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Report No: PAD2681

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 27.9 MILLION  
(US\$40 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GHANA

FOR A

TOURISM DEVELOPMENT PROJECT

June 18, 2018

Finance, Competitiveness And Innovation Global Practice  
Africa Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective as of April 30, 2018)

Currency Unit = GH¢ (New Ghanaian Cedi)

4.54 GH¢ = US\$1

US\$1= SDR 0.69538

## FISCAL YEAR

January 1–December 31

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## ABBREVIATIONS AND ACRONYMS

COTVET	Council for Technical and Vocational Education and Training
ERR	economic rate of return
ESMF	environmental and social management framework
GMT	grants management team
GTA	Ghana Tourism Authority
GTDC	Ghana Tourism Development Company
HOF	head of finance
IRR	internal rate of return
IFR	interim financial report
MoTAC	Ministry of Tourism, Arts and Culture
MSME	micro, small, and medium enterprises
NBSSI	National Board for Small-Scale Industries
NPV	net present value
NSC	National Steering Committee
PCU	project coordination unit
PPA	project preparation advance
PPSD	Project Procurement Strategy for Development
SME	small and medium enterprises
STEP	Systematic Tracking of Exchanges in Procurement
TMC	Tourism Management Committee
UN	United Nations
UNDP	UN Development Programme
UNWTO	UN World Tourism Organization
WTTC	World Travel and Tourism Council



**BASIC INFORMATION**

Country(ies)	Project Name	
Ghana	Tourism Development Project	
Project ID	Financing Instrument	Environmental Assessment Category
P164211	Investment Project Financing	B-Partial Assessment

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
10-Jul-2018	30-Sep-2023
Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination

**Proposed Development Objective(s)**

The project development objective is to improve the performance of tourism in targeted destinations in Ghana

**Components**

Component Name	Cost (US\$, millions)
Strengthening the tourism enabling environment	15.00
Developing tourism sites and destinations	15.00



Tourism enterprise support program	5.00
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Project management and institutional strengthening	5.00
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**Organizations**

Borrower: Republic of Ghana

Implementing Agency: Ministry of Tourism, Arts and Culture

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	40.00
<b>Total Financing</b>	40.00
of which IBRD/IDA	40.00
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	40.00
IDA Credit	40.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Total Amount
National PBA	40.00	0.00	40.00
<b>Total</b>	<b>40.00</b>	<b>0.00</b>	<b>40.00</b>

**Expected Disbursements (in US\$, Millions)**

WB Fiscal Year	2018	2019	2020	2021	2022	2023	2024
<b>Annual</b>	0.00	2.23	5.23	8.78	10.96	10.22	2.57
<b>Cumulative</b>	0.00	2.23	7.47	16.25	27.21	37.43	40.00



**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Finance, Competitiveness and Innovation

**Contributing Practice Areas**

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

**Risk Category**

**Rating**

1. Political and Governance

● Low

2. Macroeconomic

● Moderate

3. Sector Strategies and Policies

● Substantial

4. Technical Design of Project or Program

● Substantial

5. Institutional Capacity for Implementation and Sustainability

● High

6. Fiduciary

● Substantial

7. Environment and Social

● Moderate

8. Stakeholders

● Moderate

9. Other



10. Overall

● Substantial

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

**Safeguard Policies Triggered by the Project**

Yes

No

Environmental Assessment OP/BP 4.01

✓

Performance Standards for Private Sector Activities OP/BP 4.03

✓

Natural Habitats OP/BP 4.04

✓

Forests OP/BP 4.36

✓

Pest Management OP 4.09

✓

Physical Cultural Resources OP/BP 4.11

✓

Indigenous Peoples OP/BP 4.10

✓

Involuntary Resettlement OP/BP 4.12

✓

Safety of Dams OP/BP 4.37

✓

Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

**Legal Covenants**

Sections and Description

Financing Agreement, Schedule 2, Section I, A.2 (a): Without limitation upon the provisions of paragraph 1 of this Section I.A, the Recipient shall no later than three (3) months after the Effectiveness Date establish and thereafter maintain throughout Project implementation, a National Steering Committee (“NSC”) with a composition, mandate, terms of reference and resources satisfactory to the Association. The NSC shall be chaired by the Minister of MoTAC or a designated representative, and shall include, inter alia, representative of MoFARI, MoF, MoI, MoA, MoLNR, MoTI and at least two representatives from the financial sector and private sector

Sections and Description



Financing Agreement, Schedule 2, Section I, A.3 (a): The Recipient through MoTAC shall not later than three (3) months from the Effectiveness Date, establish and thereafter maintain throughout project implementation, a Project technical committee (Project Technical Committee or PTC) comprising of the Participating Agencies and chaired by the Chief Director, responsible for resolution of technical and implementation challenges

Sections and Description

Financing Agreement, Schedule 2, Section IV, A.1: Except as the Recipient and the Association shall otherwise agree, the Recipient through MoTAC shall: (a) not later than six (6) months from the Signature Date open an account in Ghana Cedis (“Escrow Account”) forthe Project, in the Bank of Ghana on terms and conditions satisfactory to the Association; (b) deposit into said Escrow Account: (i) an initial amount equivalent to a hundred thousand Dollars (\$100,000); and (ii) thereafter, deposit on annual basis throughout Project implementation an amount equivalent to a hundred thousand Dollars (\$100,000); and (c) ensure that funds deposited into the Escrow Account in accordance with paragraph (b) of this Section shall be used exclusively to finance expenditures in connection with potential Resettlement Compensation which might arise as a result of implementing the civil works under Part B.1 (b) of the Project.

Conditions

Type	Description
Effectiveness	Financing Agreement, Article IV, 4.01 (a): The Recipient through MoTAC shall establish a Project Coordination Unit with staffing and resources satisfactory to the Association
Effectiveness	Financing Agreement, Article IV, 4.01 (b): The Recipient has prepared a PIM in form and substance satisfactory to the Association
Disbursement	Financing Agreement, Schedule 2, Section III, B.1 (a): Notwithstanding the provisions of Part A of this section, no withdrawal shall be made for payments made prior to the Signature Date except that withdrawals up to an aggregate amount not to exceed SDR 700,000 may be made for payments made prior to this date but on or after September 1, 2017
Disbursement	Financing Agreement, Schedule 2, Section III, B.1 (b): Notwithstanding the provisions of Part A of this section, no withdrawal shall be made under Category 2 unless the Recipient has submitted to the Association, a Matching Grants Manual satisfactory to the Association





**Ghana  
Tourism Development Project**

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## I. STRATEGIC CONTEXT

### A. Country Context

1. **Ghana is a stable democracy in West Africa with a population estimated at 28 million. It experienced robust economic growth at the turn of the millennium that propelled it into the lower middle-income group of countries.** Since 1992, Ghana has held seven consecutive free and fair elections and three smooth and peaceful transitions of power from one political party to another. Under this banner of political stability, gross domestic product (GDP) growth accelerated after the year 2000, averaging 6 percent per year, and reaching 14 percent in 2011—one of the fastest growing economies in Sub-Saharan Africa that year. As economic growth outpaced population growth, per capita income rose four-fold from US\$340 in 2000 to US\$1,400 by 2011, launching Ghana into the middle-income class. The rapid growth, combined with the ongoing structural transformation, changed Ghana’s economic landscape. The services sector, led by transportation, banking, and retail, increased its contribution to the country’s GDP from 32 percent in 2000 to about 57 percent in 2016. The industry sector (including mining and quarrying) accounts for the second largest share of GDP with 24.3 percent in 2016.<sup>1</sup> The agriculture sector, which was the largest sector in 2000, constituted only about 19 percent of GDP in 2016.

2. **The strong economic performance also resulted in some progress in poverty reduction and job creation.** According to the 2015 World Development Indicators, Ghana’s national poverty headcount fell from 31.9 percent of the population in 2005 to 24.2 percent in 2012. Job creation accelerated as total labor productivity increased, and employment grew nearly 4 percent per year between 2005 and 2012. As the focus of economic activity shifted, the agriculture sector’s share in total employment across most of southern and central Ghana also fell from 75 percent in 1991 to less than 55 percent in 2013. However, the agricultural sector continues to be a major source of livelihoods for the country’s poorest households, especially in the remote northern regions. Although most jobs are informal, the unemployment rate was still low at 5.5 percent in 2016, though youth unemployment stood higher at 11 percent. Small and medium enterprises (SMEs) provided most jobs, which account for about 85 percent of total employment and contribute about 70 percent of Ghana’s GDP.

3. **However, the pace of economic growth has slowed recently because Ghana faced serious macroeconomic shocks that exacerbated fiscal imbalances and adversely affected the real sector.** On the external front, lower prices for key exports persisted, with gold prices falling from US\$1,600 per ounce in 2012 to US\$1,073 in 2015 before some recovery in mid-2016. Similarly, oil prices declined from US\$91 per barrel in 2012 to US\$35 per barrel in 2015 before recovering in 2016. On the domestic front, energy rationing due to the shortage of electricity generating capacity relative to demand weighed heavily on both the supply and demand sides of the economy. Thus, GDP growth slowed from 7.3 percent in 2013 to about 4 percent on average between 2014 and 2016. The resulting fiscal challenges prompted the government to adopt a multiyear fiscal stabilization plan in 2015 with support from the International Monetary Fund (IMF), the World Bank, and other development partners, which brought the fiscal deficit down to 6.4 percent in 2015 from 10.1 percent in 2013. After initial successes, however, Ghana missed its 2016 fiscal target by a large margin because of revenue shortfall and overspending before the December

<sup>1</sup> At its peak in 2012, the Industry sector contributed 28 percent of Ghana’s GDP. The recent decline in its contribution to GDP is largely due to the downturn in the oil sector.



2016 elections. The fiscal deficit rose to 9.3 percent, significantly higher than the target of 5.2 percent. This slippage has exacerbated the debt situation and has moved Ghana into debt distress, with public debt stock at US\$29,227 million, or 73.1 percent of GDP in 2016.

4. **Amid the economic malaise, the general elections of December 2016 led to another peaceful transition of political power to a new government that is keen to diversify the economy.** Ghana's medium-term economic prospect is expected to improve if there are no major shocks. Considering the acceleration of growth in the natural resources sector, GDP growth has rebounded to 8.5 percent in 2017<sup>2</sup> and is projected at 6.8 percent in 2018, driven by new oil production at the Sankofa, Tweneboah, Enyenra, Ntomme (TEN) fields, and Offshore Cape Three Points Fields. Also, gold output will likely remain high, while cocoa production is expected to grow to more than 900,000 tons. The new government is also developing a program of cross-cutting policy and regulatory reforms aimed at diversifying the economy away from reliance on commodities to create a conducive business environment and facilitate job creation. In line with these efforts, the government has set priorities for the tourism sector as a potential catalyst for economic diversification and job creation, especially for women and youth in the rural areas.

## B. Sectoral and Institutional Context

5. **Tourism receipts provide an important source of foreign exchange, contributing to the government's tax revenues and enabling economic growth.**<sup>3</sup> According to the Ghana Tourism Authority (GTA), international tourist arrivals rose from 580,000 in 2007 to 980,141 in 2017, though driven primarily by the growth of business tourism.<sup>4</sup> International tourism receipts also increased from US\$879 million in 2007 to US\$1,800 million in 2017 (table 1), with tourists spending on average US\$1,892 per visit in 2017. Tourism, especially high-end leisure and ecotourism, is already having a positive impact on jobs and community income around the parks (such as Kakum and Mole), and has demonstrated economic benefits for Ghana's coastal areas, such as Elmina and Takoradi. The World Travel and Tourism Council (WTTC) reports that tourism directly contributed 3 percent (US\$1,000.3 million) of Ghana's GDP in 2016 and directly employs 287,900 people (or 2.4 percent of total employment) and indirectly employs two to three times this many.<sup>5</sup> Furthermore, because tourism depends on good environmental health and sanitation, the sector has provided positive externalities for communities living in destination areas currently challenged by sanitation issues.

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<sup>2</sup> This is based on provisional GDP data for 2017 from the Ghana Statistical Service.

<sup>3</sup> World Bank Group (2017). "Tourism for Development: 20 Reasons Sustainable Tourism Counts for Development." Working Paper 119954, Tourism for Development Knowledge Series, World Bank, Washington, DC.

<sup>4</sup> According to the GTA, the share of business travelers to Ghana was 46 percent in 2016, and leisure tourists made up just 13 percent. Business tourist refers to those tourists whose primary purpose of visit to Ghana is business. Often business travelers use the same facilities, services and engage in leisure tourism during their trip.

<sup>5</sup> The direct contribution of travel and tourism to GDP reflects the internal spending on travel and tourism (total spending within a country on travel and tourism by residents and nonresidents for business and leisure purposes), as well as government individual spending, which is spending by government on travel and tourism services directly linked to visitors, such as cultural (museums, for example) or recreational (such as national parks). However, the total contribution, including the indirect and induced impacts (for example, investment spending such as hotels construction, government spending on marketing and promotion, and so on) on the economy was GHC15,000.5 million (7.1 percent of GDP) in 2015 and is forecast to rise by 5.3 percent per year to GHC18,000 million by 2026. Similarly, total contribution to employment is 693,200 (or 5.9 percent of total employment).



6. **Ghana is well endowed with parks, protected areas, and cultural attractions, and can attract high-spending environmentally conscious travelers.** International demand for nature-based adventure tourism, ecotourism, and cultural experiences is increasing at a higher rate than business, wellness, or cruise tourism both globally and in Africa.<sup>6</sup> These tourists have been found to stay longer and spend more than the average tourist. Nature-based tourism is estimated to account for 20 percent of international travel, or about 240 million trips per year. The Adventure Travel Trade Association noted that ecotourism had the highest level of demand of all travel activities in 2017—about 35 percent of all travel booked in 2016. These global trends are also evident in Ghana thanks to the forward-looking policies of the Forestry Commission of Ghana. Ghana’s first Eco lodge, Zaina, is operational in Mole, and expansion is planned for Shia Hills, which shows confidence in this market. The international diaspora market for tourism is also important to Ghana because of the high number of forts associated with the transatlantic slave trade.

7. **Domestic tourism is also expected to show significant growth in the next decade as middle-class Ghanaians start to travel regularly on weekends and holidays to coastal and park locations.** Private-sector operators expect much of the growth in leisure tourism to come from the domestic sector in the short term. The GTA reports domestic tourist numbers increased from 522,608 in 2015 to 577,273 in 2016.

**Table 1: Tourism Trends in Ghana, 2007–17**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Arrivals (thousands)</b>	580.9	672.4	668.3	746.5	827.5	903.3	994	1,093	897	932.5	980.1
<b>Annual change (%)</b>	14.3	15.8	-0.6	11.7	10.9	9.2	10	10	-1.8	4	5
<b>Receipts (\$, millions)</b>	879	1,052.1	1,211.2	1,400	1,634	1,704.7	1,877	2,067.1	819	1,766.4	1,854.8
<b>Annual change (%)</b>	18.8	19.7	15.1	16.1	16.2	4.3	10.1	10.1	-60.0	116.0	5
<b>Receipts per arrival (\$)</b>	1,510	1,560	1,820	1,880	1,970	1,890	1,890	1,890	913	1,894	1,892
<b>Direct contribution to GDP</b>	–	–	–	2.87	2.87	3.42	3.11	3.32	3	3	3

Source: National Tourism Development Plan, 2013 (for 2007–11 figures); Ghana Tourism Authority (for 2012–14, 2016–17); UNWTO (UN World Tourism Organization). 2015. *Compendium of Tourism Statistics 2015*.

8. **Despite its assets and potential demand, a series of critical challenges confronting Ghana’s tourism industry were identified in the 2017 World Bank Ghana Tourism Scoping Diagnostic Report.** A near absence of public sector strategic intervention and resources have collectively contributed to the sector’s low competitiveness, even though the government of Ghana has a National Tourism

<sup>6</sup> Global Business Travel Association Foundation. 2017. “Global Business Travel Poised for Strong Advance, but Uncertainty Lingers in the United States.” Press Release, July 19; Global Wellness Institute. 2017. “Global Wellness Economy Monitor, January 2017”; Cruise Lines International Association. 2016. 2017 Cruise Industry Outlook. Presentation (retrieved from <https://www.cruising.org/docs/default-source/research/clia-2017-state-of-the-industry.pdf?sfvrsn=0>).



Development Plan (2013–27) that was developed with support from the United Nations Development Programme (UNDP), the UN Economic Commission for Africa, and the World Trade Organization. The plan aims to place tourism within the national development agenda and to promote investment and development of infrastructure, marketing, and supply-chain links. However, the plan is overambitious in its development suggestions, and implementation has been weak. The weak capacity of key tourism institutions and a lack of coordination with the private sector have impeded efficiency and accuracy of tourism data collection, promotion, and development. Consequently, the sector remains marginalized, and the regulatory and developing agencies—the Ministry of Tourism, Arts and Culture (MoTAC), GTA, and Ghana Tourism Development Company—receive minimal budgets and lack the qualified capacities required to develop the sector. The tourism levy, a 1 percent tourism tax applied to all registered tourism enterprises, has been the major source of funding—it generated about US\$2.5 million in 2017 and funded the entire operating budget of the GTA and other public agencies’ in the tourism sector.

9. Other major constraints facing the development of the tourism sector include the following:

- **The high cost of doing business**, particularly the high cost of credit and high energy tariffs—which are four times the regional average.
- **The multiplicity of government regulations on tourism.** More than 15 different taxes, permits, and levies must be paid to various government agencies every year, such as fire services, the health department, environment, the GTA, the food and hygiene department, and so on. Some operators noted that they were inspected two or three times a month, giving opportunity for potential rent-seeking behavior.
- **A high cost of access**, including expensive airline tickets (because of high landing fees, aviation fuel costs, and airport taxes), undermines Ghana’s ability to attract price-sensitive international travelers. Despite a significant increase in the number of air carriers within the last decade and the construction of a new airport terminal, air access remains a binding constraint, especially because of a lack of competition on many routes.
- **Burdensome visa requirements.** Studies show that visa facilitation can increase international tourist arrivals of affected markets by 5 to 25 percent (WTTC 2012). Senegal does not charge for visas, and 125 countries do not require a visa. The Gambia exempts 104 countries from visa requirements. Kenya exempts 39 countries and charges US\$51 for visas. Ghana charges US\$60 for single entry and US\$100 for multiple entry visas and ranks 122 of 136 countries on the World Economic Forum’s 2017 visa requirements ranking,<sup>7</sup> because of long processing times (3–5 business days), burdensome documentation for tourist visas (including copies of bank statements and name of employer), the lack of an e-visa system (unlike most tourist-friendly destinations), and a visa-on-arrival” policy limited to nationals of African Union member states.
- **Poor domestic air transport.** Only one domestic carrier currently serves Ghana, and seats are often fully booked, which limits tourist visitation outside of Accra. Domestic air service is constrained by restrictive policies on operational issues such as the size of airline needed and the type of runway.
- **A dearth of skilled workers in the tourism sector.** The Hotel, Catering, and Tourism Training Institute was established in 1991 with funding from UNDP and the International Labour

<sup>7</sup> World Economic Forum. 2017. *The Travel and Tourism Competitiveness Report 2017*. Cologny, Switzerland: World Economic Forum.



Organization, but it closed because of the low budget allocation, outdated training equipment, and weak management and none standardized curriculum offering. The government is still trying to revive the institute, but as of May 2018, training has not begun. Many private training institutes were started to help fill the gap, but education in tourism and hospitality has no common standards. The preliminary results from a feasibility study on tourism skills confirmed that existing institutions do not have the capacity, knowhow, or funds to fill the growing skills gap in the sector.

- **The lack of a comprehensive marketing brand and promotion strategy.** GTA lacks the modern tools and targeting to ensure the effective communication of its brand proposition of heritage, rich living culture, and diverse nature. Even though GTA aimed at outperforming Senegal and differentiating Ghana from neighboring countries, it has only a small marketing budget (US\$275,000 annually) compared with Senegal's US\$3.5 million.
- **The exemption of tourism SMEs from the incentive package under the Investment Promotion Act 865.** The package includes a five-year tax break, reduced value added tax, and duty exemptions for some equipment like refrigerators and air-conditioners, but tourism projects are currently disqualified from incentives except for projects of more than US\$50 million, which still qualify for incentives as strategic investments.

10. **Furthermore, the quality of tourism assets is low. Most tourism sites are poorly packaged or developed as destinations and are underfunded, poorly maintained, and lacking in visitor management facilities.** The country has a network of historically significant slave forts, along with important national parks and reserves, beaches, vibrant cultural events, and high-quality traditional crafts. More than 64 forts, lodges, and castles were built between 1480 and 1760, but only about 32 are left, and only 18 of those are relatively intact. There is very little renovation of the forts, castles, and parks, and for those with UNESCO status, there is no signage indicating this status.. Additionally, there has been little attempt to capture revenue or add to the tourist experience at these sites, and many have inadequate parking spaces, poor sanitation, limited food, and low-quality souvenir shops. Ghana's beaches suffer from severe sanitation issues and require investment in cleanup and community awareness raising. The national parks have also been underused for tourism, but the Forestry Commission's forward-looking approach to partnerships is beginning to address this in Kakum, Mole, and Shai Hills.<sup>8</sup> Overall, tourism service infrastructure is substandard and inadequate, limiting the expansion of leisure tourism.

11. **Other challenges limiting the development of leisure tourism must be addressed.** Generally, lodgings outside the capital city, Accra, are comparatively low-quality. In Accra, 49 percent of rooms are rated 3-star and above, while International hotels outside Accra and Kumasi are limited. Regarding inbound tour operators, they are largely inactive in Ghana, yet they are a critical link for running leisure tourism packages. Furthermore, a low-quality visitor experience arises from a lack of value added to degrading tourism sites and attractions. There is a dearth of leisure activity providers, and those that exist are not linked to travel trade networks. There is also poor integration with the creative industries, which limits business opportunities for local suppliers.

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<sup>8</sup> There are several reasons for this. First, the low volume of visitors in general, which limits attraction revenue and funds for maintenance and innovation. Second, most are publicly owned, and revenues from entrance fees are returned to central coffers rather than being used for upkeep. Third, most site managers do not have the capacity or resources to maintain world-class attractions. Finally, most product development has been done at a site-level rather than a destination-level. There has been very little action on tourism circuits, gateways, or to the packaging of experiences.



12. **Ghana’s ability to transform the leisure tourism segment depends on its ability to create an enabling environment to crowd-in private sector investment, and thus maximize finance for development.** This can ensure that scarce public resources are used efficiently on priorities for which private sector finance is unreachable. Many of the required destination-level investments are public goods, which single, private investors could not justify without additional support or financing. Creating an enabling environment will also include generating a skilled workforce, promoting the country as a tourism destination, and improving basic access, safety, and sanitation. Currently, adverse visa and aviation policy, weak branding and market promotion, and degrading tourism assets and poor infrastructure are holding back private investment in the leisure segment. This project is expected to catalyze private sector engagement in tourism. The goal is to de-risk the sector by addressing major constraints in tourism’s enabling environment (under component 1); improving the quality of sites and destinations and enabling private development, management, and financing of these sites through matching grants (under component 2); and supporting private solutions to innovation and creativity within the sector (under component 3).

### C. Higher-Level Objectives to Which the Project Contributes

13. **The proposed project is consistent with the Government Coordinated Programme of Economic and Social Policies (2017) which detailed development priorities for the next four years, including tourism.** It also aligns with the pillars on diversified economic growth and international competitiveness identified in the government of Ghana’s National Tourism Development Plan (2013–27) to “provide stakeholders in the public and private sectors a guide to the long-term development of the tourism sector,” with the goals of contributing to national and local economic development and enhancing its role as a leading sector for employment creation, revenue generation, environmental conservation, and national cohesion. The proposed project also considers the ongoing policy dialogue with the government of Ghana and the domestic and international private sector.

14. **The project is expected to generate positive externalities and bolster shared prosperity through support for enterprise growth.** Given the sector’s strong links with the economy, the project is expected to contribute to an enhanced business environment that will enable private sector–driven growth and will be important for long-term growth, jobs and investment. More and better jobs, in turn, are expected to lead to poverty reduction and shared prosperity. The project will help deliver on the Maximizing Finance for Development through improvements in aviation policy and through the cofinancing matching grants for product development. The proposed operation also aligns with the aims of the government of Ghana’s National Entrepreneurship and Innovations Plan, which was launched in 2017 as the primary vehicle for integrated, national support for start-ups and small businesses. It also contributes to the objectives of Pillar 2 of the World Bank’s FY13–16 country partnership strategy (extended to FY18), which focuses on reducing absolute poverty and enhancing shared prosperity by promoting improved competitiveness and increased employment opportunities.

15. **The development of tourism will enhance opportunities for women and gender equality, therefore supporting the government of Ghana’s National Gender Policy 2015.** Ghana ranks only 131 of 188 countries in gender equality on UNDP’s 2015 Gender Inequality Index, which measures the loss in human development caused by inequality between men and women.<sup>9</sup> Women’s participation in the labor

<sup>9</sup> For more information, see the UN’s Gender Inequality Index at <http://hdr.undp.org/en/composite/GII>.



force is 67 percent compared with 71 percent for men. However, women in Ghana are active in business. A recent report by Mastercard notes that of 10 African countries, Ghana has the highest proportion of women owned-businesses (46 percent).<sup>10</sup> The UN's *Global Report on Women and Tourism 2010* notes that tourism provides better opportunities for women's participation in the workforce, entrepreneurship, and leadership than other sectors of the economy. Therefore, the critical challenges confronting women's success and gender inequalities in tackling the burden of extreme poverty—which have been recognized by the government of Ghana—can be addressed through development of the tourism sector.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. Project Development Objective

16. **The project development objective (PDO) is to improve the performance of tourism in targeted destinations in Ghana.**

17. Performance in this context relates to the ability of the sector to trigger economic transformation through jobs, local enterprise, and investment, all of which depend on how many tourists visit, how much time they are in the country, how much money they spend, and what they do in the destination.

### B. Project Beneficiaries

18. The direct project beneficiaries are as follows: (i) businesses in the tourism value chain, including micro, small, and medium enterprises (MSMEs), which will benefit from improved access to markets, better public goods provision in the targeted tourism destinations, and better skilled workers. MSMEs will benefit specifically from enterprise creation and growth through support under the project's training and matching grants components; (ii) existing and potential tourism workforce, trained by the proposed tourism and hospitality training facility(ies); and (iii) public agencies such as GTA, Ghana Tourism Development Corporation, National Board for Small-Scale Industries (NBSSI), Ghana Museums and Monuments Board, select ministries, and metropolitan and district assemblies. The project's interventions will encourage the entry of more women into the tourism sector and improve their capacity for enterprise creation, growth, and formalization of their businesses.

### *Citizen Engagement*

19. A project of this nature with clearly identified beneficiaries (particularly local communities) needs to create mechanisms to enable beneficiaries to have a voice and role in the developments that occur. The destination planning process will be participatory and encourage full stakeholder engagement. It will identify broader issues affecting destinations stakeholders, such as waste and sanitation, so the project can have a positive impact beyond the tourism sector.

20. Destination projects will also need to ensure that project-affected persons are aware of the process for lodging complaints and concerns to project developers and contractors for amicable redress, and for providing feedback on project quality and impacts. Consultation mechanisms work best when they align with existing institutional infrastructure and cultural systems and are accessible to project-affected

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<sup>10</sup> For more information on the Mastercard report, see <https://www.graphic.com.gh/business/business-news/women-own-almost-half-of-businesses-in-ghana-report.html>.





persons. The project will assess existing systems for engagement and receive and address complaints from local communities to help design the appropriate citizen engagement mechanism. The project's results framework includes a citizen engagement indicator.

### *Climate Co-benefits*

21. The Ghana climate country brief indicates that threats from rising sea levels, extreme precipitation, and drought are growing in Ghana. Twenty-five percent of the population lives in the coastal zone, which makes up about 7 percent of the total land area of Ghana. About 60 percent of the coastal zone is below 30 meters above sea level, so sea-level changes will affect densely populated areas with coastal inundation, shoreline recession, and estuary salinity. Sea-level changes are predicted to rise on average 5.8 centimeters by 2020. This project seeks to contribute to climate change adaptation by taking into account Ghana's climate vulnerability in relevant project components. For instance under component 1.1, the project will support an environmentally-friendly training facility (depending on location) with biodegradable waste management systems and renewable electricity (e.g. solar panels) for the facility. Site upgrades under component 2 will also support use of energy and LED lighting. Matching grants under component 3 will lay emphasis on building extreme weather resistant facilities and eco-friendly businesses. Essentially, the selection of grants and matching grants will give preference to projects with positive climate cobenefits.

### **C. Project Development Objective–Level Results Indicators**

22. Achievement of the PDO will be measured by the following outcome indicators (see Section VII: Results Framework and Monitoring):

- Number of international arrivals identifying “tourism” as their main purpose of visit
- Average length of stay in targeted destination areas
- Annual growth rates in international and domestic tourists at targeted attraction sites
- Additional private investment generated in tourism-related activities within project target areas.

## **III. PROJECT DESCRIPTION**

### **A. Project Components**

23. **The project addresses the government of Ghana's goal to promote the tourism sector, especially the leisure segment**, which has been rated uncompetitive because of coordination failures, the high costs of doing business, relatively high transaction costs, low diversification, weak links to the local economy, low capacities, difficult access to finance, and a high-risk perception for investing in the sector. The project will seek to remove constraints and sustain improvements to the business enabling environment to help both domestic and international firms grow their operations. It will also seek to enhance the tourism sector's offerings, diversify its impact, and enable wider participation in the tourism value chain. Expected outcomes include greater private sector investment, an increase in leisure visitors, longer lengths of stay, increased domestic benefits from tourism, and increased visitor satisfaction with the quality and diversity of products. Finally, it will support the SME sector and women-led enterprises to provide demand-driven services for tourism.



**Component 1: Strengthening the tourism enabling environment (SDR 10.4 million - US\$15 million equivalent)**

24. This component aims to address the following constraints most likely to have transformative impact on the tourism sector in Ghana: training and skills development of the industry, aviation and entry visa policy, and branding and marketing.

- Tourism skills development (US\$10 million)
  - Identify and implement a suitable business model for tourism training facility(ies) that guarantees experienced management and sustainable funding
  - Provide support for the development of the necessary curriculum, standards, assessments, accreditation processes for tourism, and other public goods, and the training and upskilling of tourism and hospitality teachers and trainers
- Aviation and visa policy (US\$1 million)
  - Support the government of Ghana in attracting domestic and international air travel operators
  - Develop and implement streamlined competitive visa systems that are conducive to the development of leisure and business tourism, including a review and cost-benefit analysis of aviation and entry visa policies
- Tourism branding and marketing (US\$4 million)
  - Develop and implement a comprehensive national marketing, promotion, and branding strategy and action plan that will include an innovative and cost-effective digital component, and clearly identified tactics for key segments and product packages—for example, weekend getaways, cultural tours, and safaris
  - Support the implementation and monitoring of the strategy.

**Component 2: Developing tourism sites and destinations (SDR 10.4 million - US\$15 million equivalent)**

25. **Sites and destinations are the draw-power for leisure tourism.** This component seeks to diversify the leisure tourism offering in Ghana by identifying and upgrading the most promising destination areas. These are sites that show significant public goods requirements and circuit-tourism potential, and can draw increased demand from both domestic and international visitors. The component will support destination planning, access and safety upgrades, and quality upgrades through the following activities:

- Identify and screen priority destination areas and develop detailed destination and management plans with stakeholder consultation and awareness campaigns
- Establish a site upgrades program for the following:
  - Provide quality, access, and safety upgrades to a minimum of five public-owned sites within the identified destination areas. The support will include small works, signage, fencing and railings, last-mile water and electricity provision, sewerage, drainage, street lights, toilets, solid waste management, jetties, and walkways for primary public sites
  - Provide nonpublicly-owned sites with matching grants to support quality upgrades
- All selected sites will be required to receive training on site management and maintenance, and will undergo an assessment of their ownership structures, management interest, safeguards screening, and other requirements. A grants manual will detail the selection criteria, other conditions, and information to provide in the application and management of proposals.



**Component 3: Tourism enterprise support program (SDR 3.5 million - US\$5 million equivalent)**

26. SMEs form the backbone of the economy in Ghana, but they often struggle with market knowledge and links, formalization, technology, and other skills. This component's objective is to provide tourism SMEs with the opportunity to improve their business planning, formalize their businesses, and apply for matching grants to upgrade their tourism products and services. This program will also target women-owned SMEs.

27. This component will finance the costs of tourism enterprise matching grants and business development services training. Qualified enterprises will be invited to submit proposals that will be evaluated for viability. Two tracks of applicants will be identified. Existing viable businesses will be fast tracked for a matching grant. New businesses with viable proposals will first be recommended for the relevant project-supported training program before applying for a matching grant through a business plan competition. The matching grants program will be managed by a competitively selected grants management team supervised by the technical committee financial experts.

**Component 4: Project management and institutional strengthening (SDR 3.5 million - US\$5 million equivalent)**

28. This component will provide support to MoTAC to manage and coordinate the project. It will finance the cost of the following activities:

- Develop a tourism sector action plan
- Operate the public-private dialogue mechanism for the sector
- Undertake a capacity assessment study and select training for allied agencies, such as Ghana Immigration Service, Ministry of Foreign Affairs, Ministry of Aviation, and the Forestry Commission
- Strengthen the capacity of staff of MoTAC its departments, and agencies on tourism policy and planning, fiduciary areas, environmental and social safeguards management, monitoring and evaluation (M&E) through the provision of relevant advisory services
- Project operating costs, including environmental and social safeguards, and tourism awareness campaigns
- Finance a competitively selected grants management team
- Improve existing statistical and information systems, including technical assistance to the GTA Tourism Satellite Account process, and the collection of baseline information on visitor demographics for project monitoring.



**B. Project Cost and Financing**

29. The proposed credit in the amount of US\$40 million is designed as an Investment Project Financing through an IDA credit to Ghana. A financing agreement will be signed with the Republic of Ghana. The preparation advance in the amount of US\$3 million was extended in March 2018 to finance the activities focused on preparation of the project. Activities included development of a National Tourism Strategic Action Plan; conduct several diagnostic studies, needs assessment and capacity building initiatives; carrying out environmental and social safeguards studies and design instruments; and preparation of Project Implementation Manual.

**Table 2. Project cost and financing**

<b>Project Components</b>	<b>Project Cost (US\$, million)</b>	<b>IDA Financing</b>	<b>Counterpart Funding</b>
<b>1. Strengthening tourism enabling environment</b>	<b>15.0</b>	<b>15.0</b>	<b>0.0</b>
1.1. Tourism skills development	10.0	10.0	0.0
1.2. Aviation and entry visa policy	1.0	1.0	0.0
1.3. Tourism branding and marketing	4.0	4.0	0.0
<b>2. Developing tourism sites and destinations</b>	<b>15.0</b>	<b>15.0</b>	<b>0.0</b>
2.1. Destination planning	1.0	1.0	0.0
2.2. Sites upgrades program	14.0	14.0	0.0
<b>3. Tourism enterprise support</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>
3.1. Business plan competition and business development services	2.5	2.5	0.0
3.2. Matching grants	2.5	2.5	0.0
<b>4. Project management and institutional strengthening</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>
<b>Total project costs</b>	<b>40.0</b>	<b>40.0</b>	<b>0.0</b>

**C. Lessons Learned and Reflected in the Project Design**

30. The project design incorporates lessons learned from the design and implementation of similar private sector development projects in Africa and Eastern Europe. In particular, it considered the experience of the Nigeria Growth and Employment Project (IDA/R2011-0038/1); Nigeria’s YouWin Project (Youth Enterprise with Innovation); the Ethiopia Sustainable Tourism Development Project (IDA/R2009-0182/1); Madagascar Integrated Growth Poles and Corridor SOP-2 (IDA/R2014-0347); and the former Yugoslav Republic of Macedonia Local and Regional Competitiveness Project (P154263). A study was also conducted in the project preparation phase that assessed tourism performance and opportunities in Ghana (WBG Ghana Tourism Scoping Diagnostic Report, 2017). In addition, Ghana’s existing National Tourism Development Plan, commissioned by UNDP, provided an extensive mapping of the country’s tourism landscape and insight into previous strategies. The Australian Tourism Demand-Driver Infrastructure Program was also reviewed. Furthermore, a proposed IDA-financed operation and ongoing



operations in Ghana (Skills for Jobs and public-private partnership credit) also informed the project design. These lessons range from implementation capacity shortfalls within the public sector, concerns about procedures and transparency in grant funds, and difficult public-private dialogue mechanisms to ensuring complementarity of proposed interventions under the different projects.

The key lessons incorporated are shown in table 3.

Table 3. Key lessons learned from previous projects

Constraint	Reflection in Project Design
Lack of government prioritization and coordination, weak regulations and enforcement, and undeveloped skills frameworks (Ethiopia)	Address market failures associated with the regulatory, institutional, and enabling environment for tourism through the following: (i) aviation and visa policy reforms; (ii) public sector and institutional capacity building;(iii) improving vocational training and skills development delivery systems (accreditation framework and upgrading the quality of tourism training institutes); and (iv) public private dialogue.
High cost of access, low travel trade links (Madagascar)	Streamline business and investment processes, facilitate market access, and put in place strategic and sustainable systems to improve the sector’s management and development through the following: (i) facilitating access (visas and air access); (ii) national tourism destination marketing; and (iii) identifying target market segments, and developing packages and products.
Lack of infrastructure at key sites, degrading destinations, and poor quality and variety of tourism sites (Ethiopia)	Financing both hard (infrastructure) and soft (planning, marketing, training, and coordination) activities to develop underlying tourism assets at the local level, while implementing a competitive grant program for developing local tourism sites. The requisite studies are as follows: (i) circuit/corridor needs assessment to identify geographic areas to focus project interventions; (ii) economic and financial analysis of selected sites to determine the impact and feasibility of intended upgrades; and (iii) design of site development grants program, including criteria, selection procedures, and administrative mechanisms.
Concern about the sustainability of financing grants (Nigeria)	Find an arrangement in which commercial banks are involved in the grants process so they are exposed to the tourism sector. This will enable the financial sector to build some knowledge and capacity on the sector, understand key risks and develop mitigation mechanisms, and offer financial products to the sector.
Lack of leisure-dedicated tourism enterprises, value capture, and low links to creative industries (FYR Macedonia)	Financing a business plan competition to catalyze the growth of leisure tourism–related MSMEs, thus increasing the quality and diversity of visitor experiences. The requisite studies include the following: (i) design of business plan competition, including criteria, selection procedures, and administrative mechanisms.
Lack of public institutional capacity (particularly for grants program), creating risks for transparency (Nigeria)	It is better to create a project coordination unit that is supported by private consultants. Carefully craft the grants manual to specify exactly how the grants are to be allocated so there is no question or risk of transparency.



## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

31. The project will be implemented over five years. The implementing institution responsible for the overall coordination of the project will be MoTAC, while there are other beneficiary ministries, departments, and agencies. Project completion is expected by September 30, 2023, and a midterm review would be conducted by January 2021 or within 30 months after project effectiveness. Given the project's multiagency nature, high-level guidance is required to ensure consistency of interventions and the removal of occasional bureaucratic delays, and to assure continued resonance of the project objectives with the client's development objectives. This implies the following:

- Establishment and operationalization of a fully functioning, high-level National Steering Committee (NSC) with agreed Terms of Reference satisfactory to IDA to, among others, provide strategic advice, clear the project's annual work program, and oversee project progress. Members of the NSC will be required to sign a memorandum of understanding with the MoTAC
- Setup and provision of the required support to assure a fully functioning project coordination unit (PCU) within MoTAC
- Establishment of a technical committee to resolve technical and implementation challenges
- Ensuring proper and professional management of the grants windows
- Ensuring legal and proper structures are in place to assure strict adherence to all World Bank Group fiduciary and safeguards guidelines.

32. **NSC.** The project will operate under the guidance of a high-level NSC chaired by the Minister of Tourism, Arts, and Culture (or a representative). It will include representatives from the Ministries of Finance, Foreign Affairs and Regional Integration, the Interior, Aviation, Lands and Natural Resources, and Trade and Industry; and at least two representatives from the financial and private sector. IDA will participate as an observer. The NSC will meet at least two times a year and will facilitate project execution by providing in-time policy and strategic guidance.

33. **Technical committee.** The project will also establish and operate a technical committee that would assure the resolution of technical and implementation challenges regularly (at least every quarter during the first year of project implementation, with the frequency of meetings subject to revision in subsequent years). This committee will be made up of representatives from beneficiary agencies, organized private sector, Ministry of Finance, the financial sector, and others with the requisite qualification and experience to contribute to technical and implementation issues. The chief director of MoTAC will be the committee's chairperson.

34. **PCU.** The overall responsibility for project execution will be delegated to a PCU to be set up within MoTAC under the direct supervision of a designated and experienced project coordinator. The PCU will have administrative structures, processes, and staffing to allow efficient project administration. The PCU will include a project coordinator (who should be a tourism specialist), procurement expert, a communications specialist, a finance and accounting expert, environmental safeguards specialist, social safeguards specialist, and M&E specialist. The PCU will not have final decision-making responsibility for project activities implemented by other beneficiary agencies. The PCU will be required to engage just-in-time technical advisers to support beneficiary agencies identified as lacking the requisite capacity. Beneficiary agencies will be individually responsible for decisions that affect their respective



components—that is, they will have primary responsibility for their component or subcomponent’s implementation. The PCU will be responsible for the collation and preparation of monitoring reports and other documents required by and agreed to with the World Bank. It will ensure that budgetary, procurement, disbursement, accounting, auditing, safeguards oversight, and reporting arrangements are conducted in accordance with agreed procedures. The PCU will be the secretariat to the NSC and would oversee the following: (i) organization of the NSC meetings; (ii) providing all necessary information on project performance and monitoring to the NSC and the World Bank, and (iii) developing and implementing the overall project communication and awareness policy, in addition to being the lead agency in implementing all MoTAC-assigned activities. The PCU will engage a grants management team that will be selected competitively with agreed Terms of Reference and responsibilities acceptable to IDA.

35. **The PCU will draft a project implementation manual (PIM) and a manual of administrative financial and accounting procedures** with input from beneficiary agencies and in consultation with the World Bank. This manual will provide the following: (i) detailed descriptions of the roles and responsibilities of all beneficiary agencies, the PCU, and the NSC; (ii) the institutional and operational guidelines for each of the project’s components and subcomponents, including procedures manuals for the site upgrades program and the SME grants program; and (iii) thresholds for grant approvals and a detailed project performance framework.

36. **Sites upgrades program and SME grants management.** The sites upgrade program and the SMEs grant program will be executed under the overall supervision of a subcommittee of the technical committee. Each financing mechanism will be executed by a competitively selected grants management team (GMT). The subcommittee will ensure the following: (i) proper execution of the grants program in accordance with their operational manuals; (ii) approval of grant requests above an agreed threshold, and the annual work program submitted by the GMT; and (iii) submission of annual activity and financial status reports to the NSC, the Ministry of Finance, and the World Bank. Separate procedures manuals will be prepared for each facility and form part of the PIM.

37. **The GMT in collaboration with the PCU will be responsible mainly for the promotion and awareness of the program;** support to public agencies and private enterprises in the preparation of proposals for infrastructural services support; appraisal and recommendations for approval; supervision and monitoring of the results of such plans; and contracting independent evaluations of plans. A key requirement will be to reduce constraints and delays from institutional and bureaucratic hurdles and ensure swift disbursements. The GMT will work in collaboration with the NBSSI (on the SME grants and business plan competition) and will be responsible for the selection of enterprises, monitoring of support provision, mentoring, monitoring of the program’s results, and contracting independent evaluations of plans.

## **B. Results Monitoring and Evaluation**

38. The M&E system will be based on the project’s results framework and monitoring arrangements described in Section VII. The PCU will be responsible for collection of the necessary data from appropriate and trusted sources and ensuring the validity and robustness of the results of each component. The PCU will coordinate with each beneficiary agency for the collection of the relevant data that make up the results indicators for the agency’s component and subcomponent.



39. The GMT would collect and provide results of the sites upgrade program and, together with NBSSI, results and indicators of the SME grants window. MoTAC will have a full-time M&E specialist who will support the project in compiling the project's performance indicators and evaluating the project's results. Although the M&E specialist will be responsible for the project's daily M&E activities, the person will also provide capacity building for the institutions involved in the project. The NSC will be assisted by the PCU to closely monitor the M&E indicators during its regular meetings. In addition, the World Bank will closely monitor all M&E indicators (key performance and intermediate) and results and provide technical support throughout the project's implementation period. Monitoring of results and outcomes will be reported in MoTAC's comprehensive progress reports (in form and substance acceptable to IDA) 45 days after the calendar quarter ends until midterm review and subsequently every six months. Furthermore, the World Bank will provide implementation support to the project over its lifetime and its results and outcomes on a regular basis to monitor and evaluate the achievement of the PDOs. Corrective actions will be discussed and agreed with the government as needed.

### **C. Sustainability**

40. The project's impact is expected to continue well beyond the life of the project. Leisure tourism investments attracted to Ghana will have a long-lasting impact on the country. Government institutions supported under the project will continue to operate after the project closes. The government is committed to the project implementation, which is one of the responses of the World Bank Group to various requests for assistance in firms' access to finance, sector workers' skills, and enterprise development, and support to improve the tourism enabling business environment and job creation. The authorities have become aware of Ghana's tourism potential and are keen to facilitate an enabling environment that will help the country meet its developmental objectives, and thus contribute to shared prosperity and poverty reduction.

41. The following factors will be critical for the sustainability of the project benefits:
- The project will contribute to ensuring a regionally and, ultimately, a globally competitive industry for service providers and tourism consumers by supporting the facilitation of an enabling environment and fostering improvements in access to skilled labor. This should reduce firms' transaction costs.
  - The other components should have structural consequences for participating enterprises and the local consulting, infrastructure, and advisory services market and financial services institutions. Participating firms should benefit from the training and capacity-building programs and easier access to finance after their participation because of the support provided by the project.
  - The sites upgrade program will reinforce an improved sanitation and maintenance culture that will ensure the sustainability of public works financed under the project and inculcate planning based on a comprehensive tourism circuit agenda.

### **D. Role of Partners**

42. The project will collaborate with local nongovernmental organizations, community associations, and traditional leaders to ensure transparency and their participation as much as possible in project implementation. Small business associations and the NBSSI will be expected to provide advocacy for small business, among other things. Representatives from organized private sector will be part of the project's governance structure in addition to their members being eligible to apply for project assistance, including capacity-building support to grow and sustain their businesses.





## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

43. The overall risk rating is substantial. The following risks rated as substantial and high are contributing to this overall rating: sectoral strategies and policies, institutional capacity for implementation and sustainability, technical design of the project and fiduciary.

44. The macroeconomic risk is considered moderate. Real GDP growth for 2017 is expected to have nearly doubled the 3.7 percent growth recorded in 2016 and is projected to be sustained in 2018. However, Ghana remains exposed to the external environment, despite this growth recovery, a stable political context, commitment to fiscal consolidation, and sustainable debt levels. The country's heavy reliance on primary commodities—including cocoa, gold, and oil (all prone to volatility in international commodity prices)—creates some uncertainty about its actual future paths for growth, inflation, export receipts, domestic revenue, and therefore the fiscal stance, which could affect project implementation. Although sector strategies, such as the National Tourism Development Plan, are considered adequate, their implementation has suffered because of low budgetary provision and capacity challenges that plague key tourism-related government agencies. Therefore, sectoral strategies and policies risk is considered substantial. For this reason—and considering that this is the first time the government is implementing a tourism project—the risk associated with institutional capacity for implementation and sustainability is indicated as high. Capacity building for relevant staff in MoTAC and other beneficiary agencies, and project support (including advisory services to aid implementation of a three-year strategic action plan) will be undertaken to mitigate this risk. Given the project's complexity, the risks on technical design are considered substantial. While the components are technically sound, a health crisis (e.g. Ebola, lassa fever) in the sub-region may affect expected outcomes under component 2 and component 3, notwithstanding a satisfactory implementation. In addition, the counterpart Ministry's capacity on infrastructure services' implementation will require strengthening. The project will support (i) the engagement of qualified infrastructure specialists to advise the Ministry on implementation and supervision, and (ii) the development and institution of a proactive communication plan in collaboration with the health authorities that will ensure existing protocols on communicable diseases outbreaks are urgently adhered to.

45. Regarding political and governance risk, Ghana's democratic and rule-of-law credentials appear well grounded and have been well received by key stakeholders (locally and internationally), development partners, and the international private sector. However, the government of Ghana has raised the population's expectations, but the risks of social upheaval remain moderate. Fiduciary risk is considered substantial, given the project's beneficiary agencies are relatively new to World Bank-financed project implementation requirements. Increased oversight and use of additional experienced client staff will be provided to assure the procurement and financial management functions follow national and World Bank fiduciary guidelines.

46. Each individual component is technically sound. However, some external factors (international crises, terrorist threats in the region, and a health crisis such as the recent Lassa fever outbreak in the subregion) might affect the performance of some components, despite successful implementation. Consequently, expected outcomes in tourist arrivals, private investment, and enterprise growth might not be reached. The project is classified as Category B (partial), thus requiring an environmental and social



management framework (ESMF) to guide any support provided under the project that could have safeguards impacts. The project is not expected to involve land acquisition leading to involuntary resettlement. Technical assistance related to tourism destination development might touch upon access to land and resettlement issues. Consequently, several environmental and social policies are triggered (Environmental Assessment OP/BP 4.01, Natural Habitats OP/BP 4.04, Physical Cultural Resources OP/BP 4.11, and Involuntary Resettlement OP/BP 4.12). An ESMF and resettlement policy framework have been prepared and disclosed, and these would guide any technical assistance with potential environmental and social impacts. Mitigation measures will be put in place in case of potential safeguards impacts. For these reasons, the technical design risk, the environmental and social risks, and external risk factors such as an international crisis affecting the subregion are considered substantial.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

47. The rationale for this project to be a World Bank Group operation is to provide financial and technical assistance to support the government of Ghana's efforts to develop the leisure tourism industry. Transforming tourism requires government investment in public goods that enable the crowding-in of private sector investment in the sector and these include generating a skilled workforce, promoting the country as a tourism destination, and improving basic access, safety and sanitation. Most tourism sites and attractions that need upgrading are also government owned. Without public financing, it is unlikely that tourism in Ghana will develop. The World Bank Group has the unique benefit of worldwide experience and lessons in strengthening the enabling environment for tourism, facilitating the restoration and upgrading of targeted destinations, and designing matching grants to enterprises to support the competitiveness of the tourism sector. These activities are expected to ultimately generate private investment in tourism and facilitate job creation. As part of its economic benefits, the proposed project will induce an increase in foreign exchange earnings related to an increase in the volume of international tourist arrivals. Training and matching grant financing for MSMEs under the business plan competition will boost new business creation and survival, improve sales, and generate employment. The comparison between the internal rate of return (IRR) of the net benefits from the project (calculated at 13.37 percent) and the economic opportunity cost of capital (a discount rate of 5 percent) show that the project is economically feasible because its IRR exceeds the discount rate. Similarly, the overall net present value (NPV) is positive and estimated at US\$74.55 million (annex 4).

### B. Technical

48. The project design was informed by strong World Bank engagement with the government of Ghana and sector stakeholders in a participatory, data-driven process. The UNDP-funded Ghana National Tourism Development Plan, with strong stakeholder ownership, was a basis for the project's tourism development framework. It was complemented by a tourism sector assessment undertaken by the World Bank's Tourism Global Team in 2017, which together formed the basis for sustained discussions with government of Ghana, the private sector, communities, and civil society throughout key sites and cities in Ghana an 11-month period. Strong engagement and commitment from the government was facilitated by the appointment of a new, proactive and enthusiastic Minister of Tourism in 2017. Collaboration with the IFC, and colleagues in other WBG global practices has transpired throughout the project design, which has placed a specific emphasis on maximizing finance for development, demand-driven interventions,



gender inclusion, and increasing local links. These collaborations, partnerships, and consultations will continue throughout the project design phase and will be integrated into implementation through citizen engagement and communication plans.

### C. Financial Management

49. Overall, the initial assessed financial management risk of MoTAC's finance and accounting unit concludes that the financial management risk rating is **substantial**. Primarily, the ministry has not been involved in implementing any IDA-funded projects in the past decade and, as such, is not conversant with the financial management and disbursement guidelines and the fact that multiple agencies will be involved in implementation, thus posing an inherent risk, including potential for misprocurement, ineligible expenditures, and refunds. That said, however, given that the MoTAC accounts staff are part of the Controller and Accountant General's Department, the department is staffed with accountants with varied skills and it is expected that with training and assistance from the World Bank FMS, the Project Accountants should be able to build their capacity in managing IDA funds. It has been agreed that the technical competences and capacity of the Project Accountant will be monitored and reviewed after the first year and based on the performance, if there are any short comings, the Project will be advised to competitively procure a Financial Management Consultant to supplement the Project Implementation Unit (PIU).

50. This risk is expected to be mitigated as follows: Before effectiveness, the client is expected to (i) prepare a World Bank-approved PIM and Manual of Administrative Financial and Accounting Procedures to provide guidance on procedures and policies; and (ii) participate in a series of World Bank-organized fiduciary (financial management, disbursement and procurement) training, before any disbursement. In line with the World Bank's default of using those aspects of the country system that are reliable, the project's financial management systems are expected to be largely mainstreamed as part of the existing government of Ghana public financial management arrangements in accordance with the PFM Act (Act 921), 2016. The project's financial management arrangements indicate that they satisfy the World Bank's minimum requirements under OP/BP10.00. The assessment complied with the financial management guidelines for World Bank-financed investment operations, effective March 1, 2010, and the Governance Global Practice's financial management assessment and risk rating principles. Details on financial management arrangements for this project are included in annex 2.

### D. Procurement

51. Procurement under the proposed project will be undertaken in accordance with the World Bank's *Procurement Regulations for IPF Borrowers* (Procurement Regulations -PR) dated July 2016 and revised in November 2017, per the World Bank new procurement framework, and the *Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants*, dated July 1, 2016, and other provisions stipulated in the financing agreements. The procurement plan, whose approach is determined by the Project Procurement Strategy for Development (PPSD) methodology, was prepared in the Systematic Tracking of Exchanges in Procurement (STEP) online procurement planning and tracking system. The plan will be updated when needed. STEP will be the primary software or platform used to submit, review, and clear all procurement plans and prior review procurement activities. The initial procurement plan for the first 18 months has been prepared and approved by the Bank.

52. The PPSD shows that there will be a lot of opportunities in procurement in the delivery of services



described above to enable the government to achieve its primary objectives in the sector in relation to the IDA. These opportunities will favor both local and international private sector firms. The seamless budget-procurement-contract management module being pursued will mitigate the payment issues, while the micro and macro stability being pursued strongly by the government will enable an improvement in the procurement environment to be more competitive and more realistic, to give value for money. The environmental, social, health, and safety issues will be adequately addressed in the project in view of the various instruments and laws, enforced through World Bank support. Compliance with Ghanaian and international standards will be followed. The project actors will leverage the use of ICT to improve participation, delivery, monitoring and reporting.

53. The procurement unit of MoTAC will handle all procurements under the project, and technical input will be provided by other beneficiary agencies under the project. The head of procurement at MoTAC will lead the procurement team. The summary capacity assessment of the **procurement risk is high** for the project. This is mainly because of the lack of experience and inadequate knowledge of the World Bank procurement framework, and the expected high values of anticipated procurements in the project compared with what the Borrower and the procurement team normally procure. Additionally, the procurement team has insufficient experience in high-value works and consultancy procurements. Note that MoTAC has never been responsible for World Bank-funded projects recently. The World Bank will provide continuous support and capacity building for the project team members. The team will also attend procurement training offered by the Ghana Institute of Management and Public Administration on the World Bank procurement framework and from World Bank-organized training and seminars.

#### **E. Social (Including Safeguards)**

54. The project proposes to implement a lineup of infrastructural and noninfrastructural interventions for increased tourism investment in Ghana. Some of the physical activities will include widening of the existing last-mile road networks to ease traffic and provide links to other tourist locations. It also proposes to upgrade selected tourism and cultural heritage sites in urban and rural areas through direct investment or grant competition, respectively. These interventions could result in land acquisition and impact on people and properties along the road corridors. In response to these risks, involuntary resettlement is triggered (OP/BP 4.12). This requires project owners to undertake the following activities: (i) scope and assess the social impacts associated with subprojects; (ii) undertake census, asset enumeration, and valuation of affected properties; (iii) determine workable arrangements and a framework for compensation payment; (iv) initiate and sustain meaningful consultation with local communities aimed at creating awareness about the project's positive and negative impacts; (v) resolve and/or incorporate stakeholder concerns in project design and implementation; (vi) ensure availability of adequate compensation; and (vii) hire experienced and well-qualified safeguards personnel. The sites for investment are not currently prioritized or determined, and as such, the project prepared a resettlement policy framework that was disclosed on May 11, 2018. Site-specific abbreviated or full resettlement action plans will be developed when sites are determined and involuntary resettlement is unavoidable. These plans will also be disclosed and implemented before civil works commence.

55. **Gender and gender-based violence.** The project is contributing to closing gender gaps in access to opportunities, resources and assets, employment, capacities, vulnerability to violence and sexual exploitation, and the like. The UN's *Global Report on Women in Tourism 2010* shows that women



dominate the workforce in the tourism sector, occupying mostly the service, clerical, and own account or family jobs. Despite this, women earn 10–15 percent less than their male counterparts. This project will provide gender-sensitive training with gender balance in participation. Similarly, with small grants, women in particular will be encouraged to apply and receive the mentorship and personal initiative training needed to be successful. Each destination plan and site-specific project will take on the differential issues between men and women to ensure that women have an equal chance to be successful.

56. However, special attention must be paid to gender-based violence and child exploitation issues that are usually precipitated by tourism activities. This project will undertake a deeper gender analysis to explore the gender constraints and the specific project approach more thoroughly to ensure that gender is mainstreamed into the implementation and monitoring and evaluation process. This follow on study will also establish key indicators for monitoring. The project has identified and included in the disclosed ESMF initiatives to ensure the involvement of community-based organizations, community leader and local women and men. The NBSSI which is particularly focused on women entrepreneurship initiatives is a key government agency charged with ensuring a deeper role for women and local communities. In addition, the project in its design has ensured that community-owned tourism assets are eligible for upgrading.

#### **F. Environment (Including Safeguards)**

57. The project is assigned an environmental category B (partial) because it is expected that environmental and social risk and impacts will be moderate and, in most cases, the risk and impacts will be site-specific and manageable. The potential subproject locations are not yet determined and confirmed, but they might be confined to existing tourism attraction sites. To ensure that future tourism investments are implemented in an environmentally and socially sustainable manner, the borrower has prepared and disclosed ESMF and RPF to address and provide guidance for environmental and social due diligence, impact assessments and mitigation planning once the project intervention areas are identified during implementation. The ESMF and RPF has made provision for social and environmental screening for each sub-project. The borrower is required to prepare, publicly disclose and implement sub-project level ESIA, ESMPs, RAPs as needed prior to commencement of any civil works.

58. The project triggered the following environmental policies: Environmental Assessment OP 4.01, Natural Habitat OP 4.04, Physical Cultural Resources OP 4.11, and Forests OP 4.36. The Environmental Assessment OP 4.01 was triggered to address expected risk and impacts from the development of small infrastructure and services, such as last-mile road access, electricity hookups, potable water, and drainage and sanitation facilities in strategically selected sites. The ESMF has been prepared to provide guidance for the implementation of such subprojects. The World Bank Group environmental, health, and safety guidelines have also been included in the ESMF to provide guidance for health and safety issues during the project's construction phase.

59. Natural Habitat OP 4.04 was triggered to address expected risk and impacts from the development of lodging and visitor's facilities in national parks and protected areas. The ESMF prepared for the project includes a screening checklist which will provide guidance for the implementation of such sub-projects. The project also triggered Physical Cultural Resources OP 4.11 to address expected risk and impacts from subproject activities from upgrading several smaller forts and castles along the coast and cultural heritage sites in strategic sites in the country. A physical cultural resources plan has been prepared



(as part of the ESMF) to provide guidance during the project's implementation phase. Forests OP 4.36 was triggered as a precaution in case any subproject is undertaken within projected forest reserves.

60. The PCU will recruit an environmental safeguards specialist and a social development specialist to be supported by safeguards focal persons at the subproject level, the regional level in GTA, and in metropolitan, municipal, and district assemblies. The capacities of all the participating institutions—including MoTAC, GTA, Ghana Museums and Monuments Board, the Ghana Heritage Conservation Trust, Ghana Wildlife Society, the Ghana Tourism Development Company Ltd., and the local government assemblies—will be strengthened during project implementation.

#### **G. World Bank Grievance Redress**

61. Communities and individuals who believe that they are adversely affected by a World Bank-supported project can submit complaints to existing project-level grievance redress mechanisms or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals can submit their complaint to the World Bank's independent Inspection Panel, which determines whether harm occurred or could occur because of World Bank noncompliance with its policies and procedures. Complaints can be submitted at any time after concerns have been brought directly to the World Bank's attention and World Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit <http://www.inspectionpanel.org>.



## VII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

#### Project Development Objective(s)

The project development objective is to improve the performance of tourism in targeted destinations in Ghana

PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	End Target
<b>To improve the performance of tourism in targeted destinations in Ghana</b>					
Number of international arrivals identifying tourism as their main purpose of visit			Number (Thousand)	980.10	1,200.00
Annual growth rates in international tourists at targeted attraction sites			Percentage	0.00	5.00
Annual growth rate in domestic tourists at targeted attraction sites			Percentage	5.00	10.00
Additional private investment generated in tourism-related activities within project target areas.			Amount(U SD)	0.00	10,000,000.00
Average length of stay in targeted destination areas			Days	2.00	3.00

Intermediate Results Indicators by Components	DLI	CRI	Unit of Measure	Baseline	End Target
<b>Component 1: Strengthening Tourism Enabling Environment</b>					



Number of accredited tourism and hospitality training centers		Number	0.00	1.00
Number of people trained in tourism services delivery at established/newly-accredited institutions); of which are women (50%)		Number	0.00	1,000.00
International arrivals using improved visa systems		Percentage	0.00	50.00
<b>Component 2: Developing Tourism Sites and Desitnations</b>				
Visitor satisfaction at sites with approved safety, access and/or quality improvements		Percentage	0.00	80.00
Residents that are satisfied with tourism developments in targeted destination areas		Percentage	0.00	70.00
<b>Component 3: Tourism enterprise support program</b>				
Private enterprises receiving matching grants of which 50 percent are women owned or managed		Number	0.00	100.00
<b>Component 4: Project management and institutional strengthening</b>				
Number of access related reforms identified through a consultative public private dialogue submitted to parliament		Number	0.00	3.00





**Monitoring & Evaluation Plan: PDO Indicators**

<b>Indicator Name</b>	Number of international arrivals identifying tourism as their main purpose of visit
<b>Definition/Description</b>	Those visitors whose purpose of visit is primarily tourism as defined by UNWTO.
<b>Frequency</b>	Annual
<b>Data Source</b>	GTA;
<b>Methodology for Data Collection</b>	Compiled from immigration information collected at the primary points of entry (including airports and border points) on an ongoing basis
<b>Responsibility for Data Collection</b>	PCU
<b>Indicator Name</b>	Annual growth rates in international tourists at targeted attraction sites
<b>Definition/Description</b>	Collect from ticket sales information.
<b>Frequency</b>	Annual
<b>Data Source</b>	GTA
<b>Methodology for Data Collection</b>	Tickets sold, surveys, etc
<b>Responsibility for Data Collection</b>	PCU



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<b>Indicator Name</b>	Annual growth rate in domestic tourists at targeted attraction sites
<b>Definition/Description</b>	domestic tourists defined as "Ghanaian residents visiting tourist sites and destinations"
<b>Frequency</b>	Annual
<b>Data Source</b>	GTA
<b>Methodology for Data Collection</b>	Ticket Sales, Surveys
<b>Responsibility for Data Collection</b>	PCU
<b>Indicator Name</b>	Additional private investment generated in tourism-related activities within project target areas.
<b>Definition/Description</b>	Per T&C (FCI) "Investment Generated" Methodology.
<b>Frequency</b>	Annual
<b>Data Source</b>	Project M&E System
<b>Methodology for Data Collection</b>	Project M&E system, survey
<b>Responsibility for Data Collection</b>	PCU



<b>Indicator Name</b>	Average length of stay in targeted destination areas
<b>Definition/Description</b>	Collect from occupancy and identified hotels in target destinations
<b>Frequency</b>	Annual
<b>Data Source</b>	GTA
<b>Methodology for Data Collection</b>	Surveys
<b>Responsibility for Data Collection</b>	PCU

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

<b>Indicator Name</b>	Number of accredited tourism and hospitality training centers
<b>Definition/Description</b>	Accredited by systems developed through the project
<b>Frequency</b>	Annual
<b>Data Source</b>	MoE COTVET
<b>Methodology for Data Collection</b>	Accreditation outcomes.
<b>Responsibility for Data Collection</b>	PCU



<b>Indicator Name</b>	Number of people trained in tourism services delivery at established/newly-accredited institutions); of which are women (50%)
<b>Definition/Description</b>	Records from established /accredited institutions indicating completion by participants in training programs in tourism business operations, service delivery, and maintenance of assets.
<b>Frequency</b>	Annual
<b>Data Source</b>	Relevant Training Institutions, GSS, GTA, Surveys.
<b>Methodology for Data Collection</b>	Relevant Training Institutions, GSS, GTA, Surveys.
<b>Responsibility for Data Collection</b>	PCU
<b>Indicator Name</b>	International arrivals using improved visa systems
<b>Definition/Description</b>	Those visitors whose purpose of visit is primarily tourism as defined by UNWTO.
<b>Frequency</b>	Annual
<b>Data Source</b>	Project M&E system
<b>Methodology for Data Collection</b>	Immigration, Surveys, Project M&E system
<b>Responsibility for Data Collection</b>	PCU



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<b>Indicator Name</b>	Visitor satisfaction at sites with approved safety, access and/or quality improvements
<b>Definition/Description</b>	Percentage of visitors who state they are satisfied or very satisfied with their visit
<b>Frequency</b>	Annual
<b>Data Source</b>	Project M&E system, Survey
<b>Methodology for Data Collection</b>	Project M&E system, Survey
<b>Responsibility for Data Collection</b>	PCU
<b>Indicator Name</b>	Residents that are satisfied with tourism developments in targeted destination areas
<b>Definition/Description</b>	Percentage of local residents in the destinations supported by the project that are satisfied with tourism development
<b>Frequency</b>	Annual
<b>Data Source</b>	Project M&E system, Survey
<b>Methodology for Data Collection</b>	Project M&E system, Survey
<b>Responsibility for Data Collection</b>	PCU



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<b>Indicator Name</b>	Private enterprises receiving matching grants of which 50 percent are women owned or managed
<b>Definition/Description</b>	Enterprises whose revenues have increased since receiving grants
<b>Frequency</b>	Semi-Annual
<b>Data Source</b>	Project M&E system
<b>Methodology for Data Collection</b>	Project M&E system, Survey
<b>Responsibility for Data Collection</b>	PCU
<b>Indicator Name</b>	Number of access related reforms identified through a consultative public private dialogue submitted to parliament
<b>Definition/Description</b>	Sets of legal and administrative reform measures originated through a public-private dialogue mechanism.
<b>Frequency</b>	Annual
<b>Data Source</b>	Project M&E system
<b>Methodology for Data Collection</b>	Project M&E system, Survey
<b>Responsibility for Data Collection</b>	PCU

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## ANNEX 1: DETAILED PROJECT DESCRIPTION

### Ghana: Tourism Development Project

#### **Component 1: Strengthening tourism enabling environment (SDR 10.4 million - US\$15 million equivalent)**

1. Component 1 aims to address the following constraints most likely to have transformative impact on the tourism sector in Ghana. These include the following: (i) training and skills of the industry; (ii) aviation and entry visa policy; and (iii) branding and digital marketing.

#### ***Subcomponent 1.1. Tourism skills development (US\$10 million)***

2. There is currently a lack of skilled Ghanaians to enable the tourism industry to deliver quality service and grow. Mostly, those leaving schools, polytechnics, and universities are not considered well prepared with the technical and the soft skills needed in hospitality and catering. Existing staff at all but the few five-star properties are undertrained and thus fall short of visitor expectations. At the same time, there is high youth unemployment and large numbers of urban and rural poor who could develop the skills necessary to thrive in the industry.

3. This component aims to assist the MoTAC improve vocational training and skills development delivery systems for the tourism sector in Ghana. This subcomponent has the following two parts: (i) facilitating the development and implementation of a viable business model for a sustainable tourism and hospitality training center in Ghana to deliver quality graduates to the industry and attract students from other countries over time; and (ii) supporting the delivery of quality tourism and hospitality training through the development of accreditation standards, curriculum, and teacher training. Details of these parts are as follows:

#### **(a) Facilitating the development or upgrading of a viable training facility center (US\$8 million)**

A feasibility study will be prepared that presents options and recommendations for the funding and management of a high-quality, sustainable tourism and hospitality training center for Ghana. This will include a market analysis of current and future industry needs and will present best practices for business models of modern tourism training facilities, including public-private partnerships, private management or franchises, and public models. Based on the evidence, it will make recommendations with costs, and outline the technical assistance required to structure and implement the model, which could include attracting and vetting a third-party operator and a brokering the arrangement. Study tours to relevant institutions internationally will be held to assist the government of Ghana in finalizing its vision and business plan for the center in consultation with relevant stakeholders. Assistance will be provided with the implementation of recommendations, including investment facilitation and seed funding as needed to de-risk private investment and fast track the development process.

#### **(b) Supporting the delivery of quality curriculum standards and training (US\$2 million)**

Along with work on the center, it is critical to provide technical assistance to work with the Council for Technical and Vocational Education and Training (COTVET) to develop the necessary curriculum, standards, assessments, and accreditation processes and train cohorts of teachers to



deliver quality training. Additional expenditures under this subcomponent could include international accreditation (UN World Tourism Organization, for example), the development or purchase of teaching materials and assessment instruments, and the development and rollout of customer service training to tourism businesses. This subcomponent will coordinate closely with the Skills for Jobs Program (P166027) to achieve synergies wherever possible—for example, in the training of COTVET staff and trainers—and to ensure efficient use of resources and upskilling of COTVET staff.

***Subcomponent 1.2. Aviation and entry visa policy (US\$1 million)***

4. Costly and burdensome visa regulations are a significant deterrent to the free movement of people to and from Ghana, particularly leisure visitors. Ghana ranks 122<sup>nd</sup> on the World Economic Forum’s visa policy ranking because it still requires an invitation letter and letter from an employer, a payment of US\$150 (the highest in the region), three to five days for processing, and no e-visa or cumbersome visa on arrival. International air travel costs to Ghana are also high because of policies related to landing fees and airport taxes. Domestic air access is a key constraint, and only one internal airline operates in the country (Africa World Airlines)—this airline is now exceeding its capacity because the previous carrier, Starbow, is no longer in business. Ghana lags behind its competitors, even though much progress has been made on intraregional visa-free travel through the Economic Community of West African States’ Protocol on Free Movement, Right of Residence and Establishment. Details of this subcomponent’s two parts are as follows:

**(a) Support to aviation promotion (US\$0.5 million)**

Efforts will be made under this subcomponent to assist the government of Ghana in attracting domestic and international air travel operators to the country. The aim is to promote competition within Ghana’s aviation market to drive down the cost and availability of air travel to and within the country. Technical assistance will be provided to develop the partnerships necessary for the development of weekend, short, and longer leisure packages linked to airline schedules. A training program will be provided for domestic airline(s) for packaging and harnessing leisure travel. The project could also support the implementation of identified aviation reforms.

**(b) Entry visa policy and systems (US\$0.5 million)**

A visa revenue and procedure analysis will be conducted to examine the current revenue streams from visa sales and the current administrative and time burden (on the embassies and the traveler), and investigate best-practice options for streamlining procedures and reducing costs, if possible. This will result in a cost-benefit analysis of proposed entry visa reforms. The recommended options will be discussed with key stakeholders during project implementation and, based on high-level decisions, an implementation plan will be developed and executed. This could include the establishment of a visa-on-arrival system and training of immigration officials.

***Subcomponent 1.3. Tourism branding and marketing (US\$4 million)***

5. Ghana faces some serious branding and marketing challenges that the recent Ebola crisis worsened. Without an umbrella national brand in the country, various government agencies have taken a variety of approaches to promotion, resulting in no clear statement about what Ghana stands for, why people should visit the country, or how it is different from its competitors. Globally, countries that have been successful with leisure tourism have all had strong leadership and prioritization of tourism politically,





and all have invested heavily in marketing. Senegal spends upward of US\$3.5 million; Ghana's marketing budget was US\$275,000 two years ago, but it has been reduced because of the government's fiscal deficit. This subcomponent's only part is tourism branding and digital marketing, the details of which follow:

- (a) A national marketing, promotion, and branding strategy and action plan will be developed and implemented. The strategy will include the following: (i) an innovative and cost-effective digital component, and (ii) clearly identified tactics for key segments and product packages, for example, weekend getaways, cultural tours, and safaris; the development of a logo and tagline; marketing materials; an image bank; video resources; and the upgrade and completion of the website [www.visitGhana.com](http://www.visitGhana.com).
- (b) Implementation activities will include the upgrade of existing online platforms using search engine optimization, digital and web analytics, and content creation strategies, and the optimization of social media accounts. Emphasis will be placed on digital marketing, knowledge transfer and capacity building for Ghana Tourism Authority (GTA) staff. Other activities will include the development of strategic partnerships with digital platforms for content curation.

## **Component 2: Developing tourism sites and destinations (SDR 10.4 million - US\$15 million equivalent)**

6. Ghana is well positioned to deliver experience-based tourism. However, with few exceptions, most sites suffer from a lack of maintenance, poor access and sanitation, and low-quality infrastructure, or they do not have sufficient secondary attractions. The government of Ghana has requested assistance in identifying, structuring, upgrading, and operationalizing tourism sites within key tourism circuits and corridors of the country. This component seeks to address current challenges by financing both hard (infrastructure) and soft (planning, marketing, training, coordination) activities to upgrade tourism sites, package market opportunities, and leverage private sector investment in the development and commercialization of select natural and cultural heritage assets. This component includes destination planning, primary site infrastructure upgrades, and secondary site upgrades.

### ***Subcomponent 2.1. Destination planning (US\$1 million)***

7. This subcomponent focuses on ensuring that site upgrades take place in viable destination areas in the context of integrated and sustainable destination plans. A set of criteria will be established for destination evaluation based on the following: (i) demand and target market fit, (ii) clusters of attractions and transportation for corridors, (iii) economic impact for the private sector and communities, (iv) private sector involvement, (v) feasibility of interventions, (vi) sustainability of site management and maintenance, and (vii) ease of access. These criteria will be used to select up to five destinations. A series of public consultations will be held at national level to validate the destination selection, identify priority concerns and opportunities for each destination, and raise community awareness. A detailed plan will be developed in each destination in close consultation with local stakeholder groups from the public, private, and non-profit sector. Each destination plan will develop an inventory of current visitor services (lodging, restaurants, and craft facilities, for example), shortlist the upgrading needs of primary and secondary sites, and identify and prioritize gaps in tourism service provision.

### ***Subcomponent 2.2. Sites upgrades program (US\$14 million)***

8. The following describes this subcomponent's objectives:



- (a) Establish a site upgrades program to accomplish the following: (i) provide quality, access, and safety upgrades to a minimum of five public-owned sites within the identified destination areas. The support will include small works, signage, fencing and railings, last-mile water and electricity provision, sewerage, drainage, street lights, toilets, solid waste management, jetties, and walkways for primary public sites; and (ii) provide matching grant assistance to sites that are not public-owned to support quality upgrades (for example, interpretation, ticketing processes, landscaping, site zoning, guide training, sanitation improvement, marketing materials, and other small repairs and improvements).
- (b) All selected sites will be required to receive training in site management and maintenance, and will undergo an assessment of their ownership structures, management interest, safeguards screening, and other requirements. A call for proposals will be issued to which public, private, and nonprofit sites can apply. A grants manual will detail the selection criteria, other conditions, and information to provide in the application and management of proposals.
- (c) Each site will need to demonstrate significant public good and have clear ownership structures, management interest, safeguards screening, and other requirements by the PCU. Detailed site development plans will be created in close consultation with site managers, identifying key infrastructure gaps to enhance access, safety, or basic infrastructure at the site. Priority will be given to multiple-use sites that can be packaged for multiple products, markets, or themes. The applicant must be a formally registered, solvent entity in good standing. Public proposals that integrate private sector or nonprofit partners in the operation and management of the site are encouraged.

9. The site upgrades program will be supervised by a subcommittee of the Project Technical Committee with membership and Terms of Reference acceptable to IDA. A competitively selected grants management team (GMT) consisting of local and international experts and with Terms of Reference acceptable to IDA will manage the implementation of the grants. A grants manual will detail the criteria, conditions, and information to be provided in the application and management of proposals.

### **Component 3. Tourism enterprise support program (SDR 3.5 million - US\$5 million equivalent)**

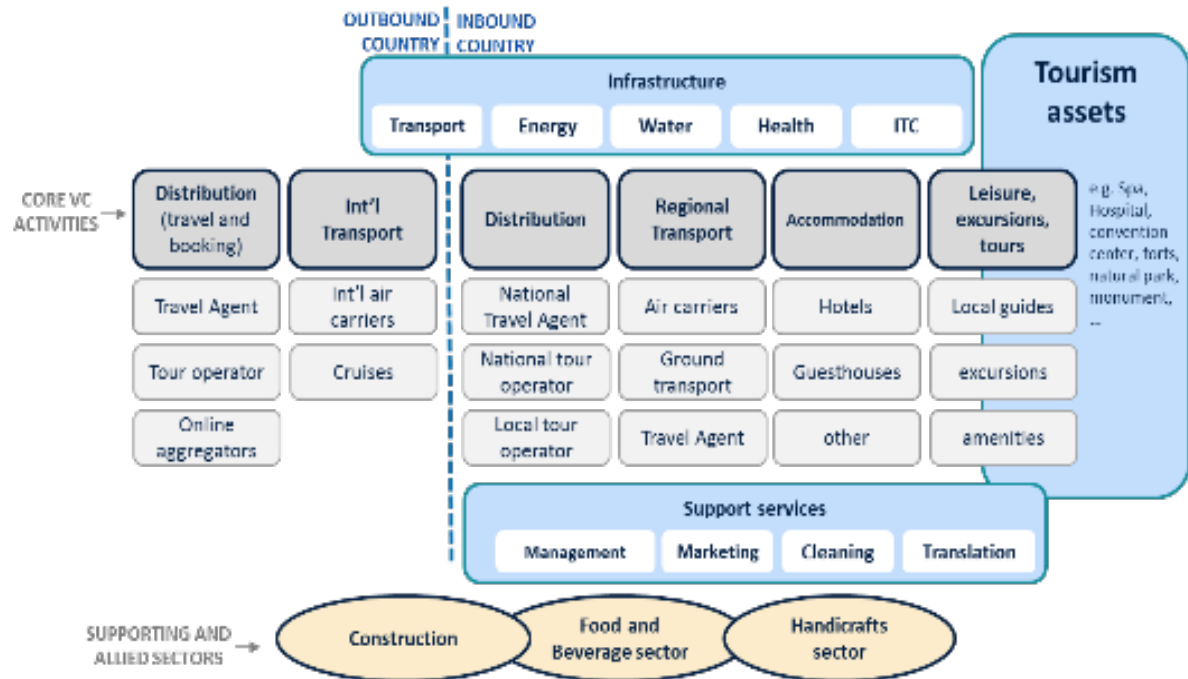
10. The tourism value chain is complex and has many opportunities for local suppliers to gain business and revenue-generating opportunities. Figure A1.1 shows just some of the sector links and opportunities for small business development. Small and medium enterprise (SME) development in tourism can be particularly beneficial for women entrepreneurs. A recent report by MasterCard found that women own almost half of the businesses in Ghana.<sup>11</sup> The study also found that access to financial services and products, ease of doing business, and strong support for SMEs were the winning combination for businesses. This component aims to provide tourism SMEs, particularly women-owned SMEs, with the opportunity to improve their business planning and apply for matching grants to upgrade their tourism products and services.

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<sup>11</sup> For more information about the study, visit <https://www.graphic.com.gh/business/business-news/women-own-almost-half-of-businesses-in-ghana-report.html>.



Figure A1.1. Tourism Value Chain



Source: World Bank team

11. This subcomponent’s purpose is to catalyze the growth of tourism related MSMEs and thus increase the quality and diversity of the visitor experience. Firms will be invited to apply for support through a business plan competition that gives priority given to women-owned SMEs and SMEs servicing priority destination areas.

12. Two tracks of applicants will be identified. Firms with already-viable businesses and well-developed business plans will be encouraged to apply directly for the matching grants program (track one). Firms with new business ideas and less-well-developed business plans will be provided with training (track two). Training will include the following: (i) business advisory and mentoring services; (ii) technical skills development; (iii) expanded access to finance options for leisure tourism businesses in partnership with financial institutions to ensure sustainability; (iv) women’s entrepreneurship and personal initiative; (v) access to market and market links; and (vi) a commercialization program for creative industry enterprises, cultural institutes, and cooperatives involved in the production of cultural merchandise. NBSSI will support these programs. Successful track two businesses will be invited to apply for a matching grant.

13. The grants manual will detail the functions, criteria, and processes of the program, which will be administered by the GMT. The grants will be used for the following: (i) test the market potential of a promising product, service, or technology; (ii) expand their existing product or service to cater to a larger number of visitors; (iii) attract commercial investment through investor introductions, matchmaking, and investment advisory services; (iv) fund research and analytics on markets, competitors, and sector trends; (v) an export promotion program for Ghanaian cultural products; and (vi) support nationwide networking events, forums, and conferences. Like the site upgrades program, the matching grants program will be supervised by a subcommittee of the Project Technical Committee and implemented by the GMT.



**Component 4: Project management and institutional strengthening (SDR 3.5 million - US\$5 million equivalent)**

14. The project will be implemented over a five-year period. This component will provide the following support to the MoTAC to manage and coordinate the project:

- Develop a tourism sector action plan
- Operate the public-private dialogue mechanism for the sector
- Undertake a capacity assessment study and select training for allied agencies, such as Ghana Immigration Service, Ministry of Foreign Affairs, Ministry of Aviation, and the Forestry Commission
- Strengthen the capacity of staff of MoTAC its departments, and agencies on tourism policy and planning, fiduciary areas, environmental and social safeguards management, monitoring and evaluation (M&E) through the provision of relevant advisory services
- Project operating costs, including environmental and social safeguards, and tourism awareness campaigns
- Finance a competitively selected grants management team
- Improve existing statistical and information systems, including technical assistance to the GTA Tourism Satellite Account process, and the collection of baseline information on visitor demographics for project monitoring.



## ANNEX 2: IMPLEMENTATION ARRANGEMENTS

### Ghana: Tourism Development Project

#### Project Institutional and Implementation Arrangements

1. The project will be implemented over a five-year period. The implementing institution responsible for the overall project will be the Ministry of Tourism, Arts and Culture (MoTAC). Beneficiary agencies will include the Ministry of Foreign Affairs, Ministry of Aviation, Ghana Tourism Authority, Ghana Tourism Development Company, NBSSI, Ghana Immigration Service, the Forestry Commission, and the Ghana Museums and Monuments Board. The project is expected to be completed on September 30, 2023. A midterm review would be conducted by January 2021 or 30 months after project effectiveness.
2. **Given the project's multi-ministry and multiagency nature**, high-level support is required to ensure consistency of interventions, removal of occasional bureaucratic delays, and assure continued resonance of project objectives with the client's development objectives. This implies the following:
  - Establishment and operationalization of fully functioning, high-level NSC with agreed Terms of Reference to IDA to, among others, provide strategic advice, clear the project's annual work program, and oversee project progress. Members of the NSC will be required to sign a memorandum of understanding with the MoTAC
  - Setup and provision of the required support to assure a fully functioning PCU within MoTAC
  - Establishment of a technical committee to resolve technical and implementation challenges
  - Ensuring proper and professional management of the grants windows
  - Ensuring legal and proper structures are in place to assure strict adherence to all World Bank Group fiduciary and safeguards guidelines.
3. **NSC.** The project will operate under the guidance of a high-level steering committee chaired by the Minister of Tourism, Arts and Culture (or a representative) and a high-level tourism operator from the organized private sector as vice chairperson. It will include representatives from the Ministries of Finance, Foreign Affairs and Regional Integration, the Interior, Aviation, Lands and Natural Resources, and Trade and Industry; and at least two representatives from the financial and private sector. IDA will participate as an observer. The NSC will meet at least two times a year and will facilitate project execution by providing in-time policy and strategic guidance.
4. **Technical Committee.** The project will also establish and operate a technical committee that would assure the resolution of technical and implementation challenges regularly (at least every quarter during the first year of project implementation, with the frequency of meetings subject to revision in subsequent years). This committee will be made up of representatives from beneficiary agencies, the organized private sector, the financial sector, and others with the requisite qualification and experience to contribute to technical and implementation issues. The chief director of MoTAC will be the committee's chairperson.
5. **PCU.** The overall responsibility for project execution will be delegated to a PCU to be set up within MoTAC under the direct supervision of a competitively selected and experienced project coordinator. The PCU will have administrative structures, processes, and staffing to allow efficient project administration. The PCU will include a project coordinator (who should be a tourism specialist), procurement expert, a communications specialist, a finance and accounting expert, environmental safeguards specialist, social safeguards specialist, and M&E specialist. The PCU will not have final decision-making responsibility for



project activities implemented by other beneficiary agencies. The PCU will be required to engage just-in-time technical advisers to support beneficiary agencies identified as lacking the requisite capacity. Beneficiary agencies will be individually responsible for decisions that affect their respective components—that is, they will have primary responsibility for their component or subcomponent’s implementation. The PCU will be responsible for the collation and preparation of monitoring reports and other documents required by and agreed to with the World Bank. It will ensure that budgetary, procurement, disbursement, accounting, auditing, safeguards oversight, and reporting arrangements are conducted in accordance with agreed procedures. The PCU will be the secretariat to the NSC and will oversee the following: (i) organization of the NSC meetings, (ii) providing all necessary information on project performance and monitoring to the NSC and the World Bank, and (iii) developing and implementing the overall project communication and awareness policy, in addition to being the lead agency in implementing all MOTAC-assigned activities. The PCU will engage a grants management team that will be selected competitively with agreed Terms of Reference and responsibilities acceptable to IDA.

6. **The PCU will draft a project implementation manual (PIM) and a manual of administrative financial and accounting procedures** with input from beneficiary agencies and in consultation with the World Bank. This manual will provide the following: (i) detailed descriptions of the roles and responsibilities of all beneficiary agencies, the PCU, and the NSC; (ii) the institutional and operational guidelines for each of the project’s components and subcomponents, including procedures manuals for the site upgrades program and the SME grants program; and (iii) thresholds for grant approvals, and a detailed project performance framework.

7. **Site upgrades program and SME grants management.** The sites upgrade program and the SMEs grant program will be executed under the overall supervision of a subcommittee of the technical committee. Each financing mechanism will be executed by a competitively selected grants management team (GMT). The subcommittee will ensure the following: (i) proper execution of the grants program in accordance with their operational manuals; (ii) approval of grant requests above an agreed threshold, and the annual work program submitted by the GMT; and (iii) submission of annual activity and financial status reports to the NSC, the Ministry of Finance, and the World Bank. Separate procedures manuals will be prepared for each facility and form part of the PIM.

8. **The GMT in collaboration with the PCU will be responsible mainly for the promotion and awareness of the program;** support to public agencies and private enterprises in the preparation of proposals for infrastructural services support, appraisal and recommendations for approval, supervision and monitoring of the results of such plans, and the contracting of independent evaluations of plans. A key requirement will be to reduce constraints and delays from institutional and bureaucratic hurdles, and ensure swift disbursements. The GMT will work in collaboration with the NBSSI (on the SME grants and business plan competition) and will be responsible for the selection of enterprises, monitoring of support provision, mentoring, monitoring of the program’s results, and contracting independent evaluations of plans.

### **Financial Management**

9. Overall, the initial assessed financial management risk of MoTAC’s finance and accounting unit concludes that the financial management risk rating is assessed as **substantial**. Primarily, the ministry has not been involved in implementing any IDA-funded projects in the past decade and, as such, is not conversant with the financial management and disbursement guidelines, thus posing an inherent risk, including potential for misprocurement, ineligible expenditures, and refunds. That said, however, given



that the MoTAC accounts staff are part of the Controller and Accountant General's Department, the department is staffed with accountants with varied skills and it is expected that with training and assistance from the World Bank FMS, the Project Accountants should be able to build their capacity in managing IDA funds. It has been agreed that the technical competences and capacity of the Project Accountant will be monitored and reviewed after the first year and based on the performance, if there are any short comings, the Project will be advised to competitively recruit a Financial Management Consultant to supplement the Project Implementation Unit (PIU). Other risks are expected to be mitigated as follows: before effectiveness, the client is expected to (i) prepare a World Bank-approved PIM and Manual of Administrative Financial and Accounting Procedures to provide guidance on procedures and policies; and (ii) participate in a series of World Bank-organized fiduciary (financial management, disbursement and procurement) training, before any disbursement. In line with the World Bank's default of using those aspects of the county system that are reliable, the project's financial management systems are expected to be largely mainstreamed as part of the existing government of Ghana public financial management arrangements in accordance with the PFM Act (Act 921), 2016.

### Project Financial Management

10. Under the administrative and functional oversight of the chief director, the overall financial management responsibility will be handled by the head of finance (HOF) with the support of a dedicated project accountant imbedded as part of the proposed PCU. The HOF's primary responsibility is to ensure that there are adequate financial management systems in place throughout implementation that can report adequately on the use of project funds. In addition, the HOF will be tasked with maintaining oversight responsibilities to ensure compliance with financial covenants, such as preparing withdrawal applications, submitting interim unaudited financial reports (IUFRs), maintaining internal controls over project expenditures, and engaging external auditors. With the project accountant's support, the HOF will also be responsible for maintaining and operating the project's designated account, assisting in processing payments to contractors and service providers, and verifying and authorizing payments for all contracts and activities under this project to ensure that they are eligible in accordance with the financing agreement.

11. The key financial management arrangements are as follows: (i) the HOF (a staff member of the Controller and Accountant General's Department with the grade of Chief Accountant) will have overall fiduciary responsibility for all financial management aspects during project implementation; (ii) the HOF, in performing this role, will assign the daily routine transaction processing and preparations of supporting documentation to a fully dedicated project accountant, who is also a staff member of the Controller and Accountant General's Department; and (iii) the project accountant's responsibility is to ensure that there are adequate financial management systems in place throughout implementation that can report adequately on the use of project funds.

12. Although these mitigation measures have been outlined, the overall financial management risk is maintained as **substantial**. The financial management risk rating will be assessed periodically (quarterly) during implementation.

### Summary Financial Management Assessment

13. Consistent with the default position of implementing IDA projects, the project's financial management arrangements will be anchored on the use of country systems. To the extent possible and feasible, they will adopt some aspects for implementation and rely on the government-established accounting and internal control guidelines documented in the **Public Financial Management Act (921)**



2016 and any subsequent regulations or amendments, including aspects of the Financial Administration Act (2003) and the Financial Administration Regulation (2004), and be informed by the Internal Audit Agency Act (2003). The MoTAC, as part of a governmental entity, has a fully functioning accounts unit staffed with a mix of qualified and unqualified accountants with varying levels of experience, particularly in public sector accounting. However, the project team’s assessment shows that the Controller and Accountant General’s Department staff has not been trained adequately in managing donor-funded projects, which creates an inherent risk. Measures to address these risks are detailed above. A summary of the key findings of the financial management arrangements as assessed at the MoTAC is presented in the next sections.

### ***Budgeting Arrangements***

14. The MoTAC, as a government ministry, complies with the budget preparation guidelines in accordance with the Public Financial Management Act (921) 2016, and the annual budget guidelines issued by the Ministry of Finance. Specifically, for this project, the budget will be derived from the IDA allocations that will be the basis for preparing the annual work plans and procurement plans. The project coordinator and the director of policy, planning, and monitoring and evaluation (M&E)—working under the mandate of the chief director—will be responsible for initiating the project’s budgeting process and obtaining inputs (activities, schedules, timelines, and costs) from the beneficiary agencies. When the budgets are completed, they will be approved by members of the steering committee and the chief director for submission to the World Bank for review and clearance.

15. The current budgetary control processes used mostly for the government’s discretionary budget are capable of monitoring commitments and outstanding balances, and this helps reduce the risk of multiple payments. The assessment shows that budgeting processes are satisfactory and can be relied upon to reflect the various components to be implemented.

### ***Accounting Arrangements***

16. Under the oversight and supervision of the chief director, the HOF will be responsible for the project’s overall financial management and fiduciary aspects. Specifically, for this project, the daily transactional issues will be handled by a dedicated project accountant with the requisite skills and experience. Routine project accounting issues, such as journal preparation, bookkeeping, recording and processing of payment vouchers, and the like, will be handled by a dedicated project accountant within the PCU. The unit has an adequate number of staff with various levels of skills and competencies. However, based on the assessment and the ministry’s limitations in managing IDA funds, it is proposed that a financial management consultant be recruited to support the project’s financial management functions. The need for such a consultant is further justified given that the project has a grant component for which the risk can be substantial if it is not well managed and monitored from a fiduciary perspective. Regarding accounting systems, the government of Ghana is in the process of rolling out an automated integrated financial management system using Oracle Financials and is currently transitioning from a manual system to an automated accounting system. Until the rollout is fully completed, accounting for use of the project funds using a cash basis of accounting is expected to be performed through a combination of spreadsheets. In addition, and to mitigate the risk associated with lack of familiarity with IDA guidelines, the World Bank is recommending that the Borrower competitively recruit (as part of the PCU) a qualified chartered accountant as a financial management consultant who has experience in managing IDA-funded projects.





### ***Internal Control and Internal Auditing***

17. MoTAC has a functioning internal audit unit headed by the chief internal auditor and a staff of three junior officers who are adequately qualified and experienced to help in ensuring a sound control environment throughout implementation addition, expenditure initiation and related controls will follow the authorization and approval processes within the Ministry of Tourism, Arts and Culture complemented by additional guidelines in accordance with World Bank financial management and disbursement guidelines.

18. The assessment indicated that the internal audit and control environment is adequate for project implementation. The internal audit's role will be assessed regularly during supervision missions by reviewing reports and management responsiveness to their findings. This will ensure that the role is not limited to transactional reviews (pre-auditing), but adds value to the overall control environment through risk assessment.

### ***Funds Flow and Disbursement Arrangements***

19. Disbursement arrangements were designed in consultation with MoTAC after considering its financial management capacities and the anticipated cash flow needs of the operation. This operation is an IDA credit of US\$40 million, of which US\$3 million is in the form of a project preparation advance (PPA). MoTAC and beneficiary departments and agencies will use the Credit proceeds for payment of eligible expenditures as defined in the Financing Agreement and further detailed in the respective annual work plans and budgets and the procurement plans.

20. The proposed arrangement is to use a single, segregated designated account (in US dollars) opened specifically at the Bank of Ghana (the central bank) under the direct oversight of the chief director, but managed and operated by the HOF in collaboration with the project coordinator. Signatories to the bank account will be provided by the Ministry of Finance and will include senior members of HOF of Finance.

21. **Disbursement arrangements and use of funds.** Proceeds of the financing will follow the standard World Bank procedures for Investment Project Financing, for use by the Borrower for eligible expenditures as defined in the financing agreement. Funds flow and disbursement will be implemented under the principles of traditional Investment Project Financing arrangements using the transaction-based disbursement arrangements (statement of expenditure). Under the PPA, the proposed ceiling for the designated account was limited to US\$1 million. For the follow-on credit, the project will still use transaction-based disbursement, and the ceiling will remain at US\$1 million.

22. Regarding the site upgrades and SME grants (components 2 and 3, which make up approximately 25 percent of the entire credit and are to be used for various forms of subgrants), funds will be transferred to a beneficiary, private sector entity or enterprise, or an SME selected in accordance with detailed criteria in the grants manual, and other institutions or beneficiaries to be selected through a competitive process. The grants will be used to finance the following, among others: (i) test the market potential of a promising product, service, or technology; (ii) expand their existing product or service to cater to a larger number of visitors; (iii) attract commercial investment through investor introductions, matchmaking, and investment advisory services, (iv) fund research and analytics on markets, competitors, and sector trends; (v) an export promotion program for Ghanaian cultural products; and (vi) support nationwide networking events, forums, and conferences.



23. By its design, a significant portion of beneficiaries are likely to include providers of tourism-related services, informal sector enterprises, registered cooperatives, and NGOs. Many of these might not have strong financial management and internal control procedures in place, resulting in possible misapplication or delayed accounting of project funds. This risk needs to be well documented and mitigated in the grant manual and the GMT tasked to effectively monitor and report on the use of these funds. Therefore, procedures are needed for a strong system for monitoring the use and accounting of funds by recipients. Before disbursing funds under the grant component (category 2), the client will have prepared and submitted an acceptable grants implementation manual (grants manual) to the World Bank for review and approval.

**Disbursement Categories**

24. Two main disbursement categories will support implementation. These categories are based on the project components, and each component would fund eligible expenditures in civil works, goods, consultancy services, and operating costs. Because the level of contribution for the groups of beneficiaries (windows) are different, the eligible percentage will be to finance 100 percent of the amount disbursed.

**Table A2.1. Disbursement Categories**

Category	Amount of Credit Allocated	Expenditures to be Financed, Including Taxes (%)
1. Goods, works, non-consulting services, and consulting services, training and operating costs	US\$28M	100
2. Grants under parts B.1(c) and C.2 of the project	US\$9M	100 (of amounts disbursed)
3. Refund of preparation advance	US\$3 M	Amount payable pursuant to Section 2.07 (a) of the General Conditions
Total amount	US\$40M	

Note: Additional instructions for disbursements will be provided in a disbursement letter to be issued for this project.

**Financial Reporting Arrangements**

25. The project will be required to prepare and submit quarterly unaudited Interim Financial Management Reports (IFRs) to account for activities funded under PPA and the follow-on credit. The project accountant and the financial management consultant, under the supervision of the HOF, are responsible for preparing and submitting acceptable quarterly IFRs. IFRs are expected to be submitted by 45 days after the end of each quarter, and will be designed to provide relevant, timely information to the project management, transfers to beneficiaries’ agencies, and various stakeholders monitoring the project’s performance. The formats, and contents have been discussed and will be detailed in the Project Implementation Manual. These reports should include the following, as a minimum:

- A statement of sources and uses of funds by component in accordance with the project appraisal document (useful in monitoring implementation of the components)
- A statement of sources and uses of funds showing the expenditure by category, in accordance



with the financing agreement (for allocating expenditure in accordance with the financing agreement)

- A budget variance report comparing the utilization of approved budget against expenditure (useful to the task team leader for monitoring implementation and fund utilization)
- A designated account reconciliation statement
- A list of payments made in that quarter against the contract, subject to the World Bank's prior review
- A list of current commitments (signed and ongoing contracts)
- Any other report required to provide further and better detail on project expenditures, including grant disbursement reports showing qualifying amounts, percentages, amounts disbursed, and so on.

### ***Auditing***

26. In line with its mandate in accordance with the Audit Service Act (Act 584), the auditor general is solely responsible for the auditing of all funds under the consolidated fund and all public funds as received by government ministries, agencies, and departments. Generally, the Ghana Audit Service's capacity is assessed as satisfactory. Each audit of the financial statements will cover one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the project preparation advance was made. The audited financial statements for this period will be provided to the World Bank by six months after the end of this period.

### **Conclusion of the Assessment**

27. A description of the project's financial management arrangements, as documented in the preceding paragraphs, shows that they satisfy the World Bank's minimum requirements under Bank Policy/Directive Investment Project Financing. Overall, the financial management residual risk is initially assessed and rated as **substantial** because the government of Ghana's accounts staff has limited capacity in managing IDA-funded projects and the multiple agencies likely to be involved in implementation. However, the risk will be mitigated during implementation through periodic capacity building and training of the MoTAC accounts and internal audit staff on IDA financial management and disbursement guidelines.

### **Supervision Plan**

28. Based on the project's risk rating and the current financial management arrangement, it is expected that in the first year of implementation, there will be four quarterly on-site visits to ascertain the adequacy of systems. These visits will be supplemented by verification of amounts claimed in the statement of expenditure returns, desk reviews of IUFs, and audit reports. The financial management supervision mission's objectives will include ensuring that strong financial management systems are maintained for the project throughout project tenure. In adopting a risk-based approach to financial management supervision, the key risk areas of focus will include assessing the accuracy and reasonableness of budgets, their predictability and budget execution, compliance with payment and fund disbursement arrangements, and the ability of the systems to generate reliable financial reports.



## Procurement

29. Procurement under the proposed project will be undertaken in accordance with the World Bank's *Procurement Regulations for IPF Borrowers* (Procurement Regulations) dated July 2016 and revised in November 2017, in accordance with the World Bank's new procurement framework, and the *Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants*, dated July 1, 2016, and other provisions stipulated in the financing agreements. The procurement documents will be based on the World Bank standard procurement documents for international market approach, with modification for national market approach, as well as the recently enhanced documents to address environment, social, health, and safety issues. The procurement plan, which is prepared in STEP, based on the PPSD, will be updated when required. STEP will be the primary software or platform to be used to submit, review, and clear all procurement plans and prior review procurement activities. The initial procurement plan covers the first 18 months of the project implementation.

30. The PPSD shows that there will be a lot of opportunities in procurement in the delivery of services described above to enable the government to achieve its primary objectives in the sector in relation to the IDA. These opportunities will favor both local and international private sector firms. The seamless budget-procurement-contract management module being pursued will mitigate the payment issues, while the micro and macro stability being pursued strongly by the government will enable an improvement in the procurement environment to be more competitive and more realistic, to give value for money. The environmental, social, health, and safety issues will be adequately addressed in the project in view of the various instruments and laws, enforced through World Bank support. Compliance with Ghanaian and international standards will be followed. The project actors will leverage the use of ICT to improve participation, delivery, monitoring and reporting.

31. **Procurement implementation arrangement and capacity assessment:** The implementation arrangement is that the procurement unit of Ministry of Tourism will handle all procurements under the project. Technical input would be provided by other beneficiary agencies under the project. The head of procurement at the Ministry of Tourism will lead the procurement team.

32. **The procurement capacity assessment** was conducted in accordance with Operations Core Services-Procurement Policy and Services guidelines and Procurement Risk Assessment and Management System. The summary assessment of the procurement risk is **high** for the project, mainly because of the lack of experience and inadequate knowledge on the World Bank procurement framework; the expected high values of expected procurements in the project compared with what the Borrower and procurement team normally procure; and the procurement team's insufficient experience in high-value works and consultancy procurements. Note, too, that MoTAC has never been responsible for World Bank-funded projects recently. The World Bank will provide continuous support and capacity building for the project team members. The team will also attend procurement training offered by the Ghana Institute of Management and Public Administration on the World Bank procurement framework and World Bank organized training and seminars.

33. Note that the MoTAC undertakes procurement in accordance with the Public Procurement Act, 2013 (Act 663), amended by the Public Procurement (Amendment) Act, 2016 (Act 14). Thus, it has the stipulated procurement structures: procurement unit, head of procurement, tender committee, and so on, and it follows the procurement planning, review, and clearance authorities as stated in the law. The procurement unit is headed by a procurement person who holds a master of science degree in supply



chain management (in 2017), though he started procurement activities with the Ministry of Education in 2009, before moving to the Ministry of Tourism in 2015. He is supported by two officers who also hold degrees in purchasing and supply management, under training at the Ministry. It was noted that the head of procurement is generally familiar with procurements in World Bank-funded projects because he was in the procurement unit of the Ministry of Education as a procurement officer before being posted to the Ministry of Tourism. The assessment shows that the experience of the Ministry of Tourism’s procurement unit is mainly in procurement of goods and less on works and consultancy services. However, the staff demonstrated knowledge of consultancy and works procurement, which indicates that the three-man team should be able to execute procurement with supervision from the World Bank. Although the contents of several procurement documents are acceptable, records keeping and data management need improving. The World Bank will offer training to the Borrower on Procurement Framework (PF), STEP, and other procurement processes immediately as a proactive measure to mitigate the Borrower’s inadequate appreciation of the PF, given that this is new to the Borrower. This was acknowledged as the largest challenge to the Borrower, especially the preparation of the PPSD and the use of STEP.

34. Table A2.2 shows the details of identified risk and their mitigations.

**Table A2.2. Risks and Mitigation**

No	Key Risk	Mitigation	Whom	When
1	Lack of adequate procurement capacity	Provide focused training for existing procurement staff at recognized procurement training centers like Ghana Institute of Management and Public Administration to sharpen their skills in the use of the World Bank procurement procedures and rules  Hands-on/mentoring training to existing procurement staff  Attendance at World Bank procurement clinics	MoTAC and project  World Bank  Project and World Bank	By project effectiveness  Ongoing  Ongoing
2	Lack of knowledge of World Bank new procurement framework and STEP procurement procedures by staff	Prepare a PIM for the project with clear procurement procedures and responsibilities  Organize orientation/project launch workshops for key staff  Continuous hands-on training and support to procurement staff on World Bank Procurement Regulations and STEP	Project  Project and World Bank  World Bank	By project effectiveness  completion of PIM  Ongoing
3	Possible delays in processing procurement and payments	Set of standard processing times in the PIM, and ensure compliance  Continuous tracking and monitoring of procurement execution and contract performance  Undertake yearly post-reviews/procurement audits	MoTAC and project  Project coordinator  MoTAC	By project effectiveness  During project implementation



4.	Weak procurement and contract management	<p>Set up a robust contract management system and reflect in the PIM</p> <p>Identify key procurement and contract management activities and setting of standard processing times in the PIM</p> <p>Identify and monitor key performance indicators on major procurements and contracts that influence strongly PDO achievement</p> <p>Support hands-on and offer necessary backstopping support</p>	<p>MoTAC and project</p> <p>Project coordinator and head of procurement</p> <p>Project coordinator and proc head</p> <p>World Bank</p>	<p>By project effectiveness</p> <p>Throughout project implementation</p> <p>Ongoing</p>
5.	Record keeping and filing	Ensure all files and records pertaining to a procurement contracts are well filed and kept appropriately and individually	MoTAC and head of proc	Throughout project implementation
6	Delays in preparation of Terms of Reference, technical specifications	Make use of the specialized departments/units and experts under the Ministry and rely on external specialized consultant support as and when needed	MOTAC, project coordinator, and proc head	Throughout project implementation
7	Delays in evaluations	<p>Establish time lines in PIM and ensure they are followed</p> <p>Use <i>only</i> evaluators with the requisite knowledge and experience on the subject matter who in addition have time to undertake the evaluation within the established time</p> <p>Rely on external support when needed</p>	MoTAC, project coordinator, and proc head	Throughout project implementation
8	Competing demands on staff and transfers resulting in delays	<p>Better and more efficient scheduling of workload and deliverables by the mainstream staff on the project</p> <p>Avoid transfers that will cause replacement by staff with lack of knowledge on the project implementation</p>	<p>MoTAC</p> <p>Borrower</p>	Throughout project implementation
9	Political interference and conflict of interest	<p>Enforcement of remedies if the government of Ghana does not take appropriate sanctions against officials who violate procedures, if any</p> <p>The default procurement process is open competition.</p> <p>All individual consultants supporting project management will be procured through open competition through advertisement in media of wide circulation</p>	<p>Borrower and World Bank</p> <p>MoTAC and proc head</p> <p>MoTAC and proc head</p>	<p>When needed</p> <p>Throughout project implementation</p>

35. The overall project risk for procurement is high. The following prior review thresholds and methods are applicable.



**Table A2.3. Procurement thresholds**

Thresholds Effective 1 January 2017													
RISK RATING	Prior Review Threshold in (US\$ '000)					Procurement Methods Thresholds (in US\$'000)							
	Works	Goods, IT Systems+ Non Con. Serv	Consultants		Single Source & Direct Contract	Works			Goods, IT and non-consulting services			Shortlist of National Consultants	
			Firms	Individuals		Open International or ICB	Open National or NCB	Request for Quotation/ National Shopping	Open International or ICB	Open National or NCB	Request for Quotation/ National Shopping	Consulting services	Engineering & construction supervision
HIGH	≥\$5,000	≥\$1,500	≥\$500	≥\$200	≥\$50	≥15000	<15000	≤200	≥3000	<3000	≤100	<300	≤500

36. **Procurement plan.** The Borrower procurement plan covering the procurement activities for the first 18 months was reviewed and cleared by the World Bank. The procurement plan will be updated when required. STEP will be the primary software or platform to be used to submit, review, and clear all procurement plans and prior review procurements.

37. **Training, workshops, conference attendance, and study tours** will be carried out based on approved annual work programs. The programs will identify the general framework of training and similar activities for the year, including the nature of trainings, study tours, and workshops; the number of participants; the caliber of personnel involved; the duration of the event; and cost estimates. However, this should not be presented in the procurement plan.

38. **Operating cost procedures.** Operating costs financed by the project are incremental expenses related to the project implementation, including staff incremental cost, office supplies, operation and maintenance of vehicles, maintenance of equipment, communication, rental, utilities, consumables, transport and accommodation, and travel costs and per diem. The procedures for managing these expenditures will be governed by the Borrower’s own administrative procedures, acceptable to the World Bank.

39. **Frequency of procurement supervision:** In addition to the prior review supervision, which the World Bank will perform, the procurement capacity assessment has recommended one supervision mission each year to visit the field to carry out post-review of procurement actions and technical review. The procurement post-reviews the World Bank (or Ghana Audit Service) would perform will cover at least 20 percent of the contracts subject to post-review because the risk rating is rated high. The risk rating is subject to revision during implementation.

40. The MoTAC will supervise the project implementation. The capacities of MoTAC, along with its departments and agencies, will be strengthened during the project implementation. A safeguards unit will be anchored in the GTA to support safeguards implementation at the national, regional, and district levels.

**Social (Including safeguards)**

41. **Gender and gender-based violence.** The project is contributing to closing gender gaps in access to opportunities, resources, assets, employment, capacities, vulnerability to violence and sexual exploitation, and so on. The UN’s *Global Report on Women in Tourism 2010* shows that women dominate the workforce in the tourism sector, occupying mostly the service, clerical, and own account or family jobs. Despite this, women earn 10–15 percent less than their male counterparts. This project, like most



tourism projects, provides potential to contribute to addressing gender gaps through offering women opportunities for income-generation and entrepreneurship, skills training, and so on. However, special attention must be paid to gender-based violence and child exploitation issues that are usually precipitated by tourism activities. This project will undertake a gender analysis to explore the gender constraints and the specific project approach more thoroughly to ensure that gender is mainstreamed into the planning and implementation process. The study will also establish key indicators for monitoring. The project, during preparation, consulted with and will identify and consult with additional relevant gender-focused nongovernmental and civil organizations, and community members on the project initiatives.

42. **Citizen engagement.** Community engagement is particularly important for tourism development because of the complex nature of shared resources and the location of facilities. When the priority destination areas have been identified, a stakeholder mapping and resource ownership mapping exercise will be completed. Consultations will be arranged with a wide variety of stakeholders, including civil society organizations, nongovernment organizations, local organizations, resource users, and women's groups. The World Bank team will agree with the government on the preparation of a communication strategy and the arrangements for consultations with stakeholders to expand the scope of citizen engagement in each destination area. The project will monitor and report on the number of citizen engagement meetings held and the percentage of participants who consider their views have been taken into account in the destination planning process.

43. **Redress mechanism.** Projects of this nature with clearly identified beneficiaries, particularly the local communities, need to create mechanisms to enable project-affected persons and affected communities to participate in project planning and design, lodge complaints and concerns about projects to project developers and contractors for amicable redress, and provide feedback on project quality and impacts. Best practice suggests that an appropriate mechanism is likely to be functional when it is context-specific, aligned to existing institutional infrastructure and cultural systems, and accessible to project-affected persons. During preparation existing systems were assessed for engagement, receiving and addressing complaints from local communities. These mechanisms were used to help design the appropriate citizen engagement process. There will be a citizen engagement indicator in the Resettlement Framework monitoring, in addition to strengthening the process through technical and operation assistance in the early stages of project implementation.

44. **Safety.** This project aims to improve leisure tourism performance in Ghana. The upgrading of tourism activities will take into account the enhancement of environmental health, safety, and security for workers and tourists visiting the sites, as well as resident communities.

#### **Environment (Including Safeguards)**

45. The environmental category assigned to this project is B (partial) because it is expected that environmental and social risk and impacts will be moderate and in most cases the risk and impacts will be site specific and manageable. The potential subproject locations are not yet determined and confirmed, but they might be confined to existing tourism attraction sites. To ensure that future tourism investments are implemented in an environmentally and socially sustainable manner, the borrower has prepared and disclosed ESMF and RPF to address and provide guidance for environmental and social due diligence, impact assessments and mitigation planning once the project intervention areas are identified during implementation. The ESMF and RPF has made provision for social and environmental screening for each sub-project. The borrower is required to prepare, publicly disclose and implement sub-project level ESIA, ESMPs, RAPs as needed prior to commencement of any civil works.





46. The project has triggered the following environmental policies: Environmental Assessment OP 4.01, Natural Habitat OP 4.04, Physical Cultural Resources OP 4.11, and Forests OP 4.36. The Environmental Assessment OP 4.01 was triggered to address expected risk and impacts from the development of small infrastructure and services such as last-mile road access, electricity hookups, potable water, drainage and sanitation facilities in strategically selected sites. The ESMF has been prepared to provide guidance for the implementation of such subprojects. The World Bank Group environmental, health, and safety guidelines have also been included in the ESMF to provide guidance for health and safety issues during the project's construction phase.

47. Natural Habitat OP 4.04 was triggered to address expected risk and impacts from the development of lodging and visitor's facilities in National Parks and protected areas. The ESMF prepared for the project includes a screening checklist which will provide guidance for the implementation of such subprojects. The project has also triggered Physical Cultural Resources OP 4.11 to address expected risk and impacts from subproject activities from upgrading several smaller forts and castles along the coast and cultural heritage sites in strategic sites in the country. A Physical Cultural Resources Plan has been prepared (as part of the ESMF) to provide guidance during the project's implementation phase. Forests OP 4.36 has been triggered as a precaution per chance any subproject is undertaken within projected forest reserves.

48. The PCU will recruit an environmental safeguards specialist and a social development specialist to be supported by safeguards focal persons at the subproject level, the regional level in GTA, and in metropolitan, municipal, and district assemblies. The capacities of all the participating institutions—including MoTAC, GTA, Ghana Museums and Monuments Board, the Ghana Heritage Conservation Trust, Ghana Wildlife Society, the Ghana Tourism Development Company Ltd., and the local government assemblies—will be strengthened during project implementation.

### **Monitoring and Evaluation**

49. The monitoring and evaluation (M&E) system will be based on the project's results framework and monitoring arrangements described in Section VII. The PCU will be responsible for collection of the necessary data from appropriate and trusted sources and ensuring the validity and robustness of the results of each component. The PCU will coordinate with each beneficiary agency for the collection of the relevant data that make up the results indicators for the agency's component and subcomponent.

50. The GMT will collect and provide results of the site upgrading grants and in conjunction with NBSSI, results and indicators of the SME grants window. MoTAC will have a full-time M&E specialist who will support the project in the compilation of the project's performance indicators and the evaluation of the project's results. Although M&E specialist will be responsible for the project's daily M&E activities, the person will also provide capacity building for the institutions involved in the project. The NSC will be assisted by the PCU to closely monitor the M&E indicators during its regular meetings. In addition, the World Bank will closely monitor all M&E (key performance and intermediate) indicators and results and provide technical support throughout the project's implementation period. Monitoring of results and outcomes will be reported in MoTAC's comprehensive progress reports in form and substance acceptable to IDA, 45 days after the calendar quarter ends until midterm review and thereafter every six months. Furthermore, the World Bank will provide implementation support to the project over its lifetime and its results and outcomes on a regular basis to monitor and evaluate the achievement of the project development objectives. Corrective actions will be discussed and agreed with the government as needed.



ANNEX 3: IMPLEMENTATION SUPPORT PLAN

Ghana: Tourism Development Project

Strategy and Approach for Implementation Support

- The Implementation Support Plan (ISP) is designed to consider risks identified in the Systematic Operations Risk-rating Tool and to mitigate them. Hence, it is built on the following key considerations:
  - Project implementation is to be decentralized institutionally to several beneficiary agencies (Ghana Tourism Authority, Ghana Tourist Development Company, Ghana Museums and Monuments Board, the Forestry Commission, Ministry of Foreign Affairs and Regional Integration and its missions, NBSSI, Ghana Immigration Service, National Commission on Culture and the Ministry of Aviation).
  - All ministries, departments, and agencies involved in project implementation have been assessed and rated to have limited experience in implementing donor-funded projects, and experience with World Bank projects and procedures is negligible.
  - The project includes a site upgrading program, small and medium enterprises (SMEs) matching grants, and a business plan competition, which can present risks of fraud, corruption, and elite and political capture. These programs will be put under appropriate and regular fiduciary monitoring.
- Given these issues, additional resources beyond the statutory World Bank allocation will be required to support project implementation.

Implementation Support Plan and Resource Requirements

- Project implementation support.** The project will be overseen by an experienced IDA team that will coordinate with the country office and decentralized fiduciary staff as necessary. In addition to the usual practice for safeguards and fiduciary staff, the team will also include several high-level staff, consultants, or both who have been involved in project preparation and will continue to assist the Borrower. During the first 24 months of the project life, at least two field implementation support missions will be conducted each year to support the institutions involved in project implementation.
- Financial management:** Financial management implementation support missions will be consistent with a risk-based approach and will involve a collaborative approach with the task team (including procurement). The objective of the ISP is to ensure that the project maintains a satisfactory financial management system throughout the project’s life.

Table A3.1. Financial Management Information System

Desk Reviews	
Interim financial reports review	Quarterly
Audit report review of the program	Annually
Review of other relevant information such as interim internal control systems reports	Continuous as they become available
On site visits	
Review of overall operation of the FM system	Annual for MoTAC (Implementation Support Mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors’ management letters, internal audit and other reports	As needed
Transaction reviews (if needed)	As needed
Capacity building support	
FM training sessions	During implementation and as and when needed



5. **Procurement.** The World Bank will conduct at least three implementation support missions annually and annual PPRs; the ratio of PPR is at least one to six contracts. The World Bank might also conduct interim procurement reviews at any time until two years after the project’s closing date. Throughout implementation, appropriate support and capacity-strengthening measures will be offered to the project’s procurement staff as necessary.
6. **Government coordination.** The establishment of an NSC to ensure coordination among various ministries, departments, and agencies; the private sector; and other stakeholders will assist in improving coordination among all parties. Continued high-level dialogue between the government and World Bank and other development partners will also be maintained and play a critical role in ensuring ownership and continued support.
7. **Technical inputs.** Technical expertise will be provided by staff of the Finance, Competitiveness, and Innovation Global Practice of the World Bank, supported by high-level international consultants as needed.
8. The ISP will be revised on a regular basis during implementation based on project progress and continuous risk assessment.

**Main Focus of World Bank Support to Implementation and Cost**

**Table A3.2. Annual Estimate, Year 1 and 2**

<b>Time Horizon</b>	<b>Focus</b>	<b>Skills Needed</b>	<b>Resource Estimate (US\$)</b>
0–24 months	Team leadership, coordination, dialogue with authorities	Task team leader overall project design	35,000
	Procurement review of bidding documents; procurement supervision and training	Procurement specialist	15,000
	Financial management supervision	Financial management specialist	15,000
	Financial support to enterprises	Consultant, SME specialist	20,000
	Support to the tourism sector	Industry knowledge specialist, skills expert	20,000
	Infrastructure development	Infrastructure specialist	20,000
	Business environment	Private sector development specialist, legal	20,000
	Environmental and social safeguards	Safeguards specialist	15,000
<b>Total</b>			<b>160,000</b>

Note: SME = small and medium enterprise.



**Table A3.3. Annual Estimate, Years 3 to 5**

Time Horizon	Focus	Skills Needed	Resource Estimate (US\$)
25–60 months	Team leadership, coordination, dialogue with authorities	Task team leader overall project design	25,000
	Procurement review of bidding documents; procurement supervision and training	Procurement specialist	15,000
	Financial management supervision	Financial management specialist	15,000
	Financial support to enterprises	Consultant	10,000
	Support to the tourism sector	Industry knowledge specialist	15,000
	Infrastructure development	Infrastructure specialist	20,000
	Business environment/Legal	Private sector development specialist, legal	20,000
	Environmental and social safeguards	Safeguards specialist	15,000
<b>Total</b>			<b>135,000</b>

**Table A3.4. World Bank Support Team Required Skills Mix**

Annual Estimate, Year 1 and 2				
Time Horizon	Skills Needed	Staff Weeks	Trips	Comments
0–24 months	Team leadership, coordination, dialogue with authorities	8	2	Accra and HQ-based
	Procurement review of bidding documents Procurement supervision and training	6	0	Accra office-based
	Financial management supervision	6	0	Accra office-based
	Financial support to enterprises	4	3	HQ-based
	Support to tourism sector	4	3	HQ-based
	Infrastructure support	4	3	Accra-based
	Business environment	4	0	Accra office-based
	Environmental and social safeguards	6	0	Accra office
Annual Estimate, Year 3 to 5				
Time Horizon	Skills Needed	Staff Weeks	Trips	Comments
25–48 months	Team leadership, coordination, dialogue with authorities	7	2	Accra and HQ-based
	Procurement review of bidding documents Procurement supervision and training	4	0	Accra office-based
	Financial management supervision	4	0	Accra office-based
	Financial support to enterprises	4	3	Accra office-based
	Support to tourism sector	3	3	HQ-based
	Infrastructure support	3	3	Accra office-based
	Business environment	3	0	Accra office-based
	Environmental and social safeguards	4	0	Accra office-based

Note: HQ = headquarters.



**ANNEX 4: Detailed Economic and Financial Analysis**

1. The project development objective is to improve the performance of tourism in targeted destinations in Ghana. The project will have the following four components: (i) strengthening the tourism enabling environment; (ii) developing tourism sites and destinations; (iii) tourism enterprise support; and (iv) project management and institutional strengthening. The project takes place in the context of the implementation of the National Tourism Development Plan, a comprehensive strategic plan to boost the performance of the tourism sector during 2017–27. The World Bank–supported project, with its emphasis on the public sector, infrastructure, technical assistance, and non-infrastructure investments, complements the government of Ghana’s effort to achieve a balanced public-private contribution to the implementation of the tourism development plan.

**I. Methodology**

2. A conventional cost-benefit economic and financial analysis was conducted by estimating the projected stream of benefits evaluated against projected costs, and calculating the net present value (NPV) of the (net) benefits, as well as economic rate of return (ERR). Therefore, in keeping with common practices, the analysis seeks to identify all major quantifiable (in monetary terms) and non-quantifiable benefits and costs of the project as a whole and of its individual components separately. Based on this, the expected NPV and ERR of the project are estimated as a summary of the project’s monetary value presented against the background of a qualitative description and assessment of the non-quantifiable benefits and costs.

3. The cost-benefit analysis also addresses the welfare changes of all the beneficiaries, including visitors and future generations. Cost-benefit analyses of the project were conducted in accordance with the principles described in the World Bank’s Operational Procedures 10.04 for the Economic Analysis of Investment Project Financing operations. The discount rate used is 5 percent, and benefits were calculated up to 20 years.

4. The economic analysis of these types of projects face methodological challenges, especially in the estimates of the benefits related to technical assistance, institutional capacity building, financial support to the private sector, and regulatory reforms.

**II. Expected Value of the Project**

**2.1 Project Costs**

5. The distribution of project costs is reported by component and subcomponent in Table A4.1.

**Table A4.1. Distribution of Project Costs, by Component and Subcomponent**

<b>Component and Subcomponents</b>	<b>Cost (US\$, millions)</b>
Component 1: Strengthening tourism enabling environment	<b>15</b>
Subcomponent 1.1: Tourism skills development	10
Subcomponent 1.2: Aviation and entry visa policy	1
Subcomponent 1.3: Tourism branding and marketing	4
Component 2: Developing tourism sites and destinations	<b>15</b>



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Subcomponent 2.1: Destination planning	1
Subcomponent 2.2: Site upgrades program	14
Component 3: Tourism enterprise support program	5
Subcomponent 3.1: Business plan competition	2.5
Subcomponent 3.2: Matching grant program	2.5
Component 4: Project management and institutional strengthening	5
Total	40

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## 2.2 Project Value and Expected Benefits

6. The project is expected to generate two kinds of benefits. The first, quantifiable benefits that are normally priced by the market, can be readily evaluated in monetary terms and thus figure in the calculation of the project's NPV. The second type of benefits includes those that cannot be quantified in monetary terms for lack of a market based yardstick, and those that are readily quantifiable, but as public goods or quasi-public goods that do not have market prices and cannot be readily evaluated from the perspective of targeted or direct beneficiaries of the project.

7. The proposed project will induce an increase in foreign exchange earnings related to an increase in the volume of international tourist arrivals, assuming an average length of stay of 8 days and a daily expenditure of 250 dollars (about 1125 GH¢) in targeted areas. Tourist arrivals are expected to increase by 5–10 percent per year between 2018 and 2022 and 12.5 percent beyond. Base on those assumptions, Ghana will host a stock of 33.34 million tourists between 2018 and 2037 and yield US\$66.67 million during the period.

8. The growth in the arrivals will also generate revenues for the government in corporate taxes from tourism-related businesses, value added tax for tourism-related businesses, and income tax from people working in tourism-related industries, and departure taxes. Other related fiscal impacts of the incremental arrivals includes the following: (i) tourism levy fund (1 percent); (ii) municipal and district taxes, including property taxes and copyright fees; and (iii) entry fees to tourist attractions. Despite the lack of detailed data, the average fiscal impact of the growth in arrivals will range from US\$1.97 million in 2020 to US\$6.3 million in 2025, generating a cumulative amount of US\$22 million (about GH¢100 million). This increased revenue base for the government can contribute toward the provision of public and social goods that can have substantial impact on the population.

9. The project activities are expected to boost the tourism sector as a result of the improvement of facilities and assets inducing visitor satisfaction. The direct jobs in the sector are expected to rise from 305,628 jobs in 2019 to 380,000 in 2030 and 419,562 by 2035. The indirect jobs supported by the tourism industry and related sectors will range from 764,000 in 2019 to 895,000 in 2027, assuming a 3.5 employment multiplier effect and a 2 percent annual growth rate of the direct employments.<sup>12</sup>

10. The project activities are more likely to yield income opportunities for local businesses in the target areas, especially for communities near tourism sites and small businesses in the urban areas of Greater Accra and Kumasi. According to the National Development Plan estimates, tourism sectoral links revealed that for every US\$100 expenditure on accommodations fees, US\$23 are spent on food,

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<sup>12</sup> Hotels and restaurants, tour operators, bed and breakfasts, crafts, and constructions works will generate the majority of indirect jobs supported by the tourism industry and related sectors .



beverages, fishing, and livestock; US\$12 on public utilities, and US\$7 on manufactories. Table A4.2a shows the sectoral link of the tourism expenditure. Assuming a constant consumption pattern between 2018 and 2037, the tourism demand growth will yield US\$12.1 billion to the accommodation facilities, US\$11.9 billion for food and beverage providers, and US\$24.7 billion to air transportation and related activities, while the cultural sector will earn about US\$520 million.

11. Table A4.2 shows the breakdown of project costs and benefits by component and for the project as a whole. The comparison between the economic internal rate of return (IRR) (13.37 percent) of the net benefits from the project and the economic opportunity cost of capital (discount rate = 5 percent) shows that the project is economically feasible because its IRR exceeded the discount rate. The same conclusion can be derived from the economic NPV, which is positive and estimated at US\$74.55 million.

**Table A4.2. Distribution Project Value by Component**

	Cost (\$, millions)	Share (%)	Net Present Value (\$, millions)	Economic Rate of Return (%)
<b>Component 1</b>	15.0	37.5	(13,690.15)	N/A
<b>Component 2</b>	15.0	37.5	90,338.30	14.86
<b>Component 3</b>	5.0	12.5	2,450.47	23.86
<b>Component 4</b>	5.0	12.5	(4,545.95)	N/A
<b>Total</b>	<b>40.0</b>	<b>100</b>	<b>74,552.67</b>	<b>13.37</b>

### **2.3 Details of Monetary Benefits**

#### **Intended Beneficiaries**

12. The project implementation will yield benefits for the Ghanaian economy as a whole and particularly for the tourism sector. The main intended direct beneficiaries are Ghanaian households through revenues generated by the additional jobs created by new tourist arrivals. The project area includes the greater Accra area, Kumasi, the coastal sites, and heritage sites. Actual beneficiaries will be households, firms, and establishments in areas that would be affected by the jobs created directly during project implementation; or by those additionally provided by employers across the value chain linked to the destinations that would not have been forthcoming without the project; or by the increases in net business incomes and tax revenue that would not have materialized without the project. Among the small businesses in tourism value chains, at least 200 MSMEs will be provided with business development services and financial support to upgrade their infrastructures and business processes. Local government, municipalities, and assemblies will also benefit from the project activities.

#### **Benefits from Component 1**

13. The subcomponent 1 activities aim to solve the problem of a lack of skilled workers in the tourism sector to improve the quality of product and services. The development of the regional hospitality training center of excellence will help fill the gap in qualified personnel by emphasizing the delivery of vocational training to cope with the need for skilled workers caused by the growth in tourist arrivals.

14. Sector growth is threatened by the shortage and quality of hospitality workers because the sector employs many unskilled and semiskilled workers informally in hotels, restaurants, handicraft shops, and local transportation and tour operators. Many are involved in producing vegetables for small hotels, selling cooked food to tourists, and, increasingly, in-home stay operations. The High Impact Tourism



Training analysis estimate for 2015 shows that at least 2,500 people need to be trained annually to fill the gap of 10,500 receptionists, housekeeping, and restaurant staff required to cope with the demand growth.<sup>13</sup> The development of the institute will help meet the demand for quality hospitality workers. A higher quality of service is likely to attract more visitors and lead to greater economic growth. Given the opportunity to develop their skills, the most disadvantaged workers can move beyond insecurity and into more stable, higher-paid employment.

### ***Benefits from Component 2***

15. The main activities of the component aim at upgrading tourism infrastructure and services in the targeted sites. The direct economic benefit from these activities include increased profit for local construction enterprises, additional income for the employees working on construction sites, and increased government taxes earned on those profits and earnings. The social infrastructures will also provide positive externality to the society because households from the local communities will have better access to clean water and improved sanitation.

16. Moreover, improved urban infrastructures, such as public spaces, streetscapes, and municipal roads, can lead to a reduction in vehicle operating costs, improved urban livability, and increased safety of movement for locals. At the same time, these investments are expected to make selected municipalities better places to visit and more attractive places in which to invest, promoting private investment and increasing income-generating opportunities in the project area. Cultural heritage enhancements will lead to the preservation of global public goods, but are also expected to lead to increased willingness to visit and pay for touristic and increased property prices in neighboring areas. The development of natural sites is more likely to provide employment opportunities to youth and revenues to local communities in the rural areas. The component's tourism infrastructures will induce growth in the sectors, such as construction, handicrafts, and services, and create substantial demand for informal labor.

17. The competitive grant program will create positive incentives to foster upgrading from other stakeholders (municipalities, nongovernmental organizations, and firms) that find it too risky to invest given the perceived benefits, while providing a partial subsidy to ensure commitment from the firm and avoid distorting the market.

### ***Benefits from Component 3***

18. Component 3 activities support SME business development services and facilities upgrading. Capacity-building support to private sector organizations is expected to have positive, sustainable impacts regarding the sector's ability to respond to the tourism market. The MSMEs to be trained through this support are expected to benefit from enhanced skills to respond to market needs, particularly regarding general business skills and technical skills to implement specific tourism products identified, and to improve visitors experience and satisfaction. Enhanced capacity is expected to improve these MSMEs' potential for growth and increase the tourism sector's overall inclusiveness.

19. Through the business plan competition subcomponent, the beneficiaries will receive training and support for the development of a solid business plan, and about 250 of them will receive financial support to implement their business plans. The process of developing business plans will enhance the MSMEs' capacity and their ability to convince investors (banks) to finance future private tourism development projects. The subcomponent will support new business creation, which will yield economic benefits in

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<sup>13</sup> For more information, visit <http://www.hitt-initiative.org/countries/ghana/>.





sales, job creation, and additional tax revenues for the government. Furthermore, the business plan competition could foster youth interest in entrepreneurship and hence support new firm creation beyond the direct beneficiaries of the program.

20. The component 3 activities yield a positive NPV of US\$1.5 million and a higher ERR of 19.6 percent.

#### ***2.4 Assumptions Used in the Calculation of Net Present Value and Economic Rate of Return***

21. The following are the main assumptions used to conduct the economic analysis uses to estimate the NPV and ERR of the project:

- A discount rate of 5 percent is used to estimate the net stream of the benefits generated by the project, according to the new World Bank procedures.
- A stable macroeconomic environment with price and exchange rate stability is also assumed.
- Corporate and income taxes are assumed to be 33.5 percent and 30 percent to estimate the fiscal impact.
- The demand assumptions are based on the National Tourism Development Plan scenarios using the 5 percent growth (during the 2000 – 2011) as baseline hypothesis (short term) between 2018 and 2022. The international arrivals are then supposed to increase by 10 percent annually from 2022 to 2025 and beyond.
- The average duration of stay in a year is eight days.
- The average international tourist's daily expenditure is US\$250.
- The average hotel room occupancy rate is 59 percent.

#### ***Sensitivity Analysis***

22. A sensitivity analysis was conducted by changing the values of critical assumptions, basically the key drivers of economic benefits. Economic benefits are derived from projected increases in the average daily expenditure by foreign tourists and the duration of stay attributable to improved visitor satisfaction through the investment in the infrastructures, and improvement in workers' skills and business processes. Moreover, the impact of the NPV and the IRR was assessed in case of changes in the number of MSMEs involved in matching grants program and technical assistance through business development services. Finally, the effect of changes in the discount rate was assessed.

23. The results of the tests show that the economic feasibility of Ghana Tourism Development Plan is most sensitive to unfavorable changes in the duration of stay of foreign tourists. A two-day decrease in the duration of stay results in a 56 percent decrease in the NPV and 35 percent drop in the IRR. The test assuming a higher daily average tourist expenditure (12 percent increase) shows an increase in the NPV from US\$74.5 million to US\$94.6 million. As the number of MSMEs involved in the matching grant and business development service increases, the NPV and the IRR both decrease. For example, an increase of 50 MSMEs results in a 0.57 percent decrease in the NPV and 0.55 percent decrease in the IRR.



**Table A4.3. Sensitivity of Project Economic Indicators to Changes in Selected Assumptions**

Assumptions	NPV (\$, millions)	Percent Change	IRR (%)	Percent Change
<b>Discount rate (%)</b>				
5	74,552		13.371	0
6	61,098	-18.04	13.370	0
7	49,276	-19.34	13.370	0
9	29,647	-39.8	13.369	0
<b>Duration of stay (days)</b>				
6	32,641	-56.21	8.688	-35.02
8	74,552		13.371	
9	95,508	28.10	15.734	+17.67
<b>Average daily expenditure</b>				
250	74,552		13.371	
280	94,669	26.98	15.639	+16.96
<b>Number of SMEs involved in the BDS</b>				
200	74,985	+0.958	13.445	+0.55
250	74,552		13.371	
300	74,120	-0.57%	13.297	-0.55

Note: BDS = business development service; IRR = internal rate of return; NPV = net present value; SME = small and medium enterprise.

### 2.5 Externalities

24. The most direct externalities will come from the improved water supply and reduction in health costs in poor communities of the project areas. Similar but more diffuse benefits will come from improved sanitation in areas targeted by the project. Some consumer surplus is expected to arise from improved capabilities of MSMEs in the tourism sector—for example, lower food losses from improved systems and practices—as well as better financial management, leading to increased supply from local sources at lower cost and better quality.

25. Improved sites will likely induce increases in land prices, which could positively affect owners who were not displaced by the project, but could make land (homes) unaffordable for low-income households in the area.

26. Tourism development might result in loss of access to natural resources and/or increase the opportunity cost of obtaining the resources used for tourism and conservation. Therefore, negative externalities associated with infrastructure investments and related private investments in the project area need to take these impacts into account under the environmental cost of the projects.