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MAHAWELI ENTERPRISE DEVELOPMENT

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TOURISM POTENTIAL OF THE MAHAWELI

**A report of a short-term assignment
by
Edward Coe**

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INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.

WITH :

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DEVELOPMENT ALTERNATIVES, INC.

HIGH VALUE HORTICULTURE, PLC.

SPARKS COMMODITIES, INC.

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CONSULTANTS TO THE MAHAWELI AUTHORITY OF SRI LANKA

The Mahaweli Enterprise Development Project

The Government of Sri Lanka as well as the international donor community has given high priority over the last several decades to the development of the resources of the Mahaweli river basin. The Accelerated Mahaweli Development Program was launched in 1978. The first phase of this program, the construction of major capital infrastructure, is complete. The second phase, developing the land for settlement and forming an agricultural production base, is well under way. The third phase, just beginning, seeks to build on the agricultural base to create a diverse and dynamic regional economy, improving employment and income prospects for settlers and their families. It is in this phase that the private sector has to play a leading role in enterprise development.

The Mahaweli Enterprise Development Project (MED) is a five year USAID-supported initiative of the Mahaweli Authority of Sri Lanka (MASL) to foster private enterprise development in the Mahaweli areas. MED assists small, medium and large-scale investors to develop new ventures in the Mahaweli and expand existing ones. This is to be accomplished by a three-pronged approach: 1) investment promotion, technical assistance and marketing support to medium and large-scale investors; 2) advisory services, training and improved access to credit for small-scale enterprises; 3) policy assistance to improve access to resources, such as land and water, and the legal and institutional framework for enterprise development in the Mahaweli settlement areas.

The Employment, Investment and Enterprise Development Division of the MASL is the MED implementing agency. The main technical consultancy is provided by a consortium led by the International Science and Technology Institute (ISTI), a private consulting firm based in Washington DC. Other firms in the consortium are Development Alternatives, Sparks Commodities, High Value Horticulture and two Sri Lankan firms, Agroskills and Ernst and Young. This significant array of organizations and expertise is ready to assist private sector firms in the Mahaweli areas.

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**on behalf of the
INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.**

**for the
EMPLOYMENT, INVESTMENT AND
ENTERPRISE DEVELOPMENT DIVISION OF THE
MAHAWELI AUTHORITY OF SRI LANKA**

Mr. Edward Coe assisted MED/EIED in reviewing the potential for development of tourism resources in the Mahaweli areas. This report is a written version of material which he presented to the MED/EIED 1991 planning workshop in November, 1990, at the conclusion of his assignment.

TOURISM DEVELOPMENT POTENTIAL OF MAHAWELI REGIONS

1.0 INTRODUCTION

The following report is based on an intensive 12-day tour of the principal tourism attractions and facilities of Sri Lanka and of several of the Mahaweli systems. In addition, numerous meetings were held with key private industry representatives and government officials involved in tourism-related activities and well as MASL, MED and EIED administrators and staff.

This comprehensive, but rapid look at the tourism industry was adequate to gain an overview of its current status and to identify certain potentials for tourism development within the Mahaweli systems. However, its principal accomplishment hopefully has been to stimulate constructive thought and to outline the scope of work required to initiate the practical development of those potentials.

2.0 OVERVIEW OF TOURISM IN SRI LANKA

Sri Lanka is undoubtedly a country with extraordinary assets as a tourism destination. These assets include rich contemporary cultural manifestations, numerous historic sites, good beaches, pleasant climate(s), interesting wildlife reserves, beautiful landscapes, good tourist facilities and services, good value for money and a very hospitable populace. Very few other tourist destinations can boast this variety of attractions in so conveniently compact a geographical area. Furthermore, particularly within the European marketplace, these attractions have been well-known for many years.

Tourist arrivals to Sri Lanka peaked in 1982 with 407,000 visitors. However, the decline in subsequent years was not a result of dissatisfaction with the tourism product itself, but rather civil disorders that discouraged vacationers and businessmen alike from visiting the country. Fortunately, a dramatic increase in arrivals in the present year and tour bookings through April of 1991 indicate that the marketplace has regained its confidence in Sri Lanka as a safe destination. Provided that that reality and perception can be maintained, Sri Lanka can look forward to a fast growing tourism industry.

Based on the comments of tourism industry representatives and officials, it appears that for the coming "winter" season many of the beach hotels are heavily booked and that there is currently a shortage of available accommodations in Kandy and the "cultural triangle" areas. This reflects the fact that many of the tourists visiting Sri Lanka are attracted by the possibility of combining "beach" vacation with a "cultural" vacation. This also means that the unavailability of accommodations in the cultural areas could limit total visitors to Sri Lanka and indirectly full utilization of the beach facilities available. Another factor which may temporarily affect tourism arrivals to an unknown extent is the current Persian Gulf crisis.

The foregoing remarks applied principally to the European travel markets. The East Asian market is also of increasing importance to Sri Lanka. Although many of their travel patterns are similar to Europeans, their average length of stay is shorter, making it more difficult to attract them to remote regions. However, they would be particularly attracted by resorts with golf courses.

Finally, there is a poorly developed domestic demand for resort facilities aimed at upper income residents desiring recreational facilities, as well as the cultural, religious and wildlife attractions. During the recent years of low occupancy many tourist hotels have offered reduced rates to local residents. However, this will be limited in the future if they can fill their rooms with foreign visitors paying undiscounted rates. This upper income domestic tourist demands essentially the same level of comfort as the foreign visitor, but at a somewhat reduced cost. To a certain extent this may best be satisfied by taking advantage of the seasonality of international tourism flows.

There are undoubtedly also unfulfilled desires by lower and middle income families to enjoy vacation facilities in the country. However, the private commercial sector is currently unable to make this a profitable investment opportunity.

Data regarding the capacity of hotel accommodations in Sri Lanka is compromised by the suspension of hotel classification activities during the past years. This occurred in recognition of the hotel industry's inability to maintain standards during the past years of extremely poor business. Furthermore, there have been full or partial closures of many establishments. The result is that a determination of the available accommodation by quality and region is beyond the scope of this evaluation.

Although my brief analysis of tourism statistics and infrastructure permits only tentative conclusions, it appears that tourism growth in Sri Lanka in the coming years may be constrained more by insufficient capacity on the supply side than by inadequate demand. These supply constraints are both quantitative and qualitative and include a deterioration of tourism facilities and services, poor roads, inadequate water supply in certain areas and insufficient seats on airlines. They also may include a lack of preparedness to offer well-organized and guided tours to wildlife preserves, traditional villages and other "special interest" attractions.

Fortunately, the UNDP recently approved funding for preparation of a national tourism development plan by the World Tourism Organization (WTO) to be undertaken in early 1991. Presumably this plan will provide the necessary guidance to identify bottlenecks and priority areas for government and private sector initiatives. In this context, it will be important to assure close coordination between the MASL and the Sri Lanka Tourist Board, so that the tourism development programme for the Mahaweli regions is integrated with the new national plan.

3.0 OVERVIEW OF TOURISM POTENTIAL IN MAHAWELI REGIONS

Allowing for the bright tourism potential of Sri Lanka as a whole, what is the potential participation of the Mahaweli regions in this activity? Given the diversity of conditions and geographical locations, it is somewhat difficult to generalize. However, broadly speaking there are two overall potentials. The first potential results from the proximity of certain Mahaweli regions to the most visited tourist attractions. Conversely, the second potential of the Mahaweli regions resides in tapping the desire of more adventurous tourists wanting to experience many of the attractions found in the less travelled and developed areas of the country.

Worldwide trends in tourism have shown a tremendous growth in what has been termed "special interest" tourism. This includes such varied interests as bird watching, hiking and trekking, river rafting, handicrafts, village life, windsurfing and herbal medicine, to mention only a few, all capable in Mahaweli regions.

Official tourist arrival statistics indicate that 30% are repeat visitors further confirming the demand for more varied itineraries within the country. Several representatives of the tourism industry expressed their desire to develop and market new tour products. Finally it should be noted that President Premadasa in his recent address to the SKAL convention of international tourism industry representatives expressed his desire to offer foreign visitors the opportunity to experience "the closely knit society of the village and the simple pleasures of the rural life of Sri Lanka" and strongly endorsed the creation of new tourism products. Therefore, it is apparent that development of the tourism potential of the less developed areas of Sri Lanka is a priority for both the private sector tourism industry and for the government.

There is also a close association between the tourism potential of several systems and the neighboring wildlife reserves that were established to shelter animals displaced by the reservoirs and new cultivated areas. However, to date the emphasis has been on conservation of the wildlife and not on developing the human and physical infrastructure required to encourage utilization of the reserves as tourist attractions in an economically and environmentally sound way. This now appears to be a particular concern of the responsible parties and the EIED/MASL should coordinate closely with these efforts.

Finally, the Mahaweli region may be able to offer opportunities for domestic tourism at a lower cost than other areas of the country, in some cases by reutilizing facilities originally built to house construction staff.

Although agriculture is the main priority of the MASL, tourism development is certainly consistent with its desire to diversify the economic base, encourage private sector investment and provide employment opportunities particularly for the youth and women. The foregoing has outlined the broad tourism potentials of the Mahaweli regions in the national context. In the following section specific tourism development opportunities in those systems visited have been identified.

4.0 POTENTIALS OF INDIVIDUAL SYSTEMS

This discussion of the specific tourism development potential of the individual Mahaweli systems reflects the sequence in which the systems were visited and not their order of importance. Although most recommendations are stated in positive terms, all are necessarily preliminary and require further study.

4.1 UDA WALAWE

The northern boundary of the Uda Walawe system abuts the like-named national park which features elephants, deer and rare birds. Ebilipitiya, the administrative center of the system, is only a few miles from the park's entrance.

The town enjoys a very pleasant tank on which is situated the Centauria Tour Inn. Ebilipitiya is well-located as a staging point not only for tours to the Uda Walawe park, but also to Yala national park and Kataragama. Hiking, and perhaps river rafting, in the nearby mountains towards Ratnapura is another possibility. The existing hotel should be encouraged to expand its room capacity and improve its lakeside facilities to include various aquatic sports and a small restaurant/bar. The Uda Walawe system's tourism potential would benefit if the track between Kataragama and Tanamalwil were improved and an entrance to Yala park opened along its northwestern boundary.

Given this system's strategic location which extends to within a few

miles of the beach resort areas, there are undoubtedly other opportunities to develop tourist attractions in the system which have not been identified.

4.2 KOTMALE

The Kotmale system enjoys a location in the heart of the hill country and tea plantations. The facility built to house the Swedish engineers includes a large swimming pool, tennis courts and a large club house. Currently five 4-bedroom bungalows are available for transient use, but many more bungalows, not to mention land, could be made available if desired. A small horsebreeding stable has been established which could serve as a base for developing horseback riding activities in the area.

The Kotmale area generally and the housing facility specifically have excellent tourism potential. That potential is already clearly recognized by private sector tourism investors. The MASL should determine a policy regarding utilization of the housing facility for tourism and on what terms it would transfer its operation to the private sector. Additionally or alternatively a location should be investigated for development of new tourism facilities in the region.

4.3 VICTORIA

The Dagina Village Resort, as it is officially called, offers the facilities and services of a commercial tourist establishment, but on an apparently limited basis. As in the case of Kotmale, the first task is to determine a policy regarding its utilization. Given its close proximity to Kandy and accessibility to numerous tourism attractions, there is little question of its tourism potential and the interest of private sector investors/operators.

The tourism potential of the Victoria reservoir itself is weak in view of the fluctuating water level and poor visual quality of the surrounding landscape. The Randenigala reservoir may offer better conditions.

4.4 SYSTEM C

The tourism potential of system C depends on effectively extending tourism circuits beyond their current margins as desired. Mahiyangane is located in close proximity to several national parks, has an important Buddhist shrine and is at a strategic crossroads for eventual access to the Gal Oya national park and the east coast beach areas. Another tourist attraction, but one with very delicate considerations, is a nearby Veddah village.

The Saborana tank located near to Mahiyangane appears to be an ideal location for the siting of a tourist resort. This ancient tank has little water level fluctuation, is surrounded by a beautiful landscape consisting of mature vegetation, mountains and traditional cultivated areas, and offers ideal conditions for aquatic sports. However, identification of a specific location for the siting of a hotel facility will require further investigation. Development of a resort facility at this location is also indicated by the availability of a labour force housed in nearby Mahiyangane.

Another tourist activity that could possibly be developed in system C and others, would be canoeing or rafting along some of the larger irrigation canals. However, the feasibility and desirability of this requires considerable further investigation.

Near Girandurukotte, the modern rice milling facility would be of interest to tourists, particularly if they could also be shown the traditional

way rice is planted, irrigated, harvested, milled, etc.

The Japanese housing facilities along the Ratkinda and the Ulhitiya reservoirs would particularly interest tour operators specializing in small groups of adventure/wildlife travelers and foreign and domestic enthusiasts in aquatic sports. Again the first step in confirming that potential would be determination by the MASL of the conditions of their disposition.

4.5 SYSTEM B

The tourism potential of system B is similar in quality to that of system C. The system abuts the Maduro Oya national park at its southern tip and the reserve bordering the Mahaweli river along most of its western and northern boundaries. There is a fascinating fishing village on the Maduro Oya reservoir, uncommon if not unique in the country. Furthermore, the area is within day-trip distance of the historic sites at Polonnaruwa and Sigiriya. Finally, in the future the system's proximity to east coast beach resorts should further improve the tourism potential of the area.

Three potential locations were identified for tourist accommodation, although it is doubtful that it would be feasible to develop all three in the short term. The following are general locations, not specific sites: near the fishing village on the Maduro Oya reservoir, near the Handapanwila shrine and tanks, on the Dalukane tank near Dimbulagala. Others, not visited, may also exist.

4.6 SYSTEMS F & G

Systems F & G provide interesting scenery and easy access to the Wasgamuwa wildlife reserve between the Mahaweli and Amban rivers. Demand for any tourist accommodation would depend on development of the visitation potential of the wildlife reserve. Some tours might be encouraged to transit through Elahera on their itineraries between Mahiyangane, Polonnurawa and Dambulla, precisely to experience the back roads.

4.7 SYSTEM H

System H extends close to the hub area of Habarana/Sigiriya/Giritale from which tourists radiate to visit Dambulla, Polonnaruwa, Anuradhapura and Sigiriya suggesting that it is a potential location for tourist accommodation. However, time was inadequate to investigate the existence and availability of any particularly attractive locations for possible siting of hotels in this area.

Since there is growing interest in golf-oriented tourism in Sri Lanka, identification of an appropriate location for a golf course resort in this area would be particularly valuable.

5.0 ISSUES & OPTIONS

This section summarizes some the observations and suggests important areas for further consideration.

5.1 PRIORITIES

The priorities of the MASL and those of the potential private sector investors must both be taken into account in determining a course of action. Employment generation in heavily populated systems, like Uda Walawe and System H would appear to a first priority for the MASL. The private sector is particularly attracted to the prospect of acquiring control of existing MASL

housing/recreational facilities at Kotmale and Deniga on presumably favourable terms. Although unemployment is not yet a problem in systems B & C, the development of tourist accommodations would support the desire to attract investment in manufacturing and services as well as the efforts of the Department of Wildlife to place the national parks on a more self-sustaining basis.

5.2 LAND

Investors in tourism facilities will require conditions for acquisition of land on different terms than those required by agro-industries. Criteria regarding the amount of land, access to potable water, transferability and cost must be established. The housing needs of those employed directly and indirectly by the tourism industry will also generate new demands for land and community services.

5.3 TOURIST SERVICES

Although this report has focused principally on the opportunities for development of tourist facilities, there are similar potentials for individuals and small enterprises to offer services such as handicrafts, tour guide operations, boating, horsebackriding, cafes, home stays, hotel and vehicle maintenance and many others.

6.0 WORK PLAN

The proposed work plan which follows outlines the practical steps that could be taken to develop the tourism potential of the Mahaweli region.

6.1 Policy Clarification

An important first step is clarification by the MASL authorities regarding their policy, criteria and priorities in taking the initiative to stimulate the development of tourism in the region and in responding to proposals from the private sector or other government agencies interested in such development.

6.2 Assignment of Tourism Officer

A EIED/MASL officer should be specifically assigned to tourism development. He would be responsible for effectively communicating the implications of a positive tourism development policy to the administrators of the various systems, coordinate with such other government agencies as the Sri Lanka Tourist Board and Department of Wildlife, act as the principle contact for private tourism investors in the regions and provide the supervision and follow-up on technical assistance needed to implement the policy.

6.3 Analysis of Kotmale and Degina Facilities

An independent evaluation of the commercial value of these facilities under various alternative arrangements and conditions should be undertaken. This effort would provide the MASL authorities with a reasonable basis on which to determine their future use and valuable guidance in subsequent negotiations with interested private sector parties.

6.4 Specific Hotel Site Identification

General locations for hotel accommodations have been identified. The next step is to determine specific sites meeting MASL land-use criteria and

infrastructure requirements in order to make concrete offers to potential developers.

6.5 Technical Assistance

Technical assistance may be required to assure that the tourism facilities planned for the region are well-conceived. The amount of such assistance will depend on the experience and expertise of the investors attracted. However, it is highly advisable that the MASL have the authority and ability to review and approve and tourism development projects proposed for the region and to provide the necessary technical assistance when required.

6.6 Investment Marketing

Once a specific investment opportunity is defined, information concerning it should be assembled in a convenient format and made available to prospective investors. At this point it is unclear to what extent this will require a promotional effort or mainly a facilitating function.

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