

# Startup Ecosystem Report Accra

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data lab



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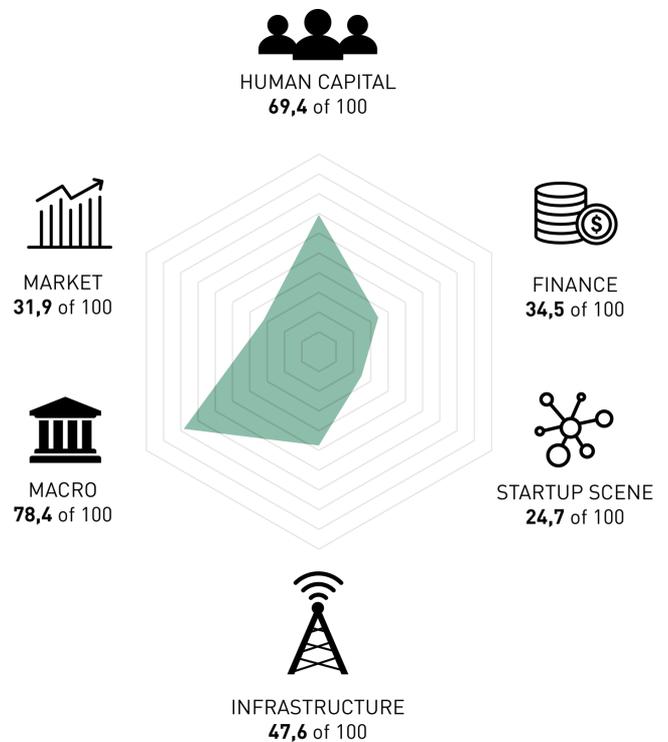
# The Startup Friendliness Index (SFI)

In the field of entrepreneurship, startup ecosystems play an important role. A startup ecosystem is formed by entrepreneurs, startups in their various stages, and numerous other entities such as universities, investors, accelerators, co-working spaces, legal and financial service providers, and government agencies. Through the complex interaction of these players, a startup ecosystem has the capacity to empower entrepreneurs to develop new ideas and bring innovation to the market.

The composition and maturity level of startup ecosystems are essential components of the success rate for entrepreneurs and new enterprises. A good understanding of ecosystem states, strengths, and weaknesses enables specifically-targeted policies, enhances investment decisions, and improves the impact of development cooperation.

The Startup Friendliness Index (SFI) analyses the potential for cities to advance entrepreneurship by measuring six key features (domains) of the startup ecosystem: Human Capital, access to Finance, the liveliness of the Startup Scene, Infrastructure, Macro framework, and Market conditions. Together, these six domains interact to form an urban environment that can champion or hinder entrepreneurship.

## Startup Ecosystem Approach



# Research Design

The SFI analyses data on 80 key indicators within the six domains representing core elements of a startup ecosystem, utilising a novel methodology that reflects the importance of interconnectedness between domains.

The SFI relies on data procured from a combination of primary data, collected through surveys and interviews, and secondary data from established sources such as the World Bank and World Economic Forum.

In terms of primary data-gathering, eight indicators are collected through surveys from entrepreneurs and experts living in the measured cities. In Accra, 93 survey respondents contributed to our research.

Additionally, five interviews with relevant stakeholders in Accra’s startup ecosystem were conducted to complement the information from the surveys and secondary data.

Once gathered, the data are normalised so that the index values can be used to compare the cities in the SFI. The normalised indicator values range from 0 (for a city that has the lowest performance relative to the others) to 100 (for the city that has the best relative performance). Where relevant, normalised scores are adjusted to the population of the city.

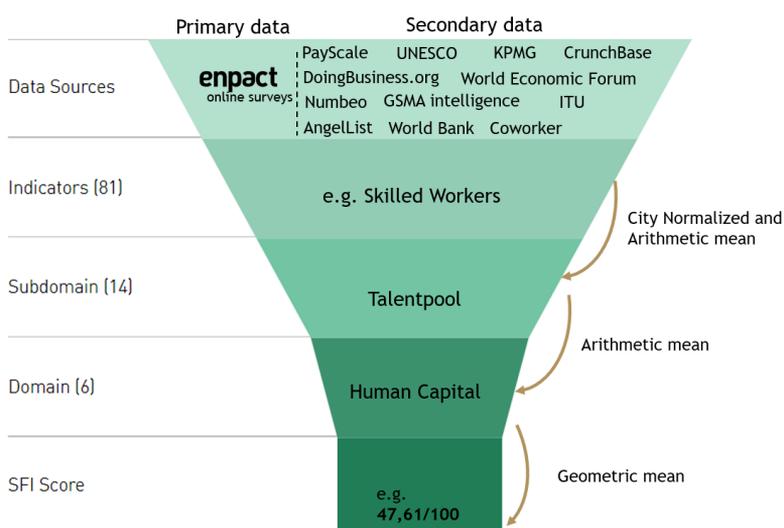
Scores are generated simultaneously and reflect essentially the same point in time for all cities.

As a final step, the data are aggregated. Drawing from best practices in composite indicator-building,<sup>[1]</sup> we utilise a combination of the familiar arithmetic mean as well as the geometric mean, resulting in an index which accurately reflects the importance of balance (having relatively even levels of maturity across all domains) within an ecosystem.

The logic behind this method is simple; imbalances in an ecosystem have a negative impact, because deficiency in even one area may slow or impede entrepreneurship completely. For example, excellent infrastructure is of limited use if there are no funding opportunities available to initiate a new venture. In other words, there are no substitution effects between domains.<sup>[2]</sup>

The final SFI scores can be used both as a tool to compare cities on common indicators, and also offer a structured lens to evaluate areas of strengths and weaknesses within individual cities.

For further methodology details, see: [www.startup-meter.org/methodology/](http://www.startup-meter.org/methodology/)



# Accra | Ghana



Accra is the capital of the Republic of Ghana, located in West Africa. The city population is estimated to be 2.27 million, with a total population in the Greater Accra Region of over 4 million. Approximately 56% of the population are young people under the age of 24. The Ghanaian economy is growing steadily, with nearly 71% of the 2 million residents aged 15 years and older economically active. The country is a politically stable democracy, with a multi-party system and smooth power transitions.

Accra is a rising city in a country that is actively working to improve its entrepreneurial ecosystems. The strength for the city is human capital, while access to finance and a budding startup scene are areas for future growth.

# Executive Summary

Accra's startup ecosystem is developing rapidly. At the moment, the city ranks eighth in the Middle East and Africa Startup Friendliness Index (MEA SFI) out of 16 cities assessed in the region.

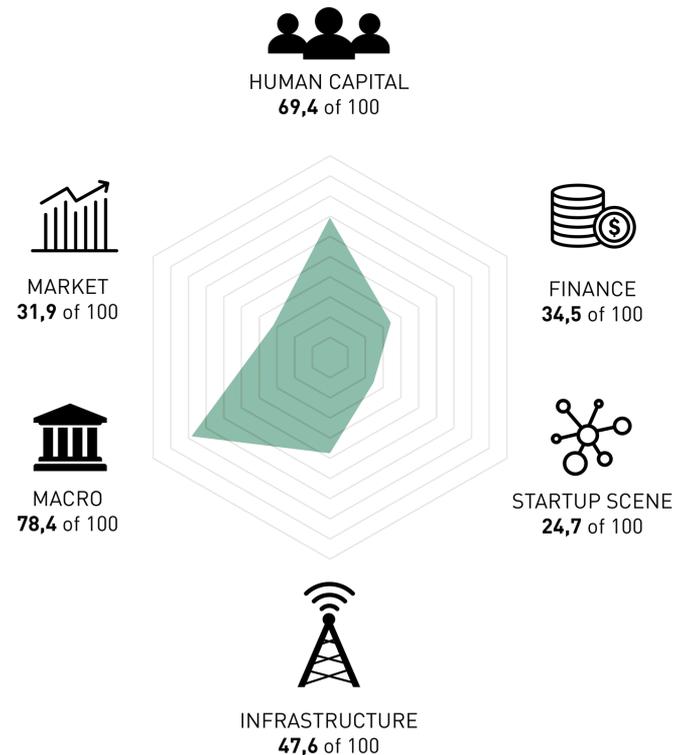
SFI Score:

**43,84** out of 100,00

Startup Friendliness Index scores are determined by examining 80 indicators in six domains: Human Capital, access to Finance, the liveliness of the Startup Scene, Infrastructure quality, Macro framework (describing the political and legal system), and Market conditions (such as trade balance and capacity utilisation). Cities with relatively even scores across domains receive a higher overall score than a city with strong performance in one area, and weak performance in another. SFI scores range from 0 to 100, with a score of 0 for the city with the weakest performance, to 100 for the strongest.

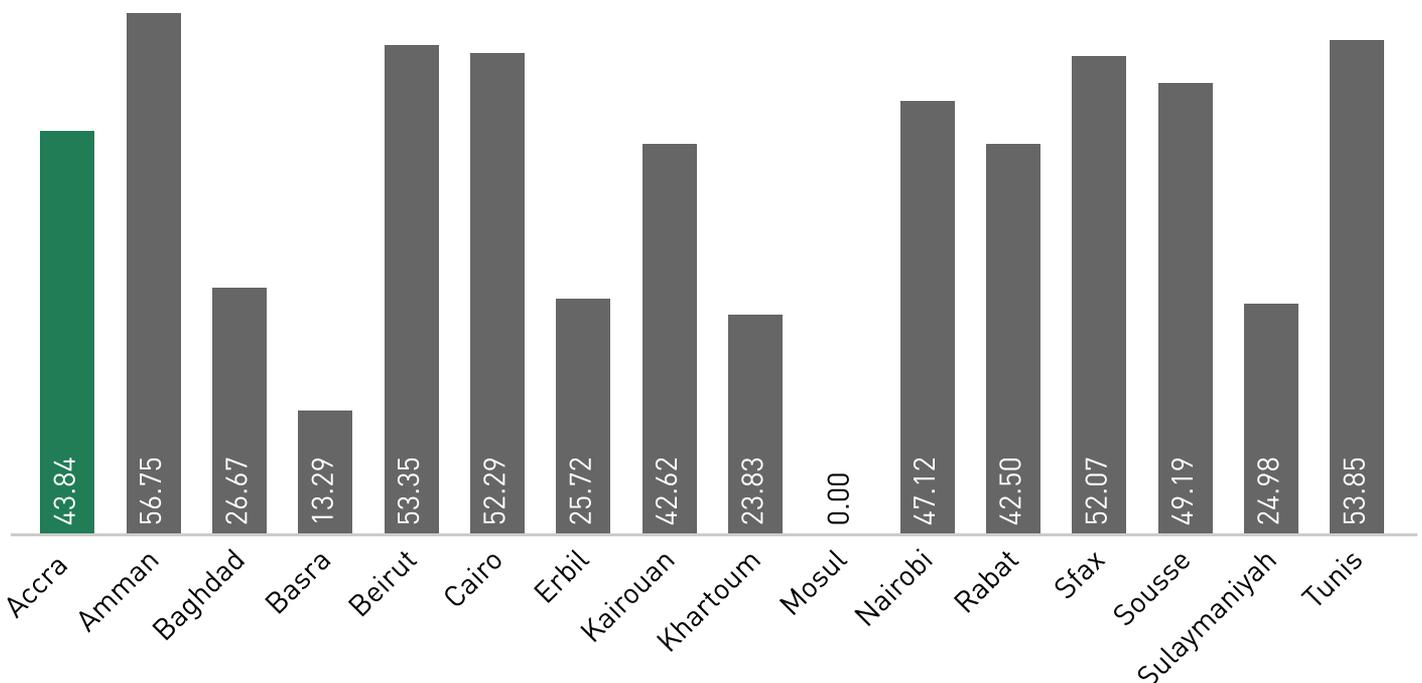
The startup scene in Accra is still developing, and the Ghanaian government has prioritised the rapid development of the ecosystem through the National Entrepreneurship and Innovation Plan (NEIP). Growing interest in startups in the city has manifested in a proliferation of institutionalised resources such as incubators and accelerators, and a surge in the number of startups overall.

## Accra's Startup Ecosystem



The relative strength of Accra’s ecosystem is its Human Capital, due to high levels of female participation, affordable labour, and few overly-restrictive labour regulations, though there is a need to continue up-skilling people for modern professions. Accra also performs well on the Macro domain, given that Ghana is a stable state with high level of democracy, though challenges are visible in the legal framework of the country due to slow bureaucracy, and few options to resolve insolvency. Finance is one of the weakest domains for the city due to low levels of access to all financing options. Infrastructure is also a struggle, with the main challenges found in the cost and quality of utilities. Finally, Market conditions remain an area for improvement, particularly regarding low GDP per capita and slow economic growth relative to the region.

Based on findings from the Startup Friendliness Index, this report concludes with a series of ecosystem development recommendations to support the continued growth of the startup ecosystem.

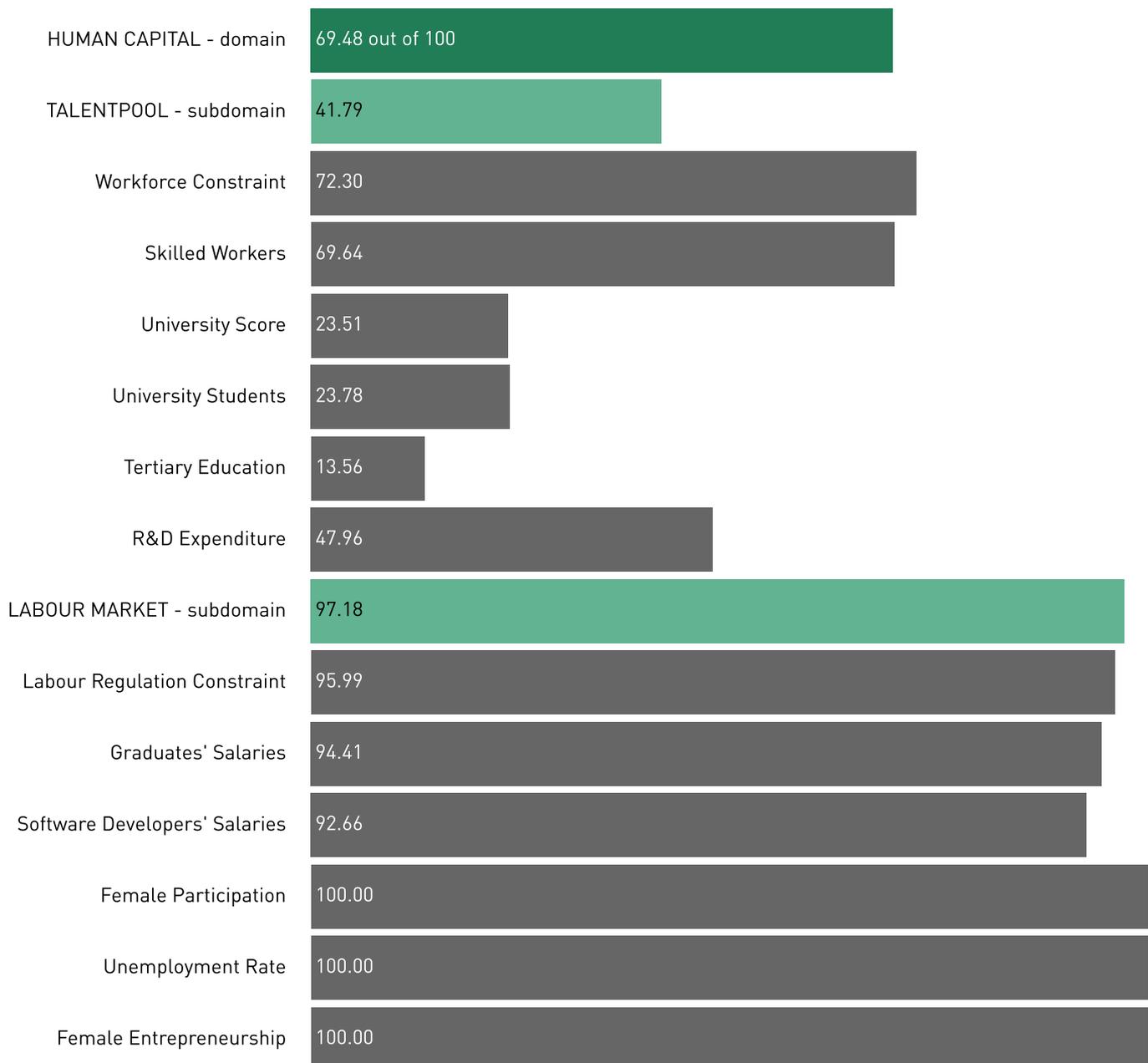


# Startup Friendliness Index Accra

DOMAINS AND INDICATORS

# 1. Human Capital

Accra's Human Capital domain has a strong outlook. Compared to the other cities in the MEA SFI, Accra scores the highest (with a score of 69,48 out of 100). Its strength comes primarily from its favourable score on the Labour Market subdomain, since it faces some challenges in the Talentpool subdomain.



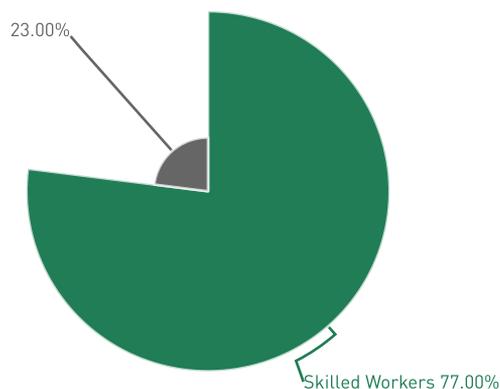
SFI Scores relative to the MEA region. Scores range from 0 - 100

# Talentpool

## Subdomain of Human Capital

Accra scores 41,79 and ranks 10th in the Middle East and Africa SFI on the Talentpool subdomain, which discusses the availability of educational resources, and whether those in the workforce have the necessary skills to meaningfully contribute to modern startup ventures. In this subdomain, access to modern education and practical skills is the main challenge.

While there are well-respected universities in Ghana, the total score for Universities remains low, at 23,51. Similarly, the number of university students and individuals enrolled in tertiary education are low relative to Africa and the Middle East. For those that are enrolled, they can face challenges finding educational programmes with the curriculum to adequately prepare them for a modern workforce.



On a country level, 77% of Ghanaians are classified as skilled workers, and 19% of firms identify an inadequately educated workforce as a major constraint to doing business, approximately in line with the average in the region.

However, interviews with entrepreneurs in Accra identify that it is challenging to find employees who are adequately prepared to contribute to a startup venture, perhaps due to a deficit in the specific skill sets needed to excel in an urban and innovative environment. They point to the education in university focusing on more traditional academic subjects while neglecting a practical, skills-focused approach.

There is a lack of “ability of graduates to analyse data/situations and propose solutions, leadership and innovation, [and] technical skills.”<sup>[3]</sup>

Previous research points to a mismatch between highly skilled workers needed by firms, and their availability in the labour market. This has been related to inadequate tertiary education, and a lack of effective policies that can tackle the quality of education at a higher level.<sup>[3]</sup>

The mismatch is a core problem of the tertiary education policies that are not preparing workers with the necessary tools to meet firms’ expectations. As a result, startups are carrying the task of training their employees in order to be fit for the job, which directly affects the productivity and further development of the ecosystem.

# Labour Market

## Subdomain of Human Capital

The Labour Market subdomain is more promising. This subdomain measures the systemic factors that impact entrepreneurs in their ability to find and retain the best employees, such as salary information, the unemployment rate, the extent to which regulation is a hindrance for business, and female participation in the economy and startups. Accra scores 97,18 and ranks first in the Middle East and Africa SFI due to high female participation, limited friction from labour regulation, and affordable labour.

The salary indicators in this subdomain are weighted from the perspective of an employer who may be seeking to start a new venture and struggling to afford high wages. A benefit for employers in Accra is the fact that labour is available at an affordable wage, averaging around \$220 a month. The salaries for developers are higher at around \$570 a month. This is within the context of a city with a high cost of living for the region.



**\$ 220**

Monthly wage of a recent graduate



**\$ 570**

Monthly wage of a mid-level developer

Female involvement in the workforce is incredibly high, with over 64% of women over 15 years old participating in the labour force. This is the highest of all the countries in the Middle East and Africa SFI by a significant margin.

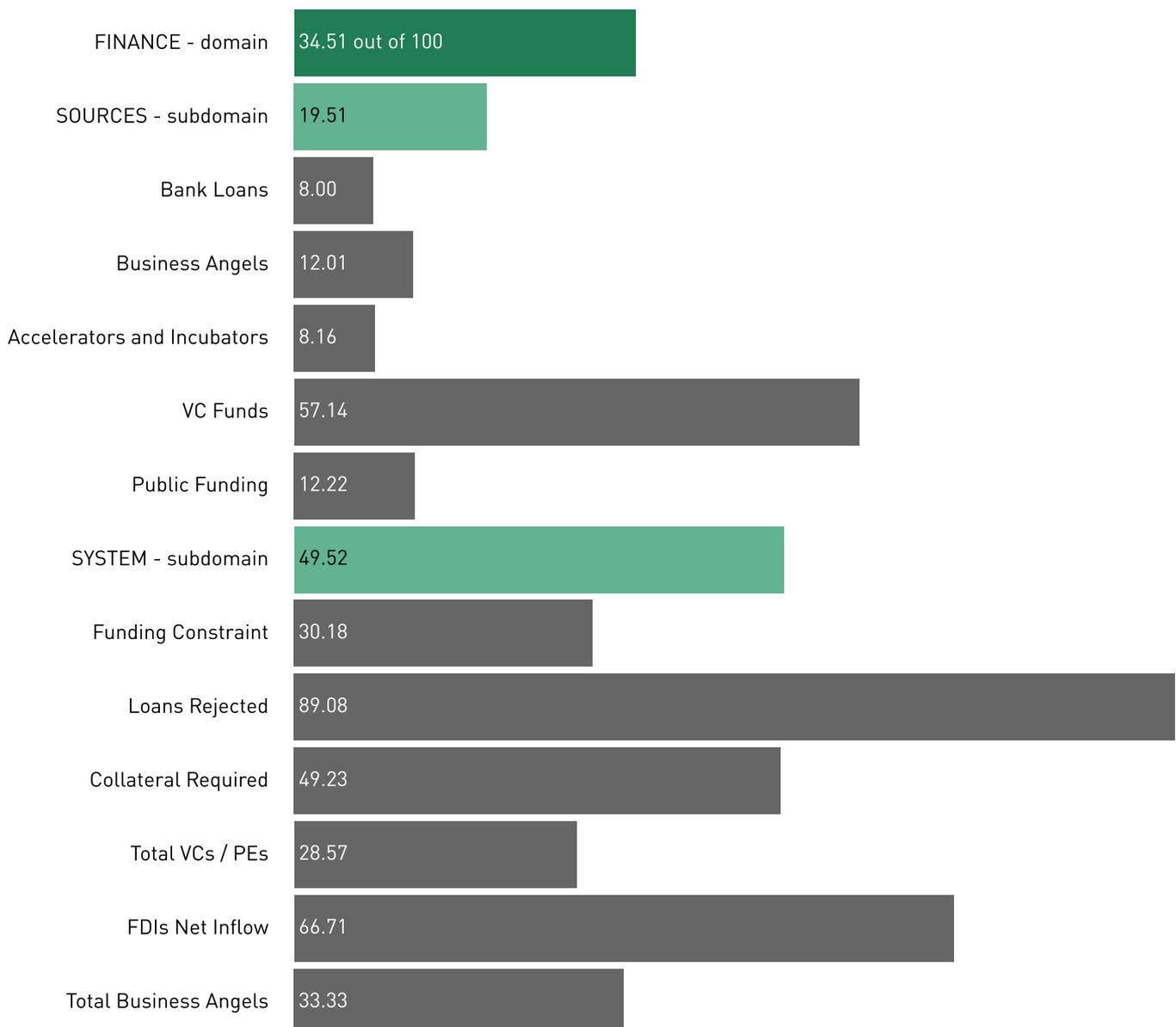
Interestingly, the rate of female entrepreneurship is much lower, though with 13,6% of firms majority women-owned (as of 2013), the city still outpaces all other measured cities in the region. This is likely due to the relationship between female labour force participation and economic development; countries with lower levels of economic development tend to have high rates of women in the labour force, though they are often primarily involved in the economy at a subsistence level.<sup>[4]</sup>

Overall, unemployment in Accra is present but not a critical area for concern relative to the region. Accra's unemployment rate is at 7% and ranks first in the Middle East and Africa SFI as the best performer in terms of managing unemployment.

Very few firms, 3%, identify labour regulations as a major constraint to doing business. This points to the success of Ghana's business-friendly regulations.

## 2. Finance

Access to finance is consistently cited as one of the main challenges for entrepreneurs in Accra. With a total score in the domain of just 34,51, Accra ranks 10th of 16 in the Middle East and Africa SFI. Finance is Accra's weakest domain, with significant barriers across all areas of both subdomains, though the System subdomain has some points of optimism.



SFI Scores relative to the MEA region. Scores range from 0 - 100

# Sources

## Subdomain of Finance

In the Sources subdomain, the SFI measures the accessibility of five potential funding sources: Bank Loans, Public Funding, Accelerators/Incubators, Venture Capital, and Business Angels (individual angel investors).

Overall, few options exist for entrepreneurs to access financing from any of the above sources. Because of this, Accra scores just 19,51 in the Sources subdomain, ranking third from the bottom.



External funding is  
challenging for  
entrepreneurs in  
Accra.

The availability of funding from external sources is measured through survey data, and indexed values from 1-5 are calculated based on how entrepreneurs rank the availability of each source. In Accra, all external funding sources scored 2 or below, signalling the challenges faced.

Some opportunities for public financing exist, though the score is low at 1,3. According to the National Entrepreneurship and Innovation Plan (NEIP), one module is in place to fund SMEs and startups, with the goal of providing growth opportunities for about 20.000 SMEs and startups within the next four years, though the eventual impact will be determined as the programme is actualised.<sup>[5]</sup>

Accra scores the highest on the Venture Capital funding indicator at 2,12, which positions the city fourth in the Middle East and Africa SFI. However, it is still not sufficient to support the needs of the ecosystem.

Richard Brandt, the founder of an education startup that teaches tech skills to young people, described access to funding from Venture Capital and Business Angels, saying,

”

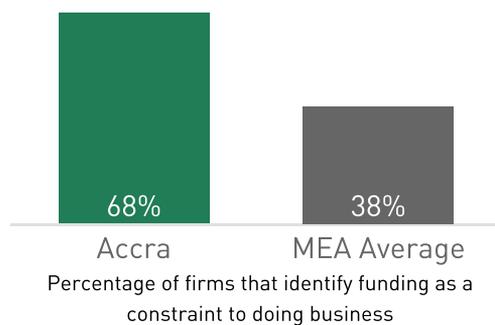
**It is not easy. The reason is simple: we don't have a lot of locals who are funding startups in the ecosystem. Most of the funding announcements you hear about are mostly foreign players. There aren't enough big success stories to motivate local people to invest.**

# System

## Subdomain of Finance

Accra faces fewer challenges in the System subdomain, scoring 49,52 and ranking sixth of 16 in the Middle East and Africa SFI. This subdomain discusses the overarching factors that affect the funding environment.

The challenges in this subdomain are illustrated by Accra's score on the indicator Funding Constraint: A sizeable portion of firms, 68%, identify access to funding as a major constraint to doing business. This is well above the regional SFI average of 38%.



One contributor is high barriers to accessing loans, particularly due to collateral requirements. Over 80% of loan options require collateral, which may eliminate many from being able to access them. Of the loans available to apply for, a significant percentage (10%) are rejected.

Interviews with entrepreneurs in Accra revealed the extent to which this impacts new businesses. Kenneth Aknu described how he started his textiles e-commerce company, relying on an initial investment from a friend, "Credit is really tough in Africa because of high interest rates. Many companies are struggling and there are no policies to support startups, so funding is difficult. Family and friends are most often [the only source of funding]."

Unfortunately, the outlook indicates that credit growth will continue to be slow as a reaction to imperfect monetary policy in the country due to weaknesses in the banking sector, including the rise of non-performing loans from 2017. It is likely slower credit growth will continue for some time as banks remain reluctant to extend new credit while they combat the effects of prior non-performing loans and correct their balance sheets.<sup>[6]</sup> Until then, most entrepreneurs will continue to need to rely on private funding sources.

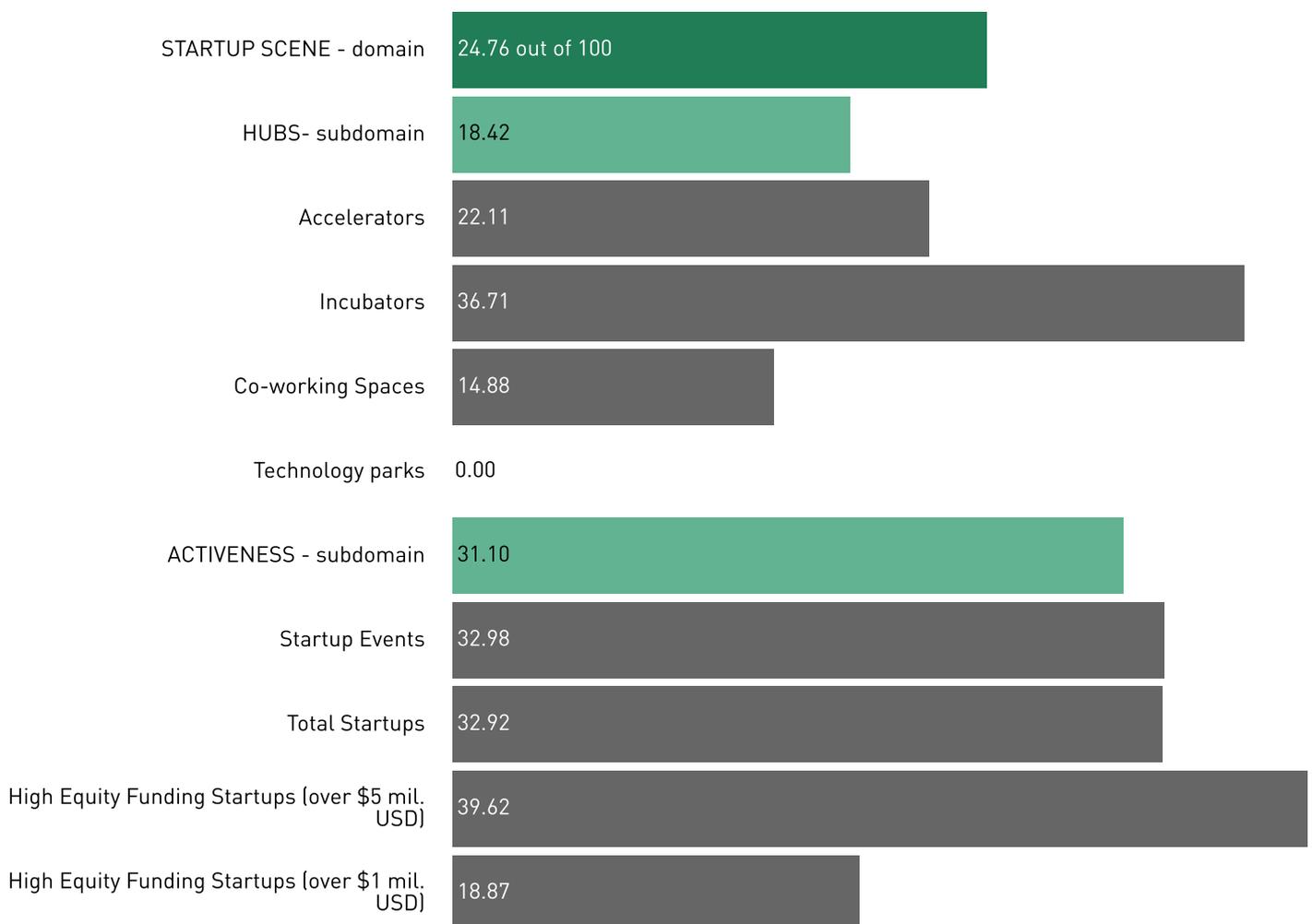
Foreign direct investment net inflow is also low, totalling approximately \$3,25 billion a year. This is significantly higher than the regional average that stands at around one billion a year.

Brian Dzansi pointed out that access to funding is particularly difficult at the critical initial stages of development: "Financing is a problem, especially for those who are at an early stage. It is hard to prototype your idea or test your market, [since] there is very limited funding for that...if you already have a lot of clients and you are making money, and you want to scale up, there is some money for that. [This] is making everything slow, because you have to bootstrap."

Many respondents pointed out that the startup scene is growing, and that accelerators and incubators are becoming more common, which may provide further funding opportunities in the future.

## 3. Startup Scene

The Startup Scene in Accra is still developing. Accra scores just 24,76, approximately in the middle of the regional SFI. This domain is composed of two subdomains, Hubs and Activeness, with Activeness performing slightly better. The Ghanaian government has specifically prioritised development of resources for startups in the last few years, and the startup scene is developing rapidly.



SFI Scores relative to the MEA region. Scores range from 0 - 100

# Hubs

## Subdomain of Startup Scene

The first subdomain related to Startup Scene is Hubs, which measures the availability of institutional capacities such as accelerators and co-working spaces. Accra scores 18,42, and ranks sixth of 16 Middle East and Africa SFI cities.

Accra currently has very few accelerators and incubators, though it scores decently relative to the regional average, with some (such as MEST and iSpace) providing a high-quality environment that supports top-tier budding entrepreneurs.

One goal of the National Entrepreneurship and Innovation Plan (NEIP) is to improve access to both resources. It aims to subsidise workspaces for young entrepreneurs through a partnership with private sector investors, creating business incubator hubs and industrial parks. Incubation hubs and key stakeholders, including private sector actors with an interest in the startup scene, are part of the partnership on this plan. The NEIP's intention is to set up 10 incubator hubs across the country through public-private partnerships. These incubator hubs and accelerators will facilitate co-working and office spaces, with minimal fees.

This is sorely needed, as access to affordable workspace is consistently highlighted as a struggle by entrepreneurs in Accra. The number of co-working spaces is only around 15 seats per 100 thousand people, suggests that there are not enough spaces for

According to local entrepreneur Kenneth Aknu, "accommodation is scarce. We don't have a lot of infrastructure property, so there is more demand than supply." This has led to a situation in which property owners are able to ask for a significant amount up front - even as much as five years worth of rent in a single payment.

This was the case for Richard Brandt, who owns a startup that teaches tech skills. When asked about the rent prices in Accra, he says,

”

**The [rent prices] are very bad. I want to set up a new school [but] I have to pay for five years at once in advance. It means I have to give all of my capital, so how am I going to run my business?**

It should be noted that this practice is technically illegal in Ghana, per the 1963 Rent Act, which expressly forbids demanding more than six-months' rent in advance. However, this law is not enforced, and is consistently violated.<sup>[7]</sup>

For this reason, many new companies operate out of one of the few incubators or co-working spaces. Even at these locations, monthly rent is highlighted as a financial burden, and spaces are often overcrowded. Indeed, Accra scores low on the Co-Working Space indicator (14,88, ranking at position 10 of 16 cities in the regional SFI).

# Activeness

## Subdomain of Startup Scene

Despite the challenge of finding a workspace, the startup scene is growing. The Activeness subdomain covers indicators related to events, number of startups, and if there are high-equity cases. Accra scores 31,10 on this subdomain, and ranks seventh of 16 regional SFI cities.

Though there are still a relatively low number of startups, the community network appears to be growing, with every entrepreneur interviewed citing knowing at least a couple dozen other founders. There are approximately nine events per month, just about in line with the average for African SFI cities.

Nansi Ewurum is a relative newcomer to the Accra startup scene, and describes how, “People are becoming more aware of the startup scene, it’s becoming more visible, and they’re starting to understand how beneficial it is for the economy.”

The NEIP plans to continue supporting and encouraging entrepreneurship by providing business development seminars with advisory services, opportunities to increase the networking among young entrepreneurs in Accra and other cities of Ghana, and mentoring programmes.

Despite these ongoing efforts, as yet there are few high-equity success cases in Accra (10 over \$1,000,000 USD). Of course, given the economic differences, it is important to acknowledge that many startups are still performing very well given the context of a middle-income country.

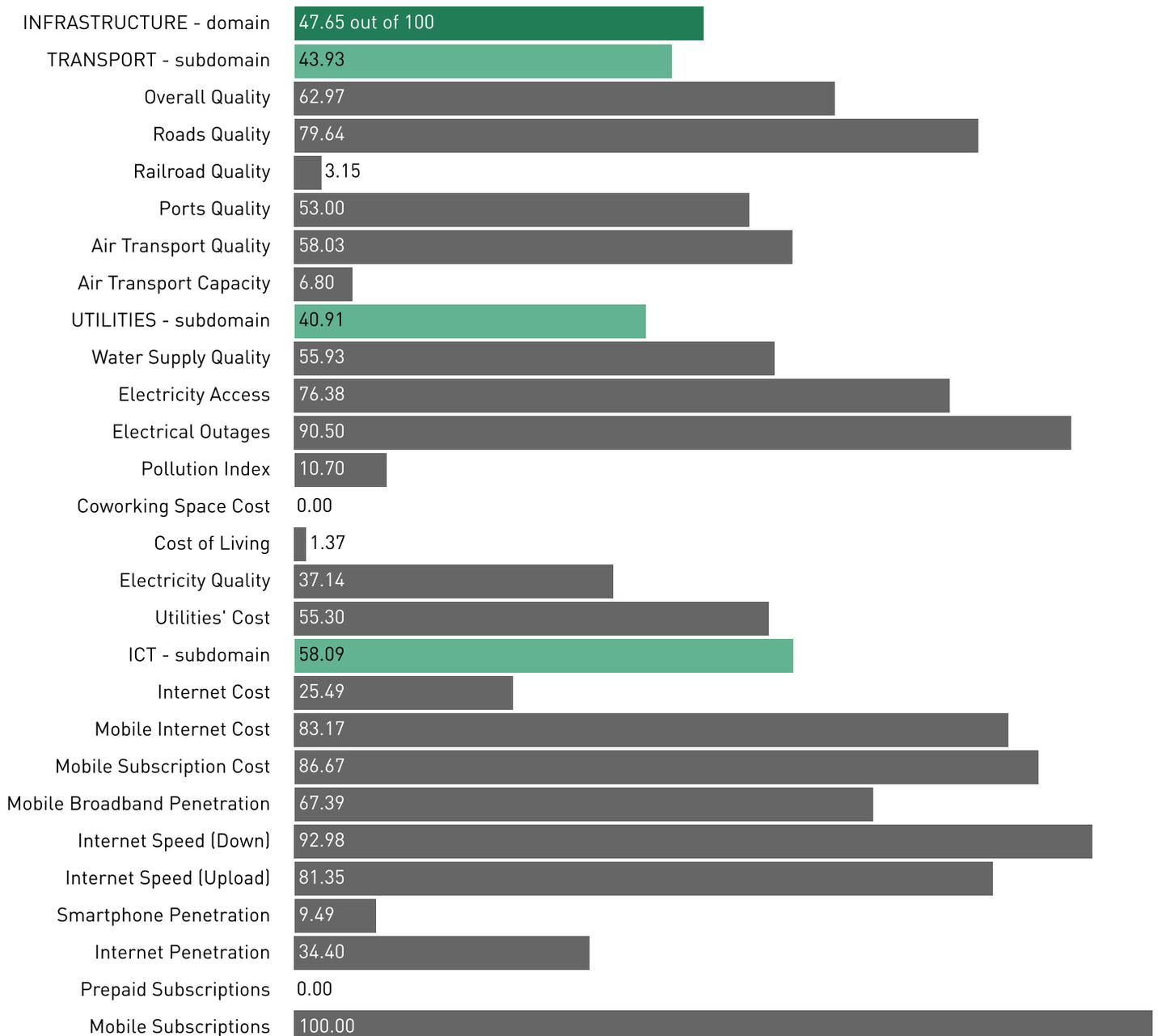
In general, the need for greater networking has been identified as an area where opportunities exist. For example, entrepreneurs could benefit from networking with those within their industry, supply chain, or close community, whether in the form of mentoring or collaborating on fundraising or partnership-building. Additionally, networking with those in similar roles in other industries may provide opportunities for learning.



It is important for networking to be framed in a non-competitive environment, given that fear of competition is currently an impediment to developing an environment that is conducive to knowledge-sharing.

## 4. Infrastructure

Accra's infrastructure scores relatively poorly in the SFI with a score of 47,65 out of 100, ranking at position 10 of 16 in the Middle East and Africa SFI. This domain is measured through three subdomains: Transport, Utilities, and ICT. Among these subdomains, ICT fares the best, though there are some challenging areas in each domain.



SFI Scores relative to the MEA region. Scores range from 0 - 100

# Transport

## Subdomain of Infrastructure

Infrastructure development has been identified as a key priority for the Ghanaian government, to be improved by mobilising public financing, public private partnerships, and co-financing. Non-governmental funding sources will be necessary to bridge the gap, since infrastructure financing is restricted by the effects of fiscal consolidation under the IMF's ECF programme.<sup>[8]</sup>

In terms of the Transport subdomain, the city scores 43,93, ranking at position nine. The Transport subdomain considers the quality of transportation including roads, railroads, ports, and air transport. Given the national nature of much transit infrastructure and data limitations, this subdomain is entirely measured from a country-level perspective.

The Overall Quality of Infrastructure indicator in the country scores 62,97, with a higher score of 79,64 for the Quality of Roads.

Railroad Quality is one of the lowest scoring indicators for this subdomain. At 3,15 out of 100 it is underdeveloped, operating over less than 1.000 km and handling less than 2% of freight and passenger traffic in the country. Port Quality is slightly better with a score of 53,00, and is actively being improved - specifically by the ongoing Takoradi Port Expansion project.

Air Transportation Quality scores 58,03, though Air Transportation Capacity is a weak area for the country with a score of 6,80. Ghana has only one international airport, Kotoka in Accra, and four smaller domestic airports. Recently the international airport was expanded to include a new terminal, and efforts are underway to rehabilitate other airports in the country.<sup>[8]</sup>



Poor road quality and lack of efficient public transportation options has led to a traffic problem for Accra, which severely impacts business in the form of delays and inconveniences for workers.

# Utilities

## Subdomain of Infrastructure

The Utilities subdomain is a challenge for the city, ranking 14th of 16 in the Middle East and Africa SFI. This subdomain considers quality indicators for electricity and water supply, access to electricity and how common outages are, pollution, and costs associated with co-working spaces, general living expenses, and utilities. In Accra, the Pollution Index and Electrical Quality indicators show major difficulties.

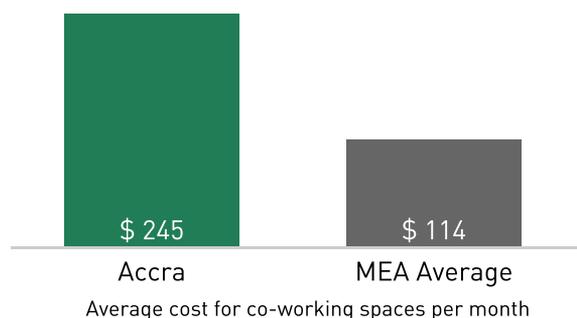
The Water Supply Quality indicator captures data on the number of water supply shortages in a given month. Accra experiences 2,6 shortages per month on average, about twice the average for the region. Ghana has made significant strides in recent years to address access to safe water, though there are still improvements to be made. Water supply in Accra has been impacted by rapid urbanisation and population growth, as well as the effects of climate change, and a significant portion of the population is still consistently unable to access safe sources of water.<sup>[9]</sup>

Electricity Access also has room for improvement, though it fares better than many other indicators in this subdomain. With a score of 76,38, the city is positioned in the bottom half of the regional SFI. The city experiences over eight electrical outages on average per month, and the process of getting access to an electrical connection in the first place is slow: over 40 days from the time of application. Even once an electrical connection has been established, and in times with no outages, the quality of the connection is often poor.

Pollution is a major problem for Accra, with one of the lowest scores in the index. In 2016, Accra was ranked as the most polluted city on Earth,<sup>[10]</sup> largely as a result of rapid urbanisation, traffic, and population growth, with huge public health consequences; the World Health Organization estimates over 28,000 Ghanaians died prematurely in 2016 as a result of exposure to air pollution.

In interviews with entrepreneurs in Accra, infrastructure was generally identified as an area that was continuing to develop and improve. For some, particularly those in e-commerce, poor infrastructure is an active impediment to their success. Across the board, however, high costs for utilities, and a high cost of living generally, was discussed as a major difficulty for entrepreneurs in the city.

According to the World Bank, “Compared with countries at comparable income levels, the prices of goods and services consumed by households in urban Africa are around 30% higher.”<sup>[11]</sup> In particular, food, housing rent, and transportation prices are comparable higher. Additionally, Accra is even more expensive than other cities in the area in terms of cost of living, with an average of \$1858 USD per month.<sup>[12]</sup> Also the cost for co-working spaces is high, with an average of \$245 USD per month.



# ICT

## Subdomain of Infrastructure

Accra scores 58,08, ranking sixth of 16 in the regional SFI in terms of the final subdomain, ICT, which measures the availability, quality, and affordability of internet and mobile connections.

In particular, high costs for internet were mentioned by every interviewee as a problem. The price for mobile internet is about \$1,54 per GB, a significant hurdle for many entrepreneurs. Internet quality varies but is generally stable, and upgrading to faster speeds comes with a large price tag. Internet penetration generally is low, with about 38% of people in the country having access to the internet, though this number is higher in Accra, and continuing to grow.

The percentage of adults who own a smartphone in Ghana grew from 15% to 35% from 2013 to 2017.<sup>[12]</sup>



**38%**

Percentage of the total population with access to internet



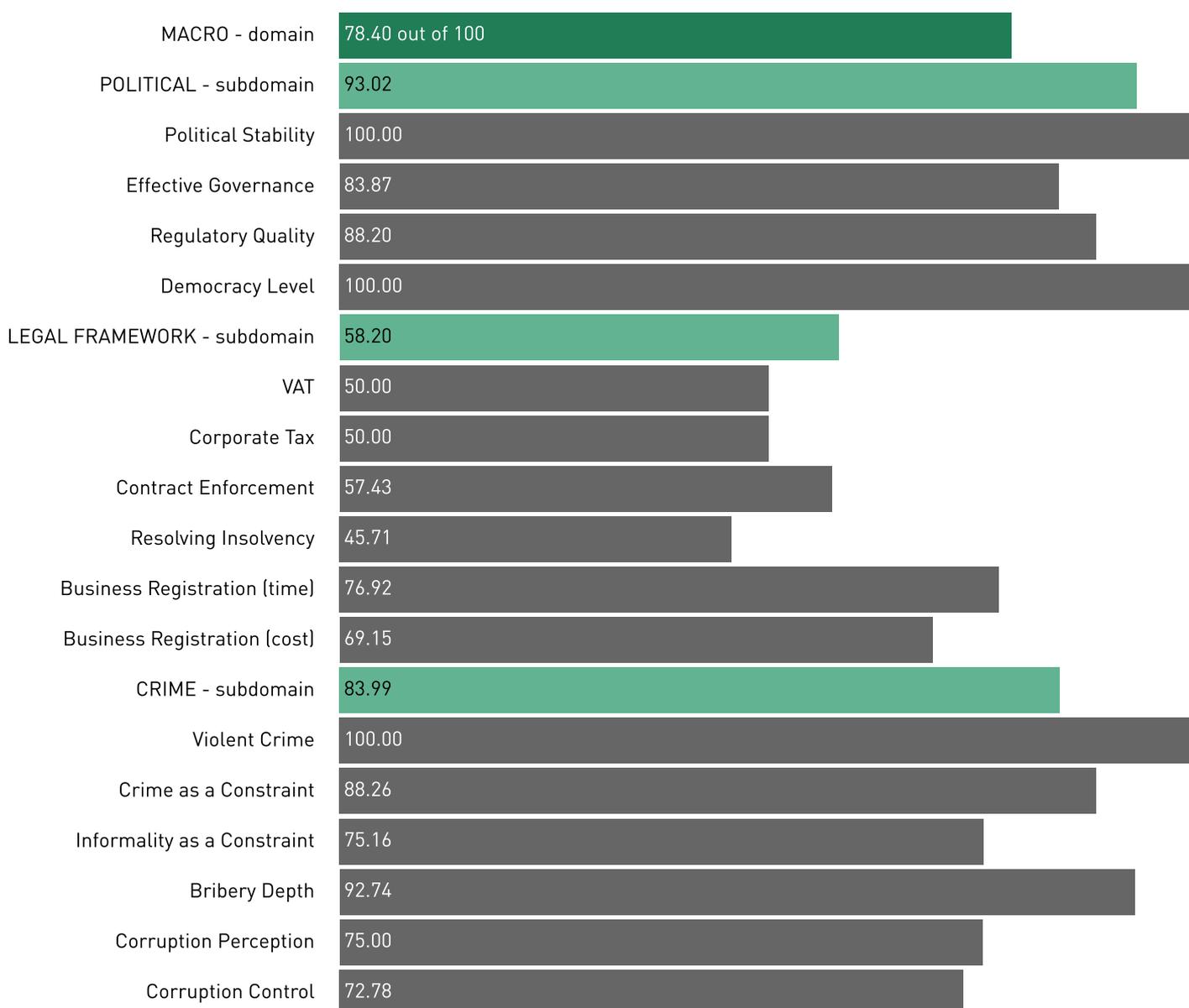
**\$54 USD**

Average cost of internet on a monthly basis

Smartphone penetration has experienced rapid growth in Ghana. While the number of individuals with smartphones is low country-wide, in Accra nearly every individual has at least one smartphone, with interviewees pointing out that many individuals may even have more than one. The last report from Pew Research Center shows that Ghanaians are using more smartphones than basic phones.

## 5. Macro

The Macro domain is an area of strength for Accra, with the city scoring 78,40 and ranking third of 16 in the Middle East and Africa SFI. This is primarily due to high scores in the Political subdomain due to the political stability and high democracy level of the country. Crime is generally manageable. The Legal Framework is the most challenging of the subdomains due to slow bureaucracy, high taxes, and few options for resolving insolvency.



SFI Scores relative to the MEA region. Scores range from 0 - 100

# Political

## Subdomain of Macro

In terms of the Political subdomain, the city ranks first in the regional SFI, scoring 93,02. This subdomain is measured on a country level, and considers measures of political stability, inclusiveness, and governance quality.

Ghana scores very well on measures of Democracy Level, which accounts for electoral process and pluralism, civil liberties, and political participation, and Political Stability. Accra's success in terms of political stability may be due to Ghana's strong multi-party system, solid separation of powers, and smooth power transitions between democratic elections.



Since its transition to a multi-party democracy in 1992, Ghana has become known as one of the most politically stable countries in Africa.

In terms of good governance, Ghana was ranked the second freest country in Africa according to the Freedom House Index 2018, and performed better in democratic governance in comparison to other West African countries in the Bertelsmann Transformation Index 2018.<sup>[8]</sup>

Regulatory Quality in Accra scores 88,20, ranking second in the regional SFI. This indicator captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Measures of Government Effectiveness come in a bit lower, ranking at position seven. This indicator captures perceptions of the quality of public services, the quality of the civil service and the degree of their independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Ghana's stable political position has also benefited the startup scene in Accra directly, due to being perceived as a safe emerging market to test new ideas before scaling up to the larger markets of Kenya, Nigeria, or South Africa.

# Legal Framework

## Subdomain of Macro

With regard to the Legal Framework subdomain, Accra faces more challenging circumstances, though still fares fairly well relative to the other cities in the regional SFI, ranking eighth. This subdomain considers aspects such as VAT, Corporate Tax, Contract Enforcement, Resolving Insolvency, and Business Registration time and cost on a country level.

The indicators of both Business Registration Time and Cost are notable. In Accra, the process to register a new business typically takes 14 days, a bit below the average in the region. A much larger constraint is the cost, which requires fees totalling nearly 16% out of annual income per capita, a potentially significant hurdle.

Taxation levels may also present challenges. With a corporate tax rate of 25%, Accra scores slightly above the regional average of 22%. VAT performs more favourably, with a VAT of 15% about in line with the regional average.

The Ghanaian government has recently begun taking active measures to improve the tax situation in the country, specifically adjusting tax policy to support entrepreneurship. Under the National Entrepreneurship and Innovation Plan (NEIP), small and medium-sized businesses are granted a tax holiday for the first three years, and entrepreneurs under 35-years-old are not taxed for three to five years, depending on the number of people they employ, with lower tax rates after the initial holiday is complete.<sup>[13]</sup>

Also within the Legal Framework subdomain, Accra's Contract Enforcement indicator scores 57,43, ranking seventh of 16 cities assessed. This is critical, because faith in contract enforcement is a fundamental necessary baseline for effective business operations.

Resolving Insolvency is the weakest indicator within the Legal Framework subdomain, positioning the city among the least favourable positions in the SFI, only above Iraqi cities. However, in recent years a bill has been under consideration in the country to amend the existing bankruptcy legislation, in an effort to improve the speed and quality of access to options for those facing insolvency.<sup>[15]</sup>



The National Entrepreneurship and Innovation Plan (NEIP) establishes a legal framework including tax incentives for small and medium-sized businesses.

# Crime

## Subdomain of Macro

Accra scores relatively well on the subdomain of Crime, ranking fourth in the regional SFI. This subdomain measures violent crime, corruption, and informality. No indicator in this subdomain is particularly challenging for the city.

Approximately 8% of firms identify crime, theft, or disorder as constraints to doing business, less than half the average among the regional SFI.

Measures the likelihood of Violent Crime are average for the region.

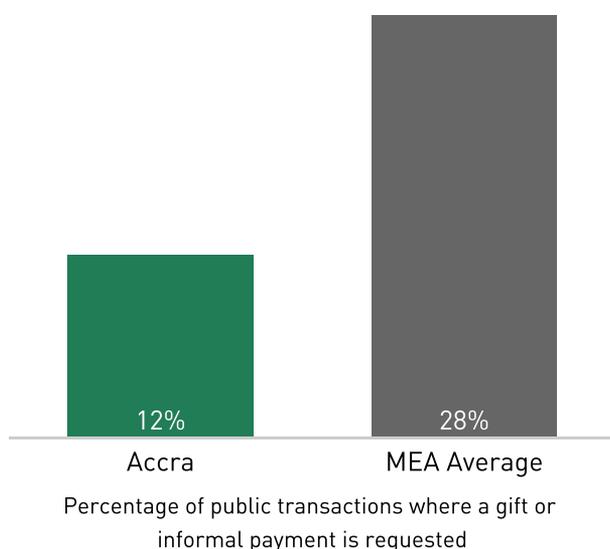
Informality, or economic activity that is outside of government taxation and monitoring, is a larger issue in Accra. Approximately 29% of firms identify practices of competitors in the informal sector as a major constraint to their business, in line with other regional cities.

In terms of bribery and corruption, Accra ranks fifth on the Bribery Depth indicator, with firms estimating that nearly 12% of public transactions involved the request of a gift or informal payment. In interviews with entrepreneurs, the practice of requiring bribes to register a new business was identified as a barrier that discourages individuals from starting new ventures.

On the indicators of Corruption Perception and Corruption Control Accra scores favourably, ranking sixth in both cases. In the words of local Accra entrepreneur Richard Brandt:

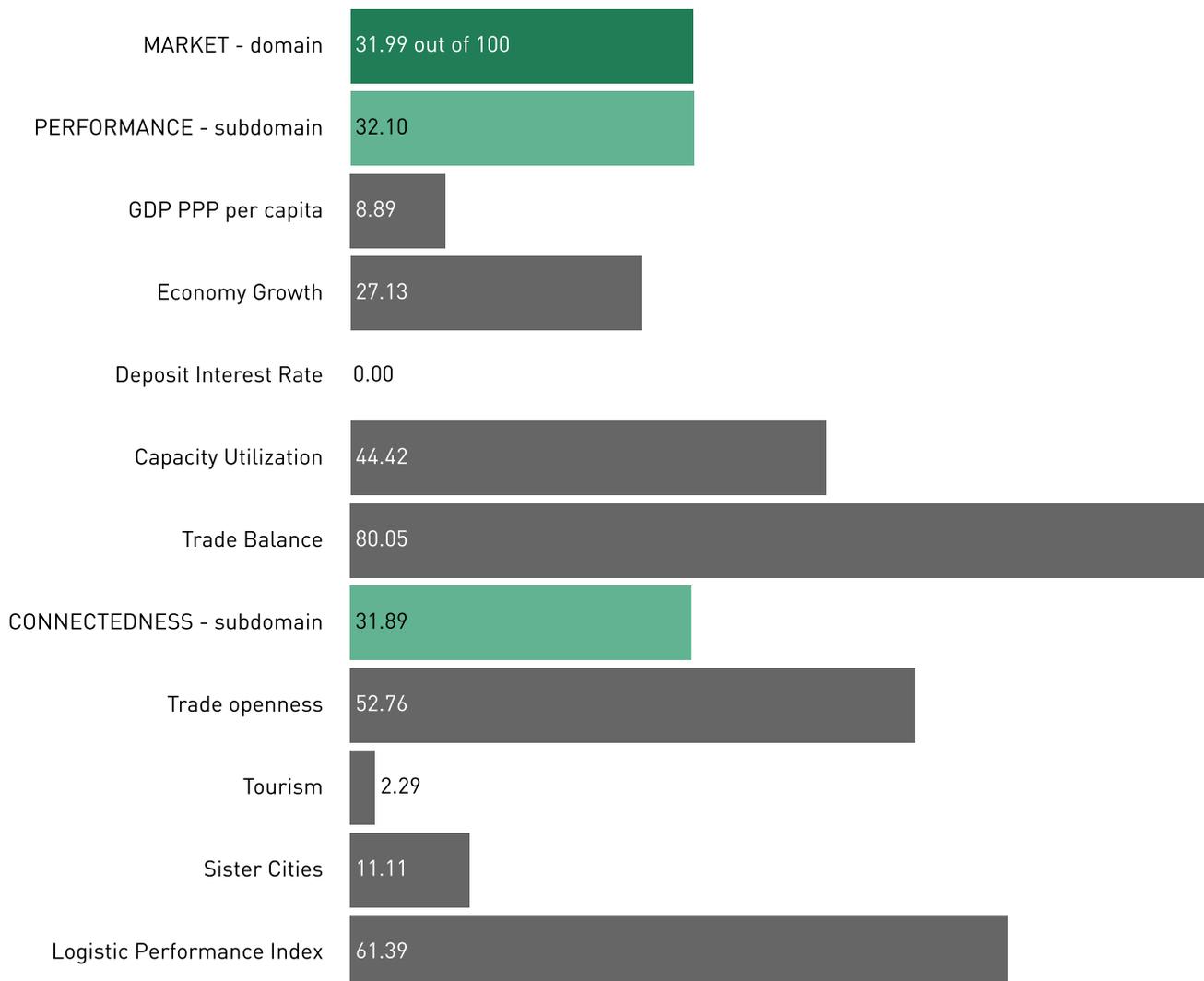
”

**At the startup level there isn't much corruption. These are small companies or small entrepreneurs...mostly agents of change who want to do things to make things better. Things are changing in Ghana, and people are fighting against corruption.**



## 6. Market

The Market domain is challenging for Accra. In the Middle East and Africa SFI, Accra ranks at the bottom, above only Khartoum, Sudan. The Market domain consists of the Performance and Connectedness subdomains; Performance aims to capture labour and economic health, while Connectedness is focused on trade, tourism, and logistic capacity.



SFI Scores relative to the MEA region. Scores range from 0 - 100

# Performance

## Subdomain of Market

The Performance subdomain considers primarily country-level indicators on economic performance, potential, and growth. Accra scores 32,10, ranking in the last position in the Middle East and Africa SFI.

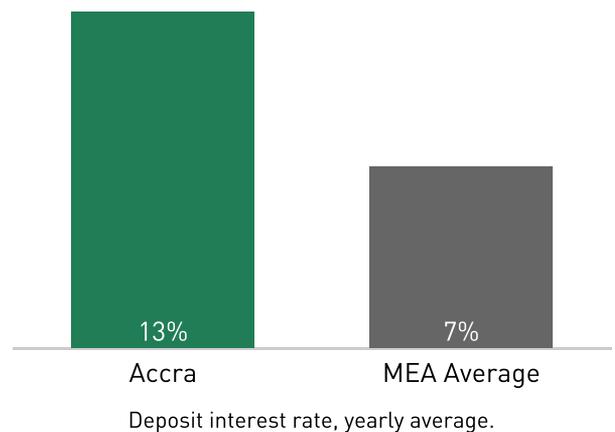
GDP PPP per capita in Ghana is around \$4.502 USD, lower than the regional average, which gives Accra the second worst position, 15th of 16 cities. Ghana also struggles with the Economic Growth indicator, ranking 10th in the SFI. According to the African Development Bank, Ghana's economy contracted between 2017 and 2018, though growth is estimated in 2019 and 2020 due to the increase in oil production.<sup>[7]</sup>

Currently, the government's agenda is focused on improving market conditions to foster growth and manage an ongoing fiscal consolidation programme.

According to the World Bank, resource mobilisation, control of expenditures, and diversification of the economy are crucial for Ghana to reach their goals<sup>[16]</sup>

The Deposit Interest Rate is also higher in Accra compared to the other cities assessed. Ghana has a yearly average rate of 13%, while the regional average stands at 7%.

Capacity Utilisation, or current output relative to potential output, has a relatively low score of 44,42 and ranks Accra ninth in the regional SFI, about in the middle. The capacity utilisation stands at 66%, in line with the region.



The last indicator in the Performance subdomain, Trade Balance, scores 80,05 and ranks at position seven in the Middle East and Africa SFI. Over the last several years, Ghana has gone from a net importer to a net exporter, and in October 2018 had more than doubled its surplus from the same time in 2017, largely due to an increase in crude oil exports.<sup>[16]</sup>

# Connectedness

## Subdomain of Market

The second subdomain, Connectedness, fares similarly to Performance, scoring 31,89 and ranking at position nine in the regional SFI. This subdomain considers elements such as openness to trade and tourism.

Tourism in Ghana is currently not a significant contributor to the economy, and Ghana ranks low in terms of tourism on a regional level. However, recent years have seen an increase in both domestic and international tourism.

Accra is one of the lowest scorers in the global SFI on the Sister Cities indicator, as it has only four: three in the U.S., and one in South Africa.

The final indicator, Logistic Performance Index, scores 61,39 and ranks at position 10. This indicator assesses trade logistics performance on a country level, and includes factors such as efficiency of the clearance process, ease and timeliness of shipping, competence of logistical service providers, and the quality of trade and transport infrastructure. All of these areas present ongoing challenges for Ghana.



The Ghana Tourism Authority expects tourism to play a larger role in the economy in the future<sup>[18]</sup>

# Ecosystem Development Recommendations

# Ecosystem Development Recommendations

The following chapter discusses policy recommendations based on the National Entrepreneurship and Innovation Plan, and domain-level recommendations informed by the findings from the Startup Friendliness Index.

## National Entrepreneurship and Innovation Plan

The government of Ghana has recognised the importance of entrepreneurship, and has been actively working to promote startup ventures in the country. Its flagship programme, the National Entrepreneurship and Innovation Plan (NEIP), was announced in November 2017, and focuses on supporting startups and small businesses as a key mechanism to establish Ghana as a middle-income country and tackle youth unemployment.

The programme is delivered through initiatives structured within four larger modules:

The Incubation & Acceleration Programme provides subsidised workspaces, the Business Competition & Business Support Programme is a competition to determine the most qualified entrepreneurs to receive access to funding and incubator support, the Industrialisation Plan aims to coordinate supply chains, and the NEIP Fund is intended to offer financing options.

The steps outlined in the NEIP, if fully implemented, would be a major boon to entrepreneurs in the country. It remains to be seen what the ultimate impact will be, as programmes of this magnitude often face significant hurdles. For example, there have already been reports of promised entrepreneurship scholarships arriving months late, with poor communication in between.

A key recommendation will be to monitor the impact, successes and failures of the programme's efforts.

## Human Capital

The primary hurdle for the development of entrepreneurship in the Human Capital domain is overcoming the “skills gap” between the needs of the labour market and the education system. To address this, several policy options exist:

- Over the long term, curriculum should be adapted to include more technical programmes. This may involve working with universities to develop curriculum to meet modern needs: improve technical and applied skills' education, expand offerings in technical fields such as engineering and IT, and create programmes to develop business knowledge.
- In the short term, trainings in cooperation with the private sector may help empower potential entrepreneurs with the tools necessary to start a business, or to support the work of startups already in place. This may also offer value for those that have already completed their education, who may benefit from low-cost continuing education programmes. One strategy may be to provide these services both online and in person.
- Beyond formal education, improving opportunities for professional development through mentoring is an option to bridge the gap. This could be offered through non-profit programmes or by partnering with institutions. Both students and companies stand to gain from such a partnership.
- Similarly, supporting internships for high-potentials with organisations that are already active in the local startup ecosystem may be mutually beneficial.

## Finance

Generally, access to finance is a challenge in Accra, even in comparison to other regional SFI cities. Below are suggestions for improving the situation for entrepreneurs in Accra:

- The NEIP offers several options for funding startups. Making sure that entrepreneurs are aware of these resources, helping to facilitate their access to funding, and monitoring whether the funds are actually available and effective will be important.
- Bank requirements should be adapted to support entrepreneurs with lower interest rates and collateral barriers. Microfinancing projects supported by public sector policies could have a major impact.
- The introduction of local founder scholarships could also be extremely useful.
- Funding opportunities and relationships could be enhanced with alliances and delegation trips.
- Access to crowdfunding and awareness around its potential (both for funders and those seeking funding) could be improved.
- Augmenting local and global awareness of the potential of early stage startups in Accra could promote investment.

## Startup Scene

A culture of entrepreneurship is just beginning to bud in Accra. More work is needed to bring attention to the startup scene in an effort to increase involvement and support its continued growth.

- Improving networking has been highlighted as a need in the ecosystem. Enhancing networking opportunities both among those within the ecosystem, and between those in the ecosystem and relevant external stakeholders would create many new opportunities and leverage existing strengths.
- Ghana has a unique advantage at its disposal in the form of a strong diaspora of professionals, many of whom return to the country with new skills and knowledge. Promoting the startup scene to those in the diaspora can facilitate coordination with the local community for those outside of the country, and encourage the return of those with valuable skills through information campaigns about visa rules and other relevant factors.
- Trainings for startups and support organisations can have a multiplicative effect on helping to scale.
- Improving access to affordable working space is key. Advocating for the enforcement of the 1963 Rent Act law requiring no more than six months' rent up front and the creation of additional co-working options could play a role in alleviating the current strain on startup founders.
- Building an umbrella organisation could serve the purpose of advocating for national, regional, and local policies targeting entrepreneurs' needs and giving them a voice and means to influence policy reforms. The creation of such a new entity could be facilitated and moderated with the support of external actors (such as GIZ and other international NGOs working on the promotion of entrepreneurship) - but ownership and actual implementation needs to be developed on a local basis. Here, additional capacity-building, mediation between existing parties, as well as financial support for pilot projects and programmes could be very impactful.

## Infrastructure

Ghana struggles with regard to infrastructure generally. On a macro level, efforts to improve air pollution, traffic congestion, and consistent access to basic necessities would help to augment the efficiency of local entrepreneurs. In particular, there is a need to develop an effective infrastructure rehabilitation and maintenance programme to avoid further deterioration of the existing resources.<sup>[7]</sup>

## Macro

The Macro domain is an area of strength for Ghana. However, two key recommendations could help to improve the situation for entrepreneurs.

- The swift passage of the insolvency bill that is currently being considered will play a key role in incentivising and assisting entrepreneurs.
- More information and education is required on the preferential tax rates and other programmes available to entrepreneurs through the NEIP.

## Market

Significant opportunity exists for Accra in the market domain, as this is currently an area where the city scores poorly. Continued economic growth, perhaps partly facilitated by growth in the entrepreneurial sector, will have a mutually causal positive impact on this domain.

An area where a direct impact could be made in this domain is the promotion of tourism. Tourism has already been highlighted as a focus for the Ghanaian government, but many opportunities for startups exist in this sector as well. The promotion of travel services, travel tech, or similar fields could have a positive impact on both the startup scene and the economy at large.

# Acknowledgements

We would like to express our gratitude and appreciation to the entrepreneurs and professionals involved in entrepreneurship projects in Accra for taking the time to provide us with the necessary information and knowledge about startup ecosystems in the country.

We especially thank our interviewees:

Richard Brandt

Nansy Eruwum

Kenneth Aknu

Issa Ibrahim

Brian Dzansi

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## Indicators and Sources

Indicator Name	Source
Workforce Constraint	World Bank, Enterprise Survey
Skilled workers	World Bank, Enterprise Survey
University Score	TopUniversity.com; 4icu.org; Own Research For the Missing Data
University Students	TopUniversity.com; 4icu.org; Own Research For the Missing Data; Berlin Business Location Center.
Tertiary Education	World Bank - Gross enrollment ratio, tertiary, both sexes
R&D Expenditure	World Bank - Research and Development Expenditure / OECD Database
Labour Regulation Constraint	World Bank, Enterprise Survey
Graduates' salaries	Own Research, Berlin Startup Survey
Software Developers' Salaries	Payscale.com, Averagesalarysurvey.com
Female Participation	World Bank, Modeled on ILO estimate
Unemployment Rate	International Labour Organization, ILOSTAT database.
Female Entrepreneurship	World Bank, Enterprise Survey
Bank Loan	Own Research - Enpact Survey
Business Angels	Own Research - Enpact Survey
Accelerators and Incubators	Own Research - Enpact Survey
VC Funds	Own Research - Enpact Survey
Public Funding	Own Research - Enpact Survey
Funding Constraint	World Bank, Enterprise Survey
Loans Rejected	World Bank, Enterprise Survey
Collateral Required	World Bank, Enterprise Survey
Total VCs / PEs	MENA PEA, Adapted through own research
FDIs Net Inflow	World Bank
Business Angels (total number)	Angel List
Accelerators	Own Research, Expert Consultation
Incubators	Own Research, Expert Consultation
Co-working Spaces	Own Research, Expert Consultation
Technology parks	Own Research, Expert Consultation
Startup Events	Own Research - Enpact Survey
Total Startups	Crunchbase Pro

High Equity Funding Startups (over \$5 mil USD)	Crunchbase Pro
High Equity Funding Startups (over \$1 mil USD)	Crunchbase Pro
Transport Overall Quality	World Economic Forum
Roads Quality	World Economic Forum
Railroad Quality	World Economic Forum
Ports Quality	World Economic Forum
Air Transport Quality	World Economic Forum
Air Transport Capacity	World Economic Forum
Water Supply Quality	World Bank, Enterprise Survey
Electricity Access	World Bank, Enterprise Survey
Electrical Outages	World Bank, Enterprise Survey
Pollution Index	Numbeo
Co-working Space Cost	Coworker
Cost of Living	Numbeo
Electricity Quality	WeForum
Utilities' Cost	Numbeo
Internet Cost	Numbeo
Mobile Internet Cost	Own Research
Mobile Subscription Cost	Numbeo
Mobile Broadband Penetration	GSMA intelligence
Internet Speed (Download)	Startup Meter Survey and testmynet.com
Internet Speed (Upload)	Startup Meter Survey and testmynet.com
Smartphone Penetration	Multiple sources; see country comments for more details.
Internet Penetration	ITU
Prepaid Subscriptions	GSMA intelligence
Mobile Subscriptions	ITU
Stability	World Bank
Effective Governance	World Bank
Regulatory Quality	World Bank
Democracy Level	The Economist Intelligence Unit's Democracy Index
VAT	World Bank Doing Business Report
Corporate Tax	KPMG Corporate income tax tables

Contract Enforcement	World Bank Doing Business 2017
Resolving insolvency	World Bank Doing Business 2017
Business registration (time)	World Bank Doing Business 2017
Business registration (cost)	World Bank Doing Business 2017
Violent Crime	Economic Intelligence Unit (EIU) analysts
Crime as a constraint	World Bank, Enterprise Survey
Informality as a constraint	World Bank, Enterprise Survey
Bribery Depth	World Bank, Enterprise Survey
Corruption Perception	Transparency International
Corruption Control	Worldwide Governance Indicators
GDP PPP per capita	World Bank
Economy Growth	World Bank
Deposit Interest Rate	World Bank
Capacity Utilization	World Bank, Enterprise Survey (under Performance)
Trade Balance	World Bank
Trade openness	World Bank
Tourism	World Bank
Sister Cities	Multiple Sources
Logistic Performance Index	World Bank, Logistic Performance Index

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# About **enpact**

The non-profit association enpact was founded in 2013 with the aim of empowering entrepreneurship in emerging and developing countries. enpact supports founders and startups in Africa, Asia, Latin America, and the Middle East through diverse programmes, from the early idea phase until global market entry. enpact academy develops trainings to foster the quality of startup support organisations, and enpact data lab measures framework conditions (such as the startup friendliness of cities), and derives policy recommendations.

[www.enpact.org](http://www.enpact.org)

