Ghana Tourism Revenue Sharing Action Plan

November 2000

Sigma One Corporation

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Submitted to:

U.S. Agency for International Development
Mission to Ghana

for:

Trade and Investment Reform Program (TIRP)
Improved Policy Reform and Financial Intermediation
USAID Contract Number: 641-C-00-98-00229

by:

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In fulfillment of the following milestones:

2.24 An Action Plan to implement revenue sharing from tourist attractions

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I. Introduction

A. Background

In 1993, following three years of planning and initial development supported by the United Nations Development Program (UNDP), the United States Agency for International Development (USAID) launched a major regional tourism development initiative in Ghana called the Central Region Natural Resources Conservation and Historic Preservation Project. By the time the Central Region project comes to a close at the end of this year, USAID will have spent approximately $10 million.

By almost any measure, the Central Region tourism initiative has been extremely successful, leading to the creation of West Africa's newest tourist destination:

- Located 30 kilometers North of Cape Coast, Kakum Park is Ghana's newest national park, containing Africa's only canopy walkway. It was gazetted, staffed, researched and developed under the project and in 1999, received 65,000 visitors making it by far the most visited of all of Ghana's national parks.

- Cape Coast Castle, Elmina Castle and Fort St. Jago (which overlooks Elmina Castle) were fully researched and rehabilitated under the project. A new museum and various other interpretive facilities were also constructed within—and in the immediate vicinity of—these World Heritage Monument sites.

- A Ghana Heritage Conservation Trust (GHCT) and attraction site fee-sharing agreements were created to sustain these tourist attractions (e.g., Kakum Park Canopy Walkway and Visitors Center, Cape Coast and Elmina Castle museum exhibits) and distribute the financial benefits of West Africa's newest tourist destination to local residents and authorities.

- A thriving tourism receptive industry has sprouted within a few short years to accommodate the needs of the now greatly increased number of foreign and Ghanaian visitors. Specifically, there were 433 star-rated rooms at 20 hotels in the Central Region by 1999 compared to just 117 rooms at 7 hotels in 1993.[1]

With the Central Region as its primary draw, Ghana's tourism industry has experienced steady growth. In 1999, 372,000 tourists visited Ghana, 12% more than in the previous

[1] Ghana Tourist Board Central Region Office.

year and more than double the number just eight years before.[2] The number of domestic tourists in Ghana is unknown. But it, too, has grown rapidly.

Tourism is Ghana's third largest foreign exchange earner, after gold and cocoa,[3] with $342 million in foreign exchange receipts in 1999 (more than triple the amount eight years before).[4] Current trends suggest that tourism may surpass cocoa in a few years and, given tourism's current 12% growth rate, it has the potential to become Ghana's top foreign exchange earner.

But tourism is also a very young industry in Ghana—certainly by comparison with cocoa and gold—and it is not yet well understood by Ghanaians. The Central Region tourism initiative has been one of Ghana's most visible and successful development projects during the past decade. Yet policy-makers and local authorities seem often not to realize that it involved international donors, government ministries, a regional administration, district assemblies, traditional rulers and the private sector in many years of carefully orchestrated work. Neither do policy-makers understand the associated investment requirements which will be necessary to keep the industry growing, spread the benefits country-wide, maintain the country's national parks, museums and cultural heritage sites, and assure that the carrying capacity of key tourist destinations—such as Kakum Park—is not exceeded.

B. Purpose

USAID's Central Region tourism project and its funding support for community-based ecotourism sites throughout the country have emphasized some common themes. Among them are the importance of developing and maintaining infrastructure, the need to preserve and maintain national heritage sites and the need for local communities and citizens to share in the financial benefits of tourism. To accomplish these themes, USAID has encouraged—and Ghanaian authorities have begun to experiment with—tourism attraction site fee-collection, investment and distribution systems.

To learn how these new revenue sharing experiments are working and to explore ways to expand and extend them, a Request For Technical Assistance (RTA) was issued on May 19, 2000 (see Appendix A: *Request For Technical Assistance*). Sigma One Corporation was tasked with implementing this activity as part of its multi-year contract to undertake Improved Policy Reform and Financial Intermediation for the USAID-Ghana Trade And Investment Reform Program.

The RTA, entitled "An Action Plan to Implement Revenue Sharing from Tourist Attractions," requested three specific elements:

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[2] Ghana Tourist Board (February, 2000).
[3] National Tourism development Plan, Ministry of Tourism, 1996
[4] Ghana Tourist Board (February, 2000).

1. Analyze the Ghanaian experience to date with revenue sharing in the tourism sector.
2. Develop recommendations on how to expand these programs.
3. Prepare an action plan to implement the recommendations.

The RTA emphasized the importance of a participatory process involving Ghanaian colleagues in Ministries, regional and local government, the private sector and other concerned organizations. And the RTA also called for a benchmarking exercise to review revenue sharing practices in a few other countries with similar tourism resources and products.

C. Methodology

This assignment was carried out in four stages between July and November 2000.

Stage 1 **Fact-finding** in Ghana inclusive of interviews with more than 50 people from government, the private sector and non-profit organizations (culminating in an oral presentation and exchange of ideas with 30 public and private sector industry leaders).

Stage 2 **Research** by Internet, Fax, telephone and personal interviews to learn about the revenue sharing experience in a handful of other countries (Sri Lanka, Malaysia, Zimbabwe and the USA).

Stage 3 **Concept formulation** in Ghana: presentation of revenue sharing approaches in Ghana and elsewhere to the same group of 30 public and private sector industry leaders; strategic planning meetings with top industry leaders; Revenue Generation & Revenue Sharing Workshop attended by 85 industry executives and representatives of the press (see Appendix B for Workshop Agenda).

Stage 4 **Draft policy paper** prepared for consideration by a Task Force created at the Workshop to craft a proposal for the Cabinet and Parliament (see Appendix C—*Tourism Policy Action Plan for Revenue Generation and Sharing*).

Final Report (this document) entitled Ghana Tourism Revenue Sharing Action Plan prepared for the Government of Ghana and USAID.

The tasks performed during the last three stages reflected important feedback from the initial fact-finding visit where two things became very clear:

1. Revenue sharing means different things to different people. To some, revenue sharing does indeed focus on the issues identified in the RTA dealing primarily with the collection, distribution and use of attraction site entrance fees at national parks, national cultural heritage sites, and community-based shrines and wildlife sanctuaries. To others, revenue sharing is a much broader term referring to mechanisms by which

new and existing revenues generated from visitors to Ghana (e.g., VAT tax, hotel room levies, airport tax) are allocated to support future development and management of Ghana's tourism product.

2. Any discussion of revenue sharing involving this broader definition must also encompass a discussion of revenue **generation** and revenue **utilization**. Otherwise, in the words of one participant in this policy analysis exercise, "we are talking about sharing poverty!"

D. The Sigma One Revenue Sharing Action Plan Team

Overseeing preparation of the Ghana Tourism Revenue Sharing Action Plan was Dr. Joseph Goodwin, Chief of Party for Sigma One's multi-year project to address Improved Policy reform and Financial Intermediation in Ghana. Dr. Goodwin is an economist who has spent more than ten years in Ghana working on national and regional economic development issues and opportunities. Dr. Goodwin was Director of USAID-Ghana in the early 1990s and a principal actor in the design and implementation of USAID's Central Region tourism project.

Sigma One retained the services of Nathaniel H. Bowditch to prepare the Tourism Revenue Sharing Action Plan. Mr. Bowditch resided in Ghana from 1990-1997 and was a principal actor in the development and management of the Central Region tourism project. As a Fulbright Research Scholar, he later conducted extensive research on the development of the tourism private sector in Ghana. In 1999, his book—drawing heavily on that research and entitled *The Last Emerging Market—From Asian Tigers to African Lions? The Ghana File*—was published by Praeger.

Others who made indispensable contributions are Abrar Sattar, Sigma One Technical Director—who guided the project from Sigma One's home office—and the entire Sigma One office support team in Ghana consisting of Emmanuel Owusu-Afriye, Esther Ofosuapea, Esther Kombian, Kofi Ahwireng, J.D. Agyemfra, Emmanuel Ahwireng, Kwesi Asumodu and David Appiah.

E. Organization of This Report

The remainder of this report is organized as follows:

Section II defines tourism revenue sharing describes and discusses the revenue sharing experience elsewhere, comparing it with Ghana's current situation.

Section III presents a series of recommendations for utilizing revenue sharing to improve and expand the tourism industry in Ghana.

Section IV provides a proposed action plan to implement those recommendations.

F. Acknowledgements

The Ghana Ministry of Tourism and Ghana Tourist Board were indispensable partners in this policy analysis assignment. Of particular mention is the time and leadership contributed by the Honorable Michael A. Gizo, M.P. and Minister of Tourism, Honorable Paddy Acheampong, M.P. and Deputy Minister of Tourism who were ably supported by A.S. Bekoe, Director of Research, Statistics and Information and Joel Sonne, Deputy Director of Planning.

The successful completion of the project was made possible through the vision, energy and determination of the Chief Executive of the Ghana Tourist Board, Mrs. Doreen Owusu-Fianko, with strong support from E.E. Komla, Deputy Executive Director (Operations) and J.B. Lomo-Mainoo, Manager of Planning and Business Development.

USAID-Ghana must be singled out for its commitment to the growth of this vital sector of the Ghanaian economy. On a more personal note, preparation of this Ghana Tourism Revenue Sharing Action Plan could not have occurred without the very thoughtful participation and direct support of Ghana’s USAID Deputy Director, Jay Knott and Dr. Fenton B. Sands, Chief of the Trade, Agriculture and Private Sector Office.

Many other tourism leaders and pioneering entrepreneurs in Ghana—too numerous to mention here—contributed their time, ideas, frank feedback and passion for the growth of Ghana’s tourism industry. The conclusions and recommendations presented in this Final Report reflect their shared belief that Ghana’s tourism industry is a national growth engine with the potential to more than double the number of visitors, revenues and foreign exchange earnings within the next five years!

II. Tourism Revenue Sharing In Ghana and Elsewhere

A. Tourism Revenue Sharing: What is it? Why is it done?

The World Tourism Organization defines a **tourist** as:

"A visitor (someone traveling to and staying in places outside his/her usual environment for not more than one consecutive year for leisure, business, and other purposes) who stays at least one night in a collective or private accommodation."[5]

Tourists generate **revenue** for public use in four ways (aside from individual and corporate income taxes):

- *Attraction fees* (historic site and national park entrance and related user fees);
- *General-purpose taxation* (general sales, or value-added taxes);
- *Room levies*—often called a *room tax* or *bed tax*—(typically a percentage of the room night fee at hotels, boarding houses, bed-and-breakfasts);
- *Airport levies*—often called an *airport tax* or *airport departure tax*—(sometimes paid upon departure; now more frequently paid as part of airfare).

Ghana charges *attraction fees* at all of its national parks and major historic sites. National park fees have recently been regularized following a countrywide fee change exercise earlier this year. But fees remain relatively low (with the exception of Kakum Park where foreigners are now charged 60,000 cedis). In 1999, the Ghana Wildlife Department collected revenues from all its holdings of just 110 million cedis and turned it all over to the Consolidated Fund. Half that amount came from Kakum Park and does not include the 20-25 million cedis PER MONTH from the Kakum entrance fee which goes into a special trust fund (discussed in Section III) to maintain the canopy walkway.

The Ghana Museums and Monuments Board (GMMB) collects *attraction fees* at the forts, castles and museums that it manages. The fees vary considerably. Many are very low, with the exception of Cape Coast and Elmina Castles where the entrance fee is 20,000 cedis and collections average approximately 10 million cedis per month. GMMB currently requires that all *attraction fee* revenues be sent to Accra and is presently negotiating the disposition of these revenues with government.

The amount of revenue collected from Ghana's 12.5% *general-purpose taxation* VAT tax is unknown. But $10.3 Million was collected in the form of hotel/restaurant customer taxes alone in 1997, the year before the VAT was instituted.[6]

Ghana does not have a *room levy* per se. All hotel charges are subject to the VAT. And Government agencies and district assemblies impose various additional charges on

[5] World Tourism Organization Web site: www.world-tourism.org.
[6] "Changing Trends in the Tourism Industry in Ghana," Ghana Tourist Board.

hotels. But none of these charges, with the exception of hotel licensing fees collected by the Ghana Tourist Board (GTB), support tourism development.

Ghana's independent Civil Aviation Authority collects an *airport levy* of US$20 which is added to the cost of every round-trip air ticket to and from Ghana—whether sold inside or outside the country. These funds, along with other airport-related fees and levies, are retained by Civil Aviation to support airport development at Kotoka and elsewhere in Ghana. The most recent annual projection of 600,000 passengers passing through Kotoka International Airport would yield estimated annual revenues of US $6 million (300,000 round-trip tickets at $20 each).[7]

The practice of revenue **sharing** refers to the distribution of these publicly collected revenues to stakeholders (e.g., attraction site managing agencies, promotional bodies, training institutions and community-based tourism development activities) to support and grow the tourism industry.

B. Tourism Revenue Sharing in Practice

Three different types (or levels) of tourism revenue sharing are utilized, at least to some degree. Each deserves careful scrutiny if Ghana is to both reap the potential of its emerging tourism industry and provide a sustainable tourism experience as visitation increases. What follows is a brief description of each of these tourism revenue sharing practices followed by a brief summary of their use elsewhere and the experience to date in Ghana.

1. **Central government, through its annual budget, allocates consolidated fund revenues to government agencies responsible for tourism promotion, attraction site development, job training and/or management of national parks, museums and monuments.** *This is the most common and traditional mechanism by which governments "share" revenues collected from tourists through general-purpose taxation. Tourism promotion and development are typically seen as governmental responsibilities around the world. So most countries have tourism promotion budgets, though relatively few have a Ministry of Tourism.*

General International Experience

Two facts are of particular importance as this central government tourism revenue sharing through annual budget funding is analyzed.

- In the last decade, the growth in international tourism has been significant and tourism is now the world's largest growth industry.[8] European and North American economies have been strong and there has been a thirst for new destinations. The result has been a huge increase in the number of international travelers and Ghana has benefited greatly from that travel boom.

[7] Civil Aviation Authority.
[8] World Tourism Organization Web site: www.world-tourism.org.

This has almost certainly contributed to a perception that tourists (and a tourism industry) will happen automatically because people have just been coming!

- Tourism does not fare well in the budget allocation process worldwide. It cannot compete with compelling priorities like education and health care. It is not viewed in the same light as manufacturing, computer services, forestry or fishing. The product is more illusive and policy-makers often perceive tourism as comprising a few large, foreign-owned companies (e.g., airlines and hotels). What is more, tourism industry advocates have not proven themselves to be effective lobbyists. Their information on economic impact is frequently found lacking and their arguments found hollow. As a result, tourism promotion budgets are notoriously underfunded throughout the world, leading frequently to national underdevelopment of the sector and eventual commoditization of national tourism products. The obvious exceptions are countries like Zimbabwe, Israel, Egypt, Thailand, Jamaica and Singapore where tourism is very serious business backed by significant government expenditures as well as innovative management and promotion systems.

Furthermore, tourism's constituency is made up of very small, often informal businesses with little, or no, political influence. Policy-makers fail to see—and tourism interests fail to present effectively—how widespread and deep are the economic benefits of tourism. In addition, the linkage between tourism and foreign investment is overlooked even though a tourist experience is almost always the first in-country experience for a future foreign investor.

Some of the countries so far analyzed still rely heavily on general-purpose revenues to finance their tourism promotion efforts. With the exception of Sri Lanka, however (a country with a widely reported internal war requiring that it "show itself" forcefully to the outside world), and for all the above-mentioned reasons, most of these countries have not fared well. Yet those countries which have invested heavily in tourism development (and now have a sophisticated industry infrastructure) have found that a reliance on general-purpose taxation revenues is not at all sufficient to grow an industry. Most of these countries have moved to new, dedicated revenue sources—raised directly from tourist consumers—to support tourism development and promotion.

Ghana

Tourism is a very young industry in Ghana—certainly by comparison with cocoa and gold. It is not yet well understood by Ghanaians. A tourism information system does not exist. Therefore policy-makers find it very difficult to comprehend the importance of the industry to the Ghanaian economy. Neither do they understand the associated investment requirements necessary to reap maximum benefit (and avoid negative impacts) from an increasingly internationally competitive industry so dependent on infrastructure, effective attraction-site management, job training and targeted marketing (and now beginning to become dependent upon E-Commerce). Furthermore, in Ghana, only donors (UNDP and

USAID) have provided serious public investment for tourism. So there seems to be an assumption that the tourists just come and that tourism will just continue to grow on its own.

As a result, only 0.1% of Government's 1996 Public Investment Program and a mere 1% of 1995 development assistance were allocated to the tourism sector. Yet tourism's share of GDP was 3.5% in 1995 and is expected to reach almost 8% per annum by 2010![9]

In the year 2000 the situation is not much different. This year's entire Ministry of Tourism and Ghana Tourist Board budget allocation is 5 billion cedis, a significant portion of which has not been able to be released.

Two years ago, the Ministry of Tourism developed a Tourism Development Fund proposal—patterned after similar road fund and District Assembly Common Fund concepts—whereby a specified portion of general purpose taxation revenues generated by tourism business activity would be placed in a special fund to support future development of the tourism industry. For many of the reasons described above, reasons which prevent most national tourism sectors from growing their potential—except those nations where a decision is taken at the highest level to develop tourism as a priority sector of the economy—that proposal was sent to Cabinet where it quietly died.

2. **Central government agrees to share all, or a portion, of national park, national monument and national museum entrance fees with the agencies that collect those fees and are in charge of these sites. Alternatively, central government agrees to share management authority over these national heritage sites with non- or quasi-governmental entities.** *These systems operate as a significant incentive to agency professional staff to properly maintain "national treasure" tourist attraction sites, provide needed capital improvements at those sites and encourage community involvement by residents in the surrounding areas. Furthermore, such revenue sharing systems represent a minor financial sacrifice by central government because entrance fees are a miniscule element of overall government revenue AND they require significant staff oversight time by government revenue officials.*

United States National Park Service (USNPS)

Two years ago, the USNPS inaugurated an entirely new entrance fee management system. Until that time, all entrance fees were sent to back the U.S. Treasury, leaving the national park system and its individual parks to compete for their annual budgets. But visitation had increased significantly while buildings, trails and other facilities began to show serious deterioration from years of deferred maintenance. Now the USNPS retains ALL the user fees that it generates with a simple new allocation formula. Eighty percent (80%) of all user fees are kept aside for use IN THE PARK where they were generated. The other 20% is redistributed to parks and other USNPS visitation sites that generate little, or no, revenue. At the same time, the annual operating budget of the USNPS has

[9] The Tourism Development Fund, Ministry of Tourism, 1998.

been left intact by the U.S. Congress. This, in effect, has turned the newly retained fees into a previously almost non-existent capital improvement budget for the nation's national parks (many of which, like Yellowstone National Park and the Grand Canyon National Park, are among the country's most popular tourist destinations).[10]

Zimbabwe

One of the best known projects aimed at involving local communities in tourism is Zimbabwe's CAMPFIRE (Communal Areas Management Programme for Indigenous Resources). Its aims are to develop and support community-based institutions for decision-making and to decentralize the distribution of benefits (targeting those communities with unique and often fragile resources). Launched in the mid-1970s, the CAMPFIRE project has become an aggressive and prominent program, especially in the last 15 years. CAMPFIRE lobbies on behalf of communities and provides funding and guidance in the formation of partnerships between communities, the central government and private tourist operators. It is essentially a privately managed ecotourism extension service.

There was a very important underlying observation about Zimbabwe that led to the creation of CAMPFIRE: the state's reach, especially given the extent of national property ownership in wildlife areas, was exceeding its grasp. Furthermore, research had shown that only a small fraction of the money taken in from wildlife utilization was returned to local communities. And it wasn't just revenues that were not being shared. District councils and community members had no say in the distribution and management of these resources, let alone in decision-making about unique resources within their jurisdictions. Finally, the division of spoils often bore little relationship with actual costs incurred at particular sites, leading to a rapid deterioration of facilities.[11]

Sri Lanka

An East Asian island nation (formerly the British colony of Ceylon famous for tea production) smaller than Ghana, Sri Lanka received 436,440 tourist arrivals in 1999 despite being locked in a long-standing, widely publicized ethnic war. Culture, history (ancient and very meaningful monuments), two very pleasant National Parks with abundant wildlife, and a beautiful coastline are its attractions. Sri Lanka has created a Cultural Triangle of three historically significant monuments. Management and development of these monuments have been turned over entirely to a non-governmental organization (NGO) and the central government has granted authority to this NGO to levy and retain all entrance fees.[12]

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[10] Interview with Robert W. McIntosh, Associate Regional Director of Planning, Resources, Stewardship and Science, U.S. National Park Service, June 29, 2000.
[11] McIvor, "Management of Wildlife, Tourism and Local Communities in Zimbabwe," UNRISD, 1994.
[12] Ceylon Tourist Board Web site: www.lanka.net/ctb.

Ghana

a. **Kakum National Park**

Ghanaian government policy has not permitted revenue sharing in Ghana and Department of Wildlife revenues are still being sent to the consolidated fund. However, the newly created Forestry Commission—which includes the Wildlife Department—is under pressure to be more cost-benefit oriented and, while it is not yet completely clear, it appears that Wildlife Department may soon be permitted to retain the entrance and user fees it generates.

In the meantime, all entrance fees at six of the seven Ghanaian national parks are collected and sent to the government consolidated fund. Only at Kakum Park—with its one-of-a-kind-in-Africa canopy walkway—has a revenue sharing system been instituted. A negotiated portion of the entrance fee—attributed primarily to the canopy walkway experience—is retained in a special trust fund. That fund is controlled by the Cape Coast-based Ghana Heritage Conservation Trust (GHTC)—a new body created under a special agreement negotiated between the Department of Wildlife, Ministry of Finance, the Castle and USAID Central Region tourism project implementing organizations.

GHTC personnel stand side-by-side Department of Wildlife personnel at the Kakum Visitors Center and collect their share of the gate fees based on their stewardship of the canopy walkway. GHTC manages the Kakum visitors center, including the restaurant, as well as a few tree platforms inside the park where visitors may spend a night in the rain forest. GHCT also owns and operates a bottled water company at Kakum, drawing on the extensive Kakum aquifer.

In Cape Coast, also under the direction of the GHCT, a tourism guide-training program has been instituted for approximately 50 local guides in support of Kakum Park and to conduct tours of Cape Coast and Elmina historic properties and neighborhoods. At Kakum Park, these local guides supplement Wildlife Department guide staff during peak-period visitation. Under an agreement negotiated with the Department of Wildlife, these guides are paid 45% of the entrance fee, with 5% going to the National Tour Guides Association and 50% to the Department of Wildlife (and thus to the consolidated fund).

But the revenue sharing scheme is only partially effective in maintaining effective operations and maintenance at Kakum Park. The current scheme does accomplish a key objective of ensuring the maintenance and upkeep of Kakum Park's most visible facilities (i.e., canopy walkway, visitors center and tree platforms). It also accomplishes a second key objective of ensuring that tourist revenues are shared with local communities through the provision of job training and other projects.

It is a third critical objective—ensuring efficient day-to-day park management operations and maintaining the "behind-the-scenes" facilities and equipment—that is not being met because government policy requires that all national park entrance fees be sent to the consolidated fund. Thus none of the Wildlife Department's share of Kakum entrance fees is retained for use at Kakum or at other parks. The result is almost shocking! No capital funds were provided for Kakum operations in 1999 and none in 2000 as of July! Six vehicles are available for use by park staff. But only two are on the road and only 1 million cedis are available each quarter for fuel. Yet it is estimated that 70,000 people will visit Kakum National Park this year (compared to an estimated 10,000-12,000 at Mole National Park), generating revenues of approximately 100 million cedis—not counting the canopy walkway fees collected by GHCT, reported to be 450 million cedis in 1999!

b. **Cape Coast and Elmina Castles**

A similar system of revenue sharing was to have been instituted for Cape Coast and Elmina Castles—principally to ensure maintenance of the capital improvements made at the World Heritage Monument sites, as well as to maintain the new museum and other interpretive facilities. But there really is no revenue sharing system in place at these World Heritage sites today.

From an institutional point of view, GHCT was designed to play a major role in long-term fundraising and maintenance of the Central Region World Heritage Monuments. In fact, its mission includes equal responsibility for natural resources conservation and historic preservation. To that end, GHCT retains management control of Fort St. Jago. It also controls the (now closed) museum fabrication workshop created under the Central Region tourism project to construct the Cape Coast Castle museum exhibits, along with the other Cape Coast and Elmina exhibits.

GMMB has a regional office at Cape Coast Castle which is responsible for historic properties throughout the Central and Western Regions. Operating under a long-existing Provisional National Defense Council (PNDC) law, the GMMB regional manager formerly retained Cape Coast Castle and Elmina Castle entrance fees for ongoing maintenance and development work in the Central and Western regions. This system was implemented independent of the GHCT and no entrance fees ever flowed to GHTC. Neither did GHCT and GMMB conclude an agreement—for instance, something similar to the Kakum Park canopy walkway arrangement, whereby stewardship of the Cape Coast Castle Museum might be the responsibility of GHCT and fees associated with museum visitation retained by GHCT in a separate fund.

And today, GMMB has instituted a new policy whereby all Cape Coast and Elmina Castle entrance fee revenues (minus 2 million cedis per month which are retained for Central and Western Region GMMB maintenance activities) are sent to the GMMB head office in Accra. These fees, said to range between 5 million and 15 million cedis per month, go into a single account where all other GMMB generated fees have traditionally been deposited in accordance with the long-standing PNDC law sited above. GMMB is now under great pressure from the Controller & Accountant General's Department to release these funds to the government consolidated fund, in accordance with government policy.

c. **Tafi Atome**

On a grass roots level, a promising and much less formal type of revenue sharing is occurring, thanks to interesting partnerships between the Ghana Tourist Board, the U.S. Peace Corps, an NGO (Nature Conservation Research Centre), District Assemblies and miscellaneous small grants programs from USAID, the European Economic Union (EEU) and UNDP.

At the Tafi Atome Monkey Sanctuary, in the Volta Region, an 11-person village committee was formed. With the help of a Peace Corps Volunteer, a visitor reception facility was funded and built, guides were trained, and a financial management system put in place. The District Assembly then built a 2-room bungalow and is now negotiating an entrance fee sharing arrangement with the village. Entrance fees are currently 8,000 cedis for foreigners, 2,500 cedis for Ghanaians and include walks into the monkey sanctuary led by village guides. The bungalow costs 15,000 cedis per night and visitors who stay at the bungalow can have their food prepared by a village woman. Alternatively, organizers have made arrangements in the community so tourists can stay in a home for 10,000 cedis per night.

For the tourist, Tafi Atome offers a delightful, unique and highly educational Ghanaian village experience. For the village, because it is remote and its income sources few, this type of community-based tourism model leads to a significant and widely shared infusion of revenue into a poor community. Tafi Atome is now listed in "The Rough Guide," a popular tourist guide book for budget travelers. And a quick review of sanctuary visitation figures for the month of July in the last three years (14 people in 1997, 18 in 1998, 164 in 1999) shows the potential of a properly organized, community-based attraction.

Of interest at the present moment in Tafi Atome are negotiations between the village committee and the District Assembly. While the sanctuary has been in operation as a community enterprise for some time, it is only quite recently that the District Assembly has become a partner. Construction of overnight accommodations was financed by the District Assembly. The cost was very high, perhaps in large measure because the Assembly chose to bring in outside masons and laborers. Furthermore, apparently seeing Tafi Atome as an income source, the District Assembly is now demanding a very high percentage of future Tafi Atome revenues.

d. **Boabeng-Fiema**

At Boabeng-Fiema, in Brong Ahafo, two villages formed a committee and obtained the services of a Peace Corps Volunteer to assist with overall management and develop proper financial systems. The Committee also obtained grants to construct a visitors center, and a 6-room guesthouse. Entrance fees are currently 10,000 cedis for foreigners and 4,000 for Ghanaians. Guestrooms cost 15,000 cedis per night. Here again, revenue growth is significant with July visitation growing from 12 people (at 3,000 cedis each) in 1997, to 55 (at 10,000 cedis each) in 1999, and 47 PLUS four full-time summer-month researchers (at 15,000 cedis each per day) through July 25th this year.

Boabeng-Fiema is worthy of note for three reasons. First, the Department of Wildlife provides three wildlife protection officers who also serve as guides. Second, research tourism is a major factor in Boabeng-Fiema's current financial success, through a long-term arrangement with a Canadian university. Finally, a recent intervention by the District Assembly based on its concern for proper maintenance of sanctuary facilities and its belief that the potential of Boabeng-Fiema is far greater. The District Chief Executive (DCE) has proposed that all entrance fees be divided on an 80-20 basis. Under the DCE's plan, 20% would be retained by the committee to cater for operating costs and to compensate Traditional Authority landowners. The remaining 80% would go into a special account at the District Assembly, dedicated solely to the Boabeng-Fiema Sanctuary, and accessed only by checks carrying the signatures of the DCE and two local committee members.

District Assembly participation in these community-based ecotourism operations holds an important lesson for the future. Tourism attractions in Ghana are primarily community-based and few have been developed. District Assemblies are beginning to see tourism as a source of income for their districts. But they have little, or no, experience in tourism planning (let alone economic development planning), marketing and joint venture investing. The result in tourism is that, in some cases, the District Assemblies may become appropriately supportive, valued partners. In others, their participation is less well planned and may have unintended results.

3. Central government enacts special levies whereby tourists contribute directly to the future development of the industry. *In countries or regions where tourism is perceived to be of central economic importance and/or to have significant growth potential—yet where insufficient government revenues prevent a significant increase in financial support for the growth of the tourism sector—new revenue sources are enacted and the proceeds utilized entirely, or in part, to support industry promotion and development.*

State of Massachusetts (USA)

Many tourism experts believe that room levy systems developed in the United States are the best models available. The reason cited is that these levies are enacted by state governments—often in partnership with local government. They are thus "closer to the ground" and likely to be better understood, better utilized and more strongly supported by the tourism business community.

The State of Massachusetts imposes a 5.7% levy on every nightly lodging bill at each bed-and-breakfast, inn and hotel. Of the amount raised, 35% is put directly into a Massachusetts Tourism Fund, with the balance going into the state's coffers. The Massachusetts Tourism Fund is carefully managed by an independent body and the proceeds are distributed annually to the state's tourism promotion agency (comprising 100% of that agency's operating budget) as well as to a handful of regional tourism and convention promotion activities within the state.

There is an all-important additional "local option" levy provision within the Massachusetts scheme. Under the terms of the legislation, city and town governments are permitted to enact their own *additional* levy of up to 4% (for a maximum of 9.7%) on the nightly lodging bills of hotels, inns and bed-and-breakfasts within their jurisdiction. These communities may use the revenues generated for whatever purposes they desire (which is a bone of contention within the tourism industry). In actual fact, the lion's share of community-based room levy revenues are earmarked for activities that further develop and promote the tourism industry.

Ghana

While all hotel charges are subject to the VAT (just as they are typically subject to general-purpose taxation in other places), there is no room levy system in Ghana.

Neither is a portion of the airport levy earmarked to support the tourism industry. This, however, is not unusual. In all countries researched, airport and departure taxes are retained by the airport authorities that collect them and almost exclusively utilized for airport improvements. In Ghana, under a pioneering agreement just reached between the Civil Aviation Authority and the Ghana Tourist Board, $60,000 has been granted to the GTB by the Authority to assist in its tourism promotion work. Given the apparently unusual nature of this contribution, it seems very forward-looking. It is also a wise investment decision given the absolute interrelation between tourism growth and full utilization of Kotoka International Airport, as well as other key airports in the country.

III. Recommendations for Revenue Generation, Sharing and Utilization

A. The Situation Today

As we enter the new millennium, Ghana's tourism industry has reached at a pivotal point. The facts are these:

- Growth in the Ghana tourism sector has been steady and strong for about seven years:
- In 1999, 372,000 tourists visited Ghana, 12 % more than the previous year and more than double the number just eight years before.[13]
- By the end of this year, tourism will employ more than 100,000 Ghanaians in direct and indirect jobs.
- While the amount of VAT revenue collected from tourism receipts is not known, in 1997—the year before the VAT was introduced--$10.3 million was collected from hotel/restaurant customer taxes alone.
- Tourism is Ghana's third largest foreign exchange earner after gold and cocoa,[14] with $342 million in foreign exchange receipts in 1999 (more than triple the amount eight years before).[15]
- Tourism is estimated by industry insiders to be growing at around 12 % per year. If this is correct, it is the only sector of the Ghanaian economy performing at, or above, growth rates laid out in Ghana's Vision 2020 plan—has many economic analysts predicting that it could become Ghana's top foreign exchange earner.

Ghana should be justifiably proud of the tourism growth it has achieved. Furthermore, there is no doubt that the new Central Region tourism product (Kakum Park & its canopy walkway, the castles & their roots appeal, new hotel & guest house investment)—supported by Ghana's reputation as a peaceful, friendly, engaging destination has been a major factor. That, in itself, is a strong argument for aggressive intervention to further grow the industry in Ghana.

Adding to the argument in favor of concerted government intervention is the observation that, in the last ten years, there has been a period of unprecedented economic growth across Europe and North America, fueling a thirst for new tourism destinations. After a period of significant tourism expansion around the world, the industry will become much more competitive. Not only will the international economy almost certainly enter a cooling phase, more importantly there are now many new competitors in the international tourism arena.

And there is no end to new destinations that easily lure travelers away from countries that have not invested in new facilities, new attractions and higher quality experiences. So the

[13] Ghana Tourist Board, February, 2000.
[14] National Tourism Development Plan, Ministry of Tourism, 1996.
[15] Ghana Tourist Board, February, 2000.

question is: will tourism continue its dynamic growth to become Ghana's premier industry and employer (which will take concerted effort on the part of government and the private sector—just as was the case with the cocoa and minerals industries)? Or will tourism inch-forward and then inevitably backward, as other, more dynamic tourism destinations leave Ghana behind because it chose to remain a commodity destination (just as its cocoa and gold industries have remained largely commodity industries)?

In other words, there is great opportunity. But there is also great cause for concern because Ghana's current tourism market advantage could be quickly lost.

B. Looking to the Future

Two things seem clear from the previous chapter's analysis of Ghana's current situation by comparison with international practices. First, it is time for Ghana's leadership in the public and private sector to take a decision about the nation's tourism sector and its desired future importance to the nation's economy. Private sector operators have said that Ghana could double its tourism arrivals, tax revenues and foreign exchange earnings from tourism in 3-5 years. These same operators also say that, to achieve this growth, new sources of revenue to grow the industry must be generated, shared and utilized wisely on promotion, attraction development, job training, a tourism information system and management of existing national heritage sites.

Second, revenue sharing may hold the key because it introduces strong incentives at all levels. The attraction site revenue sharing pioneered in the Central Region and at a handful of village attraction sites throughout the country is working. As with all pioneering projects, there are lessons to be learned and changes in strategy that will make these programs even more successful in the future. Most of these changes can be instituted through dialogue on model development and through training of community-based tourism project partners. In other projects where national parks, national museums and national historic sites are involved, new revenue sharing policy could be developed on a nationwide basis.

In 1996, with assistance from UNDP, The Ministry of Tourism created a National Tourism Development Plan. That plan essentially called for a public investment program in job training, improved management and development of community historic/cultural sites & national parks, a tourism information system and a targeted promotional campaign in overseas markets. These recommendations were the result of hundreds of meetings and thousands of hours of professional work by Ghanaian and international tourism experts.

Since launching that Plan four years ago, Ghana has not been able to move forward at the pace envisioned. The reasons are clear:

- Lack of consensus between the public and private sectors on how to do what must be done if the industry is to emerge as a truly dynamic sector of the Ghanaian economy.
- Lack of logistics to support a strong public-private leadership group to drive forward a plan of action.
- Lack of adequate funding to establish the enabling environment to implement the recommended investments in Ghana's one rapid growth industry.

In 1998, The Ministry of Tourism attempted to address these weaknesses by preparing a proposal to Cabinet for an independently managed Tourism Development Fund to provide money for the recommended public investment program. Unfortunately, that proposal has not been able to move forward because the anticipated revenue source—principally the government consolidated fund—has come under increasing pressure as the country's financial situation has deteriorated due to rising oil prices and falling cocoa and gold prices. In addition, the industry has yet to mobilize itself and make a convincing case to government's elected and appointed officials. So no decision has been taken at the highest levels of government and industry to grow tourism into a truly dynamic sector of the Ghanaian economy.

This must change because tourism is the only growth sector of the Ghanaian economy today and the country's economic situation is precarious. The question is: How can Ghana seize tourism's significant growth potential by making the right public investments during a period of extreme pressure on government finances? The following recommendations attempt to answer that question by introducing a comprehensive program of tourism revenue generation, sharing and utilization at a national **and** at a community-based level. Collectively, these recommendations reflect a conclusion that Ghana must generate both new sources of revenue and specific strategies to develop the tourism sector.

C. Recommendations

Recommendation # 1: Create a dynamic public-private partnership organization, the Ghana Tourism Development Fund, that will plan and make strategic industry support investments to promote Ghana overseas, develop Ghana's national parks and national & community heritage sites and support tourism job training.

The Ghana Tourism Development Fund will be an independent organization, governed by a board of directors appointed by government from among tourism's private and public sector partners.

Revenues for the fund will be generated initially from two levies on inbound tourist visitors. A $10 national heritage site levy added to the round-trip ticket price of every international traveler and collected by the Civil Aviation Authority together with the current airport levy. A 5% tourism promotion levy will be collected on the nightly room bill initially at every3, 4 and 5-star hotel. In addition, the growing burden of a multiplicity of hotel taxes, licenses and fees will be addressed by eliminating these surcharges and sharing the tourism promotion levy with Metropolitan and District Assemblies.

The combined annual revenue generation capacity of these two levies will be $4 million.

Recommendation # 2: Double the annual Ministry of Tourism/Ghana Tourist Board budget to 10.12 billion cedis in 2001, targeting immediate priorities of the Ghana Tourism Development Revenue Sharing Initiative.

Tourism's share of GDP was 3.5% in 1995 and is expected to reach almost 8% per annum by 2010![16] Yet only 0.1% of Government's 1996 Public Investment Program and a mere 1% of 1995 development assistance were allocated to the tourism sector. Given the size and growth of tourism revenues, the effect of a woefully small level of investment by government into growing the industry—coupled with government rhetoric about the importance of tourism and the creation of a Ministry of Tourism—is worse than neutral.

The Ministry of Tourism and Ghana Tourist Board have virtually no capacity to support the industry. (And the current state of affairs at GMMB is unacceptable—especially given the deep respect that Ghanaians have for their national heritage!) This situation strains, rather than grows, the relationship between Ghana's tourism industry and government's tourism policy and promotional bodies. It also sends the wrong signal to Ghanaian operators, potential Ghanaian and foreign investors, international operators, and donors.

Recommendation # 3: Utilize all fees collected by Ghana government agencies at Ghana's national parks, national museums, national monuments and historic sites for the capital costs associated with maintenance and development of those sites.

Formation of the Ghana Heritage Conservation Trust (GHCT) was based on the premise that substantial, ongoing community-based fundraising and facility management support would be necessary to assure a continued high quality visitor experience at the World Heritage Monument and national park attraction sites which have made the Central Region West Africa's newest tourist destination. GHCT has built the capacity to accomplish its mission and a workable revenue sharing agreement has been negotiated between the GHCT and the Department of Wildlife to work together to achieve that goal at Kakum Park. No such agreement exists between GHCT and the Ghana Museums and Monuments Board. But such an agreement is expected in the future.

However, government's policy of capturing Department of Wildlife and GMMB attraction fee revenues into the consolidated fund impoverishes both agencies and seriously weakens their ability to serve as partners with GHCT. Furthermore, government's budgetary allocations to GMMB are woefully inadequate to build—let alone support—a viable agency to manage Ghana's historic heritage sites and museums. This combination of no revenue sharing by government and miniscule financial support

[16] The Tourism Development Fund, Ministry of Tourism, 1998.

by government of these two vital operating agencies greatly weakens their ability to serve as partners with GHCT. This, in turn, threatens all attempts to conserve and enhance the Kakum Park, Cape Coast castle and Elmina Castle experience in the Central Region.

In order to conform to best practices elsewhere, 80% of all attraction fees at Ghana's national parks, national heritage sites and national museums should be kept for use at the site where they are generated. The other 20% should be redistributed to sites that generate little, or no, revenues. This system will have a very small revenue loss impact on the government consolidated fund. But the nation's national parks and national heritage sites will have their first meaningful capital improvement budgets in decades!

Recommendation #4: ***Promote development of community-based ecotourism attraction sites by creating a competitive grants program, sponsoring tourism planning and development training for District Assemblies and strengthening the extension capacity of Ghana Tourist Board regional offices.***

The small wildlife sanctuaries at Tafi Atome and Boabeng-Fiema and many others like them (e.g., Wechiau Hippo Pools, Bisiansi Shrine, Vle waterfalls, Paga's Crocodile Ponds) are vital elements of Ghana's tourism infrastructure and very meaningful income sources to their surrounding, largely small towns and villages. Workable revenue sharing systems—between landowners, traditional authorities, village residents and management at community heritage sites—is the hallmark and the key to success for these critical ecotourism sites.

A partnership between the five organizations (USAID, Peace Corps, Nature Conservation Research Centre and SNV-Netherlands Development Organization)—with strong support from the Ghana Tourist Board—is mounting a program to grow 14 of these community-based ecotourism sites. This is an important priority for building Ghana's tourism infrastructure. If it is to be successful in the long-term and extended to other locations, the Ghana Tourist Board regional offices and District Assemblies must be empowered to become effective partners. District Assemblies are actively searching for ways to develop the tourism potential of their districts. But by-and-large, District Assemblies lack the means, the models and the skills to succeed.

Recommendation #5: Put tourism development on the Ghana government list of priorities for donor assistance and aggressively seek donor support for the National Tourism Development Revenue Sharing Initiative.

Despite the rapid growth of tourism in Ghana over the past decade, as well as its even more significant future foreign exchange and income distribution potential, donor support for tourism has been limited to one regional initiative, a national planning effort and minor support for small-scale community ecotourism. These have been important and very successful projects. Now there is an opportunity for donor intervention that is highly focused and has significant potential to grow a priority sector of the economy. A 3-year donor support program should be targeted at technical assistance for the start-up of the Ghana Tourism Development Fund, development and management of national heritage sites and a hotel training facility. Immediate assistance should be solicited to support policy dialogue and related legislative relations program, a tourism information system and training of District Assembly & community ecotourism teams.

IV. A Tourism Action Plan for Revenue Generation, Sharing and Utilization

Implementation of these recommendations will require leadership at the highest level, a six-month policy and legislation development period and then three years of intensive implementation work. The following is a proposed action plan.

A. Ghana Tourism Action Plan for Revenue Generation, Sharing and Utilization

***Mission Statement**: Create a multi-level public-private partnership—the National Tourism Development Revenue Sharing Initiative—directed by the Office of The President, to significantly expand Ghana's tourism industry by generating new sources of revenue from tourists, and by establishing a new public-private organization to plan a tourism public investment program and distribute the funds to implement that plan.*

***Vision**: Make tourism Ghana's number one economic sector by 2010-- number one in job creation and employment, number one in foreign exchange, number one in GDP.*

***Goal:** Double the number of inbound tourists by 2005.*

Recommendation # 1: Create a dynamic public-private partnership organization, the Ghana Tourism Development Fund, that will plan and make strategic industry support investments to promote Ghana overseas, develop Ghana's national parks and national & community heritage sites and support tourism job training. *Target implementation date: June 30, 2001.*

Implementation Summary: This recommendation envisions the creation of a new legal entity, the Ghana Tourism Development Fund, whose mission is to transparently receive, hold and distribute revenues raised through an increase in the airport levy and a new hotel room levy.

A small secretariat comprising financial and tourism planning professionals will be hired by, and accountable to, a board of directors appointed by the Minister of Tourism and divided evenly between public and private sector tourism industry leaders. Revenues generated by the two proposed levies will be allocated by the board of directors according to a rolling 5-year tourism development action plan, with annually established priorities. Funds will be distributed at the discretion of the Board in roughly equal portions: 1/3 to promotion & information, 1/3 to industry job training and 1/3 to attraction site management and development. National and community-based tourism promotion, training and development bodies—public, private and non-governmental—will be eligible to apply to the Fund to undertake activities conforming to the 5-year plan and annual priorities.

Action Steps:

Step 1-1 Minister of Tourism makes a decision to establish the Ghana Tourism Development Fund (November 2000).

Step 1-2 Minister of Tourism proposes creation of the Fund to Cabinet for preliminary approval (December 2000).

Step 1-3 Cabinet forms a National Tourism Development Revenue Sharing Task Force, staffed by the Ministry of Tourism, comprising the Chair of the Parliamentary Subcommittee on Tourism and the Ministers of Tourism, Finance, Roads & Highways, Local Government and Lands, as well as the Chairman of the National Commission on Culture (January 2001).

Step 1-4 Minister of Tourism convenes a National Tourism Development Revenue Sharing Initiative Industry Coordinating Committee to prepare an implementation plan for the Fund. Membership to be comprised of the Ministry of Tourism, Ghana Tourist Board, Private Operators (e.g., airlines, hotels, tour operators, guides, car rental agencies), GMMB, Department of Wildlife, Institute of Local Government Studies (ILGS), Hotel, Catering and Tourism Training Centre (HOTCATT), University of Cape Coast, VAT Secretariat and Civil Aviation (January 2001).

Step 1-5 Cabinet Task Force finalizes and submits to Cabinet a National Tourism Development Revenue Sharing Initiative to create the Fund, increase the airport levy and introduce a hotel room levy (March 2001).

Step 1-6 Parliament enacts legislation to implement the National Tourism Development Revenue Sharing Initiative and create the Ghana Tourism Development Fund and its associated funding and implementation mechanisms (June 2001).

Recommendation # 2: Double the annual Ministry of Tourism/Ghana Tourist Board budget to 10.12 billion cedis in 2001, targeting immediate priorities of the Ghana Tourism Development Revenue Sharing Initiative. ***Target implementation date: March 31, 2001.***

Implementation Summary:

For too long, Ghana has talked big and acted small regarding tourism. Ghanaians do not understand tourism. They don't know who benefits, where the jobs are, how much tax revenue is generated, how to enter the industry or what and where the future opportunities are. Public officials don't understand what government's role should be, nor how best to organize public sector agencies to work in partnership with hotels, guest houses, airlines, restaurants, attraction sites and tour operators. Ghana is little known overseas and this is complicated by Africa's reputation as a continent of pestilence and disease. All this must change. This recommendation therefore envisions a visible financial commitment by government focusing on immediately important priorities.

First, Ghana must be promoted as a destination through the creation of a professionally managed Ghana tourist promotion and information program targeting the summer 2001 tourist season. Second, data collection, analysis and dissemination through the creation of a Ghana Tourism Information System based on the World Tourism Organization's new model information system, known as the "Tourism Satellite Account" (with an initial objective of generating data and analysis to support Parliamentary approval of the Ghana Tourism Development Fund by June 2001). Those few countries that have decided to embrace tourism and make it a central pillar of their economies have built a quality, sustainable information system to establish the empirical basis for the importance of tourism and to serve as the heart of a strong public information program. Third, job training through a professional feasibility study of the long discussed Ghana Hotel School. Fourth, provision of start-up costs for the Ghana Tourism Development Fund.

Action Steps:

Step 2-1 The Ministry of Finance doubles the 2001 proposed annual budget of the Ministry of Tourism and its operating agencies from its current level of 5.06 billion cedis to 10.12 billion cedis (January 2001).

Step 2-2 Two information units are established—utilizing 1 billion cedis from the increased appropriation. The Ministry of Tourism unit will collect, analyze and disseminate tourism policy data on GDP, jobs, capital investment, tax revenues and the role of tourism in the nation's balance of payments and foreign exchange earnings. The Ghana Tourist Board unit will collect, analyze and disseminate tourism industry data on visitor demographics, spending patterns, activity preferences, lengths of stay and internal travel patterns (March 2001).

Step 2-3 Ghana Tourist Board retains the services of a professional advertising & public relations agency—utilizing 3 billion cedis from the increased appropriation—to promote Ghana in target markets (March 2001).

Step 2-4 Ministry of Tourism guides creation of the Ghana Tourism Development Fund through Parliament and provides 1 billion cedis from the increased appropriation to support start-up costs of the Ghana Tourism Development Fund (March 2001).

Step 2-5 Industry-wide coordinating committee develops the terms of reference for a Ghana Hotel School feasibility study and the Ministry of Tourism issues a tender for that work—utilizing 60 million cedis from the increased appropriation—(June 2001).

Recommendation # 3: Utilize all fees collected by Ghana government agencies at Ghana's national parks, national museums, national monuments and historic sites for the capital costs associated with maintenance and development of those sites. *Target implementation date: June 30, 2001.*

Implementation Summary: This recommendation envisions a new National Heritage Site Development & Management Plan, endorsed by Cabinet and Parliament and implemented jointly by the Ministry of Finance, Ministry of Tourism, Commission on National Culture, GHCT and the Forestry Commission. Two principles underlie this proposed initiative: (1) operating agencies must retain all national heritage site visitor entrance and user fees into their annual capital improvement budgets; and, (2) new management capacity must be installed at these sites in recognition of the fact they are both the anchor attractions of the country's tourism sector AND the country's most valued treasures. The cost of sustaining the National Heritage Site Initiative is to be born entirely by visitor entrance & user fees and proceeds from the Ghana Tourism Development Fund.

Step 3-1 Cabinet Task Force prepares a first-round list of ***up to 20*** Ghana National Heritage Sites to include, at a minimum, all of Ghana's national parks, Kwame Nkrumah Mausoleum, the National Museum, Cape Coast Castle, Elmina Castle, the Asantahene's Palace and the Centres of National Culture (February 2001).

Step 3-2 Cabinet Task Force prepares the necessary Cabinet proposals to implement a National heritage site Development and Management Plan as part of the National Tourism Development Revenue Sharing Initiative (March 2001).

Step 3-3 Parliament enacts legislation to implement the National Tourism Development Revenue Sharing Plan (June 2001).

Step 3-4 Capital improvement plans for each property on the first-round list of Ghana National Heritage Sites are submitted by operating agencies to the Ghana Tourism Development Fund (September 2001).

Recommendation # 4: Promote development of community-based ecotourism attraction sites by creating a competitive grants program, sponsoring tourism planning and development training for District Assemblies and strengthening the extension capacity of Ghana Tourist Board regional offices. *Target implementation date: June 30, 2001.*

Implementation Summary: This recommendation envisions a new Community National Heritage Site Development & Management Plan implemented through partnerships between District Assemblies, communities and non-governmental organizations throughout Ghana. Models of successful community-based ecotourism revenue sharing projects will be developed by the Ghana Tourist Board, the Institute for Local Government Studies will intensify its tourism development training for District Assemblies and the Ghana Tourism Development Fund will inaugurate a competitive grants program to support project implementation.

Step 4-1 The industry-wide National Tourism Development Revenue Sharing Industry Coordinating Committee will select and forward to the Ghana Tourism

Development Fund a first-round list of ***up to 40*** Community National Heritage Sites, to include the 14 sites targeted by GTB's National Steering Committee on community-based ecotourism (March 2001).

Step 4-2 The Institute of Local Government Studies (ILGS) and the Ghana Tourist Board will develop models, design curriculum and undertake an intensive series of training programs for the 40 Community National Heritage Site project teams comprised of District Assemblies, their partner communities and NGOs (March-December, 2001).

Step 4-3 The Ghana Tourism Development Fund will design a competitive Community National Heritage Site matching grants program and issue a Request For Proposals from the first-round sites selected by the Coordinating Committee (December, 2001).

Recommendation # 5: Put tourism development on the Ghana government list of priorities for donor assistance and aggressively seek donor support for the National Tourism Development Revenue Sharing Initiative. ***Target implementation date: June 30, 2001.***

Implementation Summary: This recommendation envisions a decision taken at the highest level to put tourism development into a high priority, fast-track status. As a result, the Ministry of Finance will immediately undertake active solicitation of donors to provide both financial and technical support to the principal elements of the Initiative that will be sustained in the long run by resources generated by the Ghana Tourism Development Fund and ongoing government appropriations to implementing agencies. Donor support will also be solicited for smaller, short-term projects scheduled to be implemented during 2001.

Step 5-1 Ministry of Tourism requests continued support from USAID/Sigma One Corporation to backstop ongoing public-private sector policy dialogue and formulation of legislative proposals to implement the National Tourism Development Revenue Sharing Initiative (December 2000).

Step 5-2 Ministry of Tourism and Ghana Tourist Board solicit short-term grant support to provide training and technical assistance to the proposed Ghana Tourism Information System (January, 2001).

Step 5-3 Institute of Local Government Studies and Ghana Tourist Board develop a collaborative project proposal to create and implement a Community National Heritage Site training program targeting the first-round community partnership teams selected by the Industry Coordinating Committee (March 2001).

Step 5-4 Cabinet Task Force prepares donor project concept papers for multi-year assistance to the Ghana Tourism Development Fund, National Heritage Site

Development and Management Plan and the Ghana Hotel Management School (March 2001).

B. Conclusion

There are important tourism niche markets for which Ghana's welcoming, safe, history- and culture-rich, English-speaking African environment is ideally suited for the so-called *experience economy.*[17] The Central Region tourism project and a booming international economy have allowed tourism to come alive in Ghana over the past few years and now present Ghana with the opportunity to make tourism perhaps the largest sector of its economy.

However, given competition for the tourist's foreign exchange, Ghana's past success and current potential market advantage could be lost. Because according to a prominent new view of the global economy, we are entering "a new economic era in which every business is a stage, and companies (or countries!) must design memorable events for which they charge admission."[18] Research tourism, academic tourism, roots and race relations tourism are but a few of Ghana's market opportunities—essentially anything that "engages customers in an inherently personal way."[19] But even to think about such sophisticated products on a world stage will require an infrastructure of well managed attractions, sophisticated market information, advanced training for tourism employees and professionally targeted promotion—all of which Ghana simply does not now have in place.

Only through the system-wide incentives, created by a dynamic revenue sharing initiative, can Ghana hope to achieve these future opportunities.

[17] Pine & Gilmore, The Experience Economy, Harvard Business School Press, Boston, 1999.
[18] Pine & Gilmore, The Experience Economy, Harvard Business School Press, Boston, 1999.
[19] Pine & Gilmore, The Experience Economy, Harvard Business School Press, Boston, 1999.

APPENDIX A

REQUEST FOR TECHNICAL ASSISTANCE

TO: Dr. Fenton Sands, COTR, USAID/Accra **DATE:** September 25, 2003

FROM: Dr. Joseph Goodwin, Chief of Party, Sigma One Corporation, Accra, Ghana
NAME OF ACTIVITY: An Action Plan to Implement Revenue Sharing from Tourist Attractions

PURPOSE OF ACTIVITY: Tourism is becoming an increasingly important sector in the Ghanaian economy, both in terms of foreign exchange earnings and jobs. Ghana's tourist sector also generates significant revenue, directly through user fees and indirectly through taxes on expenditures of tourists. In addition, the expenditures by tourists can have a significant impact on the economy. As an indication of the impact of tourism, the National Tourism Development Plan estimates that in the year 2000, almost 400,000 tourists will visit Ghana, spending approximately $390 million, generate over $300 million in net foreign exchange receipts and $37 million in direct and indirect taxes. At the same time there are costs associated with tourist development. Infrastructure needs to be developed and maintained. In addition, natural and cultural heritage sites need to be preserved and maintained. In many countries there has been a conflict between members of society on how to share the costs and returns. Some Governments have appropriated the revenue from tourism with little benefit for local communities, except some jobs. Often as a consequence, communities can begin to see tourism as a sector that provides little benefit to them. In this situation, the communities interest in development and preservation of the natural and cultural sites is diminished with a corresponding deterioration of the sites, and a reduction in tourist visit and receipts. As a result there has emerged a growing recognition of the importance of sharing the revenue generated by tourism, between the localities where the sites are located and society at large.

Ghana is starting to experiment with the concept of revenue sharing. This experiment needs to be monitored and developed further. This activity will examine the experience to date, compare it with that of other countries, make recommendations on how to expand the concept and develop an action plan to implement the recommendations.

Experience and Qualifications Needed: The preferred qualifications for the selected consultant are experience in design and implementation of tourism programs and their financing, with preferred given to someone with experience in Ghana's tourism development.

Summary of Scope of Work and Expected Results: As noted above, the focus of this work is to analyze the Ghanaian experience to date, with revenue sharing in the tourism sector, develop recommendations on how to expand these programs and prepare an action plan to implement the recommendations. A central theme of this consultancy is the participatory process, in which Ghanaian colleagues are involved at every stage of the project. This suggests the development of a committee in-country, or the utilization of an existing group. The latter would seem to be preferable, if possible. There exists at present a group that may serve this function or would at least provide members for a Committee. This group is "The Steering Committee for the Development of Community Based Tourism". This committee is chaired by Mr. Komla of the Ghana Tourist Board. It is proposed that this group be examined as one option. In any case, the consultant must undertake a careful assessment of stakeholder views (Ministry of Finance, sector Ministries and agencies, regional and local government, private sector and cultural groups). The consultant will review the experience to date with revenue sharing, including visits to the three locations where it is operational and meeting with the participating agencies. The total revenues currently generated at these sites, along with current and past allocation of these revenues needs to be determined. In addition other sites will need to be considered for expanding the program as well as development of criteria for selection (or non-selection).

Revenue sharing by stakeholder institutions of historic and natural heritage sites have been successfully achieved in other countries. The work for this project should include review of alternative benchmark models from African, South American and Asian countries with similar climates, natural areas and colonial period historic structures.

Work on this project should be divided into three phases. At the end of each phase, a written product will be produced by the product consultant and shared with the Committee or Task Force formed to work with the consultant. This written product can then be used to facilitate and guide the on-going work of the group. The three phases would be as follows: 1) Phase I-Establishment of a Committee or a working relationship with an existing Committee, followed by fact-finding on sites, revenues, and stakeholder views culminating in an informational report to the Committee; 2) Phase II-Development of alternative revenue-sharing scenarios based on Committee response and feed-back to Phase I fact-finding and successful models from other countries; and 3) Phase III-Development of final recommendations and implementation steps based on Committee and stakeholder reactions to the alternative scenarios presented at the end of Phase II.

The expected results from the work is an expanded revenue sharing program for promotion of tourism with the lessons learned from the present experiments and international "best practices" incorporated into an action plan. The longer term result is the development of a strong and vibrant tourist sector that provides increased employment, revenue and foreign exchange earnings.

Contributing to CLIN#2: This activity, will fulfill Milestone 2.24: An action plan to implement revenue sharing from tourist attractions.

Period/Location of Performance: Over the period June 19 to September 16, 2000 with work to occur in both Ghana and the United States.

Resources Required: Funding for two round trip tickets from Boston to Accra and two trips Boston-Durham,NC, per diem for 34 days in Ghana plus salary for 60 days.

Proposed Candidate: Mr. Nathaniel H. Bowditch.

Approvals
Chief of Party/Sigma One Corporation:

Signature Date

USAID COTR:

Signature Date

Government of Ghana: (if applicable)

Signature Date

APPENDIX B

Workshop On A Tourism Action Plan for Revenue Generation and Sharing

Institute of Local Government Studies
Thursday, September 14, 2000

PROGRAMME

8:30—9:00	Arrival of Guests
9:00—9:15	Welcoming Remarks by Chief Director, Ministry of Tourism and Introduction of Chairperson, Mrs. Doreen Owusu-Fianko, Chief Executive, Ghana Tourist Board
9:15—9:30	Opening Remarks by the Chairperson, Mrs. Doreen Owusu-Fianko
9:30—9:45	"Revenue Generation, Revenue Sharing and the Future for Tourism in Ghana," by Dr. Joseph Goodwin, Chief-of-Party, Sigma One Corporation
9:45—10:00	"The Future for Tourism in Ghana—A Donor's View," by Dr. Fenton Sands, COTR, USAID
10:00—10:30	"A Time For Action: Ghana 7-Step Plan For Tourism,' Keynote Address by the Hon. Mike A. Gizo, Minister of Tourism
10:30—10:45	Break
10:45—12:45	Discussion of Proposed Action Plan
12:45—1:15	Formation of Working Group to Refine Proposals
1:15—2:00	Buffet Luncheon
2:00	Adjourn

APPENDIX C

A Tourism Policy Action Plan for Revenue Generation and Sharing

Mission Statement: Create a public-private partnership to significantly expand Ghana's tourism industry by generating new sources of revenue from tourists, establishing a professionally managed fund governed by public and private tourism sector leaders, and investing in a tourism public investment programme.

Objectives: Double the number of inbound tourists by 2005 and make tourism Ghana's number one economic sector by the year 2010.

Introduction

In 1996, with assistance from UNDP, The Ministry of Tourism created a National Tourism Development Plan. That Plan essentially called for a public investment program in job training, improved management and development of community historic/cultural sites & National Parks, a tourism information system and a targeted promotional campaign in overseas markets. These recommendations were the result of hundreds of meetings and thousands of hours of professional work by Ghanaian and international tourism experts.

Since launching that Plan four years ago, Ghana has not been able to move forward at the pace envisioned. The reasons are clear:

- Lack of logistics to support a strong public-private leadership group to drive forward a plan of action.
- Lack of consensus between the public and private sectors on how to do what must be done.
- Lack of adequate funding to establish the enabling environment to implement the recommended investments in Ghana's one rapid growth industry.

In 1998, The Ministry of Tourism attempted to address these weaknesses by preparing a proposal to Cabinet for an independently managed Tourism Development Fund to provide money for the recommended public investment programme. Unfortunately, that proposal has not been able to move forward because the anticipated revenue sources—principally the government consolidated fund—have come under increasing pressure as the country's financial situation has deteriorated due to rising oil prices and falling cocoa and gold prices.

Yet the reasons to create a tourism development fund and launch a tourism public investment programme are now even more compelling. In fact, as we enter the new millennium, Ghana's tourism industry has arrived at a pivotal point. The facts are these:

- Growth in the Ghana tourism sector has been steady and strong for about seven years:

- In 1999, 372,000 tourists visited Ghana, 12 % more than the previous year and more than double the number just eight years before.[20]
- By the end of this year, tourism will employ more than 100,000 Ghanaians in direct and indirect jobs.
- While the amount of VAT revenue collected from tourism receipts is not known, in 1997--the year before the VAT was introduced--$10.3 million was collected from hotel/restaurant customer taxes alone.
- Tourism is Ghana's third largest foreign exchange earner after gold and cocoa,[21] with $342 million in foreign exchange receipts in 1999 (more than triple the amount eight years before).[22]
- Tourism's current estimated growth rate of 12%--making it arguably the only sector of the Ghanaian economy performing at, or above, growth rates laid out in Ghana's Vision 2020 plan—has many economic analysts predicting that it will become Ghana's top foreign exchange earner.

Ghana should be justifiably proud of the growth it has achieved. There is no doubt that the publicity and draw of the new Central Region tourism product—Kakum Park & its canopy walkway; the castles & their roots appeal; new hotel & guest house investment—along with Ghana's reputation as a peaceful, friendly, engaging destination have been major factors. On the other hand, the last ten years have been a period of unprecedented international economic growth. This has fueled a thirst for new tourism destinations. The industry has grown everywhere and is now the world's largest economic sector.

But tourism is becoming very competitive. So the question is: will tourism continue its dynamic growth to become Ghana's premier industry and employer (which will take concerted effort on the part of government and the private sector—just as was the case with the cocoa and minerals industries)? Or will tourism inch forward, and then inevitably backward, as other, more dynamic tourism destinations leave Ghana behind because it chose to remain a "commodity destination" (just as its cocoa and gold industries have remained "commodity industries")?

It has become clear that the only option for Ghana and those of us in the industry is to become number one! Number one in job creation and employment, number one in foreign exchange, number one in GDP, number one by the year 2010! The question is: how can Ghana seize tourism's significant growth potential by making the right public investments during a period of extreme pressure on government finances? A way must be found. Because tourism is Ghana's only rapid growth sector today and, along with non-traditional exports, it alone has the opportunity to draw in foreign exchange and employ sizable numbers of Ghanaians.

A Tourism Policy Action Plan for Revenue Generation and Sharing

To address this dilemma, the Ministry of Tourism and the Ghana Tourist Board joined with USAID—which was instrumental in creating the Central Region tourist destination—and Sigma

[20] Ghana Tourist Board, February, 2000.
[21] National Tourism Development Plan, Ministry of Tourism, 1996.
[22] Ghana Tourist Board, February, 2000.

One Corporation to undertake a deliberate, 3-month process of international best practices research and consultation with industry stakeholders. Individual meetings, informal discussions and a recent workshop have led to the involvement of over 150 tourism industry executives in the public, private and NGO sectors. The conclusion of this process is the following 5-step Tourism Policy Action Plan for Revenue Generation and Sharing. If it is implemented, Ghana can double the number of inbound tourists by 2005.

1. Create The Ghana Tourism Development Fund

GOAL: Create a dynamic public-private partnership, the Ghana Tourism Development Fund, to make strategic industry support investments in job training, promoting Ghana overseas and management of Ghana's National Parks and National & Community Heritage Sites.

GOVERNANCE: The Ghana Tourism Development Fund will be an independent organization, governed by a 9-member Board of Governors appointed by government from among tourism's private and public sector partners.

REVENUE GENERATION: Revenues will be generated initially from two levies on inbound tourist visitors. A $10 tourism job training and heritage site/National Park levy will be added to the ticket price of every international traveler and collected by Civil Aviation Authority together with the current airport levy. A 5% international marketing levy will be collected on the nightly room bill at every 2, 3, 4 and 5-star hotel. In addition, the growing burden of a multiplicity of hotel taxes, licenses and fees will be addressed by sharing this levy with Metropolitan and District Assemblies and other authorities.

The combined annual revenue generation capacity of these two levies is estimated to be $ 5 million.

REVENUE SHARING and UTILIZATION: These revenues will be shared with the tourism sector's vital public sector partners, as follows:

Ministry of Tourism—to create a national tourism information system in partnership with its executing body, the Ghana Tourist Board. It will be called the Ghana Tourism Satellite Account, based on the World Tourism Organization's new model information system. This information system will track both macroeconomic statistics (e.g., contribution to GDP, job creation, capital investment and tax revenues) and tourist statistics (e.g., arrivals, destinations, expenditure patterns, length of stay).

Ghana Tourist Board--to implement a vigorous overseas promotion programme and develop new and enhanced community and national heritage & cultural sites throughout the country in partnership with District Assemblies, Traditional Rulers and Community Leaders.

Wildlife Division--to support improved management and needed infrastructure at Ghana's National Parks so that each one can offer experiences as compelling as Kakum National Park.

Museums and Monuments Board and **Centres for National Culture**--to support enhanced investment and management at Ghana's National Heritage Sites (e.g., Kwame Nkrumah Mausuleum, the Forts and Castles, the Asantehene's Palace), the National Museum and National Culture Centres so that they may become world-class attractions.

University of Cape Coast and **Hotel, Catering and Tourist Training Centre (HOTCATT)--**to create a hotel training facility that extends the existing capacity of these two proven tourism training programmes, thus providing present and future Ghanaian tourism industry employees with the advanced skills that are becoming increasingly necessary.

2. Retain Attraction Fees at National Parks and National Heritage Sites

In order to conform to best practices elsewhere (Zimbabwe, Sri Lanka and the United States), 80% of all attraction fees at National Parks, National Heritage Sites and National Museums should be kept for use at the site where they are generated. The other 20% should be redistributed to sites that generate little, or no, revenues. Such a system will have a very small revenue loss impact on the consolidated fund—less than 500 million cedis. But it would, in effect, turn these newly shared fees into a previously non-existent capital improvement budget for the National Parks and National Heritage Sites.

3. Increase Government's Annual Tourism Budget

Tourism's share of GDP was 3.5% in 1995 and is expected to reach almost 8% per annum by 2010![23] Yet only 0.1% of Government's 1996 Public Investment Programme and a mere 1% of 1995 development assistance were allocated to the tourism sector. The Ministry of Tourism and Ghana Tourist Board have virtually no capacity to support the industry. This strains, rather than grows, the relationship between Ghana's tourism industry and government's tourism policy and promotional bodies. It also sends the wrong signal to Ghanaian operators, potential Ghanaian and foreign investors, international operators, and donors. Government should double the annual tourism budget to 10 billion cedis in 2001, with one billion of the increase directed to support the start-up of the Ghana Tourism Development Fund for each of the next two years.

4. Seek Targeted Donor Assistance

Following creation of the Ghana Tourism Development Fund and an increase in government's annual tourism budget, a 3-year donor support programme should be sought. Its key elements should be technical assistance for the start-up of the Fund and planning for the Ghana Satellite Account tourism information system, hotel training

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4 The Tourism Development Fund, Ministry of Tourism, 1998.

facility, targeted overseas promotion and enhanced National Park and National Heritage Site management.

5. Acknowledge Tourism's Importance to the Ghanaian Economy

Government must give the tourism industry a true "seat at the table" and allow it to play its proper role in the economic development of the country.