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THE CASE FOR THE
GHANAIAN
INTERNATIONAL
TOURIST INDUSTRY

Prof. Graham K. Shaw

INSTITUTE OF
ECONOMIC AFFAIRS
ACCRA, GHANA

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Prof. Graham K. Shaw



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Preface

The Institute of Economic Affairs is pleased to publish under its series of Occasional Papers, *The Case for the Ghanaian International Tourist Industry* by Prof. Graham K. Shaw in which he reviews the international tourist sector, focusing on issues and difficulties facing the sector.

It is the author's view that greater diversity of foreign exchange sources is needed to reduce the over-dependence on exports of primary commodities such as gold, cocoa and forestry products, and the extremely unfavourable long-term demand conditions associated with these products.

The author sees the international tourist sector as an export activity which should generate foreign exchange. It however operates under demand conditions which are both price and income elastic in the advanced economies. Thus it is remarkably free of those difficulties associated with primary commodities.

Given the need for greater export diversity, it is quite appropriate to review the case for international tourism at this time, as it is the third largest foreign exchange earner in Ghana, generating revenues in excess of US\$300m annually.

The author reviews the state of the Ghanaian tourist sector; concludes the argument in favour of investment in the international tourist sector; draws attention to the National Tourism Development Plan (NTDP 1996-2010); and raises a number of questions. He makes a critique of the NTDP, particularly with regard to some of the analysis and projections underlying it.

The author identifies expensive hotels, high cost of international travel, unfavourable climatic conditions particularly humidity, inadequate infrastructure, transportation difficulties, health concerns, cumbersome visa processing, etc. as factors hindering the development of the international tourist sector.

In the opinion of the author, Chapter 8 of the fifteen-year development plan (NTDP) entitled "Economic Impact of Tourism" which accords with the blueprint for development set forth in Vision 2020, and provides the policy framework for the entire Integrated Tourist Development Programme, has been written without the benefit of reliable data. He further thinks that pseudo-scientific concepts have been invoked with little or no economic meaning, and cites examples to support his claim.

He suggests the consideration of alternative diversification strategies, since in his view, the international tourist sector is not the panacea to Ghana's difficulties as is being portrayed.

I am delighted to place on record, the gratitude of the Institute of Economic Affairs to the Danish Government, through the Royal Danish Embassy in Accra and DANIDA, whose generous assistance has made this publication possible.

Dr. George A. Apenteng
Executive Director
Institute of Economic Affairs

Accra, April 2000

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Prof. Graham K. Shaw holds a B.Sc. degree in Economics from London University and a Ph.D. degree in Economics from Columbia University, New York, USA.

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Prof. Shaw's research interest is in macroeconomics and fiscal policy. He has numerous publications to his credit including articles in the international journals.

He is married with one child.

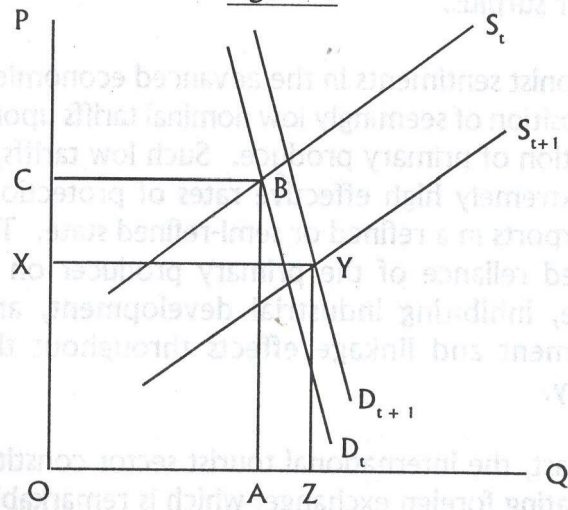
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I INTRODUCTION

The decline in the prices of the traditional exports of Ghana, especially gold, cocoa and forestry products, highlights the need for greater diversity in the promotion of alternative exports. Stated simply, greater diversity is needed to reduce the dependence upon exports confronting extremely unfavourable long-term demand conditions. The demand for primary products, especially cocoa, is both price and income inelastic in the advanced economies. The inevitable consequence is that as world output expands (note the projected future increase in cocoa production in both Malaysia and Indonesia) total income generated from this activity actually declines. Increased Ghanaian productivity in terms of output and yields, serves merely to depress farm incomes, foreign exchange earnings and tax revenues. This situation is encapsulated in the elementary diagram of Figure 1.

Figure 1



$$OABC > OXYZ$$

The elementary micro-economics underpinning Figure I, reflects one version of Engel's Law and leads to the view that primary producing economies are faced with an inexorable tendency to experience a secular decline in their terms of trade. The benefits of greater specialisation and greater efficiency are siphoned-off to the advantage of the importing economy. This fundamental drawback is reinforced by a number of factors of which the most important are:

1. The development of synthetic substitutes for the product in question and/or technical progress which serves to minimize the primary content of the final good.
2. The persistent tendency for the benefits of trade to be biased in favour of the importing economy. Again, this is the consequence of demand conditions being less price elastic when compared to supply. In economic parlance, consumer surplus far outweighs producer surplus.
3. Protectionist sentiments in the advanced economies often lead to the imposition of seemingly low nominal tariffs upon the unrefined importation of primary produce. Such low tariffs, however, can imply extremely high effective rates of protection against third world exports in a refined or semi-refined state. This ensures the continued reliance of the primary producer on exporting raw produce, inhibiting industrial development, and minimizing employment and linkage effects throughout the developing economy.

In stark contrast, the international tourist sector constitutes an export activity generating foreign exchange, which is remarkably free of these difficulties. It confronts demand conditions which are both price and

income elastic in the advanced economy. Moreover, it is a sector against which it is decidedly difficult to impose protectionist sanctions. (It is true that the United States effectively imposed a veto upon travel to Cuba for United States nationals, but this is clearly an exceptional case and one hardly likely to be repeated, especially in the case of Ghana). Given the need for greater export diversity, it appears sensible to review the case for the international tourist sector. It is already the third largest foreign exchange earner in Ghana with revenues in excess of US \$300m annually. Should additional scarce resources be devoted to the further promotion of this sector?

II THE CASE FOR THE INTERNATIONAL TOURIST SECTOR

In pursuing this question it is relevant to examine the benefits — quite apart from foreign exchange earnings — associated with tourist activity. A strong case can be made in favour of the tourist sector, the principal arguments being elucidated as follows:

1. It provides employment opportunities for the relatively low-skilled in labour intensive service activities. Waiters, taxi-drivers, bell boys etc., are examples of worthwhile economic activities which do not require elaborate training or education. In view of Ghanaian unemployment and more obviously the extent of disguised unemployment, this is by no means a minor consideration.
2. This is reinforced by the stimulus provided to the local handicraft and souvenir producing industry. African art, sculpture and paintings for example, are much prized by the international tourist and all are decidedly labour intensive. The direct and indirect employment effects of tourist expenditure can be considerable and warrants scrutiny in terms of evaluating the employment multiplier associated with tourist expenditures.
3. Unlike many manufacturing export activities, the tourist sector does not demand extensive scale economies before it can begin to be competitive. It can evolve from quite low beginnings and does not demand inappropriate levels of technology. Indeed, from the vantage point of the consumer, less sophistication and more personnel provision is often preferred.

4. It is an activity which readily allows for market segmentation. Different levels of service and provision can be provided for different market consumers ranging from the five star hotel/conference centre visitor upon the one hand, to the seasoned back-packer upon the other. Such diversity is complimentary and non-competitive, and serves to enhance the evolution of the industry as a whole.
5. The tourist industry is comparatively easy to tax. Hotel taxes, airport taxes, casino taxes and so forth are all examples of taxes which are easy to administer, assess and police and are difficult to evade. Such taxes also possess the added virtue of being essentially progressive by virtually any criteria.
6. Unlike many export activities the international tourist industry, if well controlled, need not lead to the depletion or exhaustion of non-renewable resources. Indeed, with careful control it may well lead to the conservation of valued resources — wild life in well-maintained game parks being a prime example. In this connection, it should be noted that tourism is very much an infant industry in Ghana which has accordingly avoided the worst excesses of uncontrolled exploitation and pollution. Ghana is well placed to learn from the mistakes of others.
7. Tourism tends to promote income distribution towards the rural and coastal areas away from the main industrial centres. This is a useful antidote to the multi-national investment focus upon the cities and especially the capital cities.

8. The tourist industry provides a vehicle for the promotion of knowledge. This is a two-way exchange. The visitor learns about the nature of the economy he visits and its degree of political stability etc. This may have a long-term payoff in terms of future inward investment. Upon the other hand, the indigenous population may be induced to adopt a more commercial orientation, or may seek to imitate the life-style of the visitor. Such a demonstration effect may be beneficial if it generates greater incentive and motivation.

III THE GHANAIAN TOURIST SECTOR REVIEWED

The foregoing sums up the arguments in favour of investment in the international tourist sector. As stated, the arguments are perfectly general and are not country specific. The question thus remains as to whether there are any particular reasons why they should be more or less applicable to an economy such as Ghana, and whether there are any special features of the Ghanaian economy which might limit or inhibit their applicability.

First and foremost, Ghana possesses one major comparative advantage in that English is the official language and is extremely commonly spoken, even in the countryside and outlying regions. Since Ghana's tourists are primarily from the United States and the UK, this is a prime consideration, difficult to quantify but undeniably important. Likewise, it is difficult to refute the claim that Ghanaians make tourists extremely welcome, and the 'safety-confidence' index is high when compared to alternative destinations. Secondly, Accra already boasts a conference centre, has experience in hosting a Pan-African Conference and has major hotels, including three-, four-, and five-star categories. More are being planned and constructed, often with outside venture capital, indicative of the fact that investors perceive this to be an area of future growth.

Furthermore, Ghana offers a mix of differing holiday offerings, which may of course be combined in various ways to maximize the enjoyment and experience of the visitor. The three major distinct, if potentially overlapping, markets identified by the National Tourism Development Plan for Ghana 1996-2010 (published in August 1996) are as follows:

- a. **Culture and Heritage:** This type of holiday is aimed primarily at the Afro-American market interested in their historical roots and in the origin and evolution of the Slave Trade. This will have particular appeal to student groups whose level of social conscience on these issues is undoubtedly high. Moreover, many American universities are now actively, if somewhat belatedly, promoting Afro-American studies prompting greater awareness of, and interest in, Western Africa generally. Many of the colonial castles and fortresses used to imprison slaves prior to their shipping to the Americas, are now being converted to supply basic accommodation facilities, providing a unique if sobering and daunting experience. Implementation of the Slave Route Project is seen as a major theme in developing cultural heritage tourism. It is here that the greatest potential for future development of Ghanaian holiday tourism lies.
- b. **Eco-Tourism:** Here the focus is on the ecology of Africa, exploiting the availability of wildlife and the services provided by the national parks. Elephants, buffaloes, lions, leopards, hyenas and crocodiles are but some of the species on display. Kakum National Park also offers the attraction of a canopy walkway. These visitors will also take advantage of the opportunities provided by boat trips and cruises along the scenic Volta and other waterways.
- c. **Beach Holidays:** There are signs that the potential provided by the exploitation of Ghana's unspoilt and often beautiful wild beaches is slowly being recognised by the tourist authorities. In particular, the potential for scuba diving is now being perceived by private investors. Here the challenge will be to provide the essential facilities in the way of hotels and transport etc., without generating the pollution and the social costs that have so often marred similar ventures elsewhere.

The Ghana Tourist Board is undeniably optimistic and upbeat about the future prospects. Buttressed by a fifteen-year development plan and a consultant's optimistic report, it looks forward to the day when Ghana will experience a million visitors annually, generating more than a \$billion in net foreign exchange and contributing significantly to employment, GDP and fiscal revenues. Some of the relevant data from the Board's findings are summarised with the aid of Table 1.

TABLE 1
KEY ECONOMIC IMPACT INDICATORS OF TOURISM
IN GHANA — 1994-2010
(IN US\$)

Indicator	1994	Projections		2005	2010
		1995	2000		
1. GDP at 1993 Market Prices (¢'bil)	4,087	4,324	6,307	9,269	13,620
1a In US\$ million	6,368	6,737	9,827	14,442	21,221
2. Growth Rate (%)	3.9	5	8	8	8
3. Arrivals ('000)	271	286	399	638	1,062
% Change	5.5	5.5	39.5	59.9	66.5
4. Receipts (US\$'mil)	222	237	386	757	1,562
% Change	7.8	6.8	62.9	96.1	106.3
Elasticity (o)	1.4	1.4	1.6	1.6	1.6
4.1 Ave. Night Spent (Days)	9	9	9.5	10	10.5
4.2 Ave. \$ Spent p/day	91	92	102	119	140
5. Loss Contribution to GDP (%)	3.5	3.5	3.9	5.2	7.4

Ghanaian International Tourist Industry

6. Foreign Exchange Leakage					
6.1 Coefficient	0.28	0.28	0.20	0.20	0.20
6.2 Leakage (US\$'mil)	62	66	77	151	312
7. Net Foreign Exchange Receipts (US\$'mil)	160	171	309	606	1,250
8. Net Contribution to GDP (%)	2.5	2.5	3.1	4.2	5.9
9. Fiscal Contribution (Direct + Indirect Taxes + Fees)					
9.1 In US\$ (1 = ₵641.83) mil.	23	24	37	66	126
9.2 As % of GDP	0.36	0.36	0.38	0.46	0.59
10. Employment Generation					
10.1 Direct ('000)	16	17	26	46	88
10.2 Indirect ('000)	40	42	64	115	219
10.3 Total ('000)	56	59	90	161	307
11. Income Generation					
11.1 Direct In US\$mil.	15	16	24	43	82
11.2 Indirect In US\$mil.	35	37	56	101	192
11.3 Total In US\$mil.	50	53	80	144	274
12. Multipliers					
12.1 Tourism	2.1				
12.2 Employment	3.5				
12.3 Income	3.4				

Source: Consultant's calculations.

IV NATIONAL TOURISM DEVELOPMENT PLAN — A CRITIQUE

What follows may be viewed as a caveat to the optimistic conclusions contained in the fifteen-year development plan for the national tourism sector. By far the most important chapter in this report is Chapter 8 entitled 'Economic Impact of Tourism'. The fundamental point to note is that "the analysis has been conducted within the framework of development policy set forth in Vision 2020 which also provides the policy framework for the entire Integrated Tourist Development Programme" (NTDP p. 206). In other words, the plan is conceived within an economic framework which is hopelessly optimistic and assumes a growth rate in the region of 8% which cannot be sustained. Moreover, it is conceded that the entire plan has been conceived in the absence of reliable data. In addition, pseudo-scientific concepts are invoked with little or no economic meaning. For example, a receipts elasticity is invoked, defined as the % increase in tourist receipts resulting from a 1% increase in tourist arrivals. The resulting values range from 0.7 to 5.2 over a ten-year period and are insufficiently stable to allow for meaningful revenue projections. When data sources are lacking, which is frequently the case, estimates are supplied stemming from the consultant's calculations, but it is not clear upon what objective basis such calculations are based.

The Ghanaian international tourist market can be subdivided into three categories. There are the business tourists upon the one hand who arrive in Ghana for commercial reasons. These visitors are assumed to increase along with the growth rate of the Ghanaian economy. Thus, the expectation is for an increase from 177,000 to 302,000 between 2000 and 2010. But this assumes a GDP growth rate of approximately 8% annually, which must be judged unrealistic and which assumes the

service sector is capable of expanding at the rate of 10%. The crucial point, however, is that as long as people wish to do business in Ghana, they will continue to visit and the market economy will doubtless respond in providing the requisite accommodation. Whether this source of visitor will continue to increase as envisaged is not really in the domain of the Ghanaian tourist authority; there is precious little that the Ghana Tourist Board can do about it.

A similar argument pertains to the second category of tourist, those Ghanaians living abroad who return to visit friends and relations. Their numbers are projected to increase from 139,000 in 2000 to 226,000 by 2010. This is an increase of 63% and one must question upon what it is based. Presumably, conditions prevailing within the United States and the United Kingdom are more relevant to the decision to visit Ghana in this category.

It is, however, in the third category of visitor that the greatest doubts arise. Here, in the case of the international holiday visitor, the corresponding figures are for an increase of 543%, from 83,000 in year 2000 to 534,000 by year 2010. This is a truly optimistic forecast implying a growth rate in excess of 20%! The international holiday visitor, who now accounts for just 21% of all visitors is expected to become the dominant category — in excess of 50% — within a ten-year period! This is to take a very utopian vision of Ghana's tourist prospects and to discount the sizeable obstacles confronting the tourist industry.

At its most basic, there are too many negative factors to suggest that Ghana has the potential to become a major holiday resort. West Africa is the least visited major region in Africa, partly, no doubt because of climatic factors particularly the humidity. Ghana has to compete with

destinations elsewhere which enjoy a comparative climatic advantage. Accra, its capital, is an extremely unattractive city. It has evolved without any serious planning over a vast area which now displays congestion and pollution from the ever increasing traffic. Its general sprawl makes walking impractical. At the same time taxis leave much to be desired, particularly in the absence of meters. Sightseeing is limited with very few significant museums or historical monuments. What few attractions there are, Nkrumah's mausoleum, for example, absorb the attention of the visitor for a limited time only. Historic sections of the city, as for example, Jamestown are deteriorating badly and are basically dirty and polluted. Tourist facilities of a high standard are simply lacking. The notion that cruise liners may stop off at Accra or Tema is simply wishful thinking.

It is true that there are some excellent hotels, but these are expensive and have evolved to serve the business client. The five-star Labadi Beach Hotel charges \$200 for a single room, the four-star Golden Tulip, \$220, the four-star Novotel \$160. These are expensive tariffs for London or New York but at least those cities have something to offer. The cost of hotels is underscored by the extremely high cost of international travel, especially from European cities. The standard economy fare from London, for example, is in excess of US \$1,200. It is absolutely essential that for any serious international holiday tourism to evolve in Ghana, a major travel agency will have to be persuaded to invest heavily in promoting an all-inclusive package tour. Such an agency would have to be sizeable enough to be able to bargain adequately with the monopsonistic pricing policies of the international airlines and hotel chains.

Of course, Accra could never sustain a tourist industry and is not intended to. At best, Accra would be but a one- or two-night stopover for travellers motivated by the culture and history of Ghana, or those seeking the splendour of the game parks and the beaches. Here, however, we encounter further difficulties. Stated simply, the infrastructure is seriously lacking. Roads are poorly maintained and often congested, making travel time consuming and often unpleasant. Roads are often potholed and some are simply washed away in the rainy seasons. Adequate tourist facilities of a reasonably hygienic standard are often lacking outside the major urban areas. Some of the beaches are unsafe; others are polluted or suffer from erosion. There are no sizeable low-cost beach resorts as for example those found in The Gambia. Indeed, most beach resorts are too small and have far too limited facilities to cope with tourists in any meaningful numbers. Although national parks occupy five percent of the land area, only two, Kakum and Mole currently have visitor facility. There are no organised safari markets.

Ghana has no international tourist image and indeed it can be argued that it has never really striven for one. This may be a reflection of the fact that Ghana does not enjoy any significant natural comparative advantages, scenic or otherwise when compared to other countries exploiting their tourist potential. One thinks immediately of countries such as Kenya, South Africa, Zimbabwe etc., where considerable resources have been devoted to advertising and marketing. In contrast, many of Ghana's potential attractions are largely inaccessible; the infrastructure is simply lacking. At the present time, Mole National Park in north-west Ghana is the only animal reserve which is organised for tourism, being equipped with motel accommodation, roads and provision for Landrover rental. Elsewhere, investment in transport and accommodation remains an essential prerequisite for tourism to develop.

Transportation difficulties are a major deterrent to the international traveller desirous of exploring Ghana. This factor, together with the general sparsity of suitable accommodation outside the major cities, would suggest that organized package tours by specialist tour operators would be the preferred way to travel. There are few such operators in Ghana today, and equally few outside Ghana. This would appear to be a major hindrance to the development of Ghanaian tourism but as yet there appears to be no major attempt to exploit such an opportunity. In particular, the potential scope for devising multi-country visits — combining say, Senegal, Cote d' Ivoire and Ghana in a detailed itinerary remains largely unexploited.

Other difficulties present themselves. Visitors interested in their roots are unlikely to be return visitors. In contrast, sun lust tourists who return to the same resort year after year have been the mainstay of the tourist development in resorts in Spain and Greece. Again, health concerns often deter the would-be traveller to tropical regions, and there can be little doubt that the current aids epidemic in Africa has reinforced these fears, whether justifiably or not. There appears to be general agreement that Ghana Airways needs to improve its standard of service in promoting the tourist industry. Apart from increased efficiency and improved performance, consideration should be given to opening up more direct flights to and from United States destinations — Ghana's largest market after the UK. (On this and related issues see Yaw Owusu-Frempong, *The Ghanaian Chronicle*, Jan. 19-20th, 2000).

Finally, there is a decided need to simplify the all-too-cumbersome process of issuing tourist visas required of most of Ghana's potential visitors. At the present time, this can be a time consuming and expensive business involving a visit to the relevant Ghanaian High Commission or Embassy quite apart from the cost of the visa itself, and it undoubtedly

constitutes a deterrent to the would-be traveller. Ideally, such visas might be abolished in their entirety. If it was deemed necessary for security purposes to retain such visas, perhaps it would be possible to issue them at the airport of entry. Especially in the case of the organised package tour, this would appear to be a practical possibility.

The above has highlighted certain reservations and caveats to the general optimism of the Ghana Tourist Board, and in particular its belief that the international holiday market is suddenly going to engulf Ghana. It is not, and a more pragmatic approach is required, and one which is not grounded on the unrealistic philosophy of Vision 2020. The Ghana Tourist Board's projections stem not only from an overly optimistic view of future demand prospects, but also from its dubious analysis of the economic impact of tourism. So important is this analysis, in conditioning the overall prognosis that it deserves comment in detail.

Its starting point is recognition of the fact that receipts from tourism increased from some 1.3% to 3.5% of GDP between 1990 and 1994. This is undeniably significant. Over the same period tourist receipts increased from 9% - 19% of gross exports, but this is partly explained by the decline in cocoa from 40% - 25%. Backward linkages to other sectors of the economy, especially agriculture are also significant.

However, the economic impact of tourism is reduced by its dependence upon imports. The Ghanaian economy is highly import dependent in any case, but this is especially true of the tourist sector. Many of the materials used in the construction of five-star luxury hotels are imported. So too are much of the food and beverages consumed on the premises. Many of the staff are expatriates or are sent abroad for overseas training. Profits are often remitted to overseas owners; interest payments are made on overseas loans. And so on and so forth. The report takes

cognisance that such imports reduce the net foreign exchange earnings of the tourist sector — from \$222 million to \$160 million in 1994 — thus reducing tourism's contribution to GDP to 2.5%, but fails to explain how the estimated foreign exchange leakage coefficient of 0.28 is arrived at. In terms of the package holiday organized in the United States or United Kingdom, such a figure would appear to be overly optimistic.

The report makes great play of the contribution of tourism to government revenues. It lists in some detail the various taxes and charges associated with tourism including airport taxes, hotel and restaurant licence fees, corporate profits tax upon companies in the tourist sector, personnel income taxes of those employed in the tourist sector, import duties, and indirect taxes including excise duties, entry fees and entertainment taxes such as the casino tax. Admittedly, such taxes display impressive increases in yield when considered over time but this in part is a reflection of inflation. What the report fails to understand is that such taxes act very much as a leakage from the macro-economy. The more tourism generates tax revenues, the less its contribution to GDP.

It is indeed in its discussion of multiplier analysis that the report reveals most confusion. Three multipliers are distinguished. First of all, we have the output or tourism multiplier which measures the effect of increased tourism expenditure (say \$1m) on output. (To all intents and purposes this is what the economist would term the income multiplier). The distinction is made between the direct effect of the increased expenditure from the indirect effect (when the recipients of the initial tourist outlay respend the proceeds) and the induced effect which refers to the effect of the second round recipients respending their proceeds. There is, of course, no valid distinction between the indirect effect and the induced effect; nor is there any reason to stop with the third round of expenditure. Again, it is not clear upon what

basis the estimate is made, but the output multiplier is calculated to be 2.1 for the Ghanaian economy.

The same basic methodology is employed in calculating the employment multiplier. The direct employment stemming from the tourist outlay is distinguished from the indirect effect — the employment created when the person directly employed responds, and the induced employment created when the indirectly employed person responds. The same basic critique applies, but the confusion is even greater because there is nothing to relate the initial employment to. That is to say, we are not told how much tourist expenditure is needed to create one additional job. What we are told (on trust) is that if one additional job is created by tourist expenditure, another 2.5 jobs will follow and the total employment multiplier is accordingly 3.5. As a basis for determining employment effects of tourism, this is far from ideal to say the least.

It is with regard to the income multiplier, however, that we encounter the most bizarre approach to multiplier analysis. The income multiplier attempts to measure the income change stemming from the initial tourist expenditure. Fair enough in principle, but the procedure adopted is woefully inept. The starting point is to estimate employment within the tourist industry. Thus the numbers employed in providing tourist accommodation, restaurants, car rental agencies, tour operators and people employed in tourist shops etc., is calculated. This is the direct employment generated by tourism and sums up to an estimated 16,000. In each category, the number employed is multiplied by the average wage pertaining to that category and then the outcomes summed to provide an estimate of the direct income generated by tourism. Now since we know! that for every person directly employed by tourism another 2.5 are indirectly employed, some 40,000 additional jobs must have been created. Multiplying this extra employment by the

average wage provides a measure of the additional income — which when added to the direct income provides a measure of the total income created.

From this procedure, an estimate of the income multiplier is mysteriously obtained. Its value is reputed to be 3.4. It appears to be merely the ratio of total income generated within the tourist industry to the direct income as previously measured. It appears to be unrelated to tourist expenditure flows as such — i.e. it appears to be unrelated to the \$222 million tourist receipts recorded in 1994.

There is no appreciation of the fact that the output multiplier and the income multiplier should be identical. A measure of national output is nothing more than a measure of national income. There is no understanding of multiplier analysis. No attempt is made to derive a formal macroeconomic model of the economy under which the income multiplier stemming from tourist exports, dY/dX , can be formally derived which allows for leakages into saving, taxes, imports and other potential withdrawals. All the reported multipliers appear favourable, which reinforces the optimism of the report, but the underlying economics is simply lacking.

Finally, no value can be placed upon conclusions derived from such analysis. Tourism expenditures (receipts) are projected to reach \$1,562 million by 2010! Yet, only \$274 million will be generated in income by tourism by the same date. (NTDP p. 228) The figures simply do not add up.

In conclusion, as long as international business wishes to do business in Ghana, the business tourist will continue to visit. As long as friends and relatives domiciled overseas wish to make occasional visits home, they will continue to do so. Likewise, low-spending backpackers entering the country from Burkina Faso, the adventure tourists, will continue to adventure. No significant investment is required for tourist promotion in these categories. In contrast, colossal investment would be needed to attract international holiday tourists upon the scale envisaged by the National Tourist Development Plan, and for the reasons cited this would constitute a high risk investment. Tourism will continue to be important in Ghana in attracting foreign exchange earnings on a significant scale. But it is not the panacea for Ghana's difficulties. Alternative diversification strategies need to be considered.

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