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From Climate Commitments to Fiscal Reality: Greening Public Finance in Ghana

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Key Policy Recommendations

- **Climate considerations must be embedded at the core of fiscal decision-making.**

Effective climate budgeting requires integration into medium-term fiscal frameworks and fiscal risk management, supported by climate diagnostics that translate risks and opportunities into well-defined priorities, timelines, and measurable outcomes.

- **Implementation gaps often stem from institutional incentives and structures.**

Closing them requires aligning political incentives, strengthening coordination, enforcing compliance, and shifting the organisational culture of fiscal institutions from short-term stabilisation toward longer-term climate resilience.

- **Climate mainstreaming also depends on aligning the international financial architecture with reform.** Paris-aligned debt sustainability frameworks and concessional instruments are essential



Bus station in Kumasi, Ghana

to create fiscal space and enable strategic, long-term planning.

- **Framing climate investment as a driver of resilience, competitiveness, and long-term growth is essential.** Targeted, incremental reforms that enhance fiscal visibility, accountability, and feedback can gradually shift incentives and embed climate objectives into budgeting practice.

Summary

Integrating climate considerations into public financial management (PFM) is now widely recognised as essential to managing fiscal risk, safeguarding macroeconomic stability, and supporting climate-compatible development. Yet embedding such priorities at the core of budget decision-making remains a significant practical challenge.

Drawing on extensive document analysis and stakeholder interviews, this brief examines how climate considerations are integrated across Ghana's budget cycle – from strategic planning to audit. It finds that Ghana has built the architecture of green public finance; climate strategies, institutional reforms, and budget tagging systems are in place. Yet, there is a gap between formal

frameworks and practical implementation, and further efforts are needed to ensure that the ambitions articulated in climate strategies are more consistently translated into concrete budgeting practices.

The main barriers are institutional and structural rather than technical. Fiscal consolidation

pressures, fragmented coordination, limited capacities, weak enforcement mechanisms, and political incentives limit the translation of climate commitments into binding budgetary decisions. Ghana's experience offers broader lessons for climate-vulnerable, debt-distressed countries seeking to green their fiscal systems.

Introduction

Climate change is increasingly recognised as a systemic macroeconomic risk that threatens long-term development prospects and fiscal stability. Responding effectively requires not only investment in mitigation and adaptation, but also reforms that embed climate considerations within economic governance itself [1].

Yet many low- and middle-income countries face severe fiscal constraints – high debt burdens, elevated borrowing costs, and weak domestic resource mobilisation – that limit their ability to finance green transitions [2]. As climate impacts intensify, these constraints risk creating feedback loops between vulnerability, debt, and financial dependency [3].

In this context, integrating climate objectives into macroeconomic planning and public financial management (PFM) systems has become critical [4]. Green PFM seeks to align budgeting, fiscal

policy, and expenditure systems with long-term sustainability goals, enabling governments to manage climate-related fiscal risks, respond coherently to transition pressures, and improve access to climate finance [5]. This approach moves beyond project-based interventions to embed climate within the core machinery of government.

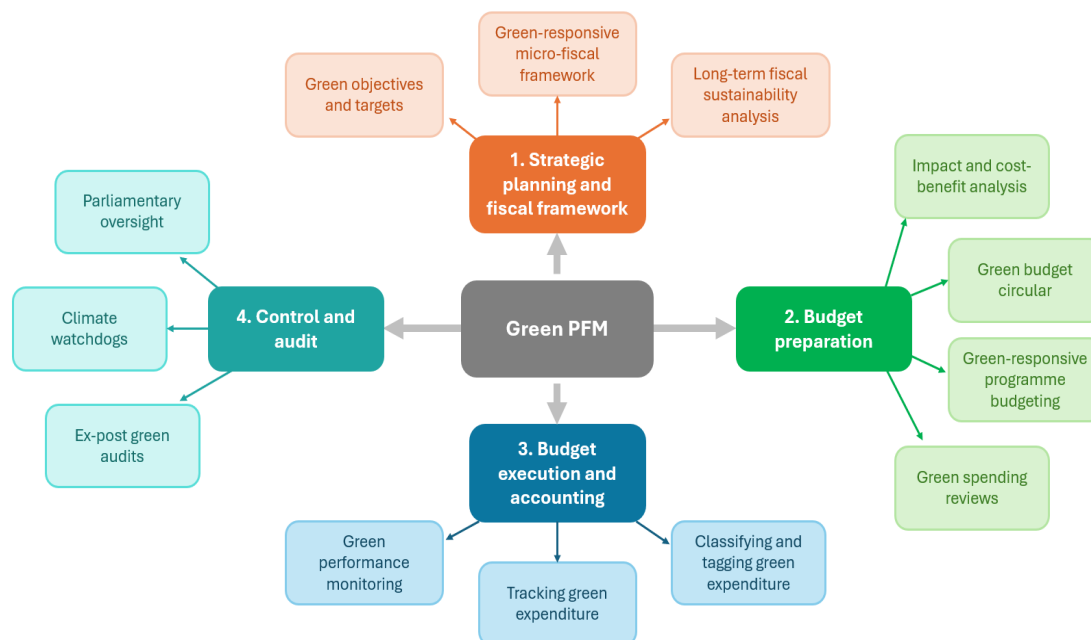
Ghana offers a compelling case to understand the real-world implementation of Green PFM frameworks. Facing both climate vulnerability and fiscal distress under repeated International Monetary Fund (IMF) programmes, the country must simultaneously stabilise its macroeconomic situation whilst building long-term climate resilience. This brief examines how Ghana is attempting to integrate climate considerations into its macro-fiscal and PFM systems, why implementation gaps persist despite formal reform efforts, and what key lessons can be drawn for Ghana and beyond.

Concepts and Methods

The analysis of how Ghana has integrated climate into budgeting is guided by the IMF's Green Public Financial Management framework [4], which conceptualises climate integration across the full budget cycle: strategic planning, budget preparation, execution, reporting, and audit (see **Figure 1**).

To understand the context shaping the implementation of Green PFM reforms, this brief integrates political economy perspectives [1, 6, 7]. These approaches emphasise the interaction between formal rules/institutions and informal practices, as well as the incentives and structures shaping fiscal allocation.

Figure 1: General structure of Green PFM



Source: Adapted from [4]

Table 1: List of interview participants

Stakeholder category	Interview participants	Workshop participants	Total
Government officials	4	4	8
IFIs/development partners	2	2	4
Civil society organisation/journalists	2	2	4
Academia/think tanks	3	1	4
Total	11	9	20

Empirically, the brief draws on the analysis of over 47 policy and programme documents and 11 semi-structured interviews plus a focus group discussion with 9 participants involving government officials, international financial institutions (IFIs), academics, and civil society actors (see Table 1). Thematic analysis was used to assess climate integration across the budget cycle and identified the institutional drivers shaping implementation.

Findings

Context

Ghana faces a dual challenge of high climate vulnerability and severe macro-fiscal fragility. Over one million people face drought-driven food insecurity, particularly in northern regions dependent on rain-fed agriculture [8]. Given this, climate action offers an opportunity for climate-compatible development, notably through investment in sectors such as energy and transport.

In response, Ghana has developed several climate strategies including updated Nationally Determined Contributions (NDCs), a National Adaptation Plan, a Renewable Energy Master Plan, and an Energy Transition and Investment Plan. It is estimated that delivering the 47 NDC measures will require US\$9.3–15.5 billion by 2030 [8]. To support implementation, Ghana also introduced important

governance reforms, such as the establishment of a Climate Finance Division within the Ministry of Finance in 2024, to elevate climate considerations in fiscal decision-making.

Figure 2 illustrates Ghana’s public financial management architecture. For over four decades, the country has worked closely with IFIs – particularly the IMF and World Bank – receiving structural adjustment, budget support, and technical assistance that have significantly shaped its PFM framework. Despite this well-developed system, weak enforcement, fragmented mandates, and the politicisation of public expenditure during elections have at times undermined effectiveness of budgeting frameworks.

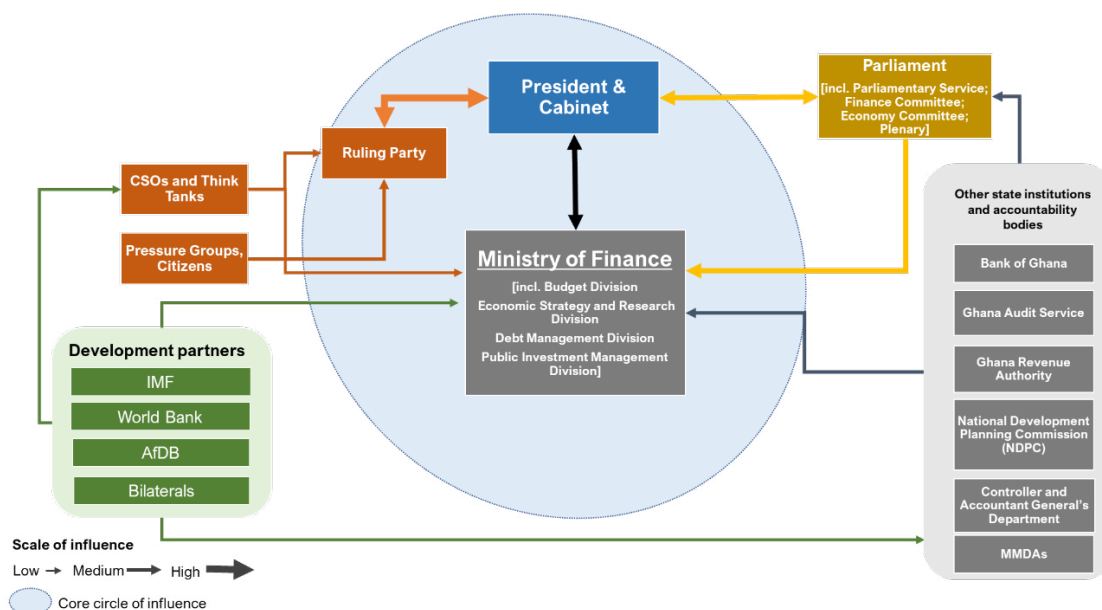
More recently, IFIs have supported efforts to green Ghana’s PFM system through reforms and technical assistance, leading to the establishment of several of the frameworks reviewed in this brief. Yet, several participants noted that donor-backed Green PFM systems, while formally adopted, are not yet fully embedded in routine budgeting practices. They

explain that implementation barriers stem from fragmented institutional coordination, uneven capacity across government agencies, as well as frequent staff rotations within the civil service.

Further, climate action unfolds within a complex macroeconomic situation. Between 2022 and 2024, Ghana experienced high debt levels, severe fiscal challenges, and external shocks, accrued by heavy reliance on primary commodities exports such as gold, oil, and cocoa. In 2023, the IMF approved a US\$3 billion Extended Credit Facility programme to restore macroeconomic stability, placing debt servicing and deficit reduction at the core of the country’s fiscal strategy.

Experts noted that these fiscal constraints tend to shift attention toward macroeconomic stabilisation and deficit reduction, leaving long-term climate-compatible development to compete with pressing social and economic priorities within a narrow fiscal envelope. High debt burdens and limited availability of concessional finance further limit policy space.

Figure 2: Ghana fiscal governance institutional and stakeholder map



Source: Authors’ construct. Note: AfDB = African Development Bank; CSO = Civil Society Organisation; MMDA = Metropolitan, Municipal, and Districts Assemblies

In this context, some stakeholders frame climate action as an “externally driven priority”, rather than an immediate development imperative. In other words, climate lacks political prominence, as noted by this development partner representative: *“The issues of climate change are still nascent and distant... Where there are trade-offs, climate issues are likely to be overlooked”*.

Integration of climate goals across the budget cycle

The budget cycle is central to translating macro strategies into climate action, coordinating key public agencies to integrate climate considerations and identify relevant expenditures. The following sub-sections analyse how Ghana has integrated climate across the key budget steps highlighted in the IMF Green PFM framework, as summarised in **Figure 3**.

1. Strategic fiscal planning

Overall, Ghana’s national development plans clearly recognise climate change as a core development priority [9]. Yet the analysis suggests that this strategic ambition is not consistently anchored in medium-term fiscal planning. As one policy consultant noted, *“[climate] ambitions are often not helmed in by any realistic fiscal plan”*.

Similarly, recent Medium-Term Fiscal Frameworks prepared by the Ministry of Finance acknowledge climate change as a significant issue, but there remains considerable scope to integrate climate considerations more systematically into fiscal targets, macroeconomic projections, and fiscal risk assessments [10].

Participants noted that deeper climate integration is constrained by limited climate-informed diagnostic capacity, tight fiscal space, fragmented coordination, and uneven

political commitment. A senior technical expert involved in energy planning explained: *“Efforts to mainstream climate change into the government development agenda have not been as successful as expected due to limited political commitment; inadequate public financial mechanisms to address climate change as a development challenge; and limited awareness and weak capacity among MDAs [Ministries, Departments, and Agencies] and MMDAs [Metropolitan, Municipal, and Districts Assemblies]”*.

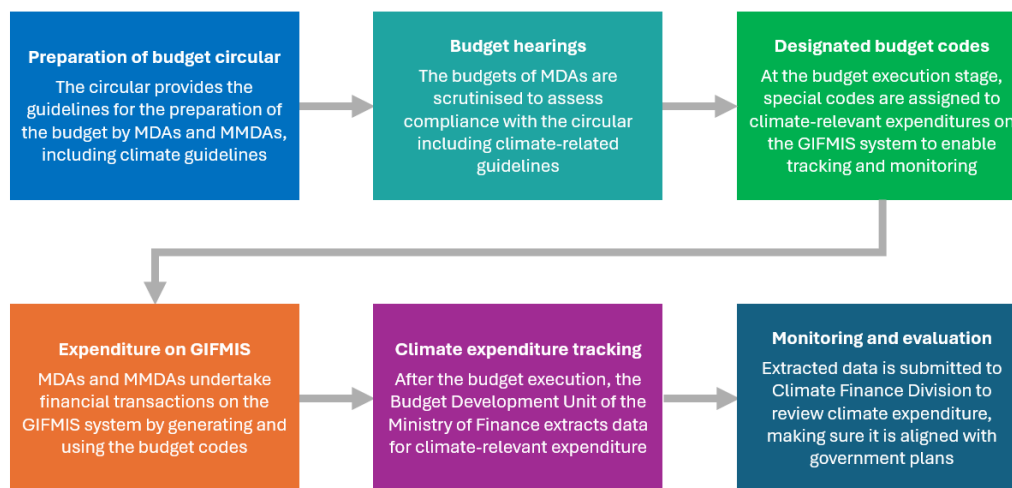
2. Budget preparation

Issued by the Ministry of Finance, the budget circular provides the key technical instructions that ministries, departments, and agencies must follow when preparing their annual budget submissions. It also represents a crucial mechanism for translating strategic climate objectives into annual allocations, providing a formal entry point for integrating NDC priorities into public investment.

However, analysis of Ghana’s budget circulars between 2020 and 2025 shows that, while climate change is referenced and general principles are outlined, the guidance stops short of offering concrete, operational steps that MDAs can follow to embed climate considerations into their annual budgets [11]. This limited specificity and enforceability – combined with weak fiscal anchoring of climate priorities – reduces the circular’s practical impact.

As one senior official observed, *“In practice, MDAs often engage in ‘superficial compliance,’ as climate integration lacks binding legal requirements or meaningful enforcement”*. A senior technical expert involved in energy planning attributed this to a *“not well-coordinated system”*, characterised by overlapping climate plans and frequent staff rotations.

Figure 3: Process for integrating climate change issues in the national budget in Ghana



Source: Authors' Construct based on stakeholder interviews. Note: GIFMIS = Ghana Integrated Financial Management Information System

3. Budget execution

Budget tagging is designed to make climate spending visible and accountable. Through the Ghana Integrated Financial Management Information System (GIFMIS), the Ministry of Finance can, in principle, track which MDAs and other public agencies spend on climate and how. In practice, however, execution falls short. Tagging is not legally mandated, compliance is uneven, and donor-funded projects frequently bypass the system.

As one official noted, off-budget support “results in duplication of expenditure on the same activity” and makes it “difficult to track the full expenditure related to climate change”. A climate-specific tagging tool, CLIMAFINTRACK, was introduced to close this gap, yet stakeholders describe it as underused – another tool that “doesn’t work... unless somebody is going to pay

for it” (policy consultant). Participants noted that fiscal pressures and electoral incentives are often behind the gap between plans and practice, as well as the distorted execution of budget tagging.

4. Control and audit

Ghana’s control and audit framework – led by internal audit units and the Ghana Audit Service – is intended to safeguard transparency and accountability in climate-related spending [12]. In practice, participants noted that its effectiveness is limited by weak integration with GIFMIS, incomplete and delayed expenditure data, and the low prioritisation of climate issues in audit guidelines. Climate-focused audits remain sporadic, and oversight mechanisms are only partially embedded. As a result, labelled climate expenditure can diverge from actual outcomes, reflecting deeper, long-standing accountability challenges in Ghana’s PFM governance system.

Conclusion and Outlook

Ghana has laid important foundations for climate-informed fiscal governance, signalling growing recognition that climate risk is economically and

fiscally material. However, climate objectives are not yet fully embedded in macro-fiscal frameworks, and formal PFM tools operate within

political and institutional constraints that limit their impact.

The core message is clear: climate budgeting is as much a political economy challenge as a technical one. Misaligned incentives, fiscal pressures, fragmented coordination, and weak enforcement – rather than a shortage of instruments – continue to constrain progress.

The priority now is to anchor climate within the fiscal core by integrating climate risk into medium-term fiscal planning, strengthening enforcement of budget rules and tagging, improving data systems, and reinforcing accountability through climate-focused audits. This requires both shifting incentives toward longer-term planning horizons and strengthening coordination and analytical capacity across fiscal institutions.

International alignment is also essential. While IFIs have helped shape Ghana's PFM architecture

and provided support in times of stress, durable progress depends on domestic ownership and predictable long-term climate finance. Paris-aligned debt frameworks, concessional finance, debt-for-climate swaps, and instruments such as the IMF's Resilience and Sustainability Trust can help create fiscal space for resilience-enhancing investment.

Ghana's experience highlights a wider lesson: climate-informed fiscal governance depends less on the proliferation of tools than on institutional and incentive reform. Durable progress will hinge on domestic political commitment and ownership of the climate agenda. Framing climate investment as a driver of resilience, competitiveness, and long-term growth – rather than as merely a compliance obligation – can help justify reallocations within tight budgets. Even incremental reforms can build credibility and momentum, positioning Ghana to future-proof its economy and strengthen its development trajectory.

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