



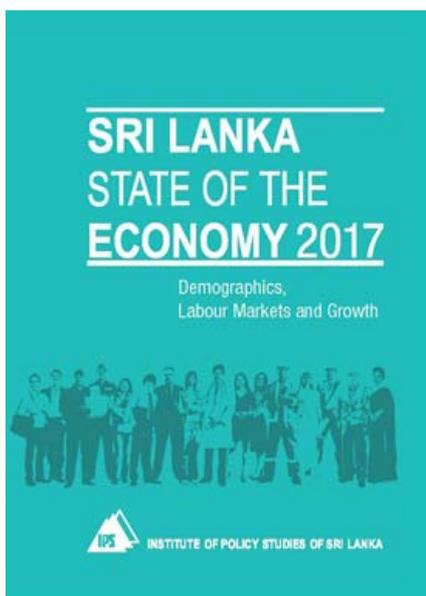
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# POLICYINSIGHTS

INSTITUTE OF POLICY STUDIES OF SRI LANKA

## FUELLING TOURISM TO MOVE FORWARD

*From the IPS flagship publication 'Sri Lanka: State of the Economy 2017 Report'*



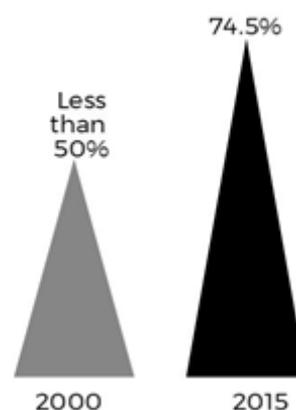
Since the 1960s, successive governments have identified the contribution of tourism industry to the economy - in terms of foreign exchange earnings, employment and income generation, government revenue, spatial development and economic growth - and placed considerable importance on the industry. Similarly, the current government has assigned an equal and significant importance on this sector, identifying it as the fastest growing industry with an aim to attract four million tourist arrivals by 2020.

### Overview of the Tourism Industry in Sri Lanka at Present

2009 saw the re-establishment of peace and security in the country after three decades of strife. It led to a short-term unprecedented growth in tourism, with a surge in investments with international hotel chains such as Shangri-La, Movenpick, Sheraton, RIU

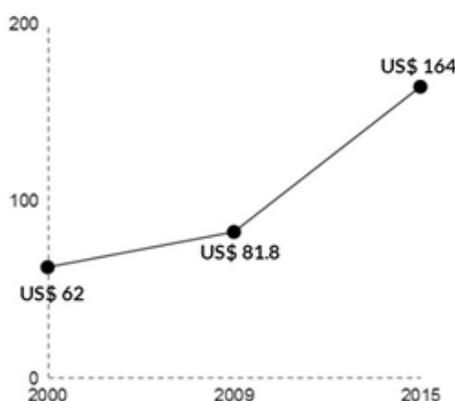
Hotels and Resorts, Banyan Tree, Anantara, and Sheraton entering the local tourism market in addition to supplementary establishments. Tourist arrivals rose significantly during the post war period. Inbound tourist arrivals increased from 447,890 visitors in 2009 to 1,005,605 in 2012, surpassing a significant milestone as a 'million tourist destination'. The numbers further increased to 1,798,380 arrivals in 2015, recording a four-fold growth over the last five years. In 2016, tourist arrivals crossed the 2 million mark. Similarly, income from tourism simultaneously rose from US\$ 320 million in 2009 to US\$ 3.5 billion in 2016. Today, the industry is the third largest source of foreign revenue to the country after remittances and textiles and apparels, and contributed 14 per cent of total foreign exchange earnings in 2016. Apart from the foreign revenue gains, the industry generates jobs in various trades associated with the sector including hotels and restaurants, travel and tour trade, airlines, retail, etc.

### Overall Occupancy Rate



The re-establishment of peace, and the proximity to Asian and Middle Eastern countries has made Sri Lanka an attractive tourist destination in the region. The burgeoning middle class and strong economic growth in Asian countries have led to a rise in international arrivals from these countries, namely China and India. Asia now accounts for 45.7 per cent of the total arrivals to Sri Lanka while Western European arrivals make up 30.7 per cent of the total share in 2015.

### Tourists' Spending Per Day



### Challenges Confronting the Tourism Industry in Sri Lanka

*Absence of Coordination and Communication among Stakeholders* - Given that the Sri Lanka Tourism Development Authority (SLTDA), Sri Lanka Promotions Bureau (SLPB), Sri Lanka Convention Bureau (SLCB) and Sri Lanka Institute of Tourism and Hotel Management (SLITHM) are under the purview of the Ministry of Tourism Development and Christian Affairs, they



are all involved in tourism related responsibilities at the central level. Institutional fragmentation, however, is visible at provincial and local levels with limited coordination, consultations and cooperation with the private sector in addressing key challenges which are serious impediments to the growth in this sector. Limited awareness and participation of investors, institutions and local communities has also resulted in conflicts and negative perceptions of tourism among the local communities relating to Foreign Direct Investment (FDI).

**Inadequate Industry Research** - Insufficient and unreliable data and a lack of detailed analysis affect formulating policies and decision making by policymakers, investors and businessmen in promoting the tourism sector. Current marketing efforts and measures to boost awareness, branding and appeal of the destination

require continuous consumer research of travelers and markets in order to assess their changing demands and preferences.

**Clear Positioning Strategy for Sri Lanka Tourism** - Authorities are often misled by tourism marketing strategies which usually focus on developing a tourist theme, slogan or logo rather than a strategy for the entire country. Clear long-term goals and strategies will only be achieved if a shared vision is inculcated among all stakeholders.

**Sustainable Operations** - It has been increasingly observed that the new generation of travelers is increasingly conscious of sustainable tourism including eco-friendly practices, which give greater priority to community participation and environment protection. Hence, it is important that small and medium scale service providers learn best practices from their competitors, and industry giants intervene and assist smaller scale enterprises in the adoption of sustainable practices.

### Way Forward

**Improve relationships among stakeholders:** An effective mechanism needs to be established to promote private public-partnerships, which is essential for the growth of the tourism sector.

**Establish a research unit:** Data collection and analysis is central for effective planning and marketing. Establishing a research unit with a comprehensive Information Management System, whilst addressing the current shortcomings in the existing data base, is paramount for the industry's development.

**Collaborative planning for tourism development:** Related government agencies, private sector organizations and civil society need to work together to better manage resources and enhance the quality of tourists' experiences. Towards this end, a destination management strategy will ensure cooperation with each other so that progress could be better monitored and challenges could be jointly addressed while the country could be marketed properly.

**Community engagement:** Community led sustainable development could reap benefits to all stakeholders from tourism. As tourists are increasingly seeking an authentic experience, community engagement will provide an ideal opportunity for the government to involve citizens in tourism development.

This Policy Insight is based on the comprehensive chapter on "Propelling Tourism in Sri Lanka" in the 'Sri Lanka: State of the Economy 2017 Report' - the flagship publication of the Institute of Policy Studies of Sri Lanka (IPS). The complete report can be purchased from the publications section of the IPS, located at 100/20, Independence Avenue, Colombo 7. For more information, contact the Publications Unit on 0112143107/ 0112143100.



100/20, Independence Avenue, Colombo 7,  
Sri Lanka  
T: +94 11 2143100 / 2665068,  
F: +94 11 2665065  
www.ips.lk