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SRI LANKA CONNECTING REGIONAL ECONOMIES (USAID/CORE)

Assessment of Tourism in Eastern, Uva, and North Central Provinces of Sri Lanka

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Assessment of Tourism in Eastern, North Central, and Uva Provinces of Sri Lanka

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Acronyms

ABTA	-	Arugam Bay Tourism Association
ADB	-	Asian Development Bank
ASMET	-	Association of Small and Medium Enterprises in Tourism
BPA	-	Business for Peace Alliance
CCC	-	Ceylon Chamber of Commerce
CCD	-	Coast Conservation Department
CCF	-	Central Cultural Fund
CEA	-	Central Environmental Authority
CTHA	-	Cultural Triangle Hoteliers Association
DWLC	-	Department of Wildlife Conservation
DMO	-	Destination Management Organization
DOA	-	Department of Archeology
EPC	-	Eastern Provincial Council
EPL	-	Environmental Protection License
FD	-	Forest Department
GDP	-	Gross Domestic Product
GIS	-	Geographical Information System
GOSL	-	Government of Sri Lanka
IHRA	-	International Hotel and Restaurants Association
JBIC	-	Japan Bank for International Cooperation
ME&NR	-	Ministry of Environment and Natural Resources
MICE	-	Meetings, Incentives, Conventions, and Exhibitions
MSME	-	Micro, Small, and Medium-sized Enterprises
NECCDEP	-	North East Coastal Communities Development Project
NGO	-	Non-Governmental Organization
OECD	-	Organization for Economic Cooperation and Development
PATA	-	Pacific Asia Travel Association
PEER	-	Partnership for Eastern Economic Revitalization
SAARC	-	South Asian Association for Regional Cooperation
SLAITO	-	Sri Lanka Association of Inbound Tourism Operators
SAVE	-	Scientific, Academic, Volunteer, and Educational
SLCB	-	Sri Lanka Convention Bureau
SLITHM	-	Sri Lanka Institute of Tourism and Hotel Management
SLTDA	-	Sri Lanka Tourism Development Authority
SLTPB	-	Sri Lanka Tourism Promotion Bureau
SME	-	Small and Medium Enterprise
SMF	-	Social Management Framework
SWOT	-	Strengths, Weaknesses, Opportunities, and Threats
TDA	-	Tourism Development Area
TDF	-	Tourism Development Fund
THAASL	-	Tourist Hotels Association of Sri Lanka
UDA	-	Urban Development Authority
UNDP	-	United Nations Development Program

- UNESCO - United Nations Educational, Scientific and Cultural Organization
- UNWTO - United Nations World Tourism Organization
- USAID - United States Agency for International Development
- VEGA - Volunteers for Economic Growth and Alliance
- WEF - World Economic Forum

Executive Summary

This report is an assessment of the potential for tourism development in Sri Lanka's Eastern, North Central, and Uva Provinces -- areas that have not participated in Sri Lanka's generally positive growth trends. One goal of the assessment is to identify promising strategies and initiatives for accelerating development. Interest in developing tourism facilities at prime sites on the Eastern coast of Sri Lanka dates back at least to the 1960s, however all serious plans for development in these areas were shelved or forgotten during the years of conflict. The end of that conflict in May 2009 rekindled hopes for an economic resurgence that will include a dynamic tourism sector capable of generating employment and income for the residents of these adversely affected areas.

The research that went into this report used desk research, value chain analysis, interviews and discussions with industry leaders and government officials and workshops with smaller operators in the conflict affected areas. The primary focus of all discussions was on ways to build and strengthen the tourism and hospitality sector potential in the target areas in harmony with the principles of sustainable development. Discussions also adopted a "value-chain" approach, looking for ways to connect tourism activity in the target areas to other links in the tourism value chain already operating successfully elsewhere in Sri Lanka.

The report presents recommendations for strategic initiatives founded upon four important conclusions, some of which have become apparent only since June 2009. The first conclusion is that tourism in Sri Lanka will grow at unprecedented rates in the near future. The second is that the long run potential for tourism along the East Coast is considerable. The third is that careful, comprehensive planning is essential to protecting and realizing optimum, sustainable development in the target areas. The East coast destinations lag well behind the rest of Sri Lanka in development, and Sri Lanka itself lags behind its competitor destinations in Asia and elsewhere. Haphazard or poorly planned development could undermine or even destroy the true potential earning power of high priority areas. The fourth conclusion is that both government and private sector are well positioned and already focused on tourism as a major opportunity and engine of development for the country.

On the website of the Sri Lanka Tourism Development Authority (SLTDA) four key objectives are outlined for the authority and the sector, including achieving 2 million tourist arrivals by 2016 and transforming tourism into an engine for job creation. Growth at this scale implies at least 15,000 new hotel rooms and therefore major investments in resort development at new locations.

While the prospects for tourism recovery to Sri Lanka's already established destinations are good, years of work will be needed to create viable tourism resorts at locations in the Eastern and Northern areas. Practically speaking development efforts will be starting from scratch. Investment will be needed to resolve problems of access, shortening the time needed to reach these destinations. Major investments will be needed to create adequate infrastructure to support tourism development and protect the valuable environment. A future workforce needs to be trained and the local community needs to be prepared and willing to take part in this economic and social transformation.

The SLTDA has posted on its website two studies that focus on the social and environmental impacts of a "Sustainable Tourism Development Project" -- with the aim of building capacity within government institutions to plan and implement projects that embody the best practices of sustainable development. Capacity building efforts in Sri Lanka have to reach both the central and provincial levels and in the process clarify the roles and responsibilities of each.

Despite the scale of the challenge, the benefits to the destination areas and to Sri Lanka as a whole will be well worth the effort. As soon as proper planning permits, work on approved infrastructure components will create demand for construction jobs. Some of this work could begin within 1 to 2 years, and would be followed by employment opportunities in hotel construction. That would be followed by demand for staff and managers, longer term employment opportunities, as hotels open for operation in 4 to 6 years. In addition to direct employment opportunities, the large volume of tourists will constitute a new market and income earning opportunity for fishing and farming communities.

In summary, there will be major public and private investment in new tourism resorts on the east coast of Sri Lanka within the next 2-5 years as long as: (1) peace, law and order are maintained; (2) infrastructure problems, including better and faster access with air transport are solved; and (3) adequate planning and supervision efforts are in place to ensure sustainable development. The government and the private sector are already focused on developing strategies and marshalling resources to meet the challenges and launch the development process.

The Way Forward – Strategies for Enhancing Tourism:

This report makes two sets of suggested recommendations for tourism development in Sri Lanka. The first set contains strategic ideas for enhancing tourism development throughout Sri Lanka. The second set addresses tourism development in post-conflict areas, specifically the east coast.

Tourism Development Overall

The following recommendations are aimed at accelerating tourism growth in Sri Lanka by upgrading the quality of the tourism experience for foreign visitors and improving the benefits from tourism flowing to Sri Lankan residents.

- Government's first priority should be to ensure and preserve the hard-won environment of peace and positive hopes for the future.
- The private sector and government should continue their exemplary partnership of working together to develop tourism for the country.
- "Tourism Promotion" campaigns should include India, China and the Middle East as well as more traditional markets.
- Both public and private sector should increase investment in training staff for a much larger, future hospitality industry in Sri Lanka, including more language training.
- The government should take opportunities to de-escalate the scale of visible armed military presence as soon as practical.
- The government should also authorize resumption of domestic civil aviation and competition.
- The Sri Lanka Railways should consider adding international quality tourism coaches and services to its trains.
- The industry should invite and encourage international tourism operators to come to Sri Lanka.

- The government should offer special import advantages and tax incentives to investors who create jobs in the post-conflict areas.
- The industry should use public-private partnerships as opportunities to attract private sector investment and professional management for selected national parks and cultural zones in Sri Lanka.
- The industry should prepare to invite and partner with international tourism development investors who adhere to the principles of sustainable tourism development. They will add resources, experience, and “attraction” power to Sri Lanka’s own efforts, helping to achieve development goals sooner.

Tourism Development in the East

- 1) The following set of recommendations focus on challenges facing large scale tourism development in post-conflict areas, in particular in the East.
- 2) The Government of Sri Lanka (GOSL) and the private sector need to jointly agree upon and support development of a framework for creating definitive development standards and plans and a working system of approval authority that can guide, regulate and expedite development in the priority areas in the East and North Central Provinces. Donor assistance that has been pioneered under the SLTDA “Sustainable Development Project” with the World Bank would be helpful for this purpose.
- 3) The GOSL has already earmarked a significant amount of donor funding, USD 300 million from the Asian Development Bank (ADB) alone for infrastructure development in the north and east regions of Sri Lanka. New infrastructure projects should be designed with an eye toward the future, specifically toward attracting and supporting future private sector investment in lodging, restaurants, and other facilities for both domestic and international tourism.
- 4) The GOSL should offer time-bound investment incentives for tourism investments made in the post-conflict areas that generate employment and income earning opportunities for area residents.
- 5) The GOSL and the private sector need to expand and upgrade effective training programs for young people attracted to careers in the hospitality sector. Young people from the Eastern and North Central Provinces need to be included in this training.
- 6) The GOSL should continue its process of removing restrictions on domestic civil aviation and allow private sector involvement in investment and operations of airports and air transport services.
- 7) Choose a single tourism cluster destination as a pilot project to work through the processes and challenges of implementing the principles of sustainable tourism development as well as the process of clarifying roles and responsibilities between SLTDA and the provincial government. The authors of this report recommend choosing Trincomalee/Nilaveli/Uppuveli as the pilot project tourism cluster.
- 8) The GOSL and private sector should consult with tourism development agencies in other countries such as Mexico, Costa Rica, Thailand, and Malaysia about their experience with major resort projects including optimum timing for developing multiple resort projects.

- 9) The GOSL should use the vehicle of public-private partnership contracts to attract private sector investment into the construction and operation of infrastructure projects needed to support tourism development in post-conflict areas.
- 10) The GOSL should examine the feasibility of an upgraded domestic airport near Trincomalee, using a design that can be upgraded again in a few years to accommodate international jets.

Strategic Initiatives with Immediate Impact

Many of the above recommendations can be started immediately, but they are unlikely to have a tangible impact on employment and income generation in former conflict zones in the next 6 to 18 months. The seven initiatives that follow are capable of generating small but important tangible impacts within target communities in the short run while contributing to longer-term tourism development potential at the same time.

- 1) The GOSL, working with the private sector, should create a fast track approval channel combined with incentives for investors that refurbish and expand hotel facilities in post-conflict areas such as Trincomalee. Room quality and capacity need to be improved to meet the demands of domestic tourism as well as the first wave of more adventure-minded expatriate tourists. These should be projects that can be undertaken in the near-term without a major impact on the longer-term planning efforts and goals for sustainable development.
- 2) The GOSL and the private sector should support and invest in events that encourage domestic tourists to visit attractions in the liberated, newly accessible areas of the country. The SLTDA and Sri Lanka Tourism Promotion Bureau (SLTPB) have already embraced and implemented this strategy, with notable success. It simply needs to be encouraged, continued and expanded.
- 3) The GOSL and the private sector should encourage and invest in tourist attractions and activities that SMEs can provide (water sports, guided tours, adventure hikes, cultural tours in vehicles or walking, and night events). There are few such activities or enterprises on the east coast now, because there were not enough tourists during the conflict period. Now with flows of domestic tourism beginning to increase, there may soon be enough volume to support one or two start-up SMEs. Larger lodging enterprises and tour companies need to encourage and support these smaller SME managed attractions because they add life and variety to the destination and help attract more visitors in the future.
- 4) The private sector should partner with “Voluntourism” through associations and networks in the United States, Europe and elsewhere. “Voluntourists” are volunteers who will come to Sri Lanka for short periods willing to work with communities on development projects in the post-conflict areas, including helping with training in English and basic skills. The GOSL can support this effort with fast-track visa approvals for example.
- 5) Private sector hotel chains with training programs should advertise and recruit young people from the North and East for training and internships with hotel chains that currently have working properties elsewhere in Sri Lanka. Training in general was recommendation number 4) under tourism development in the East, but the emphasis here is on the need for an immediate, even if it is a small scale effort to offer this type of training to young people in post-conflict zones. Private sector, GOSL and donors should encourage such training and internships with incentives.

- 6) The GOSL and the private sector should sponsor awareness events and surveys of community leaders and average citizens in the post-conflict areas about their attitude toward tourism and tourism development.
- 7) Promote the East Coast as an unspoiled, eco-friendly beachfront destination with adventure opportunities and cultural assets close at hand; tie visits to the Cultural Triangle, and wildlife parks together with east coast beach stays to create a more interesting package than most beach resorts can manage.

1. Introduction

This chapter provides a brief introduction covering recent developments in global tourism, the status and scale of the tourism sector in Sri Lanka, and tourism in the post-conflict areas of the Eastern and North Central Provinces.

1.1 Tourism Globally – Overview and Impact of Economic Crisis

Tourism has been one of the world's fastest growing industries in recent decades, and prospects for its continued growth are promising, notwithstanding the recent downturn in travel numbers and the dismal global economic climate. The industry has rebounded in the past from economic downturns and from shocks such as bombings, hijackings, and epidemics such as avian flu. Demand for international travel, however, is discretionary and highly elastic with respect to income. Demand for both international vacation and business travel moves in line with the ups and downs of the leading global economies.

The United Nations World Tourism Organization (UNWTO) reported that international tourist arrivals reached a record 922 million in 2008, two percent above results in 2007. However, in the second half of 2008, arrivals actually declined one percent in step with deteriorating global macroeconomic conditions. International receipts also declined, and the downward trend continued into 2009.

In the "World Tourism Barometer" released in June 2009 the UNWTO revised its 2009 forecast for tourism downward, predicting a decrease between four and six percent in tourism arrivals for the year due to the worsening global economy and the impact of the H1N1 flu.
(Website: <http://www.unwto.org/facts/eng/barometer.htm>)

During the first four months of 2009, global tourism declined by eight percent from the same period last year, to 247 million international tourism arrivals. Europe posted a decline of 10% between January and April, while Asia and the Pacific region saw a decline of six percent during the period. Africa and South America were the only regions to buck the downward trend, posting increases of three percent and two tenths of a percent, respectively.

1.2 Tourism in Sri Lanka - Overview

Sri Lanka's Tourism industry has operated at sub-optimal levels since an outbreak of civil unrest in 1983. From a tourist arrivals base of 407,000 in 1982, Sri Lanka attracted 566,000 arrivals in 2004, the year of the December tsunami. The following year saw declines in tourist arrivals as a result of the tsunami and the breakdown of the cease-fire agreement reached in 2002.

Tourism industry in Sri Lanka experienced a setback in 2008 as well. Arrivals decreased by 11%, bringing down all major indicators with them. See Table 1.

Table 1: Sri Lanka as an International Destination

Indicator	2007	2008	% Change
Tourist Arrivals	494,008	438,475	-11.2
Receipt/Tourist Day	USD 79.1	USD 76.1	-3.2

Length of Stay (Nights)	10.0	9.5	-5.0
Room Occupancy Rate	46.2	43.9	-5.0
Direct Employment	60,516	51,857	-14.3
Indirect Employment	84,722	72,599	-14.3
Competitiveness Rank (WEF)	73/134	78/134	-6.4

Source: Sri Lanka Tourism Development Authority.

Tourism declines in Sri Lanka were worse than global averages, and continued into the early months of 2009, as the war escalated. Through May of 2009, tourist arrivals were 20% below those of 2008. However, following the announcement of victory over the LTTE and the end of hostilities in May 2009, tourism arrival numbers began to recover almost immediately. Arrivals in June 2009 were up eight percent from 2008, and the year-on-year increases for July and August were 28% and 34%, respectively. Many tourism operators in Sri Lanka have reported increases in their bookings for the rest of 2009.

Table 2: Tourist Arrivals to Sri Lanka by Month

Month	2008	2009	% Change '09/'08
January	56,916	38,468	-32.4
February	40,551	34,169	-15.7
March	38,049	34,065	-10.5
April	29,747	26,054	-12.4
May	31,140	24,739	-20.6
June	27,960	30,234	8.1
July	32,982	42,223	23.0
August	30,672	41,207	34.3

Source: Sri Lanka Tourism Development Authority.

Contribution to GDP and Foreign Exchange Earnings

Historically the tourism sector has contributed between one and two percent to Sri Lanka's GDP and between two to five percent to its total foreign exchange earnings. In 2007, around 494,000 tourists visited Sri Lanka generating USD 384 million in foreign exchange earnings, which was about 5 % of the country's foreign exchange earnings that year and one percent of its GDP. In 2007 tourism was the country's fourth largest foreign exchange earner. In 2008 tourism was the sixth largest foreign exchange earner, bringing in USD 319 million, down 11% from 2007.

Employment and Productivity

According to the SLTDA, the tourism sector employed approximately 52,900 persons in 2008 down 15% from 60,500 in 2007. Counting indirect as well as direct jobs, the tourism sector generated 124,000 more jobs in 2008. Industry estimates of indirect employment are higher, an estimated 240,000 persons supporting as many as million persons.

Tourism is one of the more productive sectors in Sri Lanka in terms of added value to the nation's GDP. The 52,900 persons employed directly in tourism in 2008 represented less than one percent of Sri Lanka's employed labor force, but contributed an estimated four percent to the nation's GDP in 2008. In other words, the average productivity of workers in the tourism sector in 2008 was four to five times greater than the productivity of the average worker in Sri Lanka.

Sri Lanka vs. Competitor Destinations

The long conflict has prevented Sri Lanka from keeping up with its competition. While Sri Lanka has struggled to attract 500,000 tourist arrivals per year, Thailand reached 14 million arrivals in 2007, and Malaysia received 21 million, up 100% from 2000. While the investment and accomplishments in these countries do put Sri Lanka at a disadvantage in terms of its smaller scale and physical plant development, they have helped stimulate new found demand for exotic vacations in South Asia. Sri Lanka is now in a position to capture part of this growing market. It is also important to note that Sri Lanka has been a vital partner in successful tourism development of the Maldives. Lessons learned there can now be applied to resort locations in Sri Lanka.

1.3 Tourism in Post Conflict Areas

Many Sri Lankans recall fondly the beach vacations to the east coast in the 1960s and 70s, prior to the rise of conflict tensions. The east coast enjoys a natural seasonal advantage over the west and south coast beaches that are buffeted by the southwest monsoon from approximately May to October each year. The three most popular locations for visitors were: Nilaveli, Passikudah, and Arugam Bay. Passikudah's gentle sloping beaches were considered far safer for children and families than many beaches on the west coast.

A few investors operated successfully there until the outbreak of conflict tensions in the 1980s. Some of those facilities still exist, but are long overdue for renovation. Since the 1980s however, tourism in the Eastern, Uva and North Central Provinces has languished well behind even the slow pace of development seen elsewhere in the country. With minor exceptions, there has been no significant investment in east coast tourism since 1983.

The "East Coast" is listed in the 2008 Annual Statistical Report by the SLTDA as having eight (8) graded establishments and 230 beds, less than two percent of the total beds (14,793) for all graded establishments in Sri Lanka. The average occupancy for those 230 rooms on the east coast rose marginally in 2008 to 22% from 18% in 2007. Graded accommodations on the east coast, Anuradhapura, and Polonnaruwa/Giritale accounted for approximately 90,000 guest nights in 2008 (split 50/50 between foreign and local guest nights). This represents only less than two and a half percent of all guest nights at graded establishments in Sri Lanka in 2008 and only 38% of guest nights recorded for the combined areas of Habarana, Sigiriya and Dambulla.

Table 3: Local Guest Nights in Post-Conflict Areas

Local Guest Nights	2007	2008	% Change
East Coast	7,787	8,251	6.0
Anuradhapura Area	33,354	24,159	-27.6
Polonnaruwa Area	21,547	12,159	-43.6
Habarana, Sigiriya, Dambulla	89,917	70,252	-21.9

Source: Sri Lanka Tourism Development Authority.

2. Value Chain and Business Climate

2.1 Overview

The value chain for the tourism sector in Sri Lanka comprises a large number of public and private sector entities engaged in creating or supporting the delivery of hospitality and tourism products and services to the end consumers – domestic and foreign tourists. That is followed by a brief section highlighting important aspects of the “Business Environment” for tourism development in Sri Lanka. The chapter concludes with a review of the strengths, weakness, opportunities and threats facing the sector and value chain. A more detailed presentation of key government agencies, private sector associations, and Non-Governmental Organizations (NGOs) involved in tourism or the process of tourism planning and development is presented in Appendices A, B, and C.

A. Tourists – Final Consumers

The value chain “ends” with the end users—the final consumers who choose Sri Lanka as their destination and pay for services and benefits provided. In 2008, a total of 438,475 foreign tourists chose to travel to Sri Lanka. That was a decrease of 11.2% or 55,533 when compared with the 494,008 arrivals recorded for 2007. In 2008, the average duration of stay decreased to 9.5 nights from 10 nights in the previous year. A full profile of tourism to Sri Lanka is available online at the statistical website maintained by the SLTDA.

One important trend to note and follow is the increasing number of tourist arrivals from other Asian countries, in particular India. Asia was the single largest source of tourists visiting Sri Lanka in 2008 for the second year in a row, accounting for 41% of the total arrivals, with India alone accounting for 19.4%. Tourist arrivals to Sri Lanka from India in 2008 were 88,000, up from 70,000 in 2000 but down from a peak of 128,000 in 2006. In recent years, India’s GDP growth has exceeded eight percent annually. At a sustained economic growth rate of even six percent per year, the number of Indians with incomes sufficient to afford travel abroad will double every 12 years, creating strong demand for recreational tourism and also for meetings, incentives and conferences based tourism (a.k.a. Meetings, Incentives, Conventions and Exhibitions (MICE)). Sri Lanka is geographically, culturally, and economically better positioned to compete for this growing market than many other destinations in Asia. Both the government and the private sector are well aware of this strategic advantage and have begun jointly investing in products and promotional efforts geared to the Indian traveler, such as a “Ramayana” circuit visiting sites featured in Hindu classic and is well positioned to attract visitors from the Persian Gulf countries, and has recently seen an increase in the tourist arrivals from that area.

B. Lodging and Service Providers

According to SLTDA’s Annual Statistical Report on Tourism for 2008, there were 256 graded lodging establishments in Sri Lanka with a total of 14,793 rooms. Twenty-two establishments were rated 4 or 5-star and accounted for just over 4,000 rooms. One hundred and seventy six establishments with more than 7,700 rooms (52%) were not classified. Thirteen Sri Lankan hotels with a 5-star rating accounted for 3,080 rooms (21%) in 2008. The report indicates that in 2008, there were 1,942 registered tourist establishments employing 51,857 persons.

Table 4: Registered Establishments and Direct Employment in the Tourist Sector

Category of Establishment	Number of Establishments	Persons Employed
Hotels & Restaurants	1,246	31,626
Travel Agents & Tour Operators	485	6,725
Airlines	20	5,251
Recreation Providers	15	259
Tourist Shops	144	1,485
Guides	NA	4,011
National Tourist Organization	3	313
State Sector	18	2,187
Total	1942	51,857

Source: Statistical Report 2008, SLTDA, Table 18.

Private Sector Leaders

Almost all lodging facilities and tourism services in Sri Lanka are owned and operated by the private sector. One important feature of private sector tourism businesses in Sri Lanka has been the emergence of indigenous entrepreneurs and operators who have managed to survive and overcome the challenges of investing and operating tourism facilities in Sri Lanka. While one finds international hotel-chain brands such as Hilton, Taj and Holiday Inn in Colombo, soon to be joined by Hyatt and Ramada, other brand hoteliers like Marriott and Intercontinental left in the wake of rising violence. This provides Sri Lankan investors with the opportunity and challenge of managing their own lodging and hospitality enterprises, and several firms have successfully evolved into full-service hotel operators and tourism service providers. Firms such as Aitken Spence, Jetwing Group, John Keells Holdings and Serendib have created their own hotel chains, served by their own travel agencies, tour operators and transportation fleets of buses and vans. More than one of these integrated groups has also expanded into resort hotel operations in the Maldives and other Asian countries. The experience of managing tourism businesses in Sri Lanka (and the Maldives) over the past decades has forced local firms to be innovative and optimistic as well as disciplined. Having such experiences these local firms put Sri Lanka in a better position to compete with and or negotiate with international hotel chain operators and resort developers, as Sri Lanka moves forward with major resort destination development plans.

Since 2000, private sector companies in Sri Lanka have led the drive to improve performance, professionalize promotion, and diversify the Sri Lankan tourism product. In line with an industry goal to “move beyond beaches” into higher value added specialized products, there has been an expansion in lodging services and other companies specializing in eco-adventure and nature-based products. This includes larger holding companies such as the Jetwing Group and John Keells/Walkers Tours who have all invested in developing nature-focused hotel products and tour packages to attract both domestic and international tourists. Sri Lanka has also benefited from domestic and foreign investment in upscale boutique hotels and villas along the coast and in the hill country tea estates. Investors have included internationally recognized high-end brand operators such as Aman with two products in Tangalle and Galle Fort, as well as tea companies such as Dilmah entering the tourism field with offers of a tea bungalow experience.

Sri Lanka has also succeeded in creating and hosting international events such as the Galle Literary Festival, which will celebrate its fourth year in 2010, and an international surfing competition held in Arugam Bay in June 2009 for the second time.

International Airline and Domestic Transport

According to the 2008 Annual Statistical Report (Table 10) there were 20 scheduled airlines operating regular service to Sri Lanka in 2008. In combination these airlines operated an average of 318 inbound flights per week, with a total seating capacity of 72,514 seats per week, or 3.7 million seats per year. Scheduled airlines accounted for 97% of the total tourist traffic to the island in 2008. Charter flights accounted for the other three percent, and the Bandaranaike International Airport (BIA) was the gateway for 99.9% of all tourist arrivals. Four airlines - Sri Lankan Airlines, Emirates, Qatar Airways and Singapore Airlines, accounted for 78% of all tourist arrivals, with Sri Lankan Airlines (government-owned) accounting for 50% of all tourist arrivals in 2008.

Weak transportation infrastructure, particularly outside the Central and Western Provinces, has prompted most hotel operators to invest in and operate their own fleets of buses, vans and automobiles. A general rule of thumb for highly successful major tourism resorts is that the tourist should arrive at his/her destination within 1 hour of leaving the international airport. Travel time by road from Colombo to prime resort destinations in the east: Nilaveli (5 hours), Passikudah (5-6 hours) and Arugam Bay (8 hours), are much too long by this standard. Domestic air transport is a potential but somewhat expensive option for reducing total travel time. Limited domestic air transport to small airfields near these destinations was beginning to be restored in August of 2009, and the government is committed to improving infrastructure and other services needed by tourism and other economic sectors. Another alternative would be to introduce a comfortable standard of train travel across the island that could be marketed as part of the tourism experience. Until improvements are in place giving tourists quick, easy, and comfortable access (domestic air service and better train service) resorts along the Eastern coast of Sri Lanka will be at a competitive disadvantage – not just to resorts elsewhere in Sri Lanka but to beach resorts in Thailand, Malaysia and elsewhere.

2.2 Business Environment

Tourism is a business, a globally competitive business. For Sri Lanka to achieve its goals of attracting and hosting more than 2 million tourists annually and generating foreign exchange and employment, the public and private sector will have to work together to maximize resources available within Sri Lanka, as well as to attract foreign investment. Resort-based tourism begins with large-scale investments in infrastructure (roads, power, and water) and lodging that are comparable to building a small city. In short, a region's natural ability to attract and delight a significant number of tourists must be combined with a business climate that can first attract major investors to build the resort facilities and possibly the supporting infrastructure that will house, feed and provide other services to the tourists. This section presents brief descriptions of (a) key government agencies that are important for tourism investment and operation, (b) associations that represent private sector firms and stakeholders in tourism and (c) NGOs and donor agencies that are currently active in community, workforce or tourism development in the post-conflict areas of Sri Lanka. More complete descriptions of these agencies and associations appear in Appendices A, B, and C. The chapter concludes with a brief assessment of the strengths and weaknesses of the business climate for tourism development in Sri Lanka.

Government Agencies

The government of Sri Lanka has been a strong proponent of tourism development for more than forty years. The principal organization for tourism projects is the Sri Lanka Tourism Development Authority (SLTDA) within the Ministry of Tourism. For foreign investors the key counterpart agency is the Board of Investment (BOI). The section below highlights several lead agencies that tourism firms and especially tourism developers should know about, described in more detail in Appendix A.

Central Government Agencies

- Ministry of Tourism
- Sri Lanka Tourism Development Authority (SLTDA)
- Sri Lanka Tourism Promotion Bureau (SLTPB)
- Sri Lanka Institute of Tourism and Hotel Management (SLITHM)
- Sri Lanka Convention Bureau (SLCB)

Provincial Government Agencies

- Provincial Councils and related agencies

Other National Government Agencies

- Urban Development Authority (UDA)
- Central Environment Authority (CEA)
- Department of Wildlife Conservation (DWLC)
- Forestry Department (FD)
- Coast Conservation Department (CCD)
- Department of Archaeology (DOA)
- Central Cultural Fund (CCF)
- Other Government Agencies
- Ministries of Road and Highways
- Ministry of Power
- Ministry of Civil Aviation
- Ministries of Transport and Railways
- Ministry of Communications
- Ministry of Defense

Private Sector Associations

Seven of the more important private sector associations that engage with the government on important issues related to the tourism business in Sri Lanka are listed below and described in more detail in Appendix B.

- Tourist Hotels Association of Sri Lanka (THASL)
- The Sri Lanka Association of Inbound Tourism Operators (SLAITO)
- Cultural Triangle Hoteliers Association (CTHA)
- Association for Small and Medium Enterprises in Tourism Sri Lanka (ASMET)
- Ceylon Chamber of Commerce (CCC)
- Regional Business Chambers

Donors and Non Governmental Agencies

NGOs and donor agencies that are currently active in community, workforce or tourism development in the post-conflict areas of Sri Lanka are listed below and described in more detail in Appendix C.

- Responsible Tourism Partnership
- Sarvodaya Community Initiative
- Sewalanka Foundation

- International Union for Conservation of Nature (IUCN)
- Mercy Corps
- JBIC
- ADB
- USAID
- USAID/CORE
- USAID/VEGA
- USAID/PEER
- World Bank Group

2.3 Investment Climate in Sri Lanka for Tourism Development

Before tourists come to a destination in volume, major investments have to be made. Promising tourism destinations must compete with others for investment prior to competing for the actual tourists. Countries with good investment climates have an advantage in attracting investors and operators who will build resorts that are then successful in attracting a greater volume of tourists. Therefore, a favorable investment climate is an important advantage for development of a country's tourism sector. Sri Lanka's investment climate has improved markedly as a result of the end of the conflict and the end of decades of military action. However, there are many other aspects of its business and investment climate that Sri Lanka should work toward improving because such improvements will encourage both domestic and foreign investors. The 2009-10 *Global Competitiveness Report* ranked Sri Lanka 79 out of 133 countries in overall competitiveness, above Pakistan (ranked 101) and the Philippines (87) but below India (49), Thailand (36) and Malaysia (24). The World Economic Forum's special 2009 report on *Tourism and Travel Competitiveness* ranked Sri Lanka 78 out of 133 countries but only 86 for its travel and tourism regulatory framework and 73rd for its business environment and infrastructure. For more information, see the World Economic Forum website: <http://www.weforum.org/en/media/publications/CompetitivenessReports/index.htm>.

The above reports offer more complete analyses of the business and investment climate in Sri Lanka. The simplified SWOT analysis below is a composite of extracts from those analyses combined with insights from experienced tourism investors in Sri Lanka.

2.4 SWOT Analysis of Sri Lanka's Investment Climate for Tourism

Strengths

- Centuries of experience dealing with foreigners and trade.
- Government has long supported tourism as an engine of economic development.
- Good history of cooperation and partnership between government and private sector on tourism.
- Global success with "lifestyle-product" exports like tea, garments, spices, and gems.
- Cultural and religious respect for people, nature, wildlife, sacred sites and traditions.
- Relatively well educated workforce with good language learning skills.
- New Tourism Act of 2007 creates framework for development.

Weaknesses

- Overlapping authorities and excessive regulation from multiple government agencies.
- Past projects stalled by litigation despite having government approvals.

- Low competitiveness rankings compared to South East Asian tourism destinations.
- Outdated labor laws and politicized labor unions.

Opportunities

- Proximity to India.
- Membership in South Asia Association of Regional Cooperation (SAARC) and trade agreements with India and Pakistan.
- Good relations with Japan.
- Growing relationship with China
- Return of Cathay Pacific airline to Sri Lanka.
- Sri Lanka's open skies policies, 20 scheduled airlines.
- Major infrastructure investment programs planned for east and north with donor funding.
- Possibility of offshore oil reserves.
- Relatively unexploited maritime Exclusive Economic Zone 200 nautical miles from coast.
- Expressed interest from major international hotel chains and resort developers.

Threats

- Lack of clarity or miscommunication between central and provincial governments about roles, functions and responsibilities related to devolved powers over tourism development.
- Land ownership restrictions that discourage or handicap foreign investment.
- Excessive government involvement in international and domestic aviation.
- Macroeconomic instability.
- Political instability or policy inconsistency.
- Possible deterioration in security situation.
- Global economic crisis.

3. Tourism in Selected Post Conflict Destinations

3.1 Introduction

This section presents a closer look at selected destinations and attractions within the three provinces, focusing in particular on the three beachfront destinations in the Eastern Province--discussing their potential for attracting tourists and obstacles to achieving that potential. Consultants visited all these sites discussed below and met with local stakeholders in May 2009, before the government's victory over the LTTE. Therefore some of the items arising from the discussions with stakeholders may have changed significantly since that time. At the end of this chapter there is a section that attempts to summarize the outlook of private sector developers about the most likely timetable for development in the Eastern Province.

3.2 Eastern Province

There are currently 11 gazetted Tourism Development Areas (TDA) in Sri Lanka. TDA are declared according to section 73A of Tourism Act No. 14 of 1968 as amended by Act No. 2 of 1987 and No. 39 of 1991. Four of the gazetted TDA are in the Eastern Province. Table 5 below indicates the total land area stipulated in the TDA and the portion of land within that area owned by the SLTDA.

Table 5: Details of TDA's in the Eastern Province

Area Name	Gazette #	Date	Total Land Area in TDA (acres)	SLTDA owned land in TDA, (acres and %)
Arugam Bay	1272/2	2003 – Jan 20	Not available	Not available
Nilaveli	1255/23	2002 – Sep 26	2000	200 (10%)
Trincomalee	1255/23	2002 – Sep 26	640	32 (5%)
Kalkudah/Passikudah	1272/2	2003 – Jan 20	150	150 (100%)

Source: *Sri Lanka Sustainable Tourism Development Project, Social Management Framework (SMF)*, Sri Lanka Tourism Development Authority, Ministry of Tourism, Sri Lanka, July 12, 2009, p. 7, Table 1.

These four areas in the table above are among seven areas that are mentioned as potential "Project Clusters" for the SLTDA's Sustainable Tourism Development Project.¹ In the discussions below, Nilaveli is combined with Trincomalee.

Trincomalee/Nilaveli

The main tourism assets of Trincomalee are world-class beaches in Nilaveli and Uppuveli and the potential for marine-based activities such as diving, snorkeling, whale and dolphin watching and deep sea fishing. Trincomalee's large deep natural harbor is also suitable for cruise ships and development of a marina. There are more than a dozen popular "Ship wreck" dive sites. At the turn of the century, pearl diving was a tourist attraction off the coast of Trincomalee. There are also several bird sanctuaries close by. Both Trincomalee (Clappenburg Hill area and Deadman's Cove, Marble Bay and Sweat Bay) and Nilaveli are designated as Tourism Development Zones, and development proposals exist for a 1,750 room resort, but implementation is not expected in the

¹ The information about Tourism Development Areas and "Project Clusters" comes from the Sri Lanka Sustainable Tourism Development Project, Social Management Framework (SMF), Sri Lanka Tourism Development Authority, Ministry of Tourism, Sri Lanka, July 12, 2009.

near future. The Air Force currently maintains control over the Marble Bay area due to the security situation.

Tourism development began in Nilaveli in the 1970s with the construction of three hotels. Some investors also purchased beachfront properties but have not built any structures. A number of smaller guesthouses were also constructed, mainly along the Nilaveli road, catering to low-budget tourists. These hotels reportedly recorded 80% occupancy levels during the April to September season in the years before the conflict began in 1983.

During the ceasefire period 2002 – 2004, tourist visitation recovered and a number of small guesthouses opened to cater to this increase in demand. In December 2004, the tsunami destroyed the many hotels and tourism facilities, but most have been rebuilt and are currently in operation.

During discussions with the local industry leaders and government officials, there was strong consensus about the immediate need for a comprehensive master plan for the east coast, especially for sites with high development potential such as Nilaveli. There was agreement that haphazard, unplanned development of the Trincomalee area would not only be detrimental realizing the full sustainable development potential of the area including nearby resort sites like Nilaveli.

Table 6: Key Local Issues and Possible Actions - Trincomalee

	Issue	Actions
1	Lack of foreign and local visitation due to travel advisories and security concerns.	Develop the domestic market through events, trade fairs and focused marketing activities, including a website with reservation capability and a visitor center.
2	Local government services are inadequate (e.g., garbage collection, water supply).	Train hotel staff on waste management, reduction, and recycling, and design effective systems for garbage removal.
3	SMEs require capacity building and business training.	Develop a tourism standing committee in the Trincomalee Chamber of Commerce (TCC). Develop programs for SME training with TCC and other partners.
4	Lack of environmental certification programs and lack of enforcement of environmental safeguards are posing threats (e.g., Pier at Nilaveli beach).	Determine feasibility of establishing a Blue Flag Program for Nilaveli beach, for coordinated beach management and to serve as a prototype for the east coast. Develop environmental guidelines for construction and coastal development.
5	Lack of sustainable visitor management at key tourism sites (e.g., Pigeon Island).	Review and implement environmental management plan for Pigeon Island. Redevelopment of Kanniya Hot Springs area. Include a recreational marina in the area development plan.
6	Development of community ecotourism activities is lacking.	Work with operators and relevant agencies to develop birding, viewing elephants, whales and dolphins, diving, snorkeling and other activities. Arrange environmental awareness activities for local residents, especially women and children.
7	Lack of Hospitality skills to meet the anticipated investments in tourism.	Establish a hotel school in Trincomalee in land adjacent to the MDTD (estimated cost LKR 125 million). Seek out and develop English language training for local hotel and tourism staff.

Passikudah and Kalkudah Bays:

During the 1970s, Passikudah was developed as a tourist resort on a 210-acre government owned site. The planned capacity was 500 rooms and infrastructure (roads, water, electricity and telecommunications) were provided by the government at a nominal fee. Three hotels were constructed with a total of 171 rooms, and the resort operated until 1989, when it was closed due to

security reasons. During this period the area adjoining the resort began to be developed in an unplanned manner to service budget tourists and domestic travelers.

At present, this area offers stunning and pristine beaches that are practically untouched. The SLTDA owns 149 acres, which have been divided into 22 lots, of which 12 have been given out for private hotel development and has retained the balance for public facilities, roads, etc. Full details of the resort development can be found in the report, *Tourism Development in the Eastern Province of Sri Lanka – SLTDA (2009)*.

Table 7: Key Local Issues and Possible Actions – Passikudah/Kalkudah

	Issue	Action
1	SLTDA has a detailed resort development plan and plots have been leased to investors, but this plan needs to be related to other tourism development options.	Encourage development of a master plan and investment for the area, with full stakeholder participation and supply chain linkages involving SMEs.
2	Local youth require training to become employed in the new resort areas.	Formulate actions needed to address training needs.
3	The general public needs education and awareness on the benefits of tourism.	Undertake awareness building activities for local communities.
4	The water supply is not available for the resort area.	Identify sources and advocate for a strategy to provide water supply and meet other infrastructure requirements.

It is also widely recognized that in developing the East, steps must be taken to avoid the problems that have arisen in the south, such as beach boys, harassment of tourists, and unplanned development. It would be essential to involve the communities and empower them so the benefits from tourism can flow to local stakeholders and the tourism resource can be protected.

Arugam Bay

Arugam Bay, with six surfing points, is currently considered to be one of the top 10 surfing beaches in the world. The majority of tourist accommodations are low cost guesthouses designed for budget surfers, and are constructed very close to the beachfront. Tourists to Arugam Bay are estimated at 3,000 per year, and they are typically long stay tourists, between 14 days and one month.

Generally, hotels are running at around 25 - 55% occupancy during the surfing season (April to October) and between 8 - 35% during the off-season. There had been much NGO related activity post-tsunami, but this is now reduced, as most projects have been completed. The room rates are the same for foreigners and locals and range from USD 15 to USD 75 per day, but currently the highest standard of hotel in the area is charging about USD 50 on a room only basis. The main market is surfers from Australia, Japan, Europe, and other countries.

The main issue is access to Arugam Bay, as it is an 8-hour drive from Colombo and transfer by car costs approximately USD 170 one way. A quicker route is through a one hour flight from Colombo to an airport in Ampara, which is located two hours from Arugam Bay; however due to security concerns this airstrip is not currently operating.

The main beach in Arugam Bay is not ideal for general tourists, as a fishing village is located at one end of the bay and there are a number of boats parked on the beach. This situation also results in piles of garbage on the beach. In addition, the sea is fairly rough and not suitable for family swimming.

The private sector tourism operators are well organized and represented through the Arugam Bay Tourism Association (ABTA). There is a division between ABTA and other operators who originally formed the Arugam Bay Hotels Association (AHA), allegedly owing to a lack of transparency/communication on the part of ABTA and personality conflicts/competition with some members of the AHA. Discussions were held with both groups and the key issues appear to be common.

Other issues discussed with operators in Arugam Bay included:

- Need for promotion and marketing of Arugam Bay – printed materials and digital products for internet supported media such as *Facebook*;
- Development of an annual international surfing event;
- Lack of effective garbage collection for the hotels;
- Road widening of the main road to Panama is taking place in the middle of the tourism area; a bypass road should be developed instead;
- Need for basic visitor toilet facilities in the main beach areas/surf points;
- Training and capacity building in tourism for the public sector and general public;
- Standards and training of staff to improve the quality of hotels;
- Early warning and disaster management systems to be implemented;
- Development of proper medical facilities as the hospital is neither properly equipped nor staffed;
- Development and promotion of other cultural and natural sites for tourist visitation/ ecotourism;
 - Magul Maha Vihara
 - Lahugala and Kumana National Parks
 - Yala East National Park to the south of Arugam Bay
 - Okanda
 - Pottuvil and Arugam Bay lagoons
- Training for youth in English as well as cookery, front office and housekeeping;
- Development of local handicrafts for sale to tourists;
- Strengthening of ABTA and provision of new facilities when lease expires in 2011; and
- Post-tsunami, many small hotels that were not registered with SLTDA and did not have adequate insurance coverage were not provided any assistance to redevelop their hotels/guesthouses. These owners do not have access to finance to rebuild their properties and livelihoods.

Table 8: Key Local Issues and Possible Actions -- Arugam Bay

	Issue	Actions
1	Limited and inconsistent promotion and marketing of Arugam Bay as a destination.	Develop annual events, e.g., international surfing competition, including brochures, DVDs, and website, and provide information at Colombo airport.
2	Need for basic visitor facilities in the main beach and surf points.	Develop capacity of ABTA to access grants and other donor funding programs for toilet and sanitation facilities for areas such as Lahugala National Park and the five surf points.
3	Road widening/development through the tourism center presents safety threats.	Strengthen ABTA and build mechanism (Tourism Forum) for lobbying government on key issues. Need for a bypass.
4	Conflict between fishing and tourism communities on main beach area.	Work with fishing and tourism communities to develop a solution, particularly for transients.
5	Cultural and natural attractions have not been developed e.g., Magul Maha Vihara,	Develop products and visitor information in collaboration with SLTPB and ABTA-- e.g. visitor centre (for example at Pottuvil),

	Issue	Actions
	Lahugala, Kumana, Okanda, Pottuvil and Arugam Bay lagoons, handicrafts.	brochures, guide training, standards, and guidelines for new products.
6	Fresh agricultural produce is not locally available for hotels.	Link to other USAID/CORE program activities in the agricultural sector within the district.

Other recommended actions:

- Upgrade web site content and connect with national official sites operated under the Ministry of Tourism;
- Provide a temporary license before formally licensing tourist establishments;
- Encourage study tours by staff in Arugam Bay to the better developed tourist destinations in the south/west of Sri Lanka to enable networking and best practices;
- Register all businesses involved with equipment hire, etc. to ensure safety standards;
- Train hotel staff and local youth at a vocational level and in English language;
- Establish rest stops on the journey back to Colombo, e.g., Moneragala;
- Further develop local Arugam Bay beach roads.

3.3 North Central Province

Anuradhapura

Anuradhapura, the most extensive and important of the Sri Lankan ancient capitals going back to over 2,000 years, is one of the main tourist destinations in the North Central Province. Because of its large scale with sites spanning 2000 years of Sri Lankan history, it can be difficult for any visitor to comprehend and appreciate without assistance and onsite information. In addition, it is primarily visited as a pilgrimage site by domestic travelers. The Ruwanvelisaya was recently voted by Sri Lankans as one of the country's seven wonders. Many of these pilgrims do not stay in hotel accommodations, but are provided with various forms of free or low cost accommodation in temples, etc.

Key Issues

1. Foreign visitors spend limited time in Anuradhapura; few stay overnight

The main issue is the lack of tourists to the area. Tourists brought in by major tour operators may visit Anuradhapura for the day and stop over for lunch, but usually stay overnight in Dambulla or Sigiriya, where accommodation options are greater and the tour operators often have their own hotels. Travel advisories and local press coverage of the conflict has directly resulted in a fall in tourist visitation to the area. Guests to Anuradhapura hotels generally originate from either the Foreign Independent Traveler (FIT) or brought by smaller tour operators. Hotels appear to be surviving on basic functions and the local MICE market, and there is some business for local families during the school holiday period.

Possible Actions:

- Develop a plan for a visitor center using a private sector business model.
- Develop a range of accommodation options, as at present all accommodations facilities are at a relatively low level of around 1-3 stars.

- Encourage multi-day stays by developing suggested itineraries for visiting multiple sacred and archaeological sites in the Anuradhapura area.

2. Lack of information and interpretation for tourists

Lack of on-site information about the ancient sites is a weakness. There is no visitor center offering guide books or maps. The archaeological site is extensive and complex and needs to be interpreted for tourists. There are few signs, and most of those that exist are in the Sinhalese language only. Nor is there any useful internet-based information source that tourists can easily access when arriving in the area.

Possible Actions:

- Develop tour routes and interpretive visitor information including brochures, signs, and maps, and promote Anuradhapura as a key site within the cultural triangle. In addition there is a need for basic visitor facilities in the area visited by tourists (e.g., toilet facilities, refreshments).
- Tour operators should be trained in how to provide the best possible experience at the sites including what time of day to visit (e.g., as pujas can usually be observed in the evenings, and walking on heated flagstones during midday can be painful), appropriate dress for sacred sites, etc.

3. Lack of visitation to Anuradhapura by domestic tourists due to security concerns

Hotels are suffering from lack of occupancy with the local guest level falling from 33,354 in 2007 to 24,159 in 2008, and poor occupancy reported by hoteliers in the present season. Visitation rates and occupancies should improve with the end of hostilities. However, access to finance is likely to remain a main concern. Hotels have been unable to afford to upgrade their facilities given the low volume of tourists. There is the possibility of a vicious cycle: properties that have grown old or shabby and cannot deliver value or standards that meet guests' expectations may be unable to either borrow or earn the income needed to pay to refurbish and upgrade.

Possible Actions:

- Develop marketing activities, website, and generate positive local press, including promoting facilities for small scale meetings; and
- Ensure accuracy of press coverage of incidents of conflict in the area.

4. Lack of trained guides and knowledge of sites by hotel staff

The hotels appear to hire between 50 – 75% of their staff from the local area, however training at all levels is needed, including English language. The hotels in the area organized a joint training exercise for existing staff and a one day session on the sites in Anuradhapura.

Possible Actions:

- Develop training programs for staff and guides at the archaeological site;
- Provide training and capacity building for staff at all levels to improve quality of service quality; and
- Offer English language training.

Other recommended actions:

- The perception that Anuradhapura is mainly a pilgrimage site needs to be addressed to encourage more tourist visitation to the historical and archaeological sites;
- There is a need for an empowered local tourism association to be developed as a “bottom up” initiative;
- Local handicrafts should be developed for sale to tourists;
- As large tour operators own hotels, action should be taken to develop business from smaller operators and FIT travelers and encourage tourists to spend more time at sites. However, as the site is not centrally located for tourists to the cultural triangle, many often use Dambulla or Sigiriya as a base and take day excursions;
- Vendors and beggars need to be managed; and
- Road signage is required to enable easier navigation of the Sacred City area.

3.4 Uva Province

Monaragala

Monaragala falls within the USAID/CORE Program focus areas; however, this report has not delved deeply into its potential for tourism development. At least in the near-term that potential appears limited in comparison to the other post-conflict areas. There are some smaller archeological sites in the area, interesting topography, waterfalls and wildlife parks, but no coastal shoreline. Because it is one corridor for traveling over land to Arugam Bay that offers some interesting “stopover” options for visitors traveling by vehicle.

3.5 Cross-Cutting Issues

Through the discussions at various forums, a need was identified for the provincial and local government to receive immediate capacity building assistance in tourism planning and development. Decisions and actions regarding development of tourism in the east are already being made and government officers need to be in a position to make informed decisions.

Table 9: Cross-cutting Issues and Possible Actions – Eastern, North Central & Uva Provinces

	Issues	Action
1	Small firms and entrepreneurs need assistance to access markets and financial resources (grants, loans, equity).	Develop “ <i>Voluntourism</i> ” and Diaspora product clubs or clusters under SLTPM’s Social Responsibility marketing initiative.
2	Youth unemployment, declining foreign employment, staff upgrading, language capability and other human resource deficits.	Formulate a human resource development strategy using USAID Tourism Workforce Tool Kit, including resources of the SLITHM & Management Development Training Department of EPC and private sector hotel operators.
3	For the near term, the domestic market is the best option for the post conflict areas, but profile data on Sri Lanka tourists are out-dated or non-existent.	Organize domestic market focus groups to identify travel needs/wants of domestic tourists given the new era of peace and travel opportunities.

4	Decentralization policies are under discussion, but linking national standards policies with the local level government and private sector initiatives will be a challenge.	Cooperate with SLTDA's efforts under its Sustainable Tourism Development Project, which aims to improve the efficacy and efficiency of the institutional framework by devolving the powers of the SLTDA at the center to the provinces. STDP focuses in particular on infrastructure needs in the east. For more information visit SLTDA website on the project. http://www.slt-da.lk/sustainable_tourism_project
5	Need to create awareness and stakeholder support for tourism at the national level.	Support SLTDA and SLTPB efforts.
6	Traditional events discontinued during conflict— e.g., surfing contests.	Renew support for sporting and heritage events as SLTB and SLTDA have done since the end of hostilities supporting Arugam Bay Surfing, Nallur and other festivals in 2009.

Other recommended actions:

- Develop student exchange programs for tourism-related students; and
- Network between operators in Northern, Eastern, Southern, Western and Central provinces should be encouraged. Residential workshops can be arranged in the south through ASMET and BPA.

3.6 Investment Plans in the East

At least two of Sri Lanka's leading island hoteliers already own and operate the few rooms available in Trincomalee and other post-conflict zones. They report that plans are underway to refurbish, upgrade, and expand these properties to a small extent. There are also other owners of undeveloped land in the area purchased from the Sri Lanka Tourism Board decades ago. Purchasers were unwilling to develop the land while the threat of having to deal with the LTTE hung over their heads. However, discussions with these and other hoteliers did not uncover any immediate plans for major new investments/building in the Eastern Province. Their first priorities, in most cases will be to restore and upgrade existing properties elsewhere in Sri Lanka to take advantage of the immediate prospects for better occupancies. Owners have shown remarkable resilience, innovation and discipline to have survived the tough times of recent years, and this is their first opportunity to restore the physical and financial conditions of their existing enterprises. However, owners are also likely to be thinking and planning strategically to expand in the east as soon as practical. An incentive scheme targeted to creating jobs sooner rather than later in post-conflict areas might accelerate plans to invest. Furthermore, several investors who have been allocated lands in the SLTDA tourist resort area in Passikudah plan to begin developing properties once adequate infrastructure services are in place.

3.7 Social Transformation Challenge

The communities living in the East, North Central, and Uva provinces (approximately 1.5 million persons) are made up of families whose livelihoods come from working mainly in agriculture, livestock breeding, and fisheries. Three decades of conflict combined with the tsunami of 2004 have taken a toll and left them arguably in a worse condition than many equally poor communities.

Developing a major tourism resort anywhere among these communities will be the equivalent of a major social transformation – on a scale that makes the infrastructure challenges look relatively easy. For tourism to succeed in these areas, the people in these communities have to be “prepared” with even more care and attention than planners will devote to the physical sites. A

brief sociographic profile of the communities living near the three priority Eastern Province sites can be found in Sri Lanka Sustainable Tourism Development Project, Social Management Framework (SMF), Sri Lanka Tourism Development Authority, Ministry of Tourism, Sri Lanka, July 12, 2009. A good description of the indigenous workforce is available in the *Workforce Development Strategy* prepared by the USAID/CORE project.

Project planners and champions will have to take this social situation into account and find ways to involve, uplift, and integrate these communities into the development process, sharing education and employment opportunities and other benefits generated by development. The SLTDA as part of its “Sustainable Tourism Development Project” has commissioned studies in partnership with the World Bank that will produce guidelines for assessment and managing both the social and environmental impact of tourism development so that optimum benefits are achieved.

3.8 SWOT Analyses

As promising as prospects are for tourism development in Sri Lanka, realists will recognize there are major challenges to overcome and threats to be avoided or dealt with. The authors of this report undertook to carry out two separate analyses of the strengths, weaknesses, threats and opportunities (SWOT) analyses. The first focuses on tourism in general to Sri Lanka – to its already established destinations. The second analysis looks more specifically at the strengths, weaknesses, opportunities and threats that tourism developers and operators can expect to face in deciding to invest in major scale resort tourism at destinations in the Eastern Province. These two analyses are presented in Appendix E.

4. Strategic Directions: The Way Forward

Sri Lanka has been an extraordinary experience for travelers for centuries. The prolonged conflict that stunted the growth of the tourism industry for three decades has been eliminated. The nation is now free and prepared to reclaim the island's rightful status as one of the most celebrated destinations in history.

The tourism industry has set the country and the industry the goal of increasing tourism arrivals to 2 million by 2016. That will be a quadrupling of Sri Lanka's current tourist volumes. The change will require major investments and will have major impacts on the nation's economy. SLTDA's website for Sri Lanka tourism explains the President's vision and commitment to tourism development.

Tourism is a vital area in the Government's Policy Framework. It has been identified as capable of driving the country's socio-economic development. The program's vision for the tourism sector is to make Sri Lanka the foremost leisure destination in the South Asia Region. The program believes the human resources, natural and cultural endowments, values and ethos will be fundamental to transforming Sri Lanka into a center of excellence and offer tourists the highest values of authentic experiences in a unique setting.

The key objectives include:

1. Achieve 2.0 million tourist arrivals by 2016;
2. Target upscale Free Independent Travelers (FITS) who are comparatively high spenders;
3. Make tourism Sri Lanka's third largest foreign exchange earner; and
4. Transform tourism to be the fastest job creator to help reduce unemployment.²

Growth of this magnitude implies building at least 15,000 new hotel rooms, which implies in turn major investments in resort development at new locations. The SLTDA website mentions Arugam Bay, Hambantota, Kalpitiya, Dedduwa, Galle, Panama and Negombo as sites the government has earmarked for development. In addition, the SLTDA reports having started a process to fast track development in the liberated areas of Passikudah, Trincomalee, Nilaveli, Waakarai, Verugai, and Kalkudah.

Not just the champions of tourism but the rank and file workers throughout the sector and many of Sri Lanka's ordinary citizens are preparing for a future where tourism becomes a far larger part of the economy than it has been until now. These champions see more than just the economic value of tourism. They know that tourism can be a force for peace, prosperity conservation and preservation and the celebration of diversity.

² SLTDA Website, Our Commitment, Mahinda Chintana; <http://www.sltda.lk/node/184>

4.1 Tourism Sector – Overall Challenges

For Sri Lanka to ramp up to the momentum it will need to quadruple tourist arrivals it must contend with a number of challenges. Most of these have been identified and discussed in this report elsewhere, but there are two that bear mentioning again even though they clash with the overall sense of optimism pervading the tourist sector. The first challenge that Sri Lanka tourism will have to contend with is the legacy of negative images from the past and lingering doubts that the security situation might deteriorate yet again. Sri Lanka will be able to banish those images and doubts by replacing them with months and years of images showing progress toward peace, law and order, stability and economic recovery and prosperity. There will also be the testimony of happy tourists returning to their homes from Sri Lanka.

Sri Lanka tourism is today free from the debilitating threat of organized violence that has plagued it for more than thirty years. Travel advisories in source countries warning of dangers related to the conflict with the LTTE will soon become a relic of the past. But for the first waves of tourists arriving on the island since June were still confronted with the sight of heavily armed soldiers in fatigues at the airport, throughout the capital city and at checkpoints on their tours throughout the country. This sight may have been reassuring to some travelers. No one can deny the need for added caution and security in the immediate aftermath of long and hard-fought conflict. But neither can anyone argue that the sight of so many armed soldiers enhances Sri Lanka's desired "Brand Image" as a land of peace, tranquility, health, calm and well being, welcoming its visitors. The vision for tourism growth must also include a plan for de-escalation of the military presence – at the very least the overt, widespread, and highly visible presence.

The other challenge that Sri Lanka will face in trying to ramp up its tourism growth is the global economic crisis, which threatens to be more widespread, deeper, and more persistent than anything experienced in the last 50 years. Fortunately Sri Lanka is located very close to India and the countries of the Persian Gulf and not too far from China and the relatively strong economies of South East Asia. Growth in these economies may slow, but it is unlikely to turn as negative as it has in the EU and the U.S. India and China also appear to be recovering sooner than other nations from the global recession, a trend that tourism promotion strategies should take into consideration.

In summary, Sri Lankans can expect major public and private investment in new tourism resorts including locations on the East Coast within the next 2-5 years as long as: (1) peace, law and order are maintained; (2) infrastructure problems, including better and faster access (air transport) are solved; and (3) adequate planning and supervision efforts are in place to ensure sustainable development. The government and the private sector are already focused on developing strategies and marshalling resources to meet the challenges and launch the development process. The partnership between the public private sector champions of tourism, that has served Sri Lanka so well through times of difficulty, will now set to work on turning long postponed dreams into reality. Recognizing the importance of that collaborative approach, many of the recommendations below are addressed to both the government and the private sector, suggesting policies and initiatives that will help accelerate tourism growth by enhancing the tourism experience for visitors while improving the benefits for Sri Lankans.

- Government's first priority should be to ensure and preserve the hard-won environment of peace and positive hopes for the future.
- The private sector and government should continue their exemplary partnership of working together to develop tourism to the country.

- “Tourism Promotion” campaigns should include India, China and the Middle East as well as more traditional markets.
- Both the public and private sector should increase investment in training staff for a much larger future hospitality industry in Sri Lanka, including more language training.
- The government should take the opportunity to de-escalate the scale of visible armed military presence as soon as practical.
- The government should authorize resumption of domestic civil aviation and competition.
- The SLR should add international quality tourism coaches and services to Sri Lanka’s Railways.
- The private and public sector should invite and encourage international tourism operators to come to Sri Lanka.
- The government should offer special import advantages and tax incentives to investors who create jobs in the post conflict areas.
- The industry should use public-private partnerships as opportunities to attract private sector investment and professional management for selected national parks and cultural zones in Sri Lanka.
- The industry should prepare to invite and partner with international tourism development investors who adhere to the principles of sustainable tourism development. They will add resources, experience, and “attraction” power to Sri Lanka’s own efforts, helping to achieve development goals sooner.

4.2 Tourism Development in Post Conflict Regions

Several locations in the post conflict regions of Sri Lanka have the potential to become major Sri Lankan tourist destinations with well-developed product offerings and greatly improved access for both domestic and international tourists.

No country or economy can afford to do everything at once and do it well. The priority need for tourism as a sector is to solidify recovery at existing properties and create a positive cash flow that can be used to build new properties on the east coast and elsewhere. This will be a challenge enough in today’s depressed economic climate. Development in the east will take time in any case because of requirements for proper planning and major infrastructure investments. Too long a wait, however, means fewer jobs and higher unemployment in fragile post-conflict regions. Inaction for too long can threaten stability, law and order and therefore, future tourism development. So there is every reason to proceed as soon as possible with tourism development investments that are sound, that can create jobs and do not detract from longer term development potential of the destination.

4.3 Strategies for Developing Tourism in Post Conflict Regions

The following recommendations focus on challenges facing large scale tourism development in post-conflict areas in general and the east coast in particular.

- 1) The Government of Sri Lanka (GOSL) and the private sector need to jointly agree upon and support development of a framework for creating definitive development standards and plans and a working system of approval authority that can guide, regulate and expedite development in the priority areas in the Eastern and North Central provinces. Donor assistance, such as has been pioneered under SLTDA's "Sustainable Development Project" with the World Bank, would be helpful for this purpose.
- 2) The GOSL has already earmarked a significant amount of donor funding (USD 300 million from ADB alone) for infrastructure development in the north and east regions of Sri Lanka. New infrastructure projects should be designed with an eye toward the future, specifically toward attracting and supporting future private sector investment in lodging, restaurants and other facilities for both domestic and international tourism
- 3) The GOSL should offer time-bound investment incentives for tourism investments made in the east and north that generate employment and income earning opportunities for area residents.
- 4) The GOSL and the private sector need to expand and upgrade effective training programs for young people attracted to careers in the hospitality sector. Young people from the Eastern and North Central Provinces need to be included in this training.
- 5) The GOSL should continue its process of removing restrictions on domestic civil aviation and allow private sector involvement in investment and operations of airports and air transport services.
- 6) Choose a single tourism cluster destination – as a pilot project - to work through the processes and challenges of implementing the principles of Sustainable Tourism Development as well as the process of clarifying roles and responsibilities between SLTDA and the provincial government. The authors of this report recommend choosing Trincomalee/Nilaveli/Uppuveli as the pilot project tourism cluster.
- 7) The GOSL and private sector should consult with tourism development agencies in other countries such as Mexico, Costa Rica, Thailand, and Malaysia about their experience with major resort projects – including optimum timing for developing multiple resort projects.
- 8) The GOSL should use the vehicle of public-private partnership contracts to attract private sector investment into the construction and operation of infrastructure projects needed to support tourism development in post-conflict areas.
- 9) The GOSL should examine the feasibility of an upgraded domestic airport near Trincomalee in the near future; using a design that can be upgraded again in a few years to accommodate international jets.

4.4 First Steps Forward - Recommendations with Immediate Impact

Many of the recommendations listed above can be started immediately, but they are unlikely to have a tangible impact on employment and income generation in former conflict zones within the next 6 to 19 months. The seven initiatives that follow are capable of generating small but important tangible impacts within target communities while also contributing to the longer-term prospect for tourism development.

- 1) The GOSL, working with the private sector, should create a fast track approval channel combined with incentive for investors that refurbish and expand hotel facilities in post-conflict areas such as Trincomalee. Room quality and capacity need to be improved to meet the demands of domestic tourism as well as the first wave of more adventure-minded expatriate tourists. These should be projects that can be undertaken in the near-term without a major impact on the longer-term planning efforts and goals for sustainable development.
- 2) The GOSL and the private sector should support and invest in events that encourage domestic tourists to visit attractions in the liberated, newly accessible areas of the country. SLTDA and SLTPB have already embraced and implemented this strategy, with notable success. It simply needs to be encouraged, continued and expanded.
- 3) The GOSL and the private sector should encourage and invest in tourist attractions/activities that SMEs can provide (water sports, guided tours, adventure hikes, cultural tours in vehicles or walking; night events). There is a dearth of such activities on the east coast because of the low volume of visitors. However, one or two SMEs could start-up and operate successfully with only a modest volume of tourist interest. They would have a head start as tourism volumes grow, and the area would have attractions to offer visitors interested in staying in the few available facilities.
- 4) The private sector should partner with “Voluntourism” associations and networks in the U.S. or elsewhere. “Voluntourists” are volunteers who will come to Sri Lanka for short periods willing to work with communities on development projects in the post-conflict areas, including helping with training in English and basic skills. The GOSL can support this effort with fast-track visa approvals for example.
- 5) Private sector hotel chains with training programs should advertise and recruit young people from the north and east for training and internships with hotel chains that currently have working properties elsewhere in Sri Lanka. Training in general was recommendation (4) above, but the emphasis here is on the need for an immediate, even if small scale, effort to offer this type of training to young people in post-conflict zones. The GOSL and NGOs should encourage such training and internships with incentives.
- 6) The GOSL and the private sector should sponsor awareness events and surveys of community leaders and average citizens in the post-conflict areas about their attitudes toward tourism and tourism development.
- 7) The industry should “position” and promote the east coast as an unspoiled, eco-friendly beachfront destination with adventure opportunities and cultural assets close at hand; tie the Cultural Triangle, wildlife parks, and east coast beaches together into an integrated offering.

5. Recommended Interventions for the USAID/CORE Project

This section contains recommendations for interventions that the USAID/CORE project could undertake and that offer promise of having the desired impact in the post-conflict areas based on the findings of the tourism sector assessment concerning probable private and public tourism sector investments and activities for 2009 and 2010. In general, it makes sense for USAID/CORE to concentrate resources on efforts to help in the areas of (a) training and internships in the tourism and hospitality professions and (b) fostering community understanding and participation in tourism planning activities. Possible interventions include:

1. Training and Internships:

Both the private and public sector has expressed strong interest in expanding training programs and internships in tourism in the near term. USAID/CORE can design and offer an incentive or cost-sharing program with island hotel chains (or training institutions) that operate their own hospitality sector training programs and internship programs.

2. Community Capacity Building:

USAID/CORE can play a catalytic role in introducing local communities into the planning process for tourism development. With workshops, forums, and assistance in setting up secretariats, USAID/CORE can help local communities and interested investors to create Destination Management Organizations (DMOs) – responsible for promoting a destination and coordinating efforts of various tourism-related businesses.

3. Voluntourism:

USAID/CORE can identify and facilitate local partnerships to develop “assignments” for voluntourists who will come to destinations in the Eastern and North Central provinces to provide:

- a. English language training;
- b. Training of local guides at wildlife parks or cultural heritage sites; and
- c. Capacity building programs in partnership with hotel operators in Trincomalee, Habarana, and Arugam Bay.

This activity could be closely coordinated with the USAID VEGA (Volunteers for Economic Growth Alliance) program, recently funded by the USAID mission in Sri Lanka.

4. Certification programs for high-potential areas:

Although major investments in this area may be premature, USAID/CORE could take the first steps toward introducing and linking local stakeholders and future development entities with the agencies whose certification will help attract tourists in future years. Practically speaking, initiating efforts to understand the specifics of an international certification program will help to ensure that basic standards such as water and sewage treatment are taken fully into account by planning programs and tourism development authorities. This activity could also be part of the USAID/CORE outreach to local communities and DMO whose understanding and support is needed to avoid popular opposition and to propel tourism development in the right direction.

5. User-friendly tourism guides, walking maps and signage:

USAID/CORE could identify a partner willing to locate and design these products with teams of young people from the North Central and Eastern provinces. USAID/CORE can cost share a project to produce better signage for attractions in the Cultural Triangle and develop improved guide maps

and narratives. These activities should also include guide training. The project can generate local employment for photographers, graphic designers, and translators. This project could also include “Voluntourists”, but it needs local professionals deployed by the USAID/CORE Program. Possible partners include local advertising agencies who are affiliates of U.S. firms (e.g., JWT or Leo Burnett). This is also a possible Global Development Alliance opportunity project.

6. Tourism Studies and Surveys:

The industry needs research on local tourism demand for hotel room nights along the east coast. Such research will facilitate investment in lodging in these areas. USAID/CORE could provide a grant or subcontract to a firm for such studies using local personnel for interviews, surveys and enumeration work. Also very little is known about how the local communities in the priority areas feel about tourism. Sponsoring attitude surveys of the local population will create an income earning opportunity for some young people and generate useful “baseline” information about attitudes toward and opinions about tourism. The survey information will be very helpful in planning the social outreach programs and impact management programs that will be a necessary part of any tourism development located in the heart of these communities.

Appendix A: Government Agencies for Tourism Development

This appendix provides an introduction to the various Sri Lankan government agencies and authorities that a tourism development project would have to consult and comply with for direction, standards, permits and assistance. In addition to central government agencies, there are provincial and local government agencies. The Ministry of Tourism and the Board of Investments both offer assistance to project investors in meeting and complying with requirements at the various levels of government.

Central Government

The Ministry of Tourism

The Tourism Ministry is responsible for national policymaking and development of the sector with the Sri Lanka Tourist Board acting as its primary implementing agency up until late 2007 when it underwent significant restructuring. The Tourism Act no.38 of 2005, with effect from 1st October 2007, established four organizations to manage the development of the industry with a common vision, “To establish Sri Lanka as Asia’s most treasured island, highlighting its beautiful beaches, warm and friendly people, with a strong nature, culture and adventure offering, raising its profile to that of an Asian tourism icon”. They are the Sri Lanka Tourism Development Authority (SLTDA), the Sri Lanka Tourism Promotions Bureau (SLTPB), the Sri Lanka Institute of Tourism and Hotel Management (SLITHM) and the Sri Lanka Convention Bureau (SLCB). Each is directed by a board of representatives from the public and private sectors to promote an integrated approach to tourism development in Sri Lanka. The restructuring took place in response to a need to bring private sector participation and funds into the tourism sector implementing structure. The Act instituted a levy of one percent on all businesses registered with the SLTDA and allocated one-third of the embarkation levy collected by the Civil Aviation Authority (CAA) to form a Tourism Development Fund for tourism initiatives undertaken by all four boards, independent of the Treasury. The total TDF in 2008 was LKR 1,083.2 million, with LKR 738.8 million from the Embarkation Levy and LKR 344.4 million from the Tourism Development Levy. The TDF is disbursed by the SLTDA to the four institutions as follows with the largest portion going to SLTPB, tasked with destination promotion:

• Sri Lanka Tourism Promotion Bureau	70%
• Sri Lanka Institute of Tourism and Hotel Management	12%
• Sri Lanka Tourism Development Authority	14%
• Sri Lanka Convention Bureau	4%

The Act was also instrumental in the establishment of a Tourism Advisory Committee and a Cabinet approved Commissioner for Tourism Administration to review and resolve industry disputes.

Sri Lanka Tourism Development Authority (SLTDA)

The SLTDA is responsible for developing the country as a tourist and travel destination at national and international levels. To do so, it sets long term goals for tourist development and develops four-year plans for the sector subject to Cabinet approval. The SLTDA also owns land in the Eastern Province, mainly in Trincomalee and Passikudah, with some leased to private companies for product development. By the Tourism Development Act No. 14 of 1968, the SLTDA, formerly “Tourist Board”, is the sole authority in processing and approving Tourism related development projects. This authority however is also part of the central government’s plans for devolution to the provinces.

SLTDA is also at the forefront of efforts to clarify and structure responsibilities of tourism development given the devolution of some functions to the provincial level governments. Clarity on that issue is one of the goals of the “Sri Lanka Sustainable Tourism Development Project” funded by the World Bank and implemented by SLTDA. SLTDA’s websites www.slttda.gov.lk/new_product_development and www.slttda.gov.lk/private_sector_funded_project presents a very good introduction on the development and approval process for new private sector funded tourism projects.

Sri Lanka Tourism Promotion Bureau (SLTPB)

The SLTPB is responsible for local and international marketing and promotion of Sri Lanka, in consultation with the SLTDA. It recently engaged in a rebranding exercise for Sri Lanka as the “Small Miracle” with promotional activities to be initiated in June 2009. SLTPB is yet to develop a comprehensive marketing strategy specifically aimed at promoting the Eastern Province. However several smaller scale activities were initiated and or are planned for 2009—a familiarization tour to the east coast was arranged in early 2009 for over 50 participants, including local tour operators, journalists, and media personnel. As a result it is in the process of developing a set of brochures highlighting tourist attractions from Trincomalee to Arugam Bay and several programs for local television broadcast. Another is planned in June 2009 with a UNESCO expert to help highlight archaeological attractions of the east. SLTPB also has plans for an international surfing competition in July in Arugam Bay, a sought after destination by surfing enthusiasts.

Sri Lanka Institute of Tourism and Hotel Management (SLITHM)

The government owned SLITHM is the largest tourism training institute in the country. Based in Colombo, it operates satellite schools in Kandy, Anuradhapura and Matara. It currently trains approximately 800 graduates annually with courses running from a 5-month craft level, 6-month intermediate and 3-month advanced level to a 3-year Diploma in Hospitality Management. The SLITHM also undertakes guide training courses. Discussions with the private sector indicate a review and revision of the current operating model of SLITHM to better meet the quality requirements of private tourism companies. Discussions also suggest a shortage of qualified hotel professionals and skilled staff which could be potentially met by building the hospitality management training capacity in the east. The government has plans to establish a hotel school in Trincomalee or Batticaloa to service the Province, if undertaken it will not only help cater to existing demand in the region but will also offer employment opportunities for youth to effectively integrate into the social and economic mainstream.

Sri Lanka Convention Bureau (SLCB)

The role of the SLCB is to develop the Meetings, Incentive, Conference and Exhibitions (MICE) market in Sri Lanka. It licenses MICE service providers, develops best practices and applies professional standards to the sector.

Provincial Government

The regional institutional framework is particularly relevant for the sustainability of the tourism sector as it hinges on the effective management of key tourism resources at the regional level. Currently discussions are underway to devolve authority and certain functions from the central to the provincial government level including the capacity building required in order for it to take place seamlessly.

Provincial Councils (PCs)

The 13th Amendment to the Constitution of Sri Lanka 1987 provides for the establishment of PCs with executive powers to the Governor, and legislative powers to the Provincial Council. Its purpose was to devolve political and administrative decision making authority from the central government to the regional level. There are nine provinces in Sri Lanka. Provincial Councils operate as autonomous bodies and do not come under the authority of a Ministry. A PC can exercise power in regard to the subjects in the concurrent list. Tourism is on the concurrent list. Prior to implementing a statute the PC should seek Parliamentary opinion on the provisions contained though not bound to give effect to such opinion expressed. Similarly, where Parliament desires to pass an Act on a subject in the concurrent list it can do so provided it consults the Provincial Councils about the provisions of such Act. Here again, it is not mandatory for Parliament to give effect to the opinions expressed by the Provincial Councils. A PC is comprised of elected members with a Governor appointed by the President. Its key responsibilities are (a) passing statutes on devolved subjects, (b) approving annual financial statements submitted by the Governor, and (c) approving proposals relevant to the Province. Under the PC is a five member board of Ministers headed by a Chief Minister also appointed by the President. Under this structure sit the Municipal Councils (MC), Urban Councils (UC), and Pradeshiya Sabha (PS). The Pradeshiya Sabha is the elected local government body immediately responsible for issuing building permits and other such approvals. It functions as an independent unit under the supervision and direction of the PC. Each PC has a Provincial Fund allocation from the national budget for work to be undertaken in their respective provinces. Additional revenue is obtained from devolved sources such as a business turnover tax, excise duties, motor licensing fees, stamp duties and court fines. Necessary funds are allocated from the PC budget to the MC, UC and PS to provide services such as garbage collection.

Eastern Provincial Council (EPC)

The EPC has concurrent responsibilities in tourism development. As described above the EPC can develop its tourism activities in line with national tourism policy and planning documents. As such, the EPC has responsibility for regional tourism policy, master planning and development control, design and implementation of action plans and can undertake regional promotion activities. As the main tourism development body in the Province its capacity to conduct such activities will be imperative to attract and facilitate development work at this level. The SLTDA is currently examining effective models to devolve certain responsibilities and authority to the regions. A review of the current situation, particularly in regard to licensing and registration of tourism service providers, is to be undertaken shortly with the aim of developing such a model, with the support of the World Bank Sustainable Tourism Development Project. In addition the recently set up Southern Province Tourism Bureau offers a potential model that could be adapted for replication in the Eastern Province.

Other National Government Agencies

The tourism sector interfaces with a number of other government institutions particularly in the area of granting approvals for new projects. Their level of involvement depends on the location, scale and nature of the investment. They include the Urban Development Authority (UDA), the Central Environment Authority, the Department of Wildlife Conservation, the Forestry Department and the Coast Conservation Department. UDA approval is routinely required for all projects as the law specifies that any project within a 1,000 km radius of a town or village requires a UDA approval. The conditions pertaining to other agency approvals are detailed in the following sections. Presently such approvals are coordinated through the SLTDA at a project review meeting with the attendance of all relevant agencies where the necessary forms are submitted on behalf of the investor.

Central Environment Authority (CEA)

The CEA was established in August 1981 with the objective of integrating environmental considerations in the development process of the country and falls under the Ministry of Environment and Natural Resources (ME&NR). All applications for environmental site clearance for tourism development and recreational activities have to be approved by the CEA. CEA approval has to be obtained when constructing hotels or holiday resorts or projects with residential facilities exceeding 99 rooms or 40 hectares or requiring the following:

- Reclamation of land, wetland area exceeding 4 hectares;
- Extraction of timber covering land area exceeding 5 hectares;
- Conversion of a forest covering an area exceeding one hectare into non-forest use; or
- Clearing of a land area exceeding 50 hectares.

Projects in this category require an Initial Environmental Examination (IEE) or a more stringent Environmental Impact Assessment (EIA) prior to approval being granted. If the project is located wholly or partly within an environmentally sensitive area irrespective of scale and whether or not the project is located in the coastal zone, approval of the CEA is required. Environmentally sensitive areas are (Part III of the Gazette Extra – Ordinary No. 772/22 of 24th June 1993):

- 100m from the boundaries of or within any area declared under the National Heritage Wilderness Act No. 4 of 1988;
- 100m from the boundaries of or within any area declared under the Forest Ordinance (Chapter 451);
- Coastal Zone as defined in the Coast Conservation Act No. 57 of 1981;
- Any erodible area declared under the Soil Conservation Act (Chapter 450);
- Any Flood Area declared under the Flood Protection Ordinance (Chapter 449);
- Any flood protection area declared under the Sri Lanka Land Reclamation and Development Corporation Act No. 15 of 1968 as amended by Act No. 52 of 1982;
- 60 meters from the bank of a public stream as defined in the Crown Lands Ordinance (Chapter 454) and having width of more than 25 meters at any point of its course;
- Any reservations beyond the full supply level of a reservoir;
- Any archaeological reserve, ancient or protected monument as defined or declared under the Antiquities Ordinance (Chapter 188);
- Any area declared under the Botanic Gardens Ordinance (Chapter 446);
- Within 100 meters from the boundaries of, or within, any area declared as a Sanctuary under the Fauna and Flora Protection Ordinance (Chapter 469);
- 100 meters from the high flood level contour of or within, a public lake as defined in the Crown Lands Ordinance (Chapter 454) including those declared under section 71 of the said Ordinance; or
- Within a distance of one mile of the boundary of a National Reserve declared under the fauna and Flora Protection Ordinance.

For hotel projects that do not fall into these categories SLTDA has to seek CEA recommendations and incorporate them into its own permits. Further, tourism developers are required to apply for an Environmental Protection License (EPL) one month prior to starting operations. For projects with less than 20 rooms the EPL is issued by the relevant local authority, while the EPL for those exceeding 20 rooms is issued by the CEA.

Coast Conservation Department (CCD)

Projects to be located within the coastal zone require a permit from the CCD. Approval is required for any construction within a stated distance of the beach or coastline. An advisory committee at

the CCD, which includes the Secretary to the Ministry of Tourism, is empowered to decide on variations--e.g., building setbacks. Following the tsunami the coastal setbacks were increased to a minimum of 300 meters from the beach vegetation line but were subsequently revised to vary from location to location. In the case of Arugam Bay the setback was reduced to 50 meters to permit the rebuilding of pre-tsunami hotels.

Department of Archaeology (DOA)

The DOA functions as national apex body for the better management of archaeological heritage sites, monuments and antiquities of prehistoric and historic periods which have archaeological importance, within Sri Lanka and its territorial waters. It also conducts research on these sites and publishes data for public awareness. Sri Lanka's archaeological heritage comprises several hundred thousand sites, monuments and movable antiquities. Formulation of a National Archaeological Policy and streamlining of the present operational structure of the Department will enable better management of this heritage.

Central Cultural Fund (CCF)

The CCF is separate from the DOA and carries out archaeological conservation work supported by foreign funds and UNESCO assistance. It conducts conservation work at five sites within the Cultural Triangle, all of which are World Heritage sites, including Sigiriya, Polonnaruwa, Jetawana and Abhayagiri monastic complexes in Anuradhapura under the authorization of DOA. The area formed by connecting the ancient capitals of Anuradhapura, Polonnaruwa and Kandy, with Sigiriya in the center, is called the Cultural Triangle of Sri Lanka. The area contains places of worship, palaces, halls of learning, and other historic buildings. This triangle is a key tourism resource and is a key part of the round trip tourism offering of beach and culture. The Cultural Triangle Program of the CCF was conceived as a multifaceted cultural program to achieve economic progress through conservation of monuments, the preservation of the performing arts, and the development of cultural tourism. Its Director General sits on the SLTDA Board by invitation. Revenue from sales of tourist tickets for entrance to the CCF sites is shared between the DOA/CCF.

Department of Wildlife Conservation (DWLC)

The DWLC operates under the authority of the Ministry of Environment and manages all areas that fall under the Fauna and Flora Protection Ordinance, no.2 of 1937. Its approval is required if a project is within a stated distance of the boundary of a protected area under its management.

Forest Department (FD)

The FD operates under the authority of the Ministry of Environment and manages all areas that fall under the Forest Ordinance of 1907, which provides for the declaration of national reserves and sanctuaries and protection of fauna and flora. Its approval is required if a project is within a set distance of the established boundary of a protected area under its management. Together with the DWLC, FD is responsible for the management of the protected area network of Sri Lanka.

Urban Development Authority of Sri Lanka (UDA)

The UDA is a multi-disciplinary organization engaged in urban planning and sustainable urban development in Sri Lanka. All tourism projects require a UDA clearance, which is issued only once all other approvals are in place. UDA's main function and areas of authority are:

- Formulation of policies, programs and projects related to Physical Planning and Urban Development and provision of assistance for implementation of such programs and projects;

- Sacred area planning and development;
- Urban redevelopment;
- Drainage improvement and settlement development in Lunawa Catchments:
 - Assist Urban Local Authorities to improve urban Infrastructure facilities and housing,
 - Assist Urban Local Authorities to establish good, and
 - Urban governance facilities;
- Provision of public utility services to under-served settlements;
- Environmental Improvement in Colombo Metropolitan Area;
- Urban Renewal; and
- Provision of water supply and hygiene education services in rural areas.

Other Government Agencies

Given that tourism is a major investment that creates temporary residents within a country it goes without saying that tourism investors and operators will inevitably deal with the government agencies responsible for health and safety of their citizens and guests visiting the country. In addition to the agencies listed above lodging and tourism operators should expect to interact with the police and health agencies, Ministries of Road and Highways, Power, Civil Aviation, Transportation and Railways, Ministry of Communications and even the Ministry of Defense.

Appendix B: Private Sector Associations for Tourism Development

Private Sector Associations

Tourist Hotels Association of Sri Lanka (THASL)

THASL was established in 1965 and currently has membership of 140 companies that own at least one hotel property. THASL recently lobbied government for a loan moratorium and other measures to assist businesses through the immediate economic crisis. Its current industry priorities include: implementation of alternate energy conservation and sustainability, best practices in hotels, a tourism satellite accounting system to quantify the overall economic contribution of the sector, development of an outsourcing model for services (e.g., laundry, bakery etc), provision of industry training, creation of a positive public awareness of tourism, and support for regional tourism development plans for new and existing tourism areas to strengthen the product offerings to create an incentive mechanism for hotels to upgrade quality of plant. While the Ceylon Chamber of Commerce (CCC) acts as the Secretariat for THASL discussions indicate a need to set up an independent Secretariat for the two leading tourism sector associations— THASL and the Sri Lanka Association of Inbound Tours Operators (SLAITO). Other needs include upgrading its current website and providing a web presence for its SME members.

Cultural Triangle Hoteliers Association (CHTA)

The CHTA membership spans hotels from Anuradhapura, Dambulla, Sigiriya, Polonnaruwa, Habarana and Trincomalee with plans to cover the rest of the east coast tourist areas such as Passikudah, Kalkudah and Batticaloa. Its strategic priorities include developing the domestic market, a proposed cultural triangle visitor center in Dambulla and air access into Dambulla.

The Sri Lanka Association of Inbound Tourism Operators (SLAITO)

The 89 members of SLAITO consists of travel agents handling foreign tourists on a package (brochure) programs, local principals of foreign travel organizations in the back-to-back group tour and charter business and charter airlines who bring back-to-back group tours to Sri Lanka.

Ceylon Chamber of Commerce (CCC)

The CCC is the country's leading private business Chamber and is an independent, non-profit and non-political voluntary body. It is the focal point for business contacts both locally and abroad with specialized committees, affiliated associations, and bilateral business councils. Its membership ranges from the sole proprietor to multinationals encompassing virtually every sphere of economic activity in Sri Lanka - industry, import, export, agriculture, banking, hire-purchase, leasing, tourism, shipping, engineering, mining, consultancy services, wholesale, retail, financial services, legal and other services. The CCC functions as a spokesperson for the business sector with its members serving on various public and private institutions and committees. The CCC is mainly funded by membership subscriptions and by providing fees based technical services. In the tourism sector the CCC acts as the Secretariat for sector associations, manages a number of donor funded projects and provides financial oversight for the Tourism Cluster Eco-lodge project. In 2009, the CCC set up a project management arm "CCC Solutions", which currently manages the SL-Norway Industrial Cooperation or Matchmaking Program funded by the Royal Norwegian Embassy. The CCC is also a partner in the USAID/CORE Program.

Association for Small and Medium Enterprises in Tourism Sri Lanka (ASMET)

Founded in 2003 under a GTZ initiative, the association for tourism sector SMEs was established. ASMET's membership is open to all stakeholders in the category from accommodation providers, restaurant owners, travel agents, and tour operators, to service providers. ASMET adopts an open and unifying membership policy for anyone contributing to the tourism industry. This includes tourism-related individuals such as chauffeur guides and companies in related industries such as gem and jewelry, handicrafts and IT. ASMET's Board members are from the grass root level with firsthand knowledge of the group's needs. ASMET currently partners with the Business for Peace Alliance (BPA) to provide industry expertise in a number of activities focused on training and capacity building for SMEs to improve product quality and standards.

Regional Business Chambers

Regional Chambers operating in the Eastern, Uva and North Central provinces are the Anuradhapura Chamber of Commerce, Trincomalee Chamber of Commerce, Batticaloa Chamber of Commerce and Ampara Chamber of Commerce. Their membership, capacity and level of activity vary with the Trincomalee and Ampara Chambers, with approximately 332 and 583 members respectively, engaged in activities covering business counseling, lobbying, training, capacity building and exchange programs. The Anuradhapura and Batticaloa Chambers currently have a relatively smaller membership (approximately 132 and 214) and similarly the level of activity is limited. Membership in the Ampara, Trincomalee and Batticaloa Chambers appear to be primarily from the Agriculture, Trading, Services and Construction sectors with the largest agriculture participation in Ampara--approximately 70% of the total membership. None of the regional chambers have any ongoing tourism sector committees or initiatives.

Appendix C: Donors and NGOs for Tourism Development

There are a number of NGOs in Sri Lanka that work directly in the tourism sector. Many are involved in environmental, cultural and heritage conservation activities that positively impact the tourism resource base. Those engaged specifically in tourism related activities are described here.

Responsible Tourism Partnership (RTP)

The Travel Foundation (UK) in partnership with AITO is the main promoter of the RTP. It was established in 2005 as an independent, nonprofit making body under the Companies Act. The Travel Foundation, as the principle promoter is committed to a two year program in Sri Lanka. During that period RTP will work in close cooperation with the Travel Foundation to access and share good practices from the UK travel industry to gain from the synergies arising from a coherent international approach. RTP is led by an executive committee of eight bringing together international tourism expertise, sustainable development knowledge, key tourism industry association leaders, environmentalists, NGOs and a cross section of industry representatives. Two key ongoing projects are (a) "Trees for Life", which delivers plant species of food, medicinal or economic value where they are needed most, in villages and southern coast conservation sites. Program activities include free saplings, horticultural training, satellite nurseries and school environmental awareness programs. (b) Dikwella Crafts and Lace Center assists the poorest women in and around Dikwella to improve their skills as bobbin lace makers. Construction of a new building is underway to replace a tsunami-devastated lace center and future plans include further training in other crafts production, public demonstrations, visitor facilities and direct sales opportunities.

Sarvodaya – Community Tourism Initiative (CTI)

Sarvodaya is Sri Lanka's largest people's organization established over 50 years ago with a network of over 15,000 villages. Its philosophy recognizes the need to develop a degree of financial self-sustainability for its beneficiaries while respecting the values of diverse religions and cultures. The organization includes 345 divisional units; 34 district offices; 10 specialist Development Education Institutes; over 100,000 youth mobilized for peace building under Shantisena; the country's largest micro-credit organization with a cumulative loan portfolio of over USD 1 million (through SEEDS - Sarvodaya Economic Enterprise Development Services); a major welfare service organization serving over 1,000 orphaned and destitute children, underage mothers and elders (Sarvodaya Suwa Setha); and 4,335 pre-schools serving over 98,000 children. The CTI aims to develop sustainable income for Sarvodaya and its village communities through a concept of sharing natural resources, traditions and vision with visitors. The CTI offers the traveler an opportunity to interact with Sri Lankans, explore the country, learn about rural lifestyles and share in Sarvodaya's wide range of experience in development, peace and spirituality throughout the country, while supporting the local communities in those areas. Tourist revenue from such activities is directly channeled to host communities via Village Societies and District Centers. Sarvodaya has a number of CTI programs including "Spirit of the Community" (tours of their projects incorporating home-stays and a 3-day volunteer activity), Mirissa Women's Handicraft Market, Balapitiya Community Arts and Cultural Centre, Polhena Village Cooking demonstrations, Saliyapura Educational Farm and Bandaragama Residential Centre.

Sewalanka Foundation

Sewalanka was founded as a development NGO in 1993 in response to the conflict in the north and east of the country. Its mission is to enhance the capacity of rural communities to democratically identify and address their own development needs and to provide services that contribute to the economically viable, socially just and ecologically sustainable development of Sri Lanka. Recognizing

conflict affected communities as clearly among the most vulnerable and disadvantaged; Sewalanka entered the region as a relief agency providing humanitarian assistance to meet their immediate day-to-day needs. With changing conditions on the ground, Sewalanka has shifted to strategies that address the long term needs and sustainable development of these communities to contribute to the stability and future development of the region. Sewalanka's community-based tourism initiatives are founded on the belief that sustainable community-based eco-tourism is dependent on benefits being generated for the environment, the community and visiting tourists. Several activities initiated along these lines in 2003/2004 are: (1) Regeneration of mangroves in Pottuvil Lagoon (north of the popular east coast tourist resort of Arugam Bay) - the Hidayapuram Fishermen's Cooperative Society, worked to regenerate mangroves destroyed during the conflict and restored the lagoon's ecosystem. Replanting costs are funded through eco-tours conducted by fishermen to visiting foreign and local tourists; (2) Sinharaja Forest Reserve - part of Sewalanka's environmental conservation project begun in 2001 to introduce alternative income generation activities for the rainforest-border communities; offers training and awareness programs and facilitated a 25-member visit to Unawatuna, Galle to see how home-based tourism operates. As a result several villagers have renovated rooms, registered with the Tourist Board and have begun to host tourists; (3) Unawatuna Women's Beach Vendor Project - activities include sewing training and art classes for youth, aimed at producing craft items and clothes for tourists.

The International Union for Conservation of Nature (IUCN)

The IUCN addresses the most pressing global environment and development challenges through scientific research and field projects and by bringing governments, non-governmental organizations, United Nations agencies, companies and local communities together to develop and implement policy, laws and best practices. Headquartered in Switzerland, it is the largest global environmental network - a democratic membership union with more than 1,000 government and NGO member organizations, and almost 11,000 volunteer scientists in more than 160 countries and hundreds of partners in public, NGO and private sectors around the world. IUCN/Sri Lanka is engaged in a number of programs under three key areas—(1) Coastal Resources Management, (2) Forestry and Biodiversity, and (3) Business and Biodiversity. With regard to tourism resources, IUCN is involved in biodiversity conservation through forestry management plans and biodiversity assessments. Its coastal area projects collectively focus on integrated coastal resource management, poverty alleviation and promotion of sustainable economic development of coastal fishing communities with comprehensive management plans completed for ten selected mangrove areas along the southwest coast of the island. Through its business program, IUCN has partnered with Dilmah to develop an elephant information centre at Udawalawe National Park; while the John Keells Social Responsibility Foundation, the Central Environmental Authority and IUCN have joined forces to establish a Nature Field Center, at Rumassala, Galle in southern Sri Lanka. Educational facilities at the Center include an auditorium, a library and an information center to disseminate knowledge and information to the public and school children. IUCN technical expertise was used to set up models of the coral reef area and other such interactive educational material.

Mercy Corps

Post tsunami, Mercy Corps with funding from the Oprah Winfrey Foundation, worked closely with the tourism sector in Arugam Bay and established the Arugam Bay Tourism Association (ABTA). ABTA was provided with offices and a tractor for garbage collection from hotels on a fee payment scheme. ABTA functions in a project management capacity and has partnered with NGOs on a number of activities—e.g., a revolving loan facility (UNDP). Mercy Corps also developed a tourism master plan in March 2007 titled *Arugam Bay Community Development Plan*. A comprehensive plan developed in consultation with the community, it includes a spatial plan, a list of community

development priorities, an action plan, as well as proposed land use, infrastructure and zoning maps. The plan includes separate Annexes with regional information—Financial and credit analysis (A), Architectural drawings (B), ABTA members (C), Gender analysis (D) and a summary of existing structures (E).

Donors

Japan Bank for International Cooperation (JBIC)

JBIC is currently implementing a 3-year (2007 – 2010) tourism project for approximately USD 31 million (80% JBIC, 20% GOSL), with the overall objectives of developing tourism related infrastructure and human resources in the sector and initiating tourism marketing and promotional activities in Japan. It funds activities in several tourism centers: In Negombo – (1) Rehabilitation of Hamilton Canal, (2) Improvement of Fishermen’s Wharf and creation of a model beach park, and (3) Town beautification and connectivity improvement; In Sigiriya – (1) Heritage site development and (2) Tourist access road development (Innamaluwa Sigiriya Road, Tennakoon Mw to 7km post); in Colombo and Kandy – (1) Construction of a hotel school in Kandy, (2) Equipment installation, and (3) Human resources development; in Anuradhapura – (1) Mahameuna Uyana ring road development and (2) Anuradhapura Malwathuoya beautification; in Nuwara Eliya – (1) Improvement of Lake Gregory, (2) Victoria Park, and (3) town beautification.

Asian Development Bank (ADB)

ADB is currently implementing a USD 30 million project over a 5-year period initiated in 2005, called the North East Coastal Communities Development Project (NECCDEP). Its main components are: (1) Sustainable livelihood improvement – (a) village development plans and basic infrastructure and (b) micro finance and skills training; (2) Environmental and resource management in three areas – Trincomalee Bay, Batticaloa lagoon and Pottuvil-Kumana biodiversity zone; and (3) Eastern Province Coastal resource management plan and Tourism Strategy – Fisheries harbor rehabilitation in Scott Bay and Valachchenai. Under Component 3, a tourism strategy was drafted by ANZTEC in consultation with the Central and Provincial governments. The final report is to be released in June 2009. In view of the NECCDEP end date of June 2010, only a limited number of the proposed activities, with small scale infrastructure needs, have been selected for implementation. They are: (a) Trincomalee - development of the Kanniya Hot Wells; (b) Batticaloa - Kallady beach beautification for local tourism, Kalkudah railway station redevelopment and boat trip for mangroves/islands; and (3) Arugam Bay - approach roads to the beach and development of a visitor center in Pottuvil. Furthermore NECCDEP is funding several training activities in Trincomalee, Batticaloa and Ampara – a 2 month course for 30 supervisory level trainees (LKR 5 million) and a basic level training course for 90 youth for a period of 3 months in cookery, front office, and housekeeping, including 1 month of English language training (LKR 4 million). Trainers for these are provided by the Anuradapura Hotel School, a branch of the SLITHM. The NECCDEP is engaged in a number of studies necessary for a comprehensive master plan including: (1) Natural resource inventory/GIS mapping/digital profile for 34 Divisional Secretariats; (2) Cultural sites study/GIS mapping by Environmental forum in Kandy to be completed in June 2009 (LKR 1.7m); and (3) GIS mapping of all infrastructure by the UDA with French funding.

United States Agency for International Development (USAID)

The USAID funded *The Competitiveness Program* (TCP) from 2000-2007, developed competitiveness strategies for select industry clusters and implemented industry level initiatives. It facilitated the establishment of *The Tourism Cluster* and an industry strategy that changed private sector thinking and guided its development from budget beach tourism into higher value added segments such as

ecotourism and adventure tourism. USAID continues to support growth and development in the tourism sector through its economic growth and peace building strategies. Since 2008 these strategies have increasingly focused on broadening the programming areas to conflict affected and bordering areas impacted by the conflict to reach the most economically vulnerable segments of the country.

USAID/Connecting Regional Economies (USAID/CORE)

USAID/CORE is a 3-year USAID-funded program begun in 2008 to address the disparity in economic development and competitiveness between conflict affected and conflict bordering areas of Eastern (Ampara, Batticaloa, and Trincomalee districts), Uva (Monaragala district) and North Central (Anuradhapura and Polonnaruwa districts) provinces and the rest of the country. In addition to tourism, USAID/CORE primarily works with agricultural, dairy and livestock, logistics, IT services and fisheries sectors. USAID/CORE uses an integrated approach to extend value chains into the grassroots level, provide individuals the skills and knowledge needed to participate as entrepreneurs and workers in value chains and improve the business environment to enable greater competitiveness. USAID/CORE implements the above through five components: Component 1: Livelihood Development for Vulnerable Populations, Component 2: Increased Competitiveness of Agriculturally Based (and other) Value Chains, Component 3: Increased Participation in Selected Value Chain Services by Groups Located in Conflict-Affected and Strategic Areas, Component 4: Workforce Development of Youth and Others to Participate Effectively in Selected Value Chains, and Component 5: Enabling Environment that Facilitates Economic Growth and Reduced Inequities and Conflict.

USAID/Volunteers for Economic Growth Alliance (VEGA)

VEGA is the world's largest consortium of economic growth volunteer organizations that collectively have assisted over 140 developing and transitional countries by sending out more than 67,000 volunteer experts to help promote economic growth. With over 350 years of collective experience, VEGA works to mobilize American and Diaspora volunteers to support economic growth in developing countries (including post-conflict and transition) and designs and implements successful technical assistance projects across the spectrum. VEGA is preparing proposals to undertake an initiative in Sri Lanka in 2009, which could potentially be a valuable resource for work in the tourism sector in the conflict affected areas.

USAID/Partnership for Eastern Economic Revitalization (PEER)

PEER is a USD 6 million USAID funded program that will leverage an additional USD 6-12 million through public-private partnerships. Its activity focuses on fostering innovation in developing micro-enterprises, institutional capacity, and the diffusion of knowledge and information to support agricultural and rural development in conflict affected zones in the Northern and Eastern provinces and bordering areas in the Uva and North Central provinces. To promote peace and equitable economic growth, PEER will create links between economic centers and target areas to build economic ties; improve competitiveness; and ensure benefits flow to traditionally disenfranchised groups in the region. PEER aims to increase both farm-based and off-farm incomes by increasing productivity and enhancing value. The areas of focus are efficient links to markets, innovative production mechanisms, training for the agriculture and fisheries sectors, financial services, workforce development, enterprise development and applied/adaptive research.

World Bank Group

The World Bank and the GOSL have recently agreed to discuss a tourism sector-wide project of USD 20 million over a 5-year period. Currently in its preparatory phase, it is expected to start operations

in late 2009. Its objective is to aid the tourism sector implement recent policy reforms and expand sustainable tourism to underdeveloped regions of the country. To do so, three broad categories of constraints exist: (a) institutional and capacity building, (b) tourism related infrastructure, and (c) product development and community empowerment. The project proposed to address these through institutional reform and capacity building for tourism agencies, tourism infrastructure investment to preserve resources and matching grants to support indigenous and innovative tourism products within a sustainable tourism strategy. Key project components identified are: Component 1 - To improve the regulatory framework and efficiency of public institutions interfacing with investors and consumers at the central and provincial levels and capacity building in tourism agencies restructured with private sector participation, under the Tourism Act of 2005, to fulfill their respective mandates. These include the Sri Lanka Tourism Development Authority (SLTDA); Sri Lanka Tourism Promotion Bureau (SLTPB), and Institute of Travel and Tourism (SLITHM); Component 2 - Master planning for new tourism zones (e.g., east coast and Kalpitiya) to ensure a quality supply to satisfy increasing demand for Sri Lanka's tourism products. Here, small infrastructure projects will be selected on a competitive basis, consistent with sustainable tourism, protection of resources, and with a large demonstration effect for communities and local councils. Plans are to develop at least one such sub-project each in solid waste management, waste water management and treatment, cultural and heritage conservation; Component 3: To support and encourage product development, community involvement, product innovation and outsourcing within the tourism supply chain through a matching grant instrument. This component aims to increase the value of Sri Lanka's tourism products, within the strategic framework of seeking a high yield tourism activity base, to conserve and enhance the natural, social and cultural resource base and create a unique positioning for the destination.

The Sri Lankan Diaspora has participated in a number of programs intended to encourage the Diaspora to consider their interests in the conflict and to facilitate Sri Lankan Diaspora engagement programs. Reviewing the experiences of past Sri Lankan Diaspora programs can provide insight into their successes and shortcomings, as well as ideas regarding potential collaborators, facilitators, and consultants.

Federation of Sri Lankan Associations in Malaysia (FOMSO)

In August of 2008, the Federation of Sri Lankan Associations in Malaysia (FOMSO), in collaboration with the Department of Indian Studies of the University of Malaya, sponsored a three-day conference entitled "International Conference on the Sri Lankan Diaspora – The Way Forward." 203 FOMSO formed in 2003 as an umbrella organization of twenty-five Sri Lankan organizations in Malaysia, 204 including both Sinhalese and Tamil organizations.

International Alert

International Alert's BIZPACT program engages and connects members of the Sri Lankan Diaspora business community to create and invest in projects that promote regional stability in Sri Lanka.

International Network of Sri Lankan Diaspora (INSD)

The International Network of Sri Lankan Diaspora (INSD) in Norway hosted a conference in May 2008 entitled "Conference on International Diaspora Respond to Sri Lankan Current Situation." The INSD is a European Diaspora organization created to develop solutions to the conflict. Participants included Tamils, Sinhalese, Muslims, and Burghers from Germany, Denmark, Switzerland, Norway, and the Netherlands.

Latrobe University

In 2008, Latrobe University in Australia sponsored a Diaspora program, engaging thirty to forty members from the Singhalese, Tamil, Muslim, and Burgher Diasporas in a six-session dialogue. The organizers of the conference created guiding principles and methods to successfully engage the Diaspora. These principles and methods included entering into respectful communication with all parties to the program, and recognizing the value of diversity.

Alliance for Peace and Reconciliation in Sri Lanka (APRSL)

On January 25, 2009, a group of Tamils, Muslims, and Singhalese gathered in London to bring “all the communities in Sri Lanka together for nation building and restoration of peace, democracy, and rule of law,” and formed the Alliance for Peace and Reconciliation in Sri Lanka (APRSL). APRSL’s mission calls on the Diaspora to campaign internationally, address issues that affect Sri Lankans in and outside of Sri Lanka, “educate, motivate and harness youth in the Diaspora to become involved in the conflict resolution process,” strengthen structures that connect the Diaspora, and raise global awareness of the conflict in Sri Lanka.

Sri Lankan Democracy Forum

As the military conflict continued to escalate in late 2008 and early 2009, humanitarian concerns drew the Sri Lankan Diaspora community together to call for the protection of Tamil civilians in the north and east of Sri Lanka.

Sri Lankan Embassy Initiatives

In March 2006, the Sri Lankan Embassy in Washington, D.C., initiated a “Reaching Out Program” inviting all Diaspora communities to contact the Embassy and through the Embassy reach each other. The program, organized by Ambassador Bernard Goonetilleke, asked all “Sri Lankan and Sri Lankan related groups” in the United States to contact the embassy and provide information about their organization.

Volunteer Service Overseas (VSO)

The British service organization Volunteer Service Overseas (VSO) has sponsored a program that connects members of the Sri Lankan Diaspora community with Sri Lanka through volunteer programs. VSO locates and recruits volunteers to provide mental health and disability assistance as well as training in participation and governance to those in Sri Lanka, thereby building capacity of the home state. VSO actively recruits Diaspora members who have “business, project management, and strategic planning skills,” in conjunction with or separate from skills related to the three above-listed areas of service. Understanding previous attempts at formally engaging the Sri Lankan Diaspora will be a good starting point for establishing goals and guidelines when designing future Diaspora engagement programs. VSO, *Diaspora Volunteering* (2009), available at http://www.vso.org.uk/about/diaspora_volunteering/.

Appendix D: Tour Routes for Post Conflict Destinations

The available literature defines a tourist route as a themed route that brings together a variety of activities and attractions that would not independently have the potential to attract tourists to visit and spend money. By linking activities and attractions, it is possible to increase tourism demand for a destination and stimulate entrepreneurial efforts to provide services and other products to visitors. Development of a unified route system enables communities that may not have a large number of tourist assets to benefit. Tourism routes are usually initiated with one or more of the following objectives:

- Diffuse visitors and disperse income from tourism;
- Bring lesser-known attractions and features into the tourism product;
- Increase the overall appeal of a destination;
- Increase the length of stay and spending by tourists;
- Attract new tourists and repeat visitors; and
- Increase the sustainability of the tourism product.

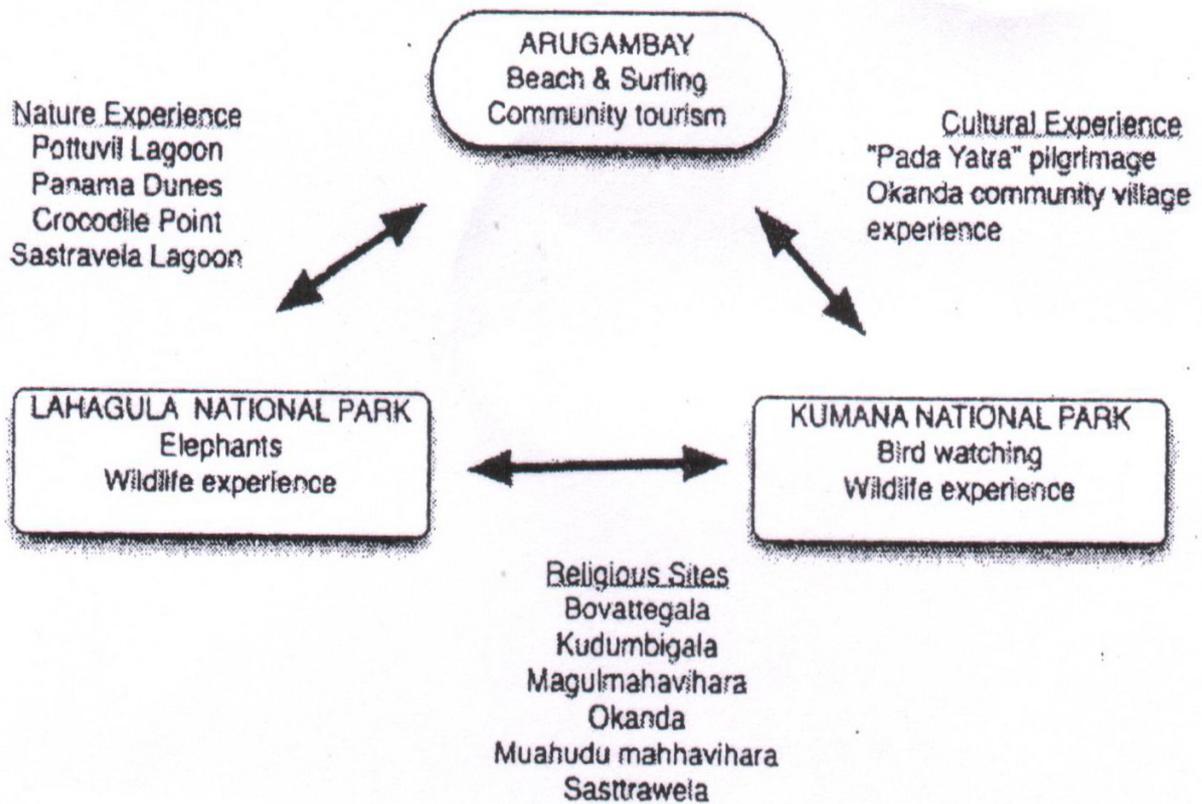
Thematic roads are seen as a means to attract special interest visitors in remote rural areas with high cultural resources. Thematic roads can be organized either around one traditional product or cultural activities.

Ramayana

Mythological events and images from the Ramayana epic will now provide the backdrop for an innovative package for visiting tourists offered by the Sri Lanka Tourist Board and Sri Lankan Airlines. "Ramayana creates a lot of interest in India and Sri Lanka. Hence, Sri Lankan Airlines thought it fit to use it as a marketing strategy to woo tourists from India," says N. Prabaharan, its regional manager for Sri Lanka and the India Sub-Continent.

Starting with Colombo, the Ramayana tourist circuit will initially cover Avissawella, Bandarawela, Ella, Welimada, Hakga, Nuwara Eliya, Sita Eliya, Pussellawa, and Kandy. The second phase will touch Kurunegala, Wariapola, Anuradhapura, Trincomalee, Mannar and Talaimannar. The third will lead to the Great Southern Road to Weligama and the Great and Little Basses islets.

Figure D-1. Arugam Bay Tourist Circuit



Source: NECCDEP, 2009

Appendix E: SWOT Analysis

This section presents two brief exercises in assessing the current Strengths, Weaknesses Opportunities and Threats (SWOT Analyses) for tourism in Sri Lanka. The first analysis was carried out from the viewpoint of Sri Lanka's already established attractions – the existing value chains, comparing Sri Lanka as a destination in competition with other destinations. The second focuses specifically on the current situation and prospects facing investors and developers who undertake major tourism resort projects in one of the prime destinations along the east coast.

SWOT I. Analysis for Sri Lanka as a Tourism Destination

Strengths include:

- Hundreds of kilometers of beautiful ocean coastline and a tropical environment; Exceptionally diverse topography and ecosystems within close proximity of each other;
- Beautiful tea estates, natural forests, wildlife preserves;
- Southern tip of migratory routes for birds;
- Multiple diverse attractions: culture, history, folk life, adventure, wildlife and nature as well as beaches, ocean sports and marine life, as well as health, religious and spiritual attractions;
- Centuries of experience with foreign visitors and cultures;
- Sri Lanka's own diversity of cultures and religions;
- Historic sites revered and celebrated by major world religions;
- Experienced local tourism entrepreneurs and managers; and
- Record of cooperation and partnership between government and tourism private sector.

Weaknesses include:

- Long travel time from major European, Japanese and North American Markets;
- Inadequate infrastructure for moving tourists about the island;
- Only one international airport; and
- Highly visible presence of armed military.

Opportunities include:

- Proximity to growing tourism demand from India and the Persian Gulf countries; and
- Post-war opening of access to attractions in East and North.

Threats include:

- Possible deterioration in recent achievements securing peace, law, order;
- Lack of progress in restoring normalcy and economic activity in former conflict zones;
- Global economic crisis;
- Possible communication and coordination problems related to devolution of powers over tourism between central and provincial level government;
- Increased competition from tourism resorts in Asia and elsewhere;
- Delayed progress in demilitarization;
- Delayed development of tourist friendly domestic private sector civil aviation; and
- Return of Sri Lanka Airlines to state ownership possibly leading to renewed inefficiencies or retreat from open sky policies.

SWOT II. Analysis for Tourism in Post Conflict Region- East Coast

This SWOT analysis looks at strengths, weaknesses, threats and opportunities specific to the prime coastal destinations in the Eastern Province.

Strengths include:

- Beautiful beaches;
- North Central Province locations and Trincomalee are close to the “Cultural Triangle” and ancient city attractions;
- North Central Province and east coast beaches are close to popular national parks and wildlife reserves: Trikonamadau, Minneriya, Gal Oya and Yala;
- East coast beaches have a seasonal advantage from April to October compared to the west and south;
- Arugam Bay is an international class surfing attraction;
- Pasikudah beach has a gentler slope and smaller waves than most other beaches in Sri Lanka;
- Fishing, diving (sunken ships) and whale watching opportunities;
- Sunrise over the ocean;
- Currently priced competitively;
- Tradition of hospitality; and
- Ethnic diversity attractive to wide group of tourists.

Weaknesses include:

- Road and rail travel is long (6 hours plus) and uncomfortable;
- East coast is buffeted by North East Monsoons from November to February;
- Long distance from major private hospital and health facilities;
- Basic infrastructure poor and inadequate for existing residents, much less new development;
- Currently few hotel rooms meeting minimum standards;
- Poor sanitation facilities en route and at destination;
- Limited alternative accommodations (home stay or camping);
- Marine safety standards not commonly practiced;
- Weak E-commerce capacity;
- Difficulties with internet access and credit card payments;
- Little experience with meeting demanding standards of customer service; and
- Weak foreign language capabilities – English and other.

Opportunities include:

- Major infrastructure investments are planned for east and north;
- Lack of development to date creates opportunity to plan and implement correctly with minimum negative impact on communities and environment;
- Potential for linkage with agriculture, fishery sectors that will increase market prices and raise incomes of workers in these sectors;
- East coast can be developed in a more planned way than was possible for Hikkaduwa and south Sri Lanka;
- Tie-ins between beach, cultural triangle attractions, and wildlife parks will – properly packaged – be competitive advantage over “beach-only” destinations;
- Investment in training and workforce development will help tourism and other sectors; and
- Until new jobs are available in the east and north, young workers can train and intern with hotels and resorts elsewhere in Sri Lanka, even possibly in the Maldives.

Threats include:

- Lack of familiarity with foreign tourists;
- Conflicts with local community – especially the stress and disruption that large scale development could cause for traditional residents and activities;
- Successful development in the east will compete to some degree with older investments in the west and south; total tourism will increase, but there will also be some diversion toward spots of new interest;
- Large scale unemployment in targeted development areas, larger than can be absorbed by sustainable development;
- Global climate change and natural disasters; and
- Possible deterioration in security situation.

Appendix F: Performance Monitoring and Tourism Impact Indicators

Performance Monitoring

Monitoring is the all important process of watching and measuring actions to see that they conform to plan and standards and to assess impact. Monitoring development and operation activities at a destination allows stakeholders to assess the impacts (positive and negative) that tourism has on the economic, socio-cultural, and natural environments of a destination.

Monitoring requires training, skill and an agreed upon set of indicators. Monitoring is the responsibility of interested stakeholders, but it should be done by unbiased professionals, much like financial audits of a corporation.

The following lessons have been learned from other destinations that have created indicators of sustainable development for tourism destinations:

- Before the beginning of any new tourism development or activity, a monitoring and reporting system should be designed and implemented. It should include quantifiable indicators that are easy to track.
- Developers and operators of tourism facilities and activities should be required to report periodically to designated authorities (Ministry of Tourism) and to the public in compliance with established requirements.
- Indicators that cover certain aspects of the management of sustainable tourism, including socioeconomic and cultural aspects, should be identified and monitored at global, national, and local levels.
- Monitoring results depends largely on the data collected. Guidelines on how to collect data in a way that can be used to evaluate change over time should be developed.
- Monitoring and evaluation should include indicators for tourism impacts on the economy of local communities, particularly their food and health security, traditional knowledge and practices and customary livelihoods.
- Measures should also be taken to ensure that local communities involved in or affected by tourism have the opportunity to be involved in monitoring and evaluation.

The tables below present a set of impact indicators developed by the United Nations World Tourism Organization and are recommended for use in designing and monitoring project compliance with standards for sustainable tourism. The indicators are organized into 4 tables according to their impact focus: (1) Visitors (2) Economic (3) Socio-Cultural and (4) Environmental.

UNWTO Sustainable Tourism Indicators

Visitors

Impact	Indicators	Rationale
Satisfaction	• Expectations	Quality of overall experience needs to be determined using a value

	<ul style="list-style-type: none"> • Activities • Quality of experience • Length of stay 	chain approach
Spending	<ul style="list-style-type: none"> • Transport • Accommodations • Food and beverages • Entertainment • Shopping • Package or FIT 	Expenditure data at exit points provides the basis for assessing the economic impact at the local and national levels
Demographics	<ul style="list-style-type: none"> • Sex • Age • Education level • Occupation • Point of origin • Size of trip party • Income 	Geo-demographic variables can provide guidance for the selection of target markets
Market Intelligence	<ul style="list-style-type: none"> • Information sources used • Mode of transport • Decision Factors • Booking • First time or repeat visitor 	Knowing how potential customers access information and make decisions is a critical element of marketing and sales

Economic

Impact	Indicators	Rationale
Establishing and improving the community's income	<ul style="list-style-type: none"> • Annual total income generated by the community • Ratio of income attributable to tourism versus traditional income generating activities • Total number of room/bed nights available in destination • Taxes generated through tourism 	<ul style="list-style-type: none"> • Measure the real net economic benefits of tourism • Test the reliance of the community on tourism
Improving local employment opportunities	<ul style="list-style-type: none"> • Total number of workers in the community employed by tourism • Ratio of local to "outsiders" directly employed by tourism • Ratio of local to "outsiders" in management-level positions within the tourism sector • % local workers employed at different skill levels (unskilled, technical, administrative, management, contract) 	<ul style="list-style-type: none"> • Direct contribution of tourism to employment generation • Measure whether the employment options are created for locals
Operation and support of MSMEs	<ul style="list-style-type: none"> • Number of tourism-related MSMEs (by type e.g., accommodations, guiding, transportation) • Incentives for MSMEs (special credits, tax advantages, grants, legal conditions) • Capacity building for establishment and improvement of MSMEs: number of programs or events, level of participation • % of all tourism enterprises in the area that are locally owned 	<ul style="list-style-type: none"> • Formation of small enterprises is vital for more stable economic activity
Stimulating new investments	<ul style="list-style-type: none"> • Number of new investments • Monetary value of new investments • Ratio of foreign vs. national investments 	<ul style="list-style-type: none"> • Measure influx of new money into economy through investments • Determine degree to which Sri Lankan businesses are exploiting investment opportunities
Achieving equitable benefits across the community	<ul style="list-style-type: none"> • Annual financial contribution by tourism to community projects • % workers in the community directly employed by ratio of the top to the lowest paid local tourism worker • Infrastructure development stimulated by tourism also benefiting the poor • Number and type of development programs (education, training, health) 	<ul style="list-style-type: none"> • Audit the amount of money tourism contributes to common funds and community-level development objectives • Evaluate indirect benefits

Socio-Cultural

Impact	Indicators	Rationale
Level of community satisfaction	<ul style="list-style-type: none"> • Resident attitudes • Perceived benefits compared with actual benefits 	<ul style="list-style-type: none"> • Change in level of satisfaction can be a warning of potential incidents
Tourism as catalyst for social or cultural change	<ul style="list-style-type: none"> • % local residents concerned about loss of culture, community structure and values • % of residents speaking other language than Sinhala or Tamil • Number of social services available to the community (% which are from tourism activity) 	<ul style="list-style-type: none"> • Help to measure the degree to which tourism contributes to social benefits • Measure the impacts tourism is having on socio cultural fabrics
Maintaining participation in tourism development and management	<ul style="list-style-type: none"> • Degree of local participation in tourism planning (% participating or represented) 	<ul style="list-style-type: none"> • Help community level to understand the level to which the community is engaged
Access to site	<ul style="list-style-type: none"> • Access by locals to key sites • Price of real estate in the Eastern Province coast 	<ul style="list-style-type: none"> • Traditional access may be affected by new development and sites • Tourism can be create inflation on real estate prices
Gender equity	<ul style="list-style-type: none"> • Women as a % of all tourism employment • % of women in management-level positions within tourism sector • % of tourism enterprises owned by women 	<ul style="list-style-type: none"> • Measure equal opportunity in employment

Environmental

Impact	Indicators	Rationale
Protecting critical ecosystems	<ul style="list-style-type: none"> • % of total area (square km) designated as protected area 	<ul style="list-style-type: none"> • Measure of potential protection of the key species
Terrestrial flora and fauna	<ul style="list-style-type: none"> • Number of tourists per hectare at key sites • Terrestrial flora and fauna health index based upon periodic surveys of tour operators, local communities, other experts • % change in wildlife based upon surveys done in National Park 	<ul style="list-style-type: none"> • Measure the impact that the tourism activity can have on terrestrial biodiversity
Coastal zone flora and fauna	<ul style="list-style-type: none"> • Number of divers and snorkelers per square meter of coral reef • Coral reef/marine wildlife health index based upon periodic surveys of dive operators, local communities, other experts 	<ul style="list-style-type: none"> • Measure the impact that the tourism activity can have on marine biodiversity
Sea Water quality	<ul style="list-style-type: none"> • Level of sea water contamination (based upon chemical testing) • Perception of tourists regarding cleanliness of water 	<ul style="list-style-type: none"> • Quality of the water is an important factor for tourists
Water availability and conservation	<ul style="list-style-type: none"> • Total volume of water consumed by tourism and by day • Total volume of stored water • Number of tourism establishments with water treated to international potable standards 	<ul style="list-style-type: none"> • Water shortage can become a constraint for development and has to be preserve • Measure progress in potable water service in a destination
Solid waste management	<ul style="list-style-type: none"> • Waste volume produced by Eastern Province region per month • Volume of waste recycled • Quantity of waste strewn in public areas 	<ul style="list-style-type: none"> • Reduce the quantity of waste consumed • Image of cleanliness of destination
Energy management	<ul style="list-style-type: none"> • Per capita consumption of energy from all sources 	<ul style="list-style-type: none"> • Reduce the quantity of energy used
Development control	<ul style="list-style-type: none"> • Land use planning that includes zones for tourism development 	<ul style="list-style-type: none"> • Show government importance of land use plan

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