The Tourism Industry and the Ghanaian Economy

MAIN ISSUES

This brief analyses the relationship between tourism and economic growth in Ghana. Tourists usually demand four main goods and services in a location: accommodation, food, transportation facilities and entertainment services.

It also reviews the sector’s performance over the years and further assesses the extent to which the objectives and targets set by the sector’s Ministry could be achieved. Appropriate policy issues have been highlighted in order to enhance the achievement of these goals.

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Issues In Brief

Tourists usually demand four main goods and services in a location: accommodation, food, transportation facilities and entertainment services. In most developing countries, to satisfy this demand, the current level of production needs to increase. This provides two positive effects on the economy. On the one hand, an increase in production and income; on the other hand, since tourism sector is labour intensive, an increase in employment.

Thus, the tourism sector may contribute significantly to both economic growth and employment. This is particularly relevant in the case of regions with high rates of unemployment; low levels of per capita GDP and with export products facing difficulties in competing internationally.

However, the success of the tourism sector in a country depends on several factors.

The tourism industry has contributed significantly to the country’s economic growth and development. International tourism is a key driver of growth as visitors’ arrival and spending increased by 46 per cent and 68 per cent respectively between 2000 and 2005.

The industry is currently the third largest foreign exchange earner after merchandise exports and remittances from abroad and has become one of the most important and fastest growing sectors of the Ghanaian economy. Tourism receipts are forecasted to reach $1.5 billion by 2007.

Government has therefore earmarked the sector as a major potential source of foreign exchange, which needs to be tapped. According to a strategy document designed and being implemented by the Ministry of Tourism and Diasporan Relations (MTDR) for the period 2003-2007, the target for the sector by the end of 2007 include:

- Projected increase in tourist arrivals to one million people.
- Making tourism the largest employer after agriculture and retailing, and also the largest employer in the formal sector with 300,000 jobs.
- Increasing tourism forex earnings to US$1.5 billion per annum.
- Establishing Ghana as the “homeland” for Africans in the Diaspora.
Tourist Arrivals, Receipts and Employments

International tourist arrivals and receipts show steady and positive trends since 1991, albeit a slight dip in arrivals was realized in 2005. This was a significant increase, however, considering the target of 1 million by 2007, which was set in the Tourism Strategy of the Ministry of Tourism and Diaspora Relations, a lot of effort is required to ensure a doubling of the arrival figures in the next two years.

The figures also show that sources in the ECOWAS sub-region accounted for the largest share, represented by 60 per cent (inclusive of Overseas Ghanaians), with the remaining 40 percent from the countries outside Africa (see Chart 3). The importance of regional sources, as indicated by these figures, implies that policies towards improving the number of tourist arrivals must give attention to regional incentives.

However, the GDP share of receipts from tourism has followed a cyclical pattern from 1992 to 2005 (with the 2004 dip ascribable to the fall in arrivals), even though the general trend has followed an upward movement.

Also, a comparison of foreign exchange receipts from tourism with other sources such as merchandise exports and remittances shows that the sector is holding its own, contributing about half of total remittances and a third of foreign exchange receipts from merchandise trade.

The tourism sector is also providing employment in both direct and indirect ways to significant number of Ghanaians. For example, according to figures obtained from the Ghana Tourist Board, tourism provided about 19,000 direct jobs and 46,000 indirect jobs in 1996. These figures rose to about 47,000 direct jobs and 115,000 indirect jobs in 2004. These indicators imply that tourism related jobs have more than doubled in less than ten years.

Aircraft and Freight Movements

As a way of assessing the performance of the tourism industry, we tracked the performance of some tourism related indicators to see evidence of any significant shift in the data. A cursory look at the data reveals an upward trend in aircraft movements from 2001 to 2005.

However, the period before April 2003 recorded a fall in the average growth rate of 0.53 per cent (-0.68 per cent for the Seasonally Adjusted Growth) whiles the period after realized a positive average growth of 1.82 per cent (1.61 for the Seasonally Adjusted Growth).

Similar developments can be witnessed in terms of Freight movement. There was a negative average growth rate of 0.95 per cent from January 2001 to March 2003 (-0.76 per cent Seasonally Adjusted Growth). On the other hand, there was a positive growth of 6.47 per cent for the period April 2003-December 2005 (3.95 per cent for Seasonally Adjusted Growth).
**Tourist Infrastructure**

Tourism is a competitive industry that requires a good mix of attractions and support facilities to ensure a sustainable tourism industry. Some of the facilities and services required to meet the needs of tourists include, accommodation services; food and beverage services; transportation, services by travel agents, tour operators, and tourist guides; recreation and entertainment services.

The number of hotels, rooms and beds has increased significantly between 1991 and 2005. The number of hotels increased from 419 in 1991 to 1345 in 2005, which showed an average annual growth of 9.7%. The number of hotel rooms increased from 6,339 in 1991 to 18,752 in 2005, which showed an average annual growth of 8.6%. The number of beds increased from 9,189 in 1991 to 23,924 in 2005, which showed an average annual growth of 7.3%.

The number of licensed restaurants by category also increased from 154 in 1996 to 372 in 2005, which implies an average annual growth of 16.7%. The number of licensed travel agents and tour operators increased from 72 in 1991 to 474 in 2005, which showed an average annual growth of 18.4 percent, while the number of licensed car rental companies by category increased from 18 in 1992 to 53 in 2005, which implies an average annual growth of 7.9%.

**Survey Findings**

From the responses of the survey the following facts come out clearly as regards the potentials of the tourism industry in the country:

- The tourism sector is fast growing and business in the industry is profitable.
- Control of the sites is mainly either community based/private or government controlled.
- Government’s control is either through district assemblies, Forestry Commission or Ghana Museums and Monuments Board.
- Resources for supporting the sites come from a variety of sources. These include foreign sources like the European Union, UNESCO, USAID and NGOs like NCRC. Other sources of funding are from government and the local communities where the sites are based.
- However, a host of problems face the sites, which need to be addressed.

**Conclusion**

The foregoing analysis has portrayed a picture of what is entailed in the tourism industry, what Ghana currently has to offer in the industry, problems in the industry and attempts to solve the problems to make the sector contribute significantly to the country’s economic development.

The analysis has shown that Ghana has vast tourism potentials both in terms of natural features and her rich cultural heritage to make tourism a booming sector of the country’s economy.

It appears lack of funds or poor funding of the sector is the bane of the country’s tourism development and progress. The establishment of the Tourism Development Fund spearheaded by GATTA and the promulgation of the new Ghana Investment Promotion Center (Tourism Promotion) law are laudable events to get the private sector to go into tourism development. However, looking at the ambitious targets set by the five-year tourism development programme enshrined in the introduction, it is not likely the targets will be met.
Policy Issues

- The country needs to begin from the beginning by providing basic infrastructure and facilities at the tourist sites.

- There is the need to improve and add value to some of the existing sites to attract more tourists to yield more revenue for the economy.

- The country's tourism potential has not been fully explored and there is the need to develop more viable tourist sites, which abound in the country to rake in more foreign exchange.

In the eco-tourism sector, Ghana has 23 wildlife heritage sites, six resource reserves, four wildlife sanctuaries and five coastal Ramsar sites. There is therefore the need to develop and market such sites to attract tourists for the much-needed wealth creation.

- The craft villages need help to boost their tourism potential and entrepreneurial effort. Structures being built for the craftsmen to ply their trade at Ahwiaa and Aburi have been abandoned which is unfortunate. The structures need to be reactivated by the various district assemblies to help boost that sector.

- As a matter of policy, there is the need to place a tourism officer in each of the district assemblies. The officer will be the hub around whom tourism develops in the district and he or she is to liaise with other tourism development agencies and stakeholders in the district.

- Ghana's diplomatic missions in co-operation with tourism development agencies must spearhead marketing of Ghana's tourism potential overseas. This needs to be tackled with greater zeal and focus.

- Domestic tourism must be given a boost to be spearheaded by the Ghana Association of Travel and Tourist Agents and given publicity in the local press. Tour packages spanning a day to several days to various sites should be embarked upon by the tour agencies and this can be targeted at various publics like schools, churches, voluntary associations and the general public.

- Aside the structures, there is the need to start or deepen co-operative structures of the craftsmen to make them more viable and also help them have access to loans from the financial sector.