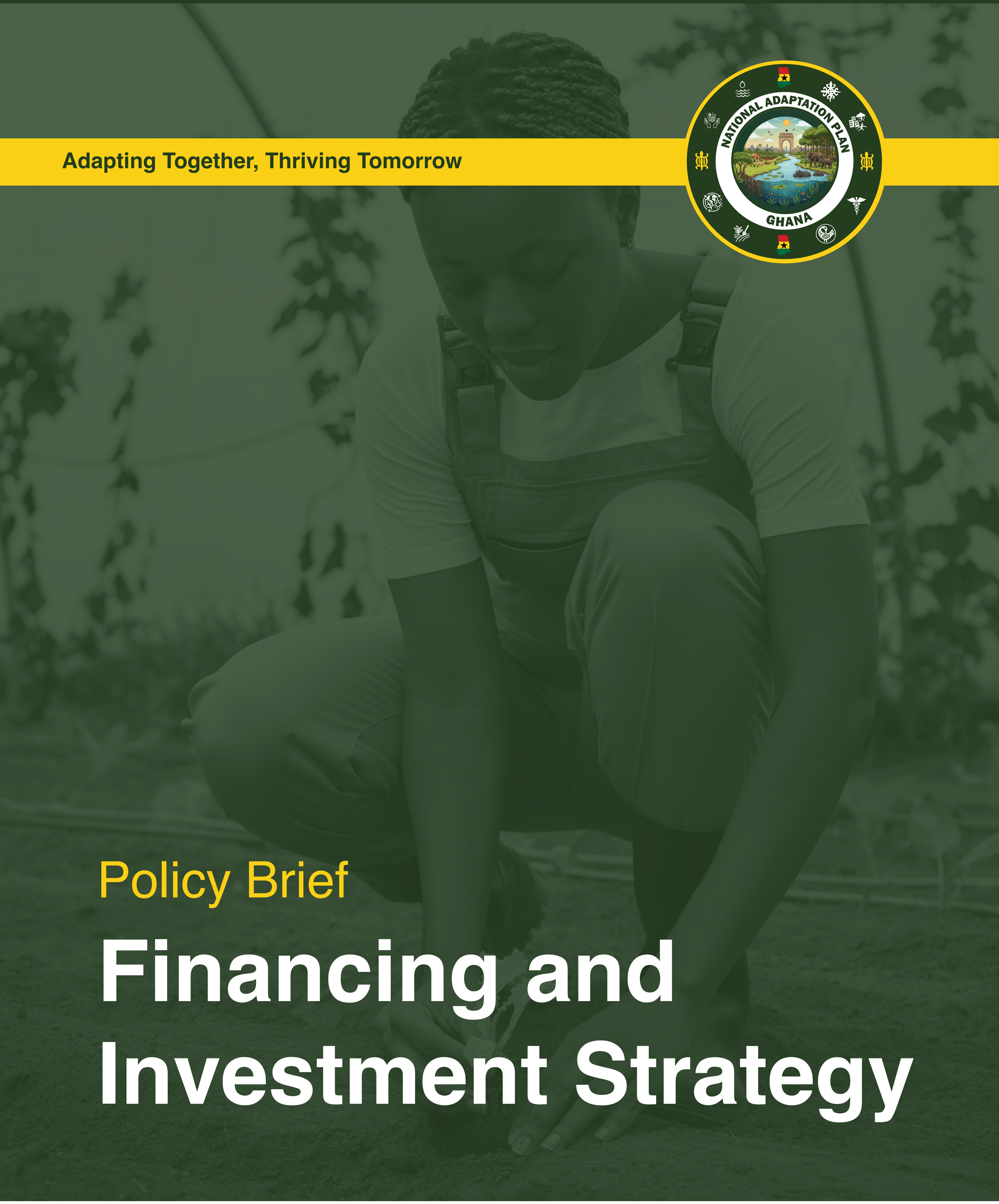

Adapting Together, Thriving Tomorrow

Policy Brief

Financing and Investment Strategy

UN environment programme

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EXECUTIVE SUMMARY

Ghana faces escalating climate risks that threaten its people, economy, and infrastructure, necessitating bold adaptation measures. The National Adaptation Plan (NAP) provides a strategic framework to integrate climate adaptation into development planning at all levels. A critical pillar of this effort is a robust financing and investment strategy to ensure adaptation actions are implementable and sustainable. Currently, Ghana confronts a significant adaptation financing gap for five prioritized sectors; water, health, agriculture, cities and DRR, and biodiversity and ecosystems, with estimated needs of roughly USD 22.6 billion by 2030. This far exceeds present funding levels. Public budgets for climate initiatives remain limited, and adaptation efforts have largely depended on donor-driven projects.

This policy brief outlines the background and challenges in financing Ghana's NAP and presents an emerging investment framework alongside actionable recommendations. It advocates for a blended approach that leverages domestic resources, international climate funds, and private sector capital. The main idea is to secure sizeable amount of international public grants resources for climate change adaption but to compliment this with other variety of financial resources including domestic and international non-traditional finances sources.

Key recommendations include integrating adaptation into national budgets, strengthening institutions to access global finance, and incentivizing private investment in resilience. By taking these steps, Ghana's Ministry of Environment and partner agencies can close the funding gap, build long-term climate resilience, and safeguard development gains in a changing climate.

1. BACKGROUND AND CONTEXT

Climate change poses an acute threat to Ghana's development, with rising temperatures, erratic rainfall, droughts, floods, and coastal erosion undermining livelihoods and critical sectors. Recognizing these challenges, the Government of Ghana has developed a NAP as a blueprint for enhancing climate resilience.[1] The NAP is aligned with national development goals and the Paris Agreement commitments,[2] and it emphasizes integrating adaptation into existing governance systems. Notably, Ghana's adaptation strategy is anchored by enabling factors such as strong institutions, capacity building, stakeholder engagement, knowledge management, and finance for implementation. A recent legislative update underlines this commitment by mandating the Environmental Protection Authority (EPA) to mainstream climate change across all levels of government and to support the Ministry of Finance (MoF) in mobilizing resources for climate action.[3] Institutional roles have been clarified: the Ministry of Environment, Science and Technology (MEST) provides policy leadership; EPA serves as technical coordinator; the National Development Planning Commission (NDPC) integrates adaptation into development plans; and MoF coordinates financing and ensures climate expenditures are reflected in public budgets.

Despite these foundational steps, financing adaptation remains a core challenge. Ghana's climate finance landscape to date has been characterized by project-based donor support and ad-hoc budget allocations. Analyses indicate that recent annual climate finance flows (approximately $830 million in 2019–2020) cover only a fraction of what is needed for the country's climate goals. Adaptation-specific funding is even more constrained, often <50% of total climate finance. The budgetary process is only beginning to incorporate climate considerations: for instance, the government is exploring climate budget tagging and requiring climate-risk screening in public investment, however, these practices are not yet fully institutionalized. In summary, Ghana's NAP arrives at a time of rising climate urgency, and its success hinges on a coherent financing strategy that mobilizes adequate resources and embeds adaptation into the nation's economic planning.

2. THE EMERGING INVESTMENT FRAMEWORK

In response to the above challenges, Ghana is establishing a comprehensive adaptation financing framework as part of NAP implementation. This emerging framework seeks to blend domestic, international, and private funding into a coherent system aligned with national priorities.

Its key components include:

Integrating Adaptation into Domestic Budgets: The government is taking steps to mainstream climate adaptation in public finance and planning. The Ministry of Finance, in partnership with NDPC and MEST, is institutionalizing a climate budget tagging system to identify and track adaptation expenditures across all ministries and districts. Budget preparation guidelines are being revised so

[1] Government of Ghana, Draft Ghana National Adaptation Plan 2025, (Government of Ghana, 2025).

[2] Paris Agreement (adopted 12 December 2015, entered into force 4 November 2016) UNTS No. I-54113 Article 7.

[3] Environment Protection Act 1124 of 2025.

that sector ministries and MMDAs can classify and report climate-related spending. This enables better oversight of how much Ghana itself is investing in resilience.

There is also high-level consideration of mandating that each MDA and MMDA dedicate a minimum percentage of its capital budget to climate-resilient projects (e.g. infrastructure, ecosystem protection, early warning systems). Over time, Ghana aims to embed climate risk screening into its Public Investment Management (PIM) processes, ensuring that all new public investments are evaluated for climate resilience before funding. Domestically, the government is exploring innovative funding sources, such as modest environmental levies or climate-related taxes (for example on pollution or fuel), to generate revenue earmarked for adaptation. Mainstreaming adaptation into fiscal policy not only secures local co-financing of NAP actions but also signals national ownership to international partners.

National Adaptation Finance Strategy and Coordination: As part of the NAP process, Ghana has formulated a comprehensive Adaptation Finance Strategy to guide the mobilization and effective use of funds. This strategy consolidates the country's adaptation finance needs (across sectors like agriculture, water, health, infrastructure, etc.) and identifies priority investment areas. It also delineates the roles of key institutions – MoF, MEST, EPA, NDPC, and sector ministries – in sourcing, managing, and monitoring adaptation finance. A major feature of the strategy is the development of an adaptation project pipeline: a portfolio of well-prepared, bankable projects aligned with Ghana's climate priorities.

By proactively developing project concepts (in consultation with local communities, civil society, and the private sector), Ghana can feed a continuous pipeline into funding opportunities such as the GCF, Adaptation Fund, upcoming Loss and Damage funding arrangements, and Multilateral Development Bank programs. Efforts are underway to establish a centralized project development facility or climate finance unit (potentially housed at the EPA or MoF) to support this pipeline in order to help sector ministries and districts to refine proposals, conduct feasibility studies, and meet donors' fiduciary and safeguards standards.

Additionally, the MoF as Ghana's National Designated Authority for the GCF is improving coordination with sector ministries and the EPA to bundle priority adaptation initiatives into high-quality funding proposals. By strengthening institutional readiness, which include pursuing direct access accreditation for qualified Ghanaian entities, the government seeks to increase direct inflows of international climate finance.

Finally, recognizing the need for better coordination of external support, Ghana is crafting a donor engagement framework (led by MoF and EPA) to convene periodic climate finance roundtables. These coordination platforms will align donor and multilateral financing with Ghana's NAP priorities, reduce duplication, and promote co-financing arrangements that amplify impact.

Private Sector Mobilization and Innovative Financing: Unlocking private investment is a cornerstone of the emerging framework. The NAP process developed a Private Sector Engagement Strategy on climate change adaptation to serve as a roadmap for partnering with businesses and investors. This strategy highlights policy measures to de-risk and incentivize private investments in resilience. The government is poised to introduce an enabling environment – potentially including a National Green Finance policy – that supports new financial instruments for adaptation. Examples under consideration include green bonds for climate-resilient infrastructure, blended finance schemes where public funds absorb initial risk to attract private capital (especially in sectors like climate-smart agriculture, water, and forestry), and credit guarantee facilities through development banks to encourage commercial lending for small and medium enterprises in adaptation fields.

Scaling up insurance solutions is another priority: weather-indexed insurance can protect farmers and agribusinesses against climate shocks, and insurance markets can be expanded with public support. The financial sector may also see the introduction of climate risk disclosure guidelines (aligned with global standards like the TCFD)[4] to drive greater consideration of climate risks in lending and investment decisions. Furthermore, Ghana is exploring innovative funding through carbon markets, including the operationalizing Article 6 of the Paris Agreement, which could generate results-based payments for adaptation co-benefits of emissions reduction projects. In tandem, the government plans to foster public-private dialogue platforms and climate investment forums to actively engage industries (agriculture, energy, finance, insurance) in the national

[4] Task Force on Climate-Related Financial Disclosures, read more here: https://www.fsb-tcfd.org.

adaptation effort. The overarching goal is to make adaptation a compelling business opportunity, thereby reducing reliance on public funds and tapping the financial power of markets for resilience-building.

Through this multi-pronged investment framework which integrates public budgets, coordinated climate finance, and private sector participation, Ghana is crafting a sustainable financing architecture for its NAP. Important next steps are already delineated in government roadmaps: formalizing institutional arrangements (e.g. a high-level NAP steering committee co-chaired by MEST and MoF) to oversee financing, finalizing and operationalizing the climate finance strategy and project pipeline, and capacity-building at all levels for climate finance management. With these pieces coming together, Ghana is positioning itself to mobilize more resources and channel them efficiently into priority adaptation actions nationwide.

3. STRATEGIC GAPS AND CHALLENGES IN ADAPTATION FINANCING

Overreliance on External Funding: A large share of Ghana's adaptation efforts to date has been bankrolled by external donors and climate funds. This dependence on project-based foreign aid creates vulnerability to unpredictable funding cycles and shifting donor priorities. Short-term grants with strict conditionalities make it difficult to sustain long-term adaptation programs. When external support ends, initiatives risk stalling due to lack of domestic financing.

Insufficient Domestic Budget Integration: National and district budgets currently lack dedicated lines for climate adaptation, resulting in ad-hoc and reactive funding. Adaptation activities are often appended onto development projects rather than planned and funded systematically. Without earmarked budget allocations, critical resilience investments (e.g. in infrastructure or agriculture) remain underfunded. This gap is compounded by procedural bottlenecks so that even when adaptation funds are approved, slow disbursement and procurement processes delay implementation.

Capacity and Access Constraints: While Ghana has been successful in securing funding from several of the large international climate finance pools (such as the Green Climate Fund and Adaptation Fund), challenges persist due to the large capacity needed to develop these projects. Many local government units (MMDAs) lack the expertise to design viable project proposals that address local needs and meet international fiduciary standards.[5] Few national entities are accredited to directly receive climate funds, and preparation of bankable adaptation projects has been a bottleneck. As of now, Ecobank Ghana is listed as only confirmed Ghanaian institution with direct-access accreditation from the Green Climate Fund (GCF), a notable achievement especially for a private-sector entity.[6] Meanwhile, the Agriculture Development Bank PLC and the Ghana Infrastructure Investment Fund (GIIF) are publicly reported as pursuing accreditation to become a direct access entity, showcasing the nascent progress but limited number of accredited entities.[7] These capacity gaps impede Ghana from fully accessing available global finance. Moreover, even when funding is secured, absorptive capacity issues, ranging from technical skills to administrative systems, can hinder the timely and effective use of funds.

Fragmented Coordination and Tracking: The absence of a unified framework to coordinate and track climate finance leads to inefficiencies. Multiple agencies and development partners may fund similar adaptation activities in silos, causing duplication or coverage gaps. Until recently, Ghana had no climate budget tagging mechanism in its public financial management system, making it difficult to monitor adaptation spending across ministries. This fragmentation undermines strategic allocation of resources and transparency in how adaptation money is used.

Low Private Sector Engagement: Ghana's private sector remains an underutilized source of climate adaptation finance. Barriers such as perceived high risk, uncertain returns on adaptation investments, and lack of clear incentives have kept private capital on the sidelines. There are few financial products (such as insurance or credit) tailored to resilience needs of farmers, businesses, or communities. Without policy signals or risk-sharing mechanisms, businesses have little impetus to invest in climate-proofing supply chains or developing adaptive solutions. This represents a lost opportunity to crowd in domestic investment and innovation for resilience.

These challenges underscore that closing the adaptation financing gap is not merely about finding more money: it requires structural changes in how Ghana plans, budgets, and incentivizes climate-resilient development. The gaps identified above inform the emerging strategic framework for adaptation finance and guide the recommendations that follow.

[5] UNDP (Dec 20, 2023) Assessment of selected MMDAs Internally Generated Fund Potential and Effort for 2022, available at https://www.undp.org/ghana/publications/assessment-selected-mmdas-internally-generated-fund-potential-and-effort-2022

[6] https://www.greenclimate.fund/countries/ghana

[7] Global Center on Adaptation, State and Trends in Adaptation 2022 – Adaptation Finance Flows in Africa (Report, January 2023). Available at: https://gca.org/wp-content/uploads/2023/01/GCA_State-and-Trends-in-Adaptation-2022_Adaptation-Finance-Flows-in-Africa.pdf

4. POLICY RECOMMENDATIONS

GTo reinforce Ghana's emerging strategy and address the financing gaps, the following policy measures are recommended. These actions blend short-term initiatives (to build momentum in the next 1–2 years) with long-term strategies (to sustain financing over the coming decade):

Short-Term (next 1–2 years):

- **Finalize and Launch the Adaptation Finance Strategy:** Officially adopt Ghana's Adaptation Finance Strategy and establish a clear implementation mechanism. This should include creating an Inter-Ministerial Task Force or Steering Committee (led by MEST and MoF, with EPA and NDPC) to drive the strategy's rollout. In the immediate term, develop the pipeline of priority adaptation projects identified in the NAP and package them into ready proposals to submit to the GCF, Adaptation Fund, and other global financiers. High-level endorsement of this strategy will signal Ghana's commitment and guide all stakeholders in coordinating their investments.

- **Integrate Climate Adaptation into Budgeting Processes:** Issue a policy directive (through MoF and NDPC) requiring that climate adaptation priorities be mainstreamed in the budget cycle. Concretely, this involves piloting a climate budget tagging system in the next budget year to mark and track adaptation-related expenditures across ministries and districts. Each MDA and MMDA should be tasked to identify climate-responsive programs in its annual budget and, where feasible, allocate a minimum share of its capital budget to resilience-building projects. The Ministry of Finance can update the Ghana Integrated Financial Management Information System (GIFMIS) to include adaptation markers, allowing transparent reporting on climate spending. These steps will ensure domestic resources start flowing systematically to adaptation and improve accountability for results.

- **Strengthen Climate Finance Capacity and Coordination:** Set up a dedicated Climate Finance Unit or Helpdesk within a lead institution (for example, at EPA or MoF) to support the preparation and management of adaptation funding proposals. This unit should provide technical assistance and training to sector ministries and local government planners on project design, economic appraisal, and meeting donor requirements. In parallel, invest in training programs (through EPA, NDPC, and the Local Government Service) to build skills in climate budgeting, proposal writing, and M&E for adaptation projects. As part of enhancing project preparation capacity, Ghana should actively tap into established regional and international project preparation facilities e.g. NEPAD Infrastructure Project Preparation Facility that provide technical assistance, feasibility studies, and early-stage project development support. Leveraging these facilities will help accelerate the development of high-quality, bankable adaptation projects. By improving capacity, Ghana can increase its direct access to international funds and ensure timely utilization of funds. Additionally, immediately pursue accreditation of eligible national institutions to the Green Climate Fund and other funds in order to unlock larger funding streams in the near future.

- **Establish a Climate Finance Partnership Platform:** Launch a regular forum for climate finance coordination that brings together government, development partners, and private sector representatives. For donors and multilateral partners, MoF and EPA should convene biannual climate finance roundtables to align external support with Ghana's NAP priorities and discuss co-financing opportunities. For the private sector, MEST (with the Ghana Investment Promotion Center or GIPC and MoF) should host public–private dialogues or "green investment forums" focused on adaptation, to identify barriers and opportunities for business involvement. Such platforms will enhance transparency, reduce duplication of efforts, and build trust with investors. Early actions could include jointly developing "adaptation investment guides" for priority sectors (agriculture, water, energy, cities) to inform both donors and domestic investors of bankable opportunities.

- **Promote Equitable and Inclusive Climate Finance:** Ensure that adaptation financing mechanisms intentionally support vulnerable and underserved groups. This includes establishing dedicated funding windows or criteria that prioritize gender-responsive adaptation actions; youth-led and youth-focused initiatives; locally led resilience efforts in both rural and urban communities; and targeted support for marginalized groups such as persons with disabilities, informal workers, elderly populations, and residents of informal settlements. In the short term, MoF, MEST, and relevant ministries should require that all adaptation project proposals include an inclusion and equity component, with clear indicators for tracking benefits to these groups. Embedding equity principles early will ensure that adaptation investments reach those most at risk and strengthen Ghana's commitment to leaving no one behind.

Medium- to Long-Term (3–10 years):

- **Increase and Diversify Domestic Adaptation Funding:** Gradually ramp up the proportion of national expenditure devoted to climate adaptation. The government should integrate adaptation spending targets into its medium-term fiscal framework. For example, by setting a goal for a year-on-year increase in climate-related spending as a percentage of the development budget, this could safeguard against future adaptation risks. In addition, enact fiscal measures to generate new resources for adaptation, such as modest levies on carbon-intensive activities, a plastic pollution fee, or portions of fossil fuel levy proceeds directed into a climate fund. Over the long term, Ghana can consider establishing a dedicated National Climate Adaptation Fund (or leveraging existing funds like the Ghana Infrastructure Investment Fund) to pool domestic and international contributions for strategic resilience projects. Broadening the domestic funding base will make adaptation efforts more self-reliant and buffer against external funding volatility.

- **Institutionalize Private Sector Engagement and Incentives:** By years 3–5 of NAP implementation, put in place a robust incentive framework to catalyze private investment in adaptation. This includes introducing regulatory and financial incentives: for example, tax credits or rebates for companies that invest in approved climate-resilient infrastructure or technologies; public risk guarantees or insurance backstops for banks lending to climate adaptation projects; and integration of climate risk disclosure requirements into financial sector regulations to encourage prudent, forward-looking investment. The government should also facilitate the issuance of domestic green bonds (sovereign or corporate) by developing the necessary guidelines and perhaps offering a partial credit guarantee to make initial issuances attractive. Over the next decade, these measures should foster a vibrant market for climate resilience solutions – from drought-resistant agricultural services to flood-proof construction – led by Ghana's private sector and supported by impact investors.

- **Leverage Innovative Climate Finance Mechanisms:** Position Ghana as a regional leader in next-generation climate finance by capitalizing on emerging mechanisms. In the medium term, actively pursue bilateral agreements under Article 6 of the Paris Agreement to secure results-based finance for adaptation co-benefits, in addition to the one with the Government of Switzerland. For instance, Ghana can pilot projects where measurable resilience outcomes (such as mangrove restoration or climate-smart agriculture yields) are tied to emissions reduction credits that international partners pay for. Simultaneously, maximize engagement with global funds: ensure Ghana maintains an up-to-date pipeline of proposals to the GCF, Adaptation Fund, Global Environment Facility (GEF), and any new international funding windows for loss and damage. By the latter half of this decade, Ghana should aim to have multiple national entities accredited and receiving direct climate finance inflows. Embracing innovative instruments, from debt-for-climate swaps to resilience bonds, can diversify Ghana's financing options and reduce long-term costs of borrowing for adaptation.

- **Embed Adaptation in Core Development Planning and Monitoring:** Sustain financing momentum by making adaptation a permanent fixture in Ghana's planning, budgeting, and M&E systems. The National Development Planning Commission should fully integrate climate adaptation objectives and indicators into national and sub-national development planning guidelines (building on initial efforts in the current Medium-Term National Development Plan cycle). All sector and district plans should routinely include climate vulnerability assessments and budgeted adaptation actions. Correspondingly, MoF and NDPC must institutionalize climate-risk screening for public investments: meaning major infrastructure and development projects undergo mandatory review for climate resilience (as part of project appraisal and approval). Over the long term, Ghana's public financial management systems (such as GIFMIS and the National Results Framework) should automatically capture adaptation-related expenditures and outcomes. Regular monitoring reports should track not just spending, but the effectiveness of that spending in reducing climate risks. Crucially, a mechanism for periodic review of the adaptation financing strategy should be established (e.g. a biennial assessment by EPA/MoF/NDPC) to evaluate what's working, incorporate lessons learned, and recalibrate targets. This will ensure that the financing strategy remains dynamic and responsive to both evolving climate impacts and new funding opportunities.

By implementing these recommendations, Ghana will strengthen both the supply of finance (through increased resources and access) and the demand (through ready projects and institutional absorption capacity) for climate adaptation. The mix of short-term quick wins and long-term structural reforms is designed to build a financing system that can support adaptation efforts now and into the future.