Analyzing Ghana’s Tourism Operating Environment: A Political Economy Perspective

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Abstract

Notwithstanding its importance to the success of businesses and industries, the external operating environment is hardly a subject of interest in the tourism literature. But understanding the operating environment is of major value when assessing the efficacy of tourism and its role as a vehicle for socioeconomic transformation in any country. The present study therefore employs a qualitative design within a political economy framework to assess the current environment within which Ghana’s tourism operates. Using unstructured in-depth interviews the study collates views from 10 senior tourism sector operatives representing both public and private sectors chosen through the purposive sampling technique. The findings suggest that the political and economic factors of the present operating environment combine to create a difficult operational theatre for both the public and private sector actors in tourism. By implication therefore, the environment disables rather than enables the tourism trade and circumscribes its potential for expansion. To reverse the situation it is recommended that the existing organizational structures must be repositioned and also there must be reorientation of the existing ideological and fiscal policies.

Key words: tourism, environment, hosting paradox, public sector, private sector
Introduction

Tourism has for the past three decades become a permanent fixture in the developmental agenda of many developing countries and the reason cannot be farfetched. Modern day tourism is big competitive business and an important sector of the global economy. It is responsible for a tenth of all global employment and generated U.S$ 1.2 trillion dollars in receipts in the year 2015 (United Nations’ World Tourism Organisation, 2016). This business which involves the movement of people for non-remunerative purposes around the globe is widely recognized as a vehicle for socio-economic development and has been actively promoted by many governments and multilateral development agencies (e.g. the United Nations’ World Tourism Organization; 2002a; 2012).

The belief in tourism’s developmental abilities is even stronger among developing countries. The traditional benefits of tourism include job and wealth creation for individuals, enhanced revenues for businesses and increased foreign exchange and taxes for governments (Honey & Gilpin, 2009; Wu & Yeung, 2015).

But the wholesale endorsement of tourism as an economic redeemer in developing countries has been mediated by well documented concerns (e.g. Arthur & Mensah 2006; Akama & Kieti, 2007; Holden, Sonne & Novelli, 2011; Koutra & Edwards, 2012; Sharpley, 2009, Sonne, 2010) about the inability of these gains to translate into palpable developmental outcomes at the local community level. It is generally the case that in many African destinations, the growth in tourist patronage has barely triggered the expected commensurate developmental outcomes (Okech, 2010; Sharpley, 2009). The few realisable benefits such as increased revenues to government and increased foreign exchange have tended to largely remain in the macroeconomic domain, but the real effects are hardly ever felt at the more decentralized levels where they are most needed. Empirical findings to this effect have been made of major African tourism destinations such as Kenya (Akama, 2007; Okech, 2010; Sindinga, 1996) and Tanzania (Salazar, 2009) and Ghana (Arthur & Mensah, 2006; Teye, Sirakaya & Sonmez, 2002). To this end, a contradiction, termed the ‘hosting paradox’ (Boakye, Otibo, & Frempong, 2013: 45) arises- a situation in which growth in tourism is reflected in less than proportionate gains in socio-economic development. Sharpley (2009:1) captures this paradox astutely by asserting that “despite the apparently successful growth of tourism in many LDCs, (Least Developed Countries) wider economic growth and development has, in many cases, not occurred”.

When juxtaposed against the success stories of Western European and North America, the ambivalence of the African tourism experience, signals the importance of context and emphasizes the fact that tourism operates in a more nuanced and complex way than is often understood (Picard & Wood, 1997). Seeking to unravel the hosting paradox therefore raises three structure/agency-related issues, namely: capacity; the role of the tourism institutions; and, the operational environment Capacity refers to the ability of an entity to perform
assigned roles. Capacity has been found (e.g. Boakye et al. 2013; Koutra & Edwards, 2012a; Moscardo, 2008) to be a major determinant of the receipt and distribution of earnings from tourism. There is thus the need to understand the capacities of various actors in the tourism space and how these are harnessed for their benefit. The second issue, relates to the key actors in tourism and their attendant effectiveness. The success of tourism depends heavily on both the effectiveness of the public sector and the ingenuity of the private sector. While public institutions are generally expected to play a facilitative role, the private sector has the duty to play a creative role. Tourism’s expected benefits are often hinged on a vibrant private sector. Using the multiplier concept (Gee, Makens & Choy, 1997), it is theoretically expected that tourists’ direct expenditure on accommodation, transportation, food, beverage and entertainment will be absorbed by first-line businesses whose operations in will turn stimulate economic activity by engaging other businesses in their quest to meet the need of tourists (Mitchel & Faal, 2008; Coviello, Winklohofer & Hamilton, 2006). Tourism institutions (both public and private) are therefore a key conduit through which the sector’s economic benefits are expected to trickle down to the micro and individual levels and vibrant tourism businesses operating in an accommodating environment can help achieve these.

The third generic issue constitutes the focus of this paper and relates to the operating environment. Often overlooked in many a study, the operating environment constitutes an important determinant of the success of the tourism actors. It has been proposed for example that operating environment invariably impacts on output (David, 2013) and empirical evidence to this effect has been adduced from the food and beverage industry (Adeoye & Elegunde, 2012). It becomes imperative therefore to examine the operating environment for both tourism businesses and state institutions with a view of understanding their success and limitations better. A Tourism Operating Environment (TOE) can be functionally defined to be the setting (especially political and economic) within which the tourist trade occurs in a given space. The TOE is a combination of political and economic factors and how they together roll out an operational theatre for the tourism trade.

These three concepts can be fused within an analytical framework cast within the Political Economy (PE) thinking. Political Economy approaches basically assess an operating environment by taking into account structure-related issues such as political and economic factors (Mosedale, 2011). This paper adopts the Critical Realism (CR) paradigm. The CR theory argues for a clear distinction between epistemology and ontology (Sayer, 1992; Archer, 1998; Bhaskar, 1998) on the basis that social reality cannot be understood without an appreciation of the various strata and their powers of influence (Morton, 2006). As Bhaskar

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1. This account of the CR is deliberately shortened for the parochial object of establishing its link with the present study. Otherwise, a more comprehensive account of the CR theory can be found in seminal books by Archer et al (1998) and Bhaskar (1989).
Science must discover hidden structures and objects that have the power to influence outcomes. In other words, phenomena in the social world can be better understood only if their (sometimes) invisible underlying structures are known and appreciated. CR Theory is valuable therefore in its ability to facilitate the identification and analysis of structures and mechanisms that drive tourism as well as allowing for ex-post facto explanations of occurrences within its operating structure.

Ghana, a West African country of almost 25 million people has pursued the development of tourism over the past three decades. Being a typical developing country, Ghana, in 1985, introduced tourism as a means of diversifying its economy and reducing its reliance on earnings from its traditional exports of cocoa and gold. While there have been some obvious gains, these have been felt largely at the macro-economic level Ghana, for example, has cumulatively received $13 billion in tourism revenues over the past 25 years, averaging some $500m each year. In addition, the contribution of tourism to Gross Domestic Product (GDP) has increased from 0.5% in 1985 to 4.7% in 2014 and it currently employs an estimated 500,000 people (World Travel and Tourism Council, 2015). Ghana represents a good context for examining the operational environment on account of two facts. The first is the reality that the growth of the sector has slowed down over the past ten years in terms of arrivals, revenues and supply of tourism services (Boakye, Otibo & Frempong 2013). Secondly, there is evidence to suggest that tourism has largely failed to deliver developmental outcomes, particularly by way of micro-level benefits to the host communities. Almost all the studies from the country’s major tourism hub, the Cape Coast-Elmina area, (e.g. Teye, Sonmez & Sirakaya, 2002; Koutra, 2007a; Boakye, 2008; Sonne, 2010; Holden et al, 2011; Koutra & Edwards, 2012) are unambiguous in their conclusions that tourism has failed to deliver the needed developmental outcomes to the local people after almost 30 years. In the view of Arthur & Mensah (2006), the increased numbers of tourists (about 100,000 annually) to Elmina has made very little impact on the town’s underdeveloped nature which is still characterized by poor sanitation and waste management, weak infrastructure and huge constraints on educational and healthcare facilities. Such an unsettling commentary of a destination area which has continually witnessed inflows of tourists for more than 25 years beckons a deeper, more critical assessment of the operating environment. However, in spite of importance of the role of context in understanding the complex and nuanced tourism-development interface, very few studies employ a paradigm that provides the depth of understanding of the environment within which tourism operates as a tool for development. When applied to the current discourse, therefore, the PE thinking guides the study’s thought process through highlighting the following issues encapsulated in the following questions about Ghana’s tourism:
What is the nature of the operating environment and what implications does it have for the efficacy of the tourism institutions identified earlier?

How does the structure of the operating environment shape the organization of both the private and public sectors in tourism? Ghana’s tourism policy (political) environment in terms of ideology,

This paper principally sets out to assess the external operating environment of Ghana’s tourism sector. The external environment is generally known to be that part of an entity’s operations which is controlled by forces outside the control of the firm and has traditionally involved the political, economic, legal, scientific and technological factors. The present study focuses on the political, economic and legal spheres of the country’s tourism operating environment. The next section discusses some theoretical and empirical issues related to the tourism-development nexus with the others discussing the methods, findings and discussions accordingly.

**Literature review**

Political Economy (PE) approaches have generally been useful in studying the nature of the operating environment of the tourist trade and how they affect the attendant outcomes. A cursory look at the tourism literature shows two broad applications of PE. The first concerns the strict interface between politics and economics and how each influences the other. Tourism related studies which have directly or inadvertently employed this approach include Teye’s (1988) seminal essay on tourism and political stability, as well as work by Brown (2000), Dieke (2001), Bianchi (2002), Ferreira (2004), Akama & Kieti, 2007; and Okech, (2010) have variously singled out politics (and, to an extent politicicking) and their resultant policies as an influencer of the outcomes of the tourism development process in their respective countries.

The second category of studies have adopted a more liberalized approach (e.g. Adu-Febiri,1994; Konadu-Agyemang, 2001, Iroegbu, 2010) and have widened the scope of PE to focus on the context within which economic production occurs. Such studies have focused on the geopolitical space, particularly the twin concepts of neo-liberalism and globalization and explored its nuances and implications for African economies.

Tourism’s expected role as an agent for development has always been modelled after the prevailing paradigm or definition of development. Hence, the changing forms of tourism (e.g. mass tourism, ecotourism, pro poor tourism) have reflected the attendant developmental paradigms namely, development as westernization, environmentally sensitive development and, people-centered development. Theoretically, some of tourism-induced developmental outcomes include the creation of jobs and its attendant incomes to persons, creation of demand for agricultural produce and the raising of revenues (through tourism-
related taxes) for government to undertake social investments such as in health, sanitation, education, and infrastructure.

When related to the current paradigm, the Sustainable Development Goals, tourism can be conceptualized as playing a three-pronged function as an agent of development: as a creator of wealth, a distributor of the wealth so created and, a conduit through which human welfare is secured. In tourism’s wealth creative function, the visit of tourists creates additional demand for goods and services and provides enhanced business for individuals and businesses and greater tax opportunities for governments (Honey & Gilpin, 2009). The second developmental function pertains to the distribution of the wealth acquired by businesses through securing backward linkages through the creation of demand for other goods and services by the frontline businesses (Boakye, 2008). The third function—protection, relates to tourism playing a protective function in which the wealth acquired in the first two is used (both by the direct beneficiaries and by government) to pursue other development-related outcomes such as health, education and sanitation. The successful performance of these roles is contingent on the vibrancy of the environment within which tourism operates (Dieke, 1995, 2003).

The literature on the business environment identifies two major operating environments: the internal and the external. While the former deals with the firm’s own strengths and weaknesses, the external environment is thought to consist of those factors which affect the firm over which it has no control. Of the many factors that have evolved, the four traditional ones, Political, Economic, Social and Technological (PEST) remain generic. Tourism, even at the broader aggregate level, is affected by each of these factors. Political factors could be operationalized in terms of ideology and governance. Political ideologies have, for example, been found (e.g. Akyeampong, 2008) to inform both the decision and the type of interventions in tourism. A popular example is Tanzania under Julius Nyerere whose Ujamaa political philosophy frowned upon tourism because it was thought to be a conduit through which western ideas could be introduced into the country. The same has been found of North Korea (Kim, Timothy & Han, 2007). As Burns and Novelli (2008) cogently argue, it is important for tourism entities to understand the dynamics of political power in terms of its present and likely future location and the implication of such nuances for tourism policy. Economic factors have also been found to be major determinants of the fortunes of tourism. For example, the strength of the economy (both at the generating and receiving points) can even shape internal demand for tourism. The dips in global outbound travel between 2007 and 2010 can be linked to the general economic depression which hit major generating countries during the same period.

Again, expensive destinations are generally not attractive (Gee et al. 2009) and to this end, countries (e.g. Japan) have been known to deliberately devalue their currencies to make them more attractive to tourists from their targeted generating markets. Still on the same argument, commodities like oil
have been found (e.g. Becken, 2011; Boakye, 2012) to have a deterministic effect on the fortunes of tourism. Happenings on the oil production front tend to affect both the demand and the supply of tourism. The fiscal regime also plays a major role in determining the outcomes of tourism. Serra, Correia and Rodrigues, (2014) have argued that the exchange rate and other fiscal indicators such as the rate of inflation and taxation rates tend to affect the operational outcomes of tourism businesses. Mak (2004) for example asserts that a 5% tax introduced by the state of New York on hotels caused an overall decline in tourism business and prompted a withdrawal four years later. Similarly, Zapalska, Vaidyanathan and Brozik (2012) identified inefficient fiscal policies as one of the reasons for poor performance of hospitality and tourism firms in West Virginia. Social and Technological factors also play major roles in shaping the external operating environment of tourism but fall outside the purview of the present study. Iroegbu’s (2010) survey found the economic climate to be a significant influencer of market development strategies adopted by Multinational Corporations. But the external environment is not the only factor that plays a deterministic role on operational outcomes. The internal environment has also been found to play an equally deterministic role in a firm’s success. Hence internal efficiency is equally important and while not the focus of this paper, it is worthy to note that other studies (e.g. Akyeampong, 2007; Duran, 2013) have examined internal efficiencies of tourism actors. Nevertheless, it would appear on the balance that the success of a tourism entity would largely be determined by the quality of the external environment. No matter how well organized and efficient a firm’s internal environment may be, high taxes, political instability and poor infrastructure will definitely pose a mediating effect on growth.

**Methodology**

The study’s explorative orientation and nature compellingly placed it in the qualitative orientation. Primary data was collected through In-Depth Interviews conducted with 10 senior tourism officials and tourism/hospitality industry captains who were purposively chosen on the basis of their vast industry experience and the positions they hold. Secondary data were extracted from policy documents from Government sources as well as other literature. The instrument mainly centered on issues related to expected roles, as well as existing problems faced by both government officials and service providers, but also explored the existing power dynamics among actors in the tourism sector.

Data gathered from the interviews were analyzed using an inductive thematic approach based on themes elicited from the literature. In addition, data gathered from online searches under the topic ‘tourism in Ghana’ using the Google search engine was analyzed.
Results and Discussion

The study sought to assess the tourism operational environment as viewed by actors in both the public and private sectors. This section reports on the operationalized aspects of the tourism operating environment under the broad political and economic dimensions.

The political dimension.

The political dimension of the operating environment was assessed using indicators such as the existing political ideology, policy legislative and organizational framework. The findings are presented in turn. On the whole, the evidence suggests that the current political environment is structurally deficient. Starting with ideology, it was discovered that laissez-fairism is the present operative philosophical paradigm. The ensuing quotes capture the reality better:

*We operate a laissez-faire method ...as you know tourism is private sector-led so our job is to facilitate its growth and development [a senior public servant].*

Another public official had this to say on the issue of ideology and subsequent action:

*Government’s role is to regulate and that is what we are doing. Occasionally we try to train to improve on standards but that is dependent on availability of funds [a senior public servant].*

Yet another had this to say

*Regulation is key to the success of any endeavor. Our job is to ensure that the legal requirements are adhered to. We expect the private sector to show leadership and go into creating tourism attractions and facilities. Ours is to create an enabling environment [a senior public servant]*

The quotes from these three senior public officials demonstrate the tenets of the laissez faire thinking: facilitation and regulation. The country’s current inclination towards the neo-liberal laissez- faire ideology is not very surprising given the fact that it is the current philosophical orientation of the World Bank/IMF to whose programmes Ghana subscribes. These Bretton Woods institutions are neo-liberal by default, support trade liberalization and believe that governments should not be directly involved in product creation. However, such ideology needs critical reexamination, particularly in the context of developing tourism in poor African countries where a strong institutional presence is necessary to make up for a weak-underperforming private sector.
Boakye, Adams & Adongo: Analyzing Ghana’s Tourism Operating Environment...

(Jenkins and Henry, 1982). Though the laissez faire approach may be theoretically ideal in the business sense, it tends to be at variance with the economic and social goals for which many African countries develop tourism. Although Akyeampong (2009) argues that the laissez-faire approach may have been responsible for industry growth in Ghana, it is also true that the typical indifference, associated with this ideology may be responsible for the difficult operating environment outlined in this paper. Laissez fairism is hinged on the belief that the market can efficiently allocate and regulate resources but it fails to take cognizance of existence of market failures (Mak, 2004) and the non-economic dynamics such as the environmental and social impacts (Choy, 1991). Yet, as Holden (2005) asserts, tourism is a social phenomenon and has implications for the host community and the societies in which it takes place.

Another dimension of the political environment pertains to the policy framework. The study found that Ghana, has over the past 15 years, produced six major policy documents relating to tourism, namely:

- Integrated Tourism Development Plan: 1996-2010
- National Tourism Policy (Draft) : 2005
- Tourism Sector Medium Term Development Plan: 2010-2013
- National Tourism Marketing strategy: 2009- 2012
- National Tourism Development Plan: 2013-2027

However, the results of the content analysis suggest that the existing policy architecture collectively fails to satisfactorily address five critical issues relating to the smooth operation of tourism. These are (1) the identity and importance of other stakeholders in the tourism process such as host communities (2), fostering the creation of inter-sectorial linkages between tourism and other economic activity (3), building the generally low capacities of host communities (4), addressing the powerlessness of the public sector and attendant faulty coordination of the tourist trade and, (5) creating a conducive environment to make the private sector more productive and profitable.

Though the latest plan (ROG, 2013-2027) appears to acknowledge the existence of one of these structural gaps, namely the skewed power relations against the tourism establishment, the solutions it proffers can hardly solve the problem. For instance, the plan’s call for restructuring of the tourism public sector, though of some value for internal efficiency, simply appears to be a case of creating a new bureaucracy to solve an existing problem. To that extent, the existing policies and plans appear not have not been very helpful in shaping tourism to meet the country’s developmental needs. Aside their inadequacies as outlined, large sections of these plans hardly ever get implemented (Mensah-Ansah, Martin & Egan, 2011). An analysis of the legal environment, however, paints a different story. Ghana has over the last 5 years passed a significant
landmark legislation that has permanently changed the face of tourism. The passage of the Tourism Act 817 in 2011 spawned three positive unprecedented developments, namely: the provision of a comprehensive framework within which the tourist trade is to be practiced; the elevation the Ghana Tourist Board to the status of an authority named the Ghana Tourism Authority and; the creation of a tourism development fund which is to be financed through monies realized from a levy. The last development in particular has unearthed an innovative way of financing tourism and has so far yielded US$7million.

The third dimension of the political environment pertained to the organizational framework which was found to be underfunded and powerless. In terms of funding a Senior Public Official had this to say:

*We barely get the funding we need. We need money to perform major functions such as marketing the destination, collating statistics, training among others. Mostly the amounts we get from central government are but a fraction of what we have requested.*

Information gathered from the online search also buttressed the sentiment by the officials. In fact, as Mensah (2011) indicates, the Ministry of Tourism’s budget was almost halved in 2012 over the 2011 figure. The 2012 budgetary allocation of US$ 5.1m (approximately) represents a mere 0.23% for the previous year’s receipts. Worse still is the fact that a large chunk of this allocation goes into salaries and emoluments leaving very little for developmental or promotional activity. The following extracts from archived Ghana News Agency Reports about the perennial underfunding are self-explanatory.

In 2003: The then outgoing acting Minister for Tourism described budgetary allocation to the Ministry as "peanuts" saying, the amount is not capable of developing the industry to competitive levels in the Sub-Region. He said the budget allocated to the Ministry was limited and was a serious constraint to raising the standards in the tourism industry. Nine years later in the year 2012, “the Deputy Minister for Tourism has noted that the poor performance of countries in the sub- region in their tourism competitiveness was due to weak research and low budget allocations to the sector”. Most recently in the year 2013, the outgoing Minister for Tourism was quoted to have, again, bemoaned the low allocations to her Ministry.

Such perennial underfunding is the outcome of a combination of ideological and economic factors. From the ideological perspective, the underfunding can be explained by the fact that it reflects the neo-liberal/laissez faire approach which is hesitant to allow heavy investments in what is erroneously perceived to be a private sector activity. It is not uncommon to hear state officials describe tourism as being ‘private sector led’. Hence investments in tourism are viewed to be wasteful as they support only few elite. Such a viewpoint fails to see tourism as economic activity with strong potential to reduce poverty if well managed (UNWTO, 2012; Honey, 2009; Mitchell & Faal, 2008 ). Such a mantra is as misleading as it is disingenuous,
particularly in the developing country context whose private sector is weak or underperforming. The underfunding may also be due to the low contributions tourism makes to the national purse. In reality, in strict accounting terms, tourism’s real monetary contributions to government are only but a fraction of the total receipts that are often publicized. The only tourism receipts that would possibly directly accrue to government’s chest would be income from some attractions and, (to a limited extent) airport taxes on those who visit on touristic purposes. The rest (e.g. payments for transportation, food, beverage and accommodation) would be difficult to attribute solely to tourism. Perhaps it is on the basis of this “low inflow” that government allocates such small amounts to the sector. The wider issue, however, is one of data collection and the validity of both the process and the outcomes. The point about Ghana lacking a valid data base on tourism arrivals and receipts has been variously expressed and is buttressed by the fact that the global tourism statistics published by the UNWTO reveals frequent data gaps on Ghana. It is this weakness that has prompted the government to initiate a project on tourism data collection, using the Tourism Satellite Accounting methodology.

Another organizational issue pertains to the seeming powerlessness of the tourism sector. The study found evidence which reflects the dynamics of the concept of bounded territoriality. Tourism by its very nature involves many stakeholders, most of whom have core mandates outside the sector but take decisions that have far reaching implications for it. As shown in Table 1, much of the power of agency in tourism lies with institutions which are not in the sector. It is noteworthy, for example that the Ministry of Tourism does not have cabinet status. The Ministry of Interior for example has a core mandate to protect Ghanaians, hence would be justifiably committed to prioritizing local security over providing protection to tourists. Yet, tourist insecurity reduces the country’s appeal as a destination. Similar arguments can be made for the agencies in charge of roads, utility and even taxes.

| Table 1: Some tourism related needs and powers of agency in Ghana |

<table>
<thead>
<tr>
<th>Tourism related need</th>
<th>Relevance to tourism</th>
<th>Power of Agency</th>
</tr>
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<tbody>
<tr>
<td>Tourists smooth acquisition of entry visas and travel arrangements</td>
<td>Makes the destination competitive</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>Skills training for entry level tourism staff</td>
<td>Enhance professionalism of front line staff critical for good image</td>
<td>Ministry of Employment and Social Welfare</td>
</tr>
<tr>
<td>Security</td>
<td>Protection of tourists which is critical to destination image</td>
<td>Ministries of Interior and Defense</td>
</tr>
<tr>
<td>Road network to attractions</td>
<td>Access to attractions to allow for higher</td>
<td>Ministry of Roads and Highway</td>
</tr>
<tr>
<td>Utility services for tourism businesses especially in outskirts</td>
<td>Creation of a good business operating environment and stimulant for location of tourism businesses in the hinterland</td>
<td>Electric- Ministry of Energy</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
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<td>----------------------------------------</td>
</tr>
<tr>
<td>Tax regime (including incentives)</td>
<td>Encourages tourism related investments with their attendant benefits</td>
<td>Ministry of Finance and Economic Planning</td>
</tr>
<tr>
<td>Exit interviews (especially at the airport)</td>
<td>Useful in providing direct feedback from tourists about the Tourism Product</td>
<td>Ghana Civil Aviation Authority/Ministry of Transport</td>
</tr>
</tbody>
</table>

Source: Fieldwork, 2016

The tourism public sector’s powerlessness is again reflected in the ownership and management of attractions- which are the heart of tourism. As shown in Table 2, the ownership and management of the major tourism attractions does not lie in the hands of the tourism establishment but in Ministries Departments and Agencies whose core mandates are quite different from leisure and recreation.

Table 2: Some major attractions in Ghana and their supervisory institutions

<table>
<thead>
<tr>
<th>Attraction</th>
<th>Supervising entity with power of agency</th>
</tr>
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<tbody>
<tr>
<td>Aburi Botanical Gardens</td>
<td>Forestry Commission, Ministry of Local Government</td>
</tr>
<tr>
<td>Kwame Nkrumah Mausoleum</td>
<td>Ministry of Chieftaincy and Culture</td>
</tr>
<tr>
<td>Kakum National Park</td>
<td>Forestry Commission</td>
</tr>
<tr>
<td>Cape Coast Castle</td>
<td>Ghana Museums and Monuments Board</td>
</tr>
<tr>
<td>Elmina Castle</td>
<td>Ghana Museums and Monuments Board</td>
</tr>
<tr>
<td>Lake Bosomtwe recreational area</td>
<td>Relevant District Assembly</td>
</tr>
<tr>
<td>Boabeng Fiema Monkey Sanctuary</td>
<td>Local community</td>
</tr>
<tr>
<td>Tafi Atome Monkey Sanctuary</td>
<td>Local community</td>
</tr>
<tr>
<td>LA Pleasure Beach</td>
<td>Local community (La, Development Committee)</td>
</tr>
<tr>
<td>Various waterfalls (e.g. Wli, Boti, Kintampo)</td>
<td>Relevant District or Municipal Assemblies</td>
</tr>
</tbody>
</table>

Source: Fieldwork, 2015

Such a fragmented nature of the present tourism arrangement as seen in Tables 1 and 2 may be explained by a lack of understanding of tourism and its associated unwillingness to collaborate by the key actors. The present situation in which the tourism establishment does not have agency in the running of the
major attractions is unsustainable but the key problem with the present ownership structure appears to be the challenge of maintaining a balance between the managing entities’ core mandates and a satisfactory tourist experience. As noted from Table 2, the agencies which control major tourist attractions (Table 2) have core mandates which are not necessarily tourism-related. Yet, these entities derive substantial incomes from tourist patronage which they otherwise would not receive. Catering for tourists normally requires more than preservation/conservation and places an even greater premium on service—an aspect to which the managing authorities are not obliged to recognize. Consequently, it is little wonder that studies (e.g. Boakye, & Boohene, 2009; Frimpong, Dayour & Bondzi-Simpson, 2015) have found service to be poorest at attractions sites as compared to other frontline engagements with tourists. With the exception of the Castles and the Kakum National Park, tours at the various attractions are normally conducted by staff of these controlling organizations who have had no professional guiding lessons and thus, are oblivious to the numerous service errors they commit.

In the light of this ideological mismatch, the perennial underfunding and the lack of organization observed in the study become more understandable. It appears the emphasis for government (as expressed in the Tourism Act) is more skewed towards the neo-liberal dictates of industry regulation to the detriment of important issues such as product creation and enhancing the touristic appeal of the tourism attractions and establishing mechanisms through which tourism can deliver developmental outcomes to host communities. Koutra (2007) for example notes that Ghana does not appear to have any clear pro-poor policies through which benefits from tourism can be felt at the community level.

The finding about limited powers of agency is equally revealing. The lack of agency points to policy oversights. Even if there were no budgetary limitations, the public sector operating environment would still be unfavorable owing to the power dynamics shown in Table 1. It is little wonder therefore, that since independence, very few and insignificant portions the country’s tourism developmental plans and decisions have ever been implemented (Mensah-Ansah et al, 2011) because the tourism public sector lacks the recognition, power, legitimacy and agency to implement them. But the real problem is not with the placement of the power of agency, but rather the lack of coordination between the tourism establishments and the institutions that wield the relevant power of agency.

The Economic Dimension

The next broad dimension of the operating environment pertains to the economic atmosphere as per the views of the private businesses. Data gathered from industry players suggests that the private sector faces a challenged operating environment as demonstrated in three areas of operation: access to credit; taxation issues and infrastructure.

Access to credit was a commonly-mentioned challenge by the industry
captains. They bemoaned the fact that the credit is largely unavailable and when it is, come with exorbitant interest rates. The following narrative gleaned from an interview reflects the point better:

\[ \text{The banks are not helping us at all. They see tourism as both a luxury item and one in which there is high risk and a longer time to repay. The banks would rather give loans to churches or business who import goods from China or Dubai [an industry captain and executive of a trade association].} \]

The existing fiscal regime was identified as another major challenge posed by the present business operating environment. The challenges related mainly to the taxation system and the incentive regime. Regarding taxation, the industry captains complained of both a high tax rate as well as the multiple layers of taxation they are subjected to. They listed the following taxes/levies they had to contend with on an annual basis:

- Value added tax which has already been worked into all its purchases
- Annual income tax
- Levies by local authorities
- Levies by other professional bodies such as the copyright association

The point is well-espoused in the ensuring narrative:

\[ \text{Government officials appear to see the hotels as a ready source of free cash to be mobilized. Anytime there is the need to raise tax revenue, the hotel is the first place of call. They think we make plenty money but in reality we are barely surviving. This year alone the fees we pay to some statutory organizations has increased almost 200 fold [an executive of the hotel association].} \]

A third aspect of the business operating environment concerned infrastructure challenges. Respondents cited the crippling energy crisis and other infrastructure challenges as having a deleterious effect on their operations. This reality is captured in the ensuing quotes:

\[ \text{This energy crisis has really hit us hard. I will not be surprised if you hear of about 20 hotels closing down. We cannot bear the huge fuel bills any longer. Though the energy is fairly stable now, the new bills are simply outrageous. Hotel bills are so high that it is relatively cheaper to run a generator. Do you know that currently for most hotels, utility bills are higher than payroll? Where in the world does this happen? Our overheads have just shot through the roof. We are bleeding! We may have to shut down and let our workers go home [an executive of the Hotels Association of Ghana]}. \]
A similar observation was made similar to other infrastructure such as roads, water and security.

*Our business is really facing challenges. Although we diligently pay our taxes we cannot be assured of running water and good roads. What is government doing with all our money? We are major collectors of their tourism fund yet there is no benefit to us. Many of our clients complain of poor roads, must we also now get into providing roads to our facilities? In addition, we have to provide our own security. It is only recently that the terror threat meant that some of our members were provided with policemen. Even then we bear the full cost of paying them while on duty at our facilities. [An industry captain].*

Almost all the findings about the hostile nature of the operating environment are not new. Similar observations about the high and multilayered taxes have been made by Akyeampong, (2007). Again, the infrastructure challenges observed in this study had earlier been documented in a study conducted by the Department of Geography and Tourism. Furthermore, a study conducted in 1999 by the Department of Geography and Tourism (as cited in Akyeampong, 2007) showed that hoteliers in the country’s Central Region ranked poor utility services as their most pertinent problem. Eight years after, Akyeampong (2007: 227) wrote: “power outages and dry taps have become a hindrance to the operations of hotels”. The repetitive nature of the findings about the operating environment may be reflective of the fact that the existing legal/policy framework has tended to overlook contextual matters, and in particular, the nature of the economy.

The reality is that Ghana’s economy is basically weak, and as such creates operational challenges for tourism service providers. High inflation, a high incidence of taxation and a weak currency tend to affect both the demand and operational aspects of any business. Over the last 4 years the situation has worsened on account of a crippling energy crises and an increasing budget deficit. Consequently, the economy which grew at 14% in 2011 could only manage 3.5% in 2015. A 2016 report by the Association of Ghana Industries (AGI) paints a more graphic picture of the increasing tax burden and a stifling economic operating environment. The currency, the Cedi has depreciated by more than 200% during the last six years with the exchange rate sliding from Gh1.5 to the dollar in 2009 to the current Gh 3.9 in 2016. Such a weak economic structure has sent government into excessive borrowing from the local markets which in turn has limited the private sector’s access to credit. Given its power to offer higher interest rates, Government has often tended to out borrow the private sector, with banks naturally inclined to serve the higher bidder, leaving little credit to be accessed by the private sector. Consequently, the cost of credit is very high - current interest rates in Ghana average around 35%. The Association of Ghanaian Industries has always complained about this ‘credit crunch’. It is little wonder that service providers face limited access to credit,
confirming earlier findings made by Akyeampong (2007). The deleterious effects of high taxes are quite evident in their tendency to reduce growth in any sector (Mak, 2004, Zapalska et. al., 2012).

**Conclusion**

The country’s TOE is characterized by structural deficiencies caused mainly by a misalignment of ideologies, policies and practices. For the public sector, the difficulties include a problematic ideology and its attendant defective policy regime and organization. For the private operators, the weak environment, expresses itself in limited access to credit, high taxes, and poor infrastructure. Clearly, the current TOE is inappropriate for successful tourism operations. Combined, the situation described has three implications for the growth of tourism and its efficacy as a vehicle for socio-economic development. The first concerns the possibility of a restriction of the growth of the sector, especially in terms of adding new attractions. The absence of decision making power and funds may lead to stalled growth. In fact, apart from a few difficult-to access, small-scale ecotourism attractions, the country has barely expanded its tourism product base over the last 20 years. There is little evidence of new attractions being added to the stock after the few landmark ones (Kakum National Park, Cape Coast Castle and Elmina Castle) that were created as a result of a project to develop tourism in the Central Region. A simple assessment of the potential tourism attractions in the country (as outlined by the Integrated Tourism Development Plan, 1996-2010) indicates the existence of a wide range of tourism offerings, yet, only less than 10% of which have been developed.

The second and perhaps more debilitating implication concerns the potential crippling of tourism’s powers of economic stimulation as per the multiplier theory. It is mostly the case that tourism’s benefits to local communities are realized through the activities of the private sector. Hence, once the sector becomes operationally challenged, the benefits are estopped also. Tourism can then no longer act as the catalyst for generating output, hire the adequate number of people, or, receive the relevant levels of demand which will trigger the backward linkages to stimulate economic activity. It may be argued that the unfriendly tax regime affects other economic activities but exceptions should be made for tourism in that it holds a well-proven blueprint for development. When compared to other economic activities tourism bears the distinct advantage of having one of the strongest potentials to create sustainable jobs and stimulate linkages and growth in other sectors.

Flowing from the first two is the possibility of growing resentment against the tourist trade, leaving in its wake, antagonism and the attendant safety and security concerns. Even though there is evidence in Ghana of major macro-economic gains of tourism, these have not translated into enhanced livelihoods, especially at the individual and communal levels. It does not take long for such
a situation to translate into one of a hostile host community that is antagonistic against tourists and tourism establishments.

On the way forward, it would appear that a system and structure of higher level coordination would serve the purpose of strengthening the operating environment better. First and foremost, there would be the need for the creation of a coordinating body at the cabinet level. Such a body- the Tourism Coordinating Council (TCC) can be chaired by the country’s Vice-President and empaneled by the substantive ministers whose area of jurisdiction has implications for the tourist trade (Table 3). A functional and fully operational TCC can ensure proper policy coordination and infrastructure support for tourism and would minimize the problems noted in the text. Hence the TCC provides a forum for the integrated planning of tourism development. Concerning the funding/financing challenge, the establishment of the Tourism Development Fund by Act 817 is a step in the right direction because, if it is managed prudently, it constitutes an innovative and practical solution to reducing the already overbearing financial burden on central government.

Second, government should be more involved as a proactive legislator, and active partner in tourism-related businesses. By so doing, it ensures that the socio, political and environmental reasons for which countries embark on tourism can be realized. With its clout and borrowing power, government is the only actor that can compete with large conglomerates. Two cases in point on the Ghanaian scene buttress the point. There is little doubt that the 2008 partnership of the Ghana government with Vodafone international has yielded positive results, making the service provider very competitive. Again, government’s ownership of the largest hotel chain (Golden Beach Hotels) has not stopped it from being profitable. Consequently there is the need to rethink the role of governments in tourism development.

Finally, given the fragmentation observed in the study, it may be prudent for government to consider declaring tourism a priority area. Such an act would translate into a greater level of government commitment towards creating a more conducive environment for businesses to grow through a more flexible tax regime and increased access to credit. Tourism’s backward linkages can be best realized when the tourism businesses themselves are, in the first place, vibrant. In summary, in spite of its generally-impressive performance, the tourist trade still faces some challenges which contrive to reduce its capabilities as a tool for development. Future studies can focus on the nature/role of the internal environment of tourism actors (especially the state and private businesses). Preliminary evidence from Ghana’s accommodation sector (e.g. Akyeampong, 2007), for example, points to internal weaknesses by operators. Again, greater insight is needed into understanding the impacts (environmental, social, and economic) that tourism has had on Ghana over the past two-three decades that tourism has risen to prominence as an economic activity in the country.
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