead to perpetuating the act of 'business as usual' – where it will be difficult if not impossible to measure our collective progress in the fight against climate change regardless of how much resources flow in.

2. Harvesting the potential of young people:

As the leaders of tomorrow, young people possess untapped potential for change, which should be harnessed positively in the fight against climate change.

For example, SYND is of the view that young people should be empowered with relevant information and knowledge on climate change, as doing so allows them to serve as change agents in their respective communities. With the necessary support systems and proper coordination, young people championing the fight against climate change can be role models to their peers. Their experiences and energy are important although often overlooked. We believe that appropriate support systems and information can help shape them into responsible citizens and not social deviants.

This is echoed by the Subsidiary Body of Implementation of Article 6 of the United Nations Framework Convention on Climate Change (UNFCCC), which requires parties *"to foster the participation of women, youth, indigenous peoples, civil society groups and relevant stakeholders in decision-making on climate change at the national level and their attendance at intergovernmental*

[7] 2017 Annual Report On The Petroleum Funds (Exchange rate in 2017 approximately Ghc4.4 = US$1)
[8] Ghana's Nationally Determined Contributions (Gh-NDCs)
[9] Ghana's 3rd Communication Report

meetings, including sessions of the Conference of the Parties, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the subsidiary bodies;". Arguably, the Ghanaian government has failed to adhere to this provision, and so we hereby encourage it to demonstrate this commitment by incorporating young people in the decision making processes, particularly since they are and will feel the impacts of climate change most, and since they are overlooked, if not underappreciated, **agents of change** in the fight against climate change.[10]

Youth inclusion (just as done for women groups) must be from the conceptualization, planning and implementation of programmes.

3. Incentivizing Key Allies:

Organized groups such as the private sector, religious bodies, media persons and other actors acting as allies in the fight against climate change should be recognized and incentivized to encourage them to show more commitment to the cause. These allies have already been recognized as relevant stakeholders in Ghana's development agenda thus they been celebrated can be a catalyst to roping in more resources (human and financial).

This recognition can be incorporated into already existing award schemes or programmes to save time and resources.

4. Review Tax Incentives Policy:

A study jointly conducted by Action Aid, Ghana and Integrated Social Development Centre (ISODEC) estimates that Ghana may be losing close to US$1.2 billion annually as a result of tax incentives. While tax incentives have some usefulness in a broad sense, there is the need to gauge how much is given as tax incentives against the expected benefits.[11] The arbitrariness or the discretion in tax incentive administration in Ghana, such as the use of permits at the ministerial level without recourse to procedural steps set out in the statutes is a major problem. We hereby encourage government to cure this expeditiously to avoid further financial loss to the State.

5. Block leakages:

The government's inability to apply relevant laws also leads to loss of revenues. A case in point is how Ghana lost about $70 million in the oil and gas sector due to her inability to apply the Capital Gains Tax provided in the Internal Revenue Act, 2000 (Act 592).

Furthermore, Transfer Pricing and Illicit Financial Flows (IFF) are other areas where government loses out huge revenues. The Africa Centre for Energy Policy (ACEP) in its February 2015 report on Illicit Financial Flows and the Extractive Industry in Ghana indicated that cumulative gross illicit flows from trade mis-invoicing amounted to US$14.39 billion over the ten year period 2002 to 2011. ACEP again estimates IFFs from illegal mining in Ghana in 2013 to be about US$1.7 billion.

While we acknowledge that the government has taken some steps in dealing with leakages such as the new paperless system introduced at the ports, we are of the opinion that the processes including linkages or harmony among relevant state agencies for effective information flow is not encouraging. Government cannot continue losing such billions of dollars when it claims to be in need of resources.

[10] National Climate and Green Economy Learning Strategy, 2016

[11] Action Aid. (2014). *Investment Incentives in Ghana: The Cost to Socio-Economic Development.* ActionAid Denmark

6. **Expand the Tax Net:**

Revenue agencies under the Ghana Revenue Authority (GRA) tend to announce how they exceed their annual revenue targets. While this is expected to be very welcoming news, it exposes the inefficiencies and ineffectiveness of GRA in that about 1.2 million Ghanaians pay taxes out of the 10million legible tax payers. This means that the government's projections are heavily based on the 1.2million while the remaining 8.8million are left off the hook. This only amounts to inequity and perpetuating poverty among the poor and vulnerable.

The government has no excuse in roping in every eligible tax payer into the tax net – must be seen to be doing so.

Conclusion:

The government undoubtedly is faced with the responsibility of raising adequate resources to prosecute its climate change obligations. Unfortunately, (over)dependence on international support cannot be guaranteed due to the rapid adverse changes in the global funding architecture.

The only reliable option is to review our Domestic Resource Mobilisation efforts by dealing with the unhealthy and negative tax incentive policy and blocking other leakages. Additionally, providing the right environment for more participation and contribution from other stakeholders notably private sector, civil society, youth groups, media etc can help rake in additional resources aside the traditional revenue collection systems.

Government has no excuse but to deliver and demonstrate experiences and lessons learned from in country-driven processes into projects and programmes as expected in the next long climate finance meeting this year. Fortunately, the President of Ghana, Nana Akufo-Addo has embraced a "Ghana Beyond Aid" policy.

This is a test case for the government of Ghana!

About Strategic Youth Network for Development (SYND):

SYND is a youth-oriented civil society organization in Ghana which focuses primarily on deepening good environmental governance. Our operational work involves tracking and contributing towards environment-related policies as well as formulation and implementation of programs, projects and activities from community to national level. Its vision is to help achieve environmental sustainability through the development and active participation of young people in managing the environment through policy formulation, programs planning and implementation of projects and activities to sustain society.