

The Tourism-Led Development Strategy in Sri Lanka

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Abstract

Sri Lanka has an ability become one of the best tourism countries (TCs) in Asia. However, it missed opportunities on a number of occasions due to inappropriate economic policies, continuous political violence, and wars. Since 1983 the Sri Lankan tourism sector was seriously affected by the nearly three decades of separatist war which ended in May 2009. Immediately after the end of war tourism in Sri Lanka bounced back and it now has become the engine of economic growth in post-war Sri Lanka. In this paper, a historical analysis has been undertaken to demonstrate how Sri Lanka miss matched their development strategies in terms of tourism, although the country had the potential to attract a record number of tourists. The post-war tourism boom has given Sri Lankans and the Sri Lankan tourism sector new hopes and optimism. This paper demonstrates that the Sri Lankan tourism sector has potential and opportunities to play a vital role in the post-war inclusive development strategy in terms of generating much needed foreign exchange, poverty alleviation via employment generation, accelerating economic growth and uplifting living standards of all Sri Lankans.

Keywords: Sri Lanka, tourism, tourism development strategies, tourism boom, post-war development,

Introduction

There is a large body of literature on the relationship between international tourism and economic development. This literature has focused on the tourism-led growth hypothesis, and it has established that the development of the tourism sector generates economic growth (see Hazari and Sgro 1995, Balaguer and Cantavella-Jordá 2002). Many single country case studies and cross-country studies provide empirical support to the tourism-led growth hypothesis. Brau, Di Liberto & Pigliaru (2011) emphasised that: “more recently, different studies – both analytical and empirical – go a step further by pointing out the possibility that tourism can make an economy grow at a rate comparable with, or even faster than, the ones associated with other types of specialisation, in which the potential for sector-specific technological progress is higher”. Tourism has become an engine of growth in tourism countries (TCs) such as Maldives, Pacific Island Nations and Island Nations in the West Indies. On the basis of the well-established empirical literature, tourism is “an increasingly popular component of development strategy in low-income countries” (Wattanakuljarus and Coxhead 2008). According to Wattanakuljirus & Coxhead (2008), the popularity of tourism as a component in development strategies is based on three beliefs. Firstly, tourism can play a substantial role in increasing foreign exchange earnings and in contributing to economic growth. Secondly, it can play an important role in improving income distribution through creating employment opportunities since tourism is a labour-intensive industry with relatively limited human capital skills required by employees. Finally, tourism is an environmentally friendly “clean” industry and its growth generally do not lead to adverse environmental impacts. On the basis of the above arguments, policy makers can target tourism-led developments to accelerate economic growth and development in developing countries with potential for tourism development. Sri Lanka is one of the so-called TC’s that tourism-led development strategies have been applied for decades in different policy frameworks. In this paper attempts to review Sri Lanka’s tourism-led development policies and especially the post-war tourism development strategies.

Tourism Development in Sri Lanka

Sri Lanka has been a tourist destination for centuries because of its strategic location and uniqueness. At the end of the 13th Century A.D. Marco Polo visited Sri Lanka, then known as Ceylon, and noted: “ the traveler reaches Ceylon, which is the untouchably finest island of its size in all the World” (UNDP;WTO 1993). Therefore, it was known as “The Pearl of the Indian Ocean,” “Serendib,” “Ceylon” and “Taprobane” among the explorers and merchants for many years (SLTDA 2011). Although there have been ups and in the number of tourist arrivals to Sri Lanka during the post-independence period, Sri Lanka satisfies the

criteria required to be considered as one of the 'tourism countries' (TC) (Braun, Di Liberto et al. 2011).

Sri Lanka had not the tradition of tourism, unlike industrial countries. Early travel was principally religious undertaking to shrines of Anuradhapura, Polonnaruwa or Adam's peak and travel were domestically and very limited. However, during the colonial period, Sri Lanka was very often attracted to travelers who sailed between the West and the East through the port of Colombo on many cruise ships, freighters and other vessels since its primary location on the world sea lanes. Therefore, the passengers used to enter the port of Colombo and enjoyed sightseeing in Colombo, Kandy, and their surroundings. As a result, the government set up its first Tourist Bureau in 1937 mainly to service these passengers when they came ashore by greeting them and providing sightseeing tours. Although accurate records are unavailable, "it is estimated that approximately one hundred thousand to two hundred thousand passengers visited the country per annum" (SLTDA 2011 p. 1). However, the Tourist Bureau ceased its operations in 1940 due to the commencement of World War II. Due to the War, there was little tourist activity.

After gaining independence in 1948, the new government decided to reorganize tourist activities by setting up the Government Tourist Bureau under the Ministry of Commerce in 1948, and the task was entrusted with the functions of undertaking tourist promotional works in overseas. As the development of accommodation facilities was a primary requirement of the promotion of tourism. According to SLTDA information (SLTDA 2011 p.1), there was a range of accommodation facilities throughout the country which was constructed during the British colonial rule. These facilities were not originally designed for the promotion of inbound tourism but for the use of planters, the business community, and government officials. Some of these relatively luxurious accommodation facilities, which at that time were residences of colonial governors, were later converted into prime hotels in Sri Lanka. These included the Galle Face Hotel, Grand Oriental Hotel, and the Mount Lavinia Hotel in Colombo, Queens Hotel in Kandy, Grand Hotel, and St. Andrews Hotel in Nuwara Eliya, and New Oriental Hotel in Galle. These hotels were renovated and were used as prime accommodation facilities for foreign visitors. In addition to hotels, some accommodation facilities were built as Tourist Rest-houses. These accommodation establishments were developed in places of scenic beauty such as Ella, Belihul Oya, Horton Plains, Pussellawa, Polonnaruwa, Sigiriya, Dambulla, Tissa Wewa, Nuwara Wewa, Kitulgala, Bentota, and Tissamaharama. As a result of such a government promotions and foreign relations aided the tourism business enormously in gaining respect and confidence during the period of 1948 to 1953 and tourism receipts doubled from \$ 1.04 million to \$ 2.23 million (Due 1980).

There was a rapid growth of international tourism around the world during the 1950s (Nordström 2005) largely due to the introduction of jet aircrafts for civilian transport after the World War II (May and Hill 2004). Therefore, Sri Lanka had a golden opportunity to establish a tourism hub in between the East and the West using its strategic unique central location and relatively sufficient accommodation facilities (Fernando, Bandara et al. 2013, Fernando, Bandara et al. 2017). It was necessary to invest in infrastructure in developing countries for them to attract a share of this growth in international tourism. For example, new airports with wider and long runways and parking bays, with large spaces, terminal buildings with modern facilities were required to facilitate inbound tourism. However, during the period 1954 – 1960 tourism arrivals in Sri Lanka declined rapidly. Leading hotels experienced unbelievably low occupancy rates ranging from 14 per cent to 32 per cent for those years as a result of government's poor political strategy for tourism (Due 1980). Like other South Asian countries, Sri Lanka implemented a protectionist import-substitution regime after independence except for a brief episode of 1948-1956 (Athukorala 1998). Under this closed trade policy regime, the government's main focus was to develop import-substitution industries to accelerate growth and tourism was not considered as a key ingredient in the national economic development strategy (see Table 1 for details of the historical evolution of national development strategies and tourism promotion and market strategies). Therefore, tourism development failed to take root, and Sri Lanka missed a golden opportunity to establish a tourism hub in between the East and the West while Singapore that was the main identified competitor, was moving fast strategically by improving its tourism infrastructures to develop international tourism during the 1960s. Sri Lankan policy makers missed this first opportunity to develop its tourism sector by not investing in tourism related infrastructure and not considering tourism as an important sector in its national economic development policy (Fernando 2015).

Table 1: A Chronology of National Economic Policies and Tourism Development Strategy in Sri Lanka

Period	National Economic Policy Regime	Tourism Development Strategies	Main features of strategies
Before 1948	The pre-independence – open economic policy	1937 - First Tourism Bureau was established. 1940 - Tourist Bureau ceased its operations due to the War	Provided services to the passengers who sailed between the West and the East through the port of Colombo.
1948 - 1956	Continuation of pre-independence open economic policy	1948 - Revival of Government Tourist Bureau	Began to undertake tourism marketing and promotional strategies immediately after independence from the colonial rulers.

1956 - 1965	Closing up the economy with the import-substitution strategy	Under the closed economy, tourism did not play an important role in the national development strategy	Under the directionless and loosely organized Tourist Bureau there was no tourism promotional and marketing activities.
1965 - 1970	Partial departure from the closed economy	1966 - The government legislative body was established for the tourism sector 1966 - Introduction of the first Ten Year Master Plan for tourism	The revival of tourism promotion and marketing strategies. Tourist Board Act No. 10 of 1966, Ceylon Hotel Corporation Act No 14 of 1966, Tourist Development Act No. 14 of 1968. The plan became the blueprint for tourism development and witnessed first tourism boom in Sri Lanka. The country witnessed a first-wave of new hotel construction with five resort development zone
1970 - 1977	Closing up the economy again	No new government initiative to develop tourism	The rate of investment growth in tourism fell down due to the re-establishment of import control measures. However, tourism grew rapidly as a result of previous promotional activities and peaceful environment.
1977 - 1996	Opening up the economy	1977 - Introduction of trade liberalization, exchange rate reforms and incentives for FDI.	Sri Lanka managed to attract a large number of tourists especially from Europe under the open economic policies. Tourism was promoted. The progress continued until 1983. Tourism became a victim of war since 1983.
	The second wave of economic reforms in 1989	1992 - Introduction of the second Ten Year Tourism Master Plan	Temporary rebound in tourism Sector and recovery of tourism arrivals with the second wave of trade reforms
1996 to date	Continuation of opening economic policies with some limitations	2002 - Signing a cease-fire agreement and created a peaceful environment for the tourism sector.	The relatively peaceful short term environment gave rise to an increase in tourist arrivals to Sri Lanka
		2005 - New tourism Act. 2008 - Introduction of the Third Tourism Master Plan	A closer relationship between government and private sector through joined experiences board has built integrated approach to tourism.
		End of war in 2009 – Launching new tourism promotion strategy 2011-Implementation of the Tourism Development Strategy	The tourism sector has made a remarkable recovery, and it is becoming one of the fastest growing and dynamic industries in the country due to a peaceful environment.

Source: Adapted from (Fernando, Bandara et al. 2013)

Although the country is extremely rich in natural, cultural and heritage-based resources as described above, it took about 18 years after independence for Sri Lanka for policy makers to recognize a significant role for tourism in enhancing economic development. After identifying tourism as a key sector for the first time, the Sri Lankan government commissioned a study to prepare a Ten Year Master Plan for tourism in 1966. This plan was developed with funding from USAID (United Nations, 1993). Following this study the Sri Lankan government passed two acts (the Tourist Board Act No. 10 of 1966 and Tourist Development Act No. 14 of 1968) to establish institutional arrangements such as the Ceylon Tourist Board, the Ceylon Hotel School and the Ceylon Hotels Corporation in order to actively engage in tourism promotion and development for Sri Lanka (see for details, United Nation 1993). It was very difficult to attract private sector investors into this area of the economy without incentives since the number of tourist arrivals was by then small relative to other destinations. Therefore, the Sri Lankan government offered an incentive package to the private sector including fiscal and financial concessions, and land on concessional rates and provision of infrastructure. This created the first tourist boom in Sri Lanka and a first-wave of new hotel construction mainly occurred along the Southern Coast. As shown in Figure 1, the period of 1966-1977 witnessed a rapid growth in tourist arrivals in Sri Lanka. The pro-western United National Party (UNP) Government introduced a far-reaching economic reform package in 1977 and commenced the process of opening the economy. This was a turning point in economic policy for Sri Lanka, and this policy change not only stimulated export-led industries but also assisted in attracting international tourists. During the period from 1966 to 1970 the country witnessed an increase of 23 per cent in tourist arrivals on average per annum (from 18,969 in 1966 to a peak of 407,230 in 1982). Although there was a negative annual growth of 14 percent in 1971, as a result of the first Youth uprising in the South, there was a further rapid rise in tourist arrivals between 1972 and 1982 at a rate around 24 per cent per annum. The numbers of inbound tourists in Sri Lanka reached 100,000 in 1975 for the first time. With the introduction of open economic policies in Sri Lanka in 1977, the tourism industry enjoyed remarkable success until 1982, recording an increase in tourist arrivals from 153,665 in 1977 to 407,230 in 1982. The period 1978-1982 can thus be considered as a relatively prosperous period in the early history of Sri Lanka.

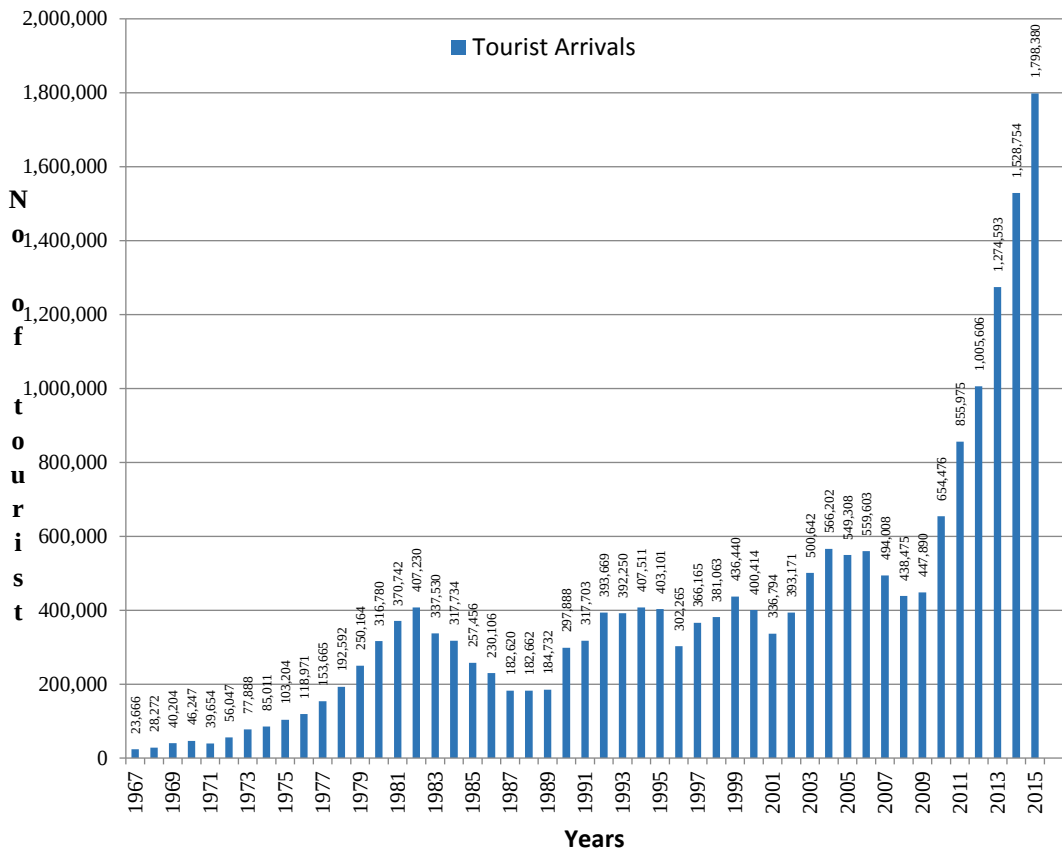


Figure 1 Tourist Arrivals to Sri Lanka and year on year growth from 1966 to 2015

Source: Based on Sri Lanka Tourist Board Annual Reports, various issues

Unfortunately, the first tourism boom ended with the eruption of well-known ethnic riots in July 1983 and the escalation of the separatist war in the North and East. During the next twenty-seven year period, Sri Lanka missed many opportunities to attract tourists and foreign direct investment (FDI) to the sector because of the above mentioned 'twin wars' (namely the separatist war in North & East coupled with youth violence in the South). It is clear from Figure 1 that the year 1983 was a turning point in terms of such missed opportunities. All expectations of reaping the benefits of economic liberalisation in 1977 and Sri Lanka's dream of becoming another Singapore faded away.

During the first episode of war (1983-1987), the number of tourist arrivals declined at an average annual rate of 15 percent. Although the peace process started between the Sri Lanka Government and the Eelam separatists in 1987 following the intervention of the Indian government, the tourist arrivals to Sri Lanka were stagnating and low as a result of the above-mentioned 'twin war.' However, the elimination of the second youth uprising in the South in 1989 and the beginning of another round of peace talks between the Sri Lankan government

and the Eelam separatists resulted in a temporary rebound in the tourism industry in 1990. This rebound was also supported by the second wave of economic reforms including a further liberalisation of the trade regime (Kelagama.S and Danham.D 1995).

These economic reforms associated with the Second Ten Year Tourism Master Plan induced a recovery of tourism arrivals from 184,732 in 1989 to 393,669 in 1992. However, the Eelam separatists started the Second 'Eelam War' in 1990, and the president of Sri Lanka was assassinated by the Eelam separatists in 1993. As a result, Sri Lankan tourism again showed negative rates of growth. After seventeen years in power, the right-of-centre UNP government lost power in the 1994 general elections and the left-of-centre People Alliance (PA) government led-by the former president (Mrs. Bandaranayake Kumaranatunga) came to power with new directions and expectations. The new government began a fresh round of peace talks with the Eelam separatists in 1994, and there was a small growth in tourist arrivals during this brief period. However, once again, peace talks collapsed, and the war started again in earnest in 1996. The Sri Lankan security forces captured Jaffna (the heart of the Northern Province), and the Eelam separatists started to mount attacks on economic targets like tourist hotels, the Central Bank and the business district in Colombo. The Eelam separatists attacked the Colombo International Airport in 2001, and the tourism sector faced a severe crisis, and the economy recorded negative economic growth for the first time in three decades. As a result of the ensuing economic crisis, as well as an increase in the intensity of war in the North and East and attacks mounted by the Eelam separatists in Colombo and the Southern part of the country, the PA government became unpopular. In 2002 the right-of-centre-pro western government led by the UNP came into power and began a fresh peace process in 2002 after signing a cease-fire agreement (CFA) with the Eelam separatists following international mediation led by Norway. Between 2002 and 2006, there was a relatively peaceful environment in the country and the government had six rounds of peace talks with the Eelam separatists. The relative optimism in relation to the possibility of achievement of long-term peace and the relatively peaceful short term environment gave rise to an increase in tourist arrivals to Sri Lanka during this period. This was a mini-tourism boom. However, the war between the Eelam separatists and the Sri Lankan government security forces started again in 2006, and the tourism industry was badly affected once again between 2006 and 2009. During this period the growth in tourist arrivals was negative as expected. Finally, the war ended in May 2009 as the result of the government forces defeating the Eelam separatists and gaining full control over the entire island. Following the end of nearly three decades of brutal separatist war between the separatist rubbles and government security forces in Sri Lanka in May 2009, Sri Lanka has witnessed an unprecedented post-war tourism boom beyond its expectation. The number of

international tourist arrivals to Sri Lanka has sharply increased breaking all previous historical annual and monthly tourist arrivals records.

The Post-war Tourism Boom in Sri Lanka

After recognising the key role that the tourism industry can play in post-war development the Sri Lankan government launched a Tourism Development Strategy (TDS) with a five-year master plan for 2011-2016, setting a number of important targets centered on attracting a large number of international tourists. It has a number of ambitious targets. These include “an increase in tourist arrivals from 650,000 in 2010 to 2.5 million by 2016, attract US \$3 billion of FDI within the planned period, an increase in direct and indirect tourism related employment opportunities from 125,000 in 2010 to 500,000 by 2016, distribution of the economic benefits of tourism to a larger cross-section of the society, increase in foreign exchange earnings from US\$ 500 million to US\$ 2.75 billion by 2016, contribute towards improving the global trade and economic linkages of Sri Lanka and position Sri Lanka as the world’s most treasured island for tourism” (Ministry of Economic Development 2011). These targets are almost four times of the values of 2010 in terms of numerical values. All other targets are related in the sense that they depend on the realisation of the target of attracting a large and expanding number of international tourists.

This demonstrates that the Sri Lankan government is very keen to accelerate economic development through tourism. It is also important for Sri Lanka to implement marketing and management strategies to rebuild its image as an attractive and safe tourist destination after decades of negative international publicity highlighting the on-going political violence, the war and persistent acts of terrorism prior to 2009 as well as concerns about alleged human rights abuses in the final stages of the war. In addition to the TDS, Sri Lanka has launched a massive marketing campaign under the tourism branding slogan of “Sri Lanka - the wonder of Asia.” This strategy is important for Sri Lanka considering its effort to recreate its image and the competition it faces from other destinations in terms of attracting international tourists. As results of these influences, Sri Lanka Tourism has surged to a new high record of 1,798,380 arrivals in 2015, transcending all time high hits in the history. As a result, the experience of the short history of the post-war period shows that the tourism sector has now become a main driver of the Sri Lankan economy in terms of foreign exchange earnings, employment generation and attracting foreign direct investment (FDI). In 2015, tourism generated 319,436 both direct and indirect employment opportunities and Rs. 405,492 million (US\$ 2,980.6 million) foreign exchange earnings in the Sri Lankan economy (SLTDA 2015)

According to TDS, it is clear that government’s growth strategy is to consolidate first and then, to target exponential growth which means that for the first four

years the Government expects 12.9 per cent to 28.6 per cent per year growth rates. Thereafter the growth rate is anticipated as accelerating up to 48.1 percent in 2015 and finally to be stabilised at around 25 percent growth per annum in 2016 (see Figure 2 for more details). According to Figure 2, actual tourist arrivals have been more than the expected against the target set for each of the past five years until 2014 and could not achieve the target in 2015.



Figure 2. Expected tourist arrivals and growth 2010 to 2016.

Source: Based on tourism development plan 2011 – 2016 (Ministry of Economic Development 2011) and Sri Lanka Tourism Annual Report (SLTDA 2012)

Current issues of tourism in Sri Lanka

A growing sector of an economy is always facing challenges, and therefore, tourism sector as a growing sector in Sri Lanka is no exception. There are a number of impediments to achieving such targets and need to be addressing them by both tourism industry and government. Analysing tourism sector is more complicated as tourism differs from many other economic activities in that it makes use of a diverse range of facilities across a large number of industrial sectors (Pham and Dwyer 2013). Comprehensive and reliable statistics are essential for policy-makers to make evaluate the efficiency and effectiveness of management decisions to support tourism development. It needs to be a solid data base. However, available data have numbers of shortcomings even tourism arrivals in Sri Lanka.

Firstly, accommodation is more important for tourism, and it should be fulfilled international tourism standards. The Sri Lankan hotel industry comprises tourist

hotels that are graded establishments, along with other establishments such as guest houses and inns registered with the Sri Lanka Tourism Development Authority (SLTDA 2012). According to the Sri Lanka Tourism Annual Report, the lodging establishments registered with the SLTDA amounted to 783 which provided 20,609 rooms as at 2012 and the annual hotel room occupancy rate was 70.1% (see Table 1 for more details).

Table 6: Accommodation Capacity

Class of Accommodation		Accommodation Capacity			Room Occupancy Rate
		No of Units	No of Rooms	No of Beds	
Hotels		354	19,376	30,399	74.5
	5 Star	13	2,744	6,420	74.9
	4 Star	18	2,084	3,329	75.1
	3 Star	15	1,469	2,378	74.3
	2 Star	33	2,022	3,981	71.9
	1 Star	34	1,725	2,322	73.6
	Unclassified	217	9,592	18,992	73.2
Supplementary Establishments		1,409	10,702	20,211	78.0

Source: Annual statistical report of Sri Lanka tourism – 2015

The Sri Lankan tourism industry needs around 45,000 hotel rooms to accommodate the estimated 2.5 million tourists by 2016 (according to TDS). This represents a massive challenge. The existing accommodation capacity in the Sri Lankan tourism sector seems to be inadequate to cater anticipated tourism demand or target since it is a difficult task to build a large number of hotel rooms in a very short period of time. However numbers of arrivals are confusing for example, current tourism arrival figures are calculated according to the definition of tourist who spends 24 hours or more, these include many Sri Lankans with foreign passports, foreigners working with local organisations and spend time with business partners all of whom come from limited period less than one year that categorised tourist, however, they may not occupy in hotels room as a tourist guest. If all these are factored in, according to SLTD annual report 2015, only around two third of tourist arrivals are needed hotel rooms for their accommodation and others especially Sri Lankans those who have foreign passports, around 25 per cent of total tourism, most probably accommodate with their relations. In addition, the government has initiated some other community-based alternative accommodation development programs such as the ‘home stay’ program. However, higher-quality accommodations are necessary for Sri Lanka to attract quality high spending tourists. According to the SLTDA, only about 6,000 of the currently available rooms are of medium to high quality. Refurbishment of existing hotel rooms is one option to meet the requirements of the expected number of high-quality tourists.

Secondly, the tourism industry needs to be improved transport infrastructure facilities in order to meet the needs of the anticipated increase in tourism numbers. Despite the recent implementation of massive infrastructure development projects, Sri Lanka has a long way to go to catch up with other favoured Asian tourist destinations like Singapore and Thailand. The country is still lagging behind in terms of road and rail transport. Moving tourists from one location to another location within the country is still time-consuming due to poor infrastructure. Although Sri Lanka is an island, it is yet to have the facilities needed to promote and accommodate significant overseas tourism arrivals by sea. However, tapping into sea travelers (such as the cruise ship market) is at embryonic state. The port infrastructure in the North and the East was severely damaged by the war, and rebuilding is necessary in order for tourism potential to be fully realised.

Thirdly, The TDS has identified two types of human resource gaps: the gap in the accommodation industry itself, and the gap in related services. The industry is facing a shortage of trained workers because of decades of neglect in training tourism workforce due to civil disturbances. As highlighted in an industry report, the tourism sector needs five times of the current workforce to cater for 2.5 million tourists by 2016 (Clearer Skies 2011). The hospitality related education and training facilities are not sufficient to train such high numbers of workers or to train workers at the level needed to compete effectively in the high end of the tourism sector.

Fourthly, according to the Tourism Development Strategy 2011 – 2016, the industry is expected to move towards premium prices with greater value addition attracting higher spending tourists. It is important that the country moves away from low-cost tourism and focuses on high-end tourism (Ministry of Economic Development 2011). Although the country expects to move away from the low-cost tourism and focuses on high-end tourism, attracting quality tourists has been the main issue. There have been growing number of South Asian tourists and members of Sri Lankan diaspora compared with tourists from rich western countries. According to some recent estimates, 20 percent of recent tourist arrivals are members of the huge Sri Lankan diaspora who are visiting friends and relatives (see Miththapala 2012). According to the same source, only 82 percent of international arrivals in 2010 were “real tourists” who stayed in hotels.

Finally, rapidly increasing accommodation costs represent another constraint on meeting tourism targets. According to some recent reports, (Clearer Skies, 2011), the pricing of hotel accommodation is not competitive, and Sri Lankan hotel accommodation is over-priced for its quality compared with its rivals. While Sri Lanka is more expensive than many other countries for four-star and five-star accommodation, it is more competitive in terms of the price of three-star rated beach resort hotels. These are generally not of a standard that is attractive to international tourists. The room-rates in Sri Lanka have gone up because of the

post-war tourism boom such that comparable room rates in other tourist destinations like Thailand, Indonesia, Vietnam, and Kenya are cheaper than Sri Lanka. Over the last few years, hotel charges have gone up by about 50 percent (Clearer Skies 2011). Some believe that the government regulation of these charges represents an unhealthy intrusion into the sector and that it is important to allow rates to be determined by the market (The Nation 2011). The tourist price index estimated by the Sri Lanka Tourism Development Authority (2010) shows that the index increased by 5.3 percent in 2010. Sri Lanka competes with other countries in South Asia and the Asia-Pacific region. However, the overall tourist price index showed an increase of 5.3 percent, when compared with the previous year. In absolute terms, it increased by 1,510 points from 4,940 in the 2009/2010 season, to 6,450 in the 2012/2013 season (SLTDA 2012). Prices of the accommodation sector increased by 3.9 percent while the food & beverage sector increased by 6.1 per cent and the transport sector increased by 7.7 percent (SLTDA 2012).

In order to maintain competitiveness with other countries in South Asia and the Asia-Pacific region, the Sri Lankan government has introduced a comprehensive policy framework for tourism development. Several key initiatives have been proposed such as setting up an Aquaculture park in Batticaloa, promote sale of gem and jewellery, encourage MICE tourism by establishing necessary infrastructure, encourage spending by tourists, transform and upgrade tourist attraction sites and local tourism zones, encourage theme parks and removal of tax for water sport equipment yachts, etc. & introduce hovercraft and other water based sports for tourists, tax holidays for investors. With the view of improving operational efficiency and to facilitate investment a new organisation will be formed under the name "Agency for development". Tourism branding plan, training, and development for tourism youth, registration of tourist hotels based on quality standards, etc.

As such Sri Lanka Tourism is confident that the new strategic direction will move the country forward making it the most sought after travel destination in Asia while all stakeholders of the industry reap its benefits. It is very clear that within the next few years to come, the tourism industry will become a sustainable sector in the Sri Lankan economy being the top GDP contributor within next few years. Sri Lanka will adopt a concerted and coordinated approach linking private and public sector and all stakeholders, to assess policies that govern future industry development and provide knowledge to guide successful and sustainable Travel & Tourism strategy for the country.

Conclusion and Recommendations

In this paper reviewed that how the country attempted to achieve early expectations and how it missed opportunities on several occasions due to

inappropriate economic policies, political violence, and wars. The post-war peacetime has given Sri Lankans and the Sri Lankan tourism sector new hopes and optimism. There is no doubt that the Sri Lankan tourism sector can play a vital role in the post-war inclusive development strategy in terms of generating much needed foreign exchange, poverty alleviation via employment generation, accelerating economic growth and uplifting living standards of all Sri Lankans. In particular, it can play a role in promoting inclusive growth by taking into account the war affected Northern and Eastern regions via a major boost in tourism related infrastructure.

Sri Lankan tourism has managed to recover quickly since the end of war in 2009. After recognising the role of post-war tourism, the Sri Lankan government has launched the TDS for the period 2011-2016. A number of policy inferences can be drawn from this study. Given the limited resources available to the Sri Lankan government and the competing claims on these resources, development of strategies for and active promotion of public-private partnerships aimed at creating new tourism related infrastructure (hotel resorts, cruise line facilities, road transport upgrades, etc.) are recommended. There should be a consideration for promoting the country as a price competitive and safe tourism destination. The country has to maintain political stability and work towards reconciliation process with improved governance and maintaining rules of law in order for the development strategy to be fully realised. Having painted a very optimistic picture about the future of the Sri Lankan tourism sector, it is important to highlight future challenges in this concluding section in line with current issues in the tourism sector in Sri Lanka. The tourism sector and the Sri Lankan government need to implement a sustainable tourism strategy collectively.

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