

Structural Adjustment Programme and Tourism Development in Ghana (1985-2005)

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Abstract

At the prodding of the IMF/World Bank, several developing countries undertook socio-economic reforms in the 1980s aimed at restructuring and stabilizing their economies. Dubbed structural adjustment programmes (SAPs), the specific reforms included trade liberalisation, privatization, devaluation and export promotion. In Ghana tourism, which had hitherto been an insignificant industry in the national economy, was in 1985 declared along with three other sectors as a 'priority sector' and promoted as a tool for diversification and for earning foreign exchange in the context of SAP. Between 1985 and 2005, tourism flourished in Ghana in the wake of SAP, even though the sector's key components i.e. accommodation, intermediaries and car rentals enjoyed dissimilar fortunes. More importantly, business travel emerged as the catalyst in the transformation of the sector, a process which underlines the link between the tourism sector and the socio-economic and political environments in which the former operates. Decision-makers and tourism planners ought, therefore, to appreciate this link in order not to conceive tourism development as the mere construction and marketing of attractions and accommodation facilities as if leisure travel held sway in the country.

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Introduction

Across the globe, the history of tourism development shows that a multitude of factors, from the technological and socio-economic to the political and cultural, have influenced the trajectory and fortunes of the industry. Indeed, it will appear that every facet of human endeavour, from history, legislation, architecture, handicrafts, etc. individually or in cooperation, affects tourism development to some degree. This multi-faceted nature of tourism, which makes it difficult to delineate (Hunter & Green, 1995; Williams, 1998), accounts for its susceptibility to a wide array of factors, both internal and extraneous. The corollary is that identifying and delimiting the “broader issues and factors, which affect tourism together with the inter-relationships between (the) different components in the (tourism) system” (Page et al, 2001) is an equally arduous task.

At both national and sub-national levels, the functions of every department of government directly or indirectly affect the demand and/or supply of tourism. A government may, for instance, seek to influence tourism development directly through its immigration policy, foreign currency controls, trade and investment policies etc. In one way or the other, policies pursued in domains such as security, economic, energy, and transport also affect the flow of international visitors to that country as well as the travel propensity of its own residents.

Thus, among the myriad of proximate “issues and factors” that influence tourism development in any given country, government policy remains the most dominant. As Richter (1989) points out “tourism is a chosen policy. It is not a policy forced on a reluctant regime by political pressures such as agriculture reforms, language policy or industrial policy”. Government policy tends to be pervasive; it impinges substantially or tangentially on the diverse elements of society and economy; from culture, wildlife and other natural resources to transportation and investment regime which invariably constitute the building blocks of a country’s tourism industry.

Across sub-Saharan Africa (SSA), a major policy pursued by majority of national governments of the sub-region, which made headlines during the last two decades is the structural adjustment programme (SAP). At the prompting of the World Bank/IMF these countries pursued SAPs in

an attempt to address problems of acute shortages, increasing debts, dwindling foreign exchange reserves, unemployment and other socio-economic problems that confronted them in the 1980s. During the same period most of the countries also embraced tourism promotion as part of efforts to diversify the export sector, increase foreign exchange and create jobs.

As a policy, SAP involved the pursuit and implementation of economic measures which enhanced economic growth, improved resource allocation, increased economic efficiency and generally increase the economy's resilience to changes in the global and domestic markets (Konadu-Agyemang, 2001). Owing possibly to its perceived external origins, SAP has attracted a large volume of scholarly discourses and reports (Cornia et al, eds., 1988, 1992; Engberg-Pedersen et al, eds., 1996). The consequences of SAP on national economies and individual livelihoods have thus been treated extensively in the recent political-economy of the developing world (Aryeetey, et al., 2000; Gyimah-Boadi, ed, 1993; Hutchful, 2002; World Bank, 1987, 1994).

At the sector level, the consequences of SAP for the agricultural and extractive (i.e. mining and forestry) industries have received considerable coverage (Duncan & Howell, eds. 1991). The ramifications of SAP for the tourism sector have also attracted some attention (Amoah, 1998; Harrison ed, 1992; Konadu-Agyemang, 2001). Amoah (1998) examines the contribution of tourism to Ghana's socio-economic development as a component of SAP; Harrison (1992) takes an overview of tourism as a 'non-traditional' foreign exchange earner for less developed countries faced with unfavourable terms of trade in the international marketplace. In his paper, Konadu-Agyemang (2001) analyses the socio-spatial implications of SAP in Ghana, focusing on that country's international tourism sector during 1983-1999.

This paper seeks to demonstrate the linkage between SAP and the development of tourism in Ghana during the 20-year period 1985-2005. The point of departure, though, is that instead of focusing on the industry as a whole, the paper examines the effects of SAP on key components of the tourism sector namely, international arrivals and receipts, accommodation stock, travel intermediaries (i.e. tour operators and travel agencies) and car rentals. Given the prominence of these indices and components of

the tourism trade such analysis should be able to shed light on the ramifications of SAP for the sector during the study period.

The choice of the study period is informed by the year in which one of the foremost SAP-related decrees with a direct bearing on the fortunes of Ghana's tourism sector was passed. Implementation of Ghana's own home-grown economic recovery programme and the IMF/World Bank-inspired SAP commenced in 1982 and 1983 respectively. However, it was in 1985 that the ruling Provisional National Defence Council (PNDC) passed PNDC Law 116 to spread the net of the economic stabilization and restructuring programmes to cover the tourism sector. Under the larger ambit of SAP, PNDC Law 116 declared tourism (along with agriculture, manufacturing, and building and construction) a 'priority sector' and moved the industry to the front burner of the national economy where it has remained ever since. To all intents and purposes, therefore, 1985 can be regarded as watershed in the development of tourism in Ghana.

Tourism, Structural Adjustment Programme and Conceptual Issues

In nearly every country, as a result of the potential benefits from tourism, the need for environmental conservation as well as the concern for tourists' safety, governments are, to varying degrees, involved in the tourism sector. Jenkins and Henry (1982) distinguish between "passive" and "active" involvements by governments. Most governments, especially in the wake of the demise of communism, seek to create an environment conducive to economic growth spearheaded by private operators. In the Bahamas, for example, the government became so convinced in the effectiveness of private enterprise that in the late 1980s its Ministry of Tourism assumed a quasi-private status, exercising a degree of freedom of action not enjoyed by other ministries in such matters as tax incentives and profit repatriation for deserving enterprises (Lundberg, 1990). In other developing countries, the state may decide to become "more actively involved, perhaps even assuming an entrepreneurial role" by operating hotels, travel agencies and other tourism enterprises (Moutinho, 2000). In sub Saharan Africa, Tanzania and the Gambia are examples of such countries (Shiviji, 1973; Dieke, 1993).

The multi-faceted nature of the sector means that “tourism touches on all economic sectors”; the corollary being that government action (or inaction) by way of policy whether on the entire economy or a specific sector, invariably affects tourism for good or ill. For example, public policy on foreign affairs, population, education, environment, health, incomes etc. have some consequences for tourism. In the case of tourism, a government may pursue industry-specific policies which may be either “product- and producer-oriented” or “consumer-oriented” (Joppe, 1994). Whereas the former is about the capacity, quality and price of the natural, human and man-made resources that directly or indirectly constitute tourism supply, the latter tends to focus on the subject of tourism, namely the real or potential tourist. The objective in the latter case is to increase the number of users of tourist facilities or at least minimize the under-utilization of tourist facilities (Joppe, 1994).

Policy implementation requires policy ‘tools’ and institutions, and governments have a wide array of these. Again the multi-faceted nature of tourism means some tools may be specific to it while others touch it indirectly via linkages with other sectors in the larger economy. General macro-economic instruments such as currency controls, devaluation and the provision of infrastructure have consequences for the demand and supply of tourism. The creation of museums and national parks, on the other hand, are direct tools used by governments to promote tourism. The state can also influence tourism supply indirectly through incentives such as tax exemptions or holidays, duty remit on equipment and loans to private operators. Foreign investors can be enticed with guarantees of capital and profit repatriation. National tourism organizations, tourism development bodies and the myriad of private trade and umbrella organizations are all tourism-specific institutions for policy implementation.

In developing countries, tourism development is often perceived in very narrow terms. It entails ‘adding value’ to attractions; constructing tourist accommodation facilities and promoting these along with other unique cultural and natural attributes to potential customers from developed economies (Oppermann and Chon, 1997). This parochial approach to tourism development does not bring in as much financial gains to a destination as it does to destinations in relatively advanced economies where tourism development takes cognisance of the business traveller

(Lea, 1988; Williams & Shaw, 1992). Parallels can be drawn between the holiday markets of say Spain, Portugal and Greece, which attract mostly seasonal leisure travellers on one hand and the all-year round visitor traffic to Germany, France and UK (Williams and Shaw, 1992). In the latter countries, tourism revenues are derived from a larger basket of sources including business travel, industrial heritage in addition to the usual tourist 'attractions'. Business travel, which includes conventions, conferences and incentive travel and 'regular' business, generates a higher per capita expenditure and thus yields more economic benefits to service providers and destinations (Pearce, 1981; Hampton, 1989; Holloway, 1994).

Starting from the early 1980s some ninety odd countries across the globe, including almost all SSA countries, implemented a package of reforms prescribed by the IMF and World Bank (Green, 1987; Stock, 1995). The reforms were aimed at stabilizing and restructuring their economies with the view to increasing foreign direct investment. Adoption of SAP was also a condition for funding from external sources, including the two Breton Wood institutions. Faced with hyperinflation, declining foreign reserves, massive unemployment, and almost collapsed economies, most developing countries had no option but to bite the bullet. According to Stock (1995) the specific policy directions or the range of socio-economic reforms, which comprised the "fixed menu" established by SAP generally, including:

massive currency devaluation; liberalization of the economy; encouragement of foreign investment; ... elimination of price controls and subsidies to encourage increased productivity, especially in agriculture; increasing exports; cutbacks in the state sector, including privatization of state-owned enterprises and reduction in public-sector employment; introduction of cost recovery (user fees) in health care, education and for other social amenities (pp.349-350).

As a development strategy, SAP has been criticised by academics, civil society groups, non-governmental agencies and even governments. According to critics IMF and World Bank prescriptions have diverted attention from the causes of the economic crisis in Africa instead of tackling them. SAP has eroded the sovereignty of African states and

undermined their ability to plan and implement rational development policies. The policy reforms are blamed for the widespread incidence of malnutrition and infant mortality on the continent. By encouraging the export of timber in order to earn foreign exchange, SAP has accelerated the “liquidation” of the continent’s “ecological capital”. In macro-economic terms, SAP is blamed for “distorting economic planning by focusing only on short-term, balance of payments objectives at the expense of longer-term planning for balanced and equitable development” (Stock, 1995:350).

Ghana, however, was on record as being one of the few countries identified by the IMF and World Bank as “adjustment success stories” (World Bank, 1987, 1994). It was alleged that the implementation of SAP resulted in increases in the volume –not necessarily the value– of exports while repayments of debts have been on schedule (Stock, 1995).

SAP had direct and indirect impact on tourism. Specific policy measures, which had direct bearing on Ghana’s tourism sector, were the trade liberalization, privatization of state-owned enterprises, export promotion and the promotion of foreign direct investment. Trade liberalization entailed the elimination of protective barriers as well as the abolition of foreign exchange controls in order to make domestic industry more competitive. Hotels and other sectors of the economy such as mining and banking, which were hitherto the preserve of indigenous firms, were opened up for foreign participation (Gyimah-Boadi, 1993).

Divestiture or privatization of state-owned enterprises is self-explanatory: several state corporations, which depended on state subvention, were sold to private entrepreneurs, domestic as well as foreign. Starting with the socialist-inclined era of Ghana’s first republic (1957-1966), the state was engaged directly in diverse sectors of the economy from rubber plantations and tomato processing to poultry farming and hotels. The privatization exercise was thus aimed at “withdrawing” the state from involvement in directly productive ventures in accordance with the prevailing neo-liberal economic environment which gave birth to the SAP and which stressed that ‘the state has no business doing business.’

In Ghana, export promotion occurred through an export-diversification exercise meant at broadening the export base of the country beyond

cocoa, gold, diamonds and timber, which for over a century were the country's 'traditional' foreign exchange earners (Killick, 1978). 'Non-traditional' export items targeted included horticultural produce, handicrafts, garments and other locally manufactured goods. International tourism was a key sector.

New institutions were created to handle investment and business activities. A Divestiture Implementation Committee (DIC) was set up to oversee the privatization exercise; all the two dozen state-owned hotels were placed on divestiture through the DIC starting from 1992. The Ghana Investment Promotion Council (GIPC) was established to attract and facilitate foreign direct investment into the country. Thus, since 1994, GIPC has been instrumental in attracting foreign investors to the country's hotel sub-sector. There was also the Ghana Export Promotion Council (GEPC) established to assist firms producing goods and services for the international market. Finally, for the first time, a single-portfolio Ministry of Tourism was established in 1994 to oversee the expanding tourism and hospitality sector. This was a significant addition to the elaborate tourism bureaucracy that already existed. (The ministry has since taken on additional responsibility as reflected in its current designation as the *Ministry of Tourism and Diasporan Relations*.)

The Ghana Investment Promotion Act 478 of 1994 is of interest in the present context since it spelt out the benefits and incentives applicable to specified priority areas of investment. For tourism, the investment benefits and incentives included customs duty and corporate tax exemptions, capital allowances and locational incentives for plants sited outside Accra, the national capital. For example, corporate tax for hotels was pegged at 25% while those sited outside Accra enjoyed a 50% tax rebate. Act 478 also provided guarantees for free transfer of capital, profits and dividends as well as guarantees against expropriation of investment.

Data

This article relies mostly on secondary data; the Ghana Tourist Board (GTB) keeps copious records on Ghana's tourism trade. Over the last two decades, the data has been expanded to cover more components of the sector. Besides the records on international arrivals and receipts, accom-

modation facilities, travel agencies and tour operators, car rental companies which were captured in the 1970s and 1980s, there are now elaborate records on areas such as airline traffic, arrivals at the major attraction sites as well as visitor impressions on Ghana's tourism products (GTB, 2005). The analysis of international arrivals and receipts as well as accommodation stock, car rental and intermediaries relied heavily on these secondary sources. Wherever possible, pre-1985 data is included to provide a snapshot of conditions in the industry prior to SAP. Officials of the Ghana Investment Promotion Council and the Divestiture Implementation Committee were also interviewed in connection with issues on foreign direct investment and the divestiture of state-owned facilities in the tourism/ hospitality sector, respectively.

Tourism in Ghana on the eve of SAP

Until the early 1980s, the tourism industry in Ghana could at best be described as a cottage industry overseen by an over-bloated state bureaucracy. At that time, a large number of private service operators, both licensed and unlicensed, especially in the hotel sub-sector, could be found in the country. Trade organizations, which portrayed a semblance of formal structure, included the Ghana Hotels Association, Ghana Restaurants Association, National Drinking Bars Association and the Chop Bars Association of Ghana (GTB, 1987). Thus, prior to 1985 tourism in Ghana was, to all intents and purposes, a 'craft-operated' venture, recognised as an *industry* largely on account of the preponderant participation of the state, which combined its regulatory functions with an actively entrepreneurial role, operating what constituted the leading hotels in the country.

Prominent among the public institutions in charge of tourism were the Ghana Tourist Board (GTB), the principal public implementing agency which, working through its national and regional offices, carried out its regulatory, monitoring, planning and marketing functions. There was also the Ghana Tourist Development Company which, by Legislative Instrument 116 of 1974, was split from the GTB in order to exercise responsibility for state investments in tourism plants, consisting then of a travel agency, casinos and foreign exchange shops (GTB, 1987). Finally,

there was the State Hotels Corporation, a holding company in charge of state-owned hotels.

Until 1985, the stock of attractions harnessed and promoted for tourism purposes was smaller than, but otherwise not significantly different from what existed by 2005. A 1987 GTB report identified the following as the forms of tourism being promoted in the country at the time: conference/convention tourism (focused on Accra), special interest vacation, including 'roots' tourism, which targeted Africans in the Diaspora; 'up-market luxury cruise tours' whose goal was to woo Northern European 'senior citizens' fleeing the harsh northern winter; 'ethno' tourism, which aimed at enticing European lovers of culture and the arts, focusing on Kumasi, Ghana's second city also described as 'a living museum of Ashanti history and culture' (GTB, 1987). There was also 'regional' or cross-border tourism whose target was the expatriate community and middle class Africans in neighbouring countries (GTB, 1987).

Conspicuously missing at that time was ecotourism, which emerged in the early 1990s as a major product, with Mole and Kakum National Parks as kingpins in the country's ecotourism armoury. (The latter is a tropical rain forest facility that boasts of a canopy walkway said to be the only one of its kind in SSA.) Because of its relatively low profile, the sector did not attract much attention until the expansion which occurred during the SAP era. The rest of this section takes an overview of the selected tourism areas that are of interest to this paper.

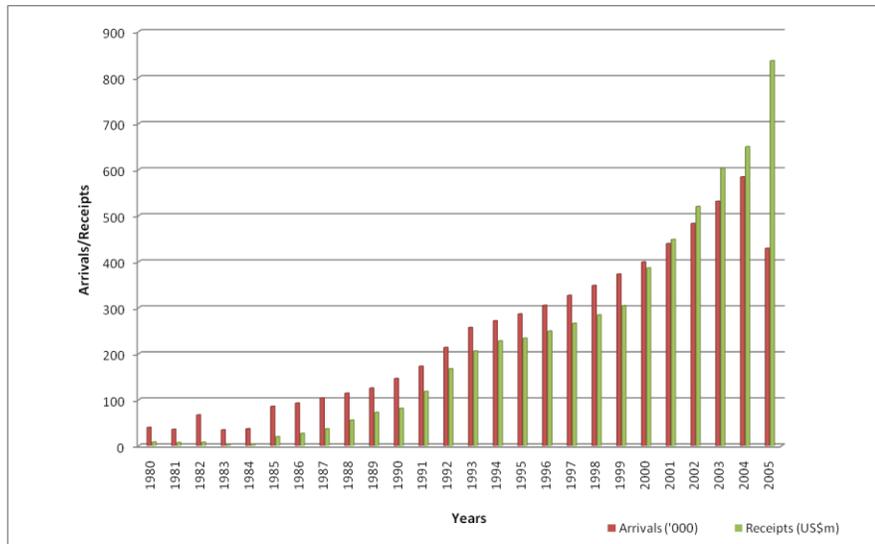
International Arrivals and Receipts

Besides the relatively low levels of international arrivals and receipts, the period leading up to SAP was also marked by fluctuations in arrivals and receipts (Fig. 1).

For instance, whereas annual arrivals and receipts in the first half of the 1980s averaged 42,500 and US\$5.4 million respectively, the corresponding figures for the second half of the decade were 104,000 and US\$42 million (GTB, 1987). These low figures reflected the poor state of tourism, the national economy as a whole, as well as the instability ensuing from coups d'état (successful, attempted or rumoured) that characterized the 1981-85 period in particular. [See Teye 1986, 1988 for the

effects of coups d'état and revolutionary wars on tourism development in Ghana and Africa in general.]

Fig.1: Ghana: International Tourist Arrivals and Receipts (1980-2005)



Source: Ghana Tourist Board

Accommodation stock

Prior to the adoption of SAP, Ghana's hotel sub-sector, the most visible manifestation of the country's tourism industry, remained a low-grade, largely indigenous-owned sub-sector. Statistics on accommodation stock prior to 1985 is difficult to come by but as late as 1986 the 420 units in the country had a total room capacity of 2321 rooms (GTB, 1987). This gave an average of 5.5 rooms per hotel and underscored the small size of the individual plants. The majority of the hotels at the time were actually structures converted from residential or other buildings (Akyeampong, 1996) and for the most part were either 'unrated' (i.e. budget plants defined by GTB as "below international standards but have basic facilities decent enough for local purposes" - GTB, 1987). Or they were best in the 1-star category. State-owned hotels (of 3- or 2-star ratings) and catering rest houses (lower-level facilities that target transiting middle-level public

officials), constituted the industry leaders. These state-owned facilities were mostly located in the commercial and industrial centres of the country in line with the prevailing egalitarian ideology of the times (GTB, 1987). In terms of spatial distribution, Greater Accra Region -with the national capital at the centre- had the lion's share, with 173 hotels (or 41%) followed by Ashanti with 89 (21%). The three northern regions of the country had the least number of hotels with a total of 24 plants or 5% of total plant capacity.

Travel Intermediaries

According to the 1987 GTB report, travel intermediaries, i.e. travel agents and tour operators, were the weakest link in Ghana's tourism industry; tour operators existed only in name. The GTB report criticized tour operators of the time for merely "(dealing) in air-ticketing and (doing) very little in organizing excursions and tours. They hardly stimulate in-coming tourism from the generating markets" (GTB, 1987). As at 1986, GTB did not distinguish between travel agents and tour operators; all the 32 firms in the sub-sector were classified as travel agencies (GTB, 1987). In effect, therefore, the only form of travel intermediation that existed prior to SAP was travel agency (i.e. air ticketing and reservations); 30 of the 32 firms were based in Accra (GTB, 1987).

Car rentals

Auto-rental in the sense of a company renting out cars from its fleet to members of the public who used the vehicles for days (or hours) as they wished did not exist prior to SAP. The sub-sector was made up of individuals, operating from hotel premises, who rented out their private cars, which they (the car owners) also chauffeured. As the GTB policy paper put it, "Self-drive was not available" (GTB, 1987). Thus, prior to SAP, what passed for car rentals were glorified taxis plying the roads without the mandatory yellow painting required on fenders of cabs in the country. Of the 145 cabs in operation at the time, 140 were in Accra with the rest in Kumasi (GTB, 1987).

SAP and Ghana's Tourism Industry

Though Ghana promoted virtually the same tourism products as it did prior to the implementation of SAP, the growth of the sector measured in terms of international arrivals and receipts, additions to tourism facilities, etc, has since been very significant. The only major additions to her products were ecotourism (GTB, 1996) and the Pan African Historical Festival (PANAFEST) and its sister Emancipation Day Celebration (Amoah 1998; Amenumey, 2003; Akyeampong, 2007). First celebrated in 1992, PANAFEST is an international biennial cultural festival "dedicated to the enhancement of the ideals of Pan Africanism and the development of the African continent" (Amoah, 1998) which attracts Africans in the diaspora both as participants and audience. Emancipation Day is a commemoration of the end of chattel slavery which used to be celebrated separately but is now organised along side PANAFEST (Akyeampong, 2007).

Tourism is now the fourth leading foreign exchange earner for Ghana, after minerals, cocoa and inward remittances. In 2005, it contributed 5.7% to the country's GDP and generated 60,100 and 172,823 in direct and indirect employment avenues respectively (GTB, 2006). On the international front, Ghana has since the early 1990s emerged as the third leading destination (after Nigeria and Senegal) in the West African sub-region (WTO, 2006). Above all, largely as a result of the conditions induced by SAP, the sector was transformed in several aspects, as demonstrated in the following analysis.

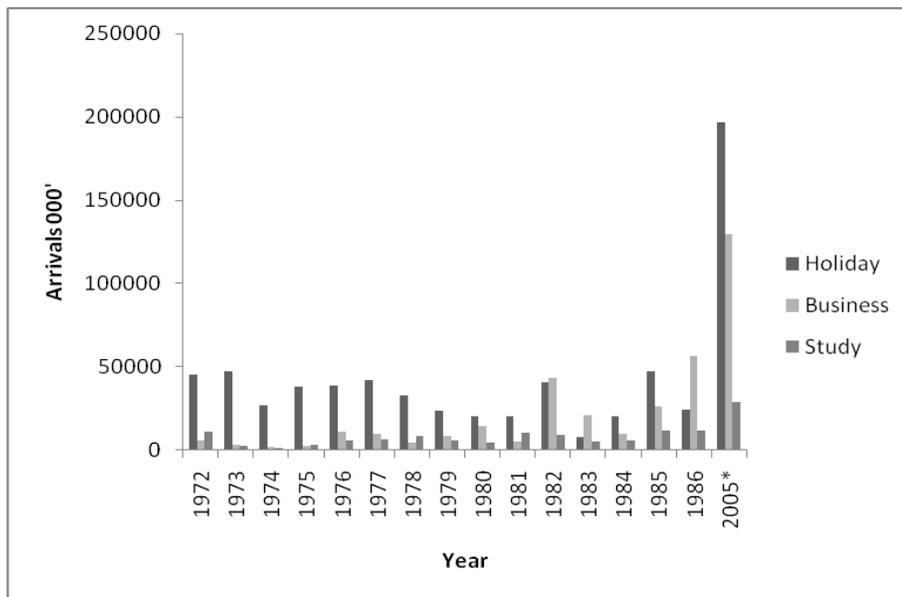
International arrivals and receipts

International arrivals increased by over eightfold during the study period jumping from 85,332 in 1985 to over 428,533 in 2005 (Fig. 1). The leading country of origin of foreign visitors also remained virtually unchanged with the UK contributing the bulk of non-African tourists. USA, German, French and Italian nationals follow in that order (GTB, 2006). However, unlike visitors' country of origin, the 'purpose of visit' to the country witnessed significant changes; 'business' emerged as a dominant purpose of visit to Ghana. 'Business' travel accounted for 14% of international arrivals in 1981 compared to 65% and 60% respectively in 1982 and 1983 following the adoption of the home grown recovery programme and SAP

(Fig. 2). In 2005 business travel, i.e. business and conference/meetings, accounted for about a third of all international arrivals.

The role of SAP in this transformation cannot be discounted. By liberalizing the Ghanaian economy and opening it up to foreign participation, SAP takes credit as a major factor in the phenomenal expansion of the tourist sector. Its implementation restored credit lines as the country warmed itself up to the IMF/World Bank and donor countries, which in turn triggered visits by foreign consultants, business representatives, officials of multi-lateral organizations, etc. A spin-off of the increased business activity and intensive inter-governmental relations was that Ghana came to host a number of international conferences and sporting events e.g. Non-Aligned Movement, 1992; West African Regional Conference of the International Bar Association, 1999; African Cup of Nations, 2000; Economic Community of West African States (ECOWAS) Summit Meeting, 2002.

Fig. 2 International Arrivals by 'Purpose of Visit' (1972-1986, 2005)



* By 2005, the GTB was using a more detailed breakdown which was as follows:

Business: 92,840 (22.1%); **Conference/Meetings:** 36,687 (8.6%); **Study/Training:** 28,707 (6.6%); **VFR:** 113,839 (26.5); **Medicals:** 4,308 (1%); **Holiday:** 83,030 (19%); **Transit:** 48,662 (11.4%); **Others:** 20,460 (4.8%) making a grand total of 428,533. Business as used here, therefore, includes Conference/ Meetings, just as Holiday includes VFR.

Source: Ghana Tourist Board

Between 1985 and 2005, receipts from international tourism grew by nearly thirty two times from US\$19.5 million to over US\$836 million (Fig. 1). The wide disparity between the growth rates in arrivals and receipts over the period needs elucidation. On average, business travellers post a higher per capita expenditure than leisure travellers. On their part, *Overseas* Ghanaians who (still) constitute over a third of total annual arrivals, tend to have a lower per capita expenditure compared to their non-Ghanaian counterparts. Thus, the superior per capita expenditure outlay of business travellers and 'foreign' visitors (relative to *Overseas* Ghanaians) accounted for the higher growth rate of receipts.

Accommodation establishments

If expansion in international arrivals and receipts caught the attention of policy makers, it was changes in the stock of accommodation facilities during the study period that represented the most visible growth in the supply side of the tourism equation. Again, one major 'menu' of SAP, specifically the privatization of state-owned hotels, was the catalyst in this transformation. State-owned hotels, which for years constituted the cream of the sub-sector, were divested in 1992. The up-scale plants among these were taken over by various consortia of international and local corporate bodies while smaller facilities, such as the catering rest houses went mostly to indigenous entrepreneurs.

The most striking feature in the accommodation sub-sector during the period, though, was the advent of foreign hotel companies in Ghana. For the first time in the country's history, multi-national chain enterprises (MNEs) entered the hotel trade, attracted by the expansion in business travel. International franchises, which have since the mid-1980s appeared in the country, include Novotel, and Golden Tulip. Multi national groups such as Metropolitan also entered the Ghanaian hotel trade. As at 2005 the country boasted of nine MNE-affiliated facilities, all in the 3- to 5-star category.

All but one of these is located in Accra, a testament to the importance of cities to the business travel market (Holloway, 1994). These 'industrially-run' (Rodenburg, 1980) plants captured the commanding heights of the country's hotel sector with superior marketing and management techniques as reflected in the higher occupancy rate they posted during the study period (Table 1).

Again, business travellers are known to be a major source of demand for up-scale hotels (Pearce, 1995). Expansion in demand for luxury accommodation also attracted indigenous firms into the hotel chain business; Golden Beach, Georgia and Coconut Grove Hotels are local chains (owned by Ghanaian families or consortia) that emerged during the study period. As with the other up-scale hotels, these are also located mostly in the major urban centres.

TABLE 1: Hotel Occupancy Rates (1996-2005)

<i>Category</i>	1996	1997	1998	2001	2002	2003	2004	2005
5-star	74.83	78.52	-*	72.1	73.4	74.2	74.0	79.0
4-star	70.78	72.60	73.89	76.0	80.6	76.1	78.5	81.3
3-star	67.00	69.19	61.10	62.4	65.0	63.1	66.5	68.2
2-star	61.50	65.05	NA	55.8	64.0	62.4	64.5	78.0

* In 1998, in the wake of falling standards, the country's sole 5-star facility was down-graded to 4-star (GTB, 2004).

Source: Ghana Tourist Board

On the whole, the proportion of 'industrially-run' accommodation plants increased as large indigenous corporate bodies also joined the up-scale (i.e. 3- to 5-star) market in addition to 'guesthouses' and 'tourist homes' (Table 2). In spite of this positive growth in accommodation plants the country's accommodation stock still suffers from a lack of diversity. (A *guesthouse* in Ghana is a facility possessing all the requirements of a 2-star but only up to 10 rooms. On the other hand tourist homes are the few properties registered for the home-stay programme

being encouraged lately in the country by the GTB.) The country's predominantly serviced facilities lack the variety of accommodation types such as second homes, time-shares, caravans and camping very common in typical holiday destinations such as Kenya and South Africa. Nevertheless, by increasing patronage of tourist accommodation, SAP brought about both quantitative and qualitative changes to the sub-sector.

A striking innovation in the operations of the accommodation sub-sector during the study period was the development of vertical linkages. Starting with MNE-affiliated plants, leading hotels in the capital developed linkages, contractual or otherwise, with airlines and foreign-based tour operators. Golden Tulip was affiliated with KLM airline while Labadi Beach Hotel managed by London-based Metropolitan Group was linked to British Airways.

Above all, most accommodation plants also invested in facilities that catered for conference/business travellers such as writing desks in bedrooms, conference halls, public address systems, business secretariats etc.

**TABLE 2: Accommodation Plants, by Category and Classification
(1986, 2000-2005)**

<i>Category</i>	'86	'00	'01	'02	'03	'04	'05	% change 86/05
5-star	-	1	1	1	1	1	1	0.0*
4-star	-	1	2	3	4	4	4	100.0
3-star	7	21	22	24	25	25	28	300.0
2-star	31	95	92	116	135	133	137	341.9
Luxury Guesthouse	-	-	-	-	-	22	9	-
Guesthouse	-	123	127	150	165	156	171	242.0*
1-star	172	112	123	140	151	153	154	-10.4
Budget	217	613	651	728	765	797	837	360.4
Hostel	-	-	-	-	-	5	2	-
Tourist home	1	10	-	-	1	19	2	100
Awaiting classification	-	16	32	7	-	-	-	-
Total	420	992	1050	1169	1250	1315	1345	220.2

* 2000-2005

Source: Ghana Tourist Board

Tourism intermediaries

Increased business activity induced by SAP registered positively in the travel intermediary trade with a corresponding expansion of that sub-sector. From 32 travel agencies in 1986 (GTB, 1987), the number of intermediaries grew steadily and had reached 372 firms by 2005 (Table 3). In addition to travel agency work that existed before SAP, other categories i.e. tour operators and 'travel and tour' companies had emerged. By 1993, growing sophistication in the sub-sector had led to the classification of travel intermediaries by the GTB into those with and those without International Association of Travel Agency (IATA) license. It is however significant, that despite its expansion, the sub-sector did not attract any significant foreign involvement. Equally significant is the fact that, the concentration of intermediaries that existed in Greater Accra in 1986 has not changed much as the capital region still boasted of over 90% of the sub-sector (GTB, 2006).

TABLE 3: Travel Intermediaries (1986, 1999-2005)

<i>Category</i>	'86	'99	'00	'01	'02	'03	'04	'05
<i>Travel & Tours</i>								
a. With IATA licence	-	n.a	23	25	28	29	35	37
a. Without IATA licence	-	n.a	57	73	84	165	137	174
<i>Sub-Total</i>		78	80	98	112	194	172	211
<i>Travel Agencies</i>								
a. With IATA licence	-	-	26	29	38	24	32	35
a. Without IATA licence	32	-	43	50	51	34	45	61
<i>Sub-Total</i>	32	65	69	79	89	58	77	96
<i>Tour Operators</i>	-	36	28	34	35	44	35	42
Total	32	179	177	211	236	296	284	372

Source: Ghana Tourist Board

Car rental

The car rental trade underwent an equally fundamental change during the study period. From a collection of some 145 individual, owner-chauffeured cabs operating from hotel premises in 1986, the sub-sector grew to 53 rental companies by 2005, each operating a fleet of saloon cars, four wheelers and mini-busses (Table 4). Still predominantly an Accra-

based business, the sub-sector also witnessed a grading system introduced in 2000 to 'separate the sheep from the goats'.

TABLE 4 Car Rental Companies, by grade (1986, 1994-2005)

Category	'86	'94	'95	'96	'97	'98	'99	'00*	'01	'02	'03	'04	05
Grade A	-	-	-	-	-	-	-	10	9	8	9	6	6
Grade B	-	-	-	-	-	-	-	13	24	30	31	34	37
Grade C	-	-	-	-	-	-	-	10	5	8	12	8	10
Total	145#	24	27	30	25	26	27	33	38	46	52	48	53

Represents number of individual chauffeured-cabs, not companies operating fleets of self-drive cars.

* Grading of car rental companies commenced in the year 2000.

Source: Ghana Tourist Board

Except for two popular multi-national franchise rental companies, the sub-sector also did not attract any direct foreign participation. The overwhelming patronage by business travellers, nevertheless, points to the effect of SAP on the fortunes of the sub-sector.

Discussion and Conclusions

The main objective of this paper was to examine the effect of SAP on Ghana's tourism sector, focusing on its key indices and components. The analysis has demonstrated the pervasive nature of government policy and the larger economy on the fortunes of the tourism sector. Before the Ghanaian authorities undertook SAP, the tourism sector was an insignificant entry in the national accounts subsumed under 'miscellaneous' items. After barely two decades of SAP, tourism in Ghana was transformed from a cottage into modern industry. By 2005 tourism had moved from the sidelines into the centre stage of the national economy as the fourth largest foreign exchange earner for the country.

The role of SAP in the expansion and modernisation of tourism during 1985-2005 cannot by any measure be discounted. Political stability per se might have facilitated economic development and in the case of tourism enhanced the in-flow of foreign visitors. However, it was SAP, especially its liberalization, privatization and export promotion 'menus', which created conditions for business (or industrial and commercial activities) to thrive and directly affect the trajectory of tourism development

in Ghana. SAP precipitated capital inflow, enlarged commerce and, above all, opened up Ghanaian industry to foreign participation. In turn, these triggered business travel and 'congress tourism' -two phenomena with direct consequences for the tourism sector. In other words, the integrated tourism sector that has emerged in Ghana since the mid-1980s is a manifestation of the interconnectedness between tourism and the economy as a whole. As a result of SAP, tourism emerged as a major 'non-traditional' foreign exchange earner and attracted foreign direct investment, particularly in the lodging sub-sector.

Of great significance to tourism is the business travel that ensues from expanded industrial and commercial activities. During the study period, international business travel posted the highest growth rate in Ghana and in the process contributed to the rapid expansion in the tourism industry. Leisure travel which accounted for over 87% during the 1970s, for instance, accounted for barely 46% by 2005. Business travel, which is less prone to seasonal variations and yields a higher expenditure per capita than vacation travel (Holloway, 1994; Pearce, 1995), impacted directly and indirectly on the indices and components discussed above. The robust growth in international business travel during the period pushed 'business' from a distant third position in the 'purpose of travel' to Ghana to a respectable second place by the end of the 1990s.

From the supply side of the tourism equation, increased business travel takes the credit for attracting foreign hotel franchises into the country. Around the globe, in both developed and developing countries, the level of business travel is a major determinant in attracting foreign hotel chains (Cleverdon & O'Brien, 1988; Holloway, 1994). In Ghana, MNE-affiliated hotels, the new-entrants, became a catalyst for transforming the country's tourist industry by bringing their superior management and marketing technologies to bear on the sector. Their linkages with airlines and home-based tour operators enhanced hotel bookings by prospective foreign clients through computerized reservation systems and directly helped in the promotion of Ghana as a destination with trickle down effects for individual firms and sub-sectors. On the whole, up-scale hotels dominated by MNE-affiliated and local chains posted higher room occupancy rates.

Travel intermediaries expanded nearly six-fold during the study period but without attracting significant foreign participation. However a major feature was the advent of tour operators in a sub-sector which was as late as 1986 made up of only travel agencies. Though their operations were limited mostly to handling in-bound foreign visitors, this role of 'incoming tour operators' is also common in most major tourist destinations around the world (Sheldon, 1986; Hall, 1987; Holloway, 1994). The travel intermediary trade tends to be market-oriented, with the large firms operating from the main tourism-generating regions of North America and Western Europe, and using representatives in the receiving destinations (Fitch, 1987; Middleton, 1991; Sheldon, 1994). It is thus important to distinguish between growth in the travel intermediary trade occasioned by increased demand or investment from international sources and investment from domestic sources since there was no foreign direct investment in that sub-sector during the study period. Similarly, whereas increased demand accounted for expansion in car rentals, the sub-sector is still predominantly indigenous as only two international franchises have been attracted there.

That tourism evolved from a public-sector led industry into a predominantly private one demonstrates the credence private entrepreneurs gave to the reforms brought about by SAP. Indigenous tourism businesses seem to have flourished during the study period because unlike for example, the mining sector, competition from foreign firms was not so intense. Consequently, as highlighted below in the post-script, indigenous business did not only blossom in the sub-sectors examined in this paper but also branched into the relatively risky area of air transport.

Beyond official data, tourism has in recent times generated a great deal of interest at the grassroots level; hardly a day passes without one reading about a traditional ruler calling on the authorities to develop a tourist site in their area. Moreover, the format for celebrating traditional festivals in most places has increasingly been modified to highlight their tourism components. Expansion in the sector has also spawned another industry of its own-tourism and hospitality training institutions. Ghana has over the past decade witnessed a proliferation of educational institutions offering courses at various levels in hotel management, ticketing and reservations, tourism planning, tourism marketing etc. Most public

universities and polytechnics have joined the fray by expanding their curricula to include tourism and hospitality related courses.

But as with any policy, SAP had its costs as well, and in the analysis above one obvious disadvantage was the edging out of small, family owned hotel units; as large-scale or 'industrially-run' hotels joined and modernized the stock, the proportion of small, 'craft-run' facilities kept dwindling. Unable to stand the competition, the fate of small family-owned hotels, which since the colonial era remained the dominant players in the country (Akyeampong, 2007), seem to be following a worldwide trend where large scale chain hotels are on the ascendancy to the peril of small and independent units (Howarth & Howarth, 1999). The fact is, in developing countries where the activities of MNEs are blamed for the massive leakages in the tourism sector, small-scale hotels (and other such small-scale service providers) are responsible for spreading the benefits of international tourism to the majority of the population.

Another hidden cost is the increasing concentration of hotels in the national capital; not even the country's second city (Kumasi) had been able to attract a single 4-star facility by 2005. All 4- and 5-star hotels were located in Accra as at 2005; the Greater Accra Region accounted for over 43% of the country's accommodation plants, compared to the 27% it boasted in 1986 (GTB, 1987). The process of spatial concentration intensified during the study period in spite of the incentives (tax holidays) made available since 1994 to hotels that located outside Accra (and the three other metropolises). Given that the capital region had almost all the upper scale facilities, its proportion of the lodging sub-sector could actually be far higher if room capacity and not plants per se was used in computing the ratios and large scale hotels tend to have larger room numbers.

One sector in which SAP succeeded in attracting private participation was mining. However, though a predominantly countryside activity, mining could not attract tourism facilities to the countryside because company head offices were located in urban areas. The phenomenon of spatial concentration of tourism facilities retards the government's objective of using tourism as an agent for regional development. In other words, as a tool for pursuing regional development, tax incentives have not been enough to overcome the lure of Accra to tourism entrepreneurs.

Nonetheless, in addition to demonstrating the linkage between tourism and the larger economy, the study underlined a major lesson namely, that what 'active' state involvement could not achieve for tourism, 'passive' involvement did accomplish. In Ghana, until 1985, particularly in 1992 when state-owned hotels were privatized, the state was an 'active' participant in the tourism sector combining the traditional regulatory functions with an entrepreneurial role. Yet, active state participation during that period did not record the high growth rates attained during the post-1985 era when the state played the 'passive' role of a regulator and a facilitator.

The implication is that the familiar format for tourism development, i.e. adding value to attractions, putting up hotels and marketing these to potential holiday-makers often in developed countries must change. As the analysis above has shown, tourism development can also result from creating an enabling environment for the economy to flourish. According to the World Tourism Organisation, Sub-Sahara Africa is the only region where business travel exceeds arrivals for leisure/vacation (WTO, 1988). As O'Brien puts it, the "demand for business travel services is strongly correlated with economic output" (O'Brien, 1991). In other words, tourism promotion goes beyond merely attracting holiday-makers. Thus, decision makers and planners, particularly, in Sub-Sahara Africa need to appreciate the link between economic development and tourism promotion and to factor this into the planning and packaging of their tourism products.

Post Script

Between 2005 and 2008, the trends and patterns analysed above have generally remained the same; the various sub-sectors have continued to expand with the bulk of foreign investment being attracted to the accommodation sub-sector. Business travel, as broadly defined above, has been robust as the country has hosted even more international conferences, sporting and cultural events. Around July 2008, Kumasi saw the commissioning of Golden Tulip City Hotel, its first ever MNE-affiliated hotel, thereby affirming that all the sub-sectors continue to be urban-biased.

A very significant development in the sector during the last three years has been the attraction of foreign donor organisations to the sector. The Dutch International Development Agency (SNV) and the Japanese International Cooperation Agency (JICA) are two organisations that can be mentioned. For example, under the auspices of the Ministry of Tourism and Diasporan Relations and Ghana Tourism Federation, the umbrella organisation for private tourism organisations in country, JICA is sponsoring a programme dubbed Public-Private Partnership Forum aimed at strengthening local capacity and streamlining the training and certification of human resource for the industry.

The other major development in the sector since 2005 has been the advent of domestic air travel. After several failed attempts, the country now has scheduled flights connecting Accra to Kumasi, Tamale and Sunyani. Operated by two indigenous companies (*City Link* and *Antrak Air*), the emergence of domestic flights manifests the significance of corporate bodies in tourism development; because invariably it is business and public officials who are the main patrons of the airlines.

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