

## Intervention Report

- Local value chain development exercise on tourism in Anuradhapura -

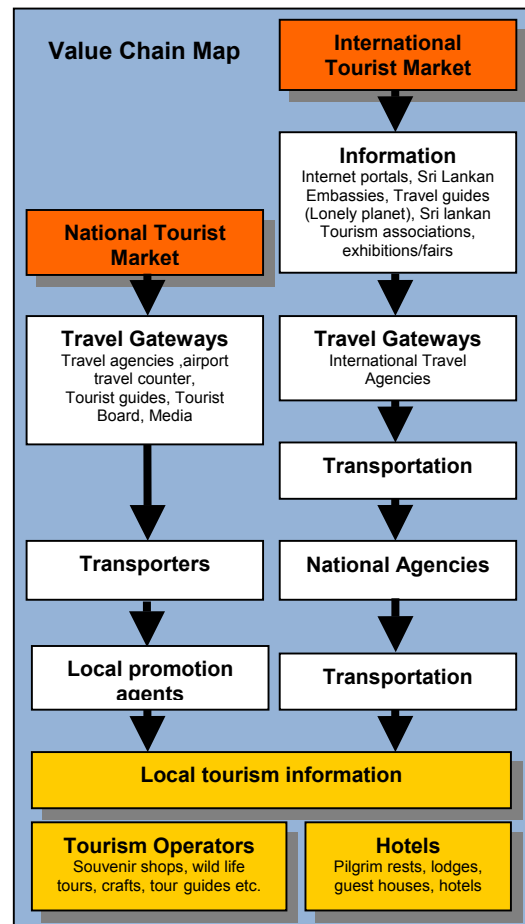
### 1. Background

Anuradhapura is one of the ancient cities of Sri Lanka that belongs to the so-called *Cultural Triangle*, launched 1978 by the Ministry of Cultural Affairs in cooperation with UNESCO. The four ancient cities belonging to the triangle accounted for about 19 percent of total foreign guest nights in 2005. The total revenue from sale of tickets to foreign visitors has been 284.7 million Rupees in 2005, which means a total number of 110,443 tourists. However, Anuradhapuras' share is only at 3.75 percent of this – despite its attractive ancient sites.<sup>1</sup>

The actual size of the sector is cannot be given precisely due to many informal activities and indirectly linked stakeholders. However, the current contribution to district GDP is estimated as being between 5 to 10 percent. Especially during the main tourist season (*Poson Poya*), when many local and foreign tourists visit the town, the sector generates a relatively high number of jobs and incomes. During off-season, small-scale stakeholders would take up other income generating activities.

Despite Anuradhapura's importance as cultural heritage site in the country, the tourism sector faces severe problems, which are best expressed by the low occupancy rate of registered hotels and guesthouses: 37.3 percent in 2005! The figures for 2006 and 2007 are expected to be even worse due to the recent intensification of violence in the Northern and Eastern Provinces. The sector is currently clearly running under its capacity.

The ILO Enter-Growth Project has identified a limited potential for pro-poor growth in the tourism sector. New and better jobs can be created and higher incomes generated if this sector received more attention and government support and adopted a comprehensive growth and marketing strategy. Limitations are however posed through the renewed



<sup>1</sup> All figures taken from Sri Lanka Tourist Board (2005): Annual statistical report of Sri Lanka Tourism

violent conflict in North and East that scares away especially foreign tourists from high-income countries.

## 2. Enter-Growth plan

Due to the potential identified in a previous LOCA<sup>2</sup> exercise, and the support expressed by the Ministry of Tourism in North-Central Province, the district manager of Enter-Growth decided to start a local value chain project (Local-VCD). This was before the conflict resumed, or this decision might not have been taken. The Local-VCD approach is the projects' attempt to combine local economic development with a more market focused approach. Local-VCD uses a participatory sequence of workshops and interviews, similar to the common LOCA methodology.

The following proposals have been generated by the Local-VCD exercise and were presented to the tourism sector stakeholders:

Proposal	Back ground
<p>1. <i>Hospitality sub-sector (I)</i>: Improve networking through means of exposure visits and membership in national organisations and organise presentations/workshops of national stakeholders in Anuradhapura.</p>	<p>Despite a common goal the notion of competition outweighs the interest for cooperation. This deprives the sector of achieving economies of scale through joint marketing efforts or improved bargaining power.</p>
<p>2. <i>Hospitality sub-sector (II)</i>: Strengthen the existing association, build up its capacity to provide services to its members and effectively lobby for their interests and building trust amongst its members.</p>	<p>Insufficient supply of trained staff and a lack of networking between local and national stakeholders, result in ignorance of market standards and quality.</p>
<p>3. <i>Tour guides subsector</i>: strengthen the capacity of the association through training (by the Industrial Development Board). An evaluation and training system should be introduced to ensure the quality of services.</p>	<p>Tour guides are usually not registered and deliver low quality services and often false information. They are not trained properly. Prices vary and though there is a tourist guide's association, it remains weak and unorganised.</p>
<p>4. <i>Regulatory issue</i>: Increase validity of cultural triangle ticket from one day to 2-3 days.</p>	<p>Tickets to the main cultural and historic sites are only valid for one day, thus not encouraging tourists to stay overnight. Money-spending tourists are discouraged to stay in Anuradhapura, thus depriving the local economy of additional incomes.</p>
<p>5. <i>Marketing &amp; information</i>: Improve the marketing of the local tourist sector through  a) newly designed brochures highlighting local sites,  b) closer linkages with national and even international media,  c) improved linkages between local organisa-</p>	<p>Though marketing is important to attract foreign and national tourists, no such initiative could be identified. The information centre remains in a desolate condition, the publishing of a tourist map has not yet been achieved, linkages to national tour operators and large hotels are weak, and reputation of local hotels and tourist services is bad.</p>

<sup>2</sup> LOCA is known as PACA (Participatory Appraisal of Competitive Advantage) elsewhere in the world. It is a product of Mesopartner. See [www.mesopartner.com](http://www.mesopartner.com).

<p>tions and business stakeholders and national level organisations, d) better services and availability of information at the tourist information centre.</p>	
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### 3. What actually happened

Some of the proposals above have been taken up by the stakeholders in the tourism sector and have been implemented with the technical support of Enter-Growth and its partners.

#### Proposal 1 & 2

The Enter-Growth intervention started with informal discussions and meetings with association members and leading figures. Hotel owners/managers were quickly convinced of the benefits of having a proper-functioning association, as some active hoteliers had tried before to set up a functioning association. The district Enter-Growth manager assisted them in registering their association and for this purpose temporarily made available some of his office space, stationary and computers. He also discussed the matter with the districts' Government Agent (GA). Further, he helped to draft a constitution for the association, which was also enhanced by the inclusion of a tourism consultant who voluntarily provided some inputs as Anuradhapura was his home-town.

Recently the association has conducted its first annual general meeting (AGM) on March 29 (2007), to which they have invited not only members but also relevant stakeholders from other sub-sectors in tourism, national organisations, public authorities and politicians. One of the points on the agenda has been the implementation of the extended cultural triangle ticket.

#### Proposal 3

The overall response from the tour guide association has been very weak. Perhaps a reason for this is the lack of leading figures who are motivated enough to pull others along – as in the case of the hotel association. Tour guides are mostly self-employed micro-entrepreneurs who guide tourists only during the main seasons as a subsidiary job, providing additional income to their mostly poor families. As the political security situation worsens, they also turn their attention more to other income sources (mostly agriculture).

However, the Enter-Growth district manager has worked together with a tourism lecturer of the University of Anuradhapura in developing an itinerary tour guide for tourists. This itinerary outlines the most attractive sites in the district and provides suggestions on how to organise sightseeing tours. It still needs to be brought into a marketable form. The lecturer however seems motivated enough to carry this plan further. He has also started shifting the focus of his lectures from national tourist sites to available and potentially attractive local sites in the district. This way, graduates are also encouraged to look at the locally available opportunities rather than migrating to Colombo or elsewhere after their studies.

The interviewed members of the hotel association have further expressed their intention of inviting members of the guides' association to discuss the benefits of having a strong association, as they themselves would also benefit from better guide services.

#### Proposal 4

The most apparent and fastest success of the Enter-Growth intervention has been an extension of the validity of the cultural sites ticket from one day to 3 days. This will allow tourists in future to stay overnight in Anuradhapura rather than simply “ticking-it off” on the way to Polonnaruwa or Dambulla in one day.

The Enter-Growth district manager sent a formal request to the Cultural Triangle Authority, which was also supported by the Chief Secretary of the North-Central Province (who at the same time is also minister of tourism). Within just one day, the manager got confirmation from the responsible national minister that the validity of the ticket has been extended to three days.

However, a test conducted by the hotels association revealed that the change had not yet been communicated to the actual ticket counter officers and ground managers. Therefore only the first step has been taken – implementation yet has to follow.

#### Proposal 5

The design of a tourist map has been proposed already in a previous LOCA exercise in the division. However, since the hotel association has been weak at that point of time, this proposal has not yet shown any results. In general, the marketing aspect still needs to be worked out further.

However, given the current political situation, it seems in general a bad time to promote tourism.

Enter-Growth in general played an important role in coordinating activities, bringing people together and helping with administrative issues (filling forms and applications etc.).

Apart from the proposals made above, Enter-Growth played a strong role in initiating a public-private dialogue about matters of the tourism industry in Anuradhapura: Enter-Growth organised a follow-up meeting, which was chaired by the GA and was attended by around 25 participants from the tourism sector as well as relevant government authorities, university and business service provider. The feedback received was in general very positive and major political decision-makers expressed their support for the project.

#### 4. First signs of impact

The ultimate goal is to increase the number of tourists coming to Anuradhapura and making them stay longer. This would subsequently lead to more job and income opportunities. Some initial signs of indirect impact can already be observed:

##### Higher awareness for needs of sector

*The general awareness* of the needs of the sector has increased due to the Local-VCD and the publicity, which this exercise has created. Bringing the relevant stakeholders together – for the first time – has for example increased the awareness of political decision makers: they were able to hear about the problems and were presented with possible solutions. Stakeholders now feel that they are not left alone with their problems,

but that attention and support is given to their concerns.

### **Stronger associations**

The hotel association has become much stronger in membership and is increasingly making use of its bargaining power. The association has now nearly 50 members of which 25 participated on their last meeting. Having talked to some hoteliers half a year ago, a positive change in attitude and motivation could be observed this time. Distrust is now being more and more replaced by a sense for the need of cooperation to achieve common goals. The interviewed members stated that this was a result of the efforts undertaken by the Enter-Growth district manager. The public-private dialogue initiated by the manager has very much improved confidence of stakeholders.

Though association members did not yet participate in the capacity building training offered by EG, members are increasingly becoming aware of the potential role of their association. The president and treasurer have already used their bargaining power in order to discuss the extension of the cultural triangle ticket with authorities. They are now negotiating with a HR company to provide them with trained hotel staff at a discount rate, thus using their bargaining power for 'bulk purchasing'.

### **Better public-private dialogue**

Networks amongst key stakeholders have been significantly improved. Political decision-makers (including the Chief Secretary and the GA) are now aware of the situation and have expressed their support. Most have understood by now that getting more tourists to stay in their hotels or book tours will require joint efforts by all.

Though no concrete actions followed the follow-up meeting organised by the district manager, the networking and awareness aspect should not be underestimated. It has actually been the first time that all the stakeholders from the sector have been brought together to discuss matters related to tourism.

The tourism sector in Anuradhapura is in a difficult situation: the conflict in the North and East prevents tourists from visiting the ancient and other local attractive sites. The conflict could be seen as the major reason, why local entrepreneurs do not perceive this sector as a business opportunity. However, the Local-VCD exercise has managed to start a dialogue amongst public and private stakeholders and contributed to a positive change of attitudes. This change has not yet affected the whole sector, but still is confined to the hotel association and a few key stakeholders.

## **5. Learning, conclusion & next steps**

Some of the lessons learned – according to the Enter-Growth district manager – include the following:

### **Stakeholder participation**

Stakeholder participation in form of involvement in the Local-VCD and the implementation of proposals, motivation and commitment is essential for the success of a Local-VCD project. In the local tourism sector of Anuradhapura, Enter-Growth had to start on a very low level of stakeholder commitment. Only through continued efforts, could they slowly be convinced to take up the initiative.

**Value chain analysis**

Of the factors that did not go well, the value chain analysis was one: It should have been more in-depth to understand underlying causes for the sectors' problems. Particularly the involvement of national-level stakeholders was weak and should be improved in the next step.

Talking to some of the stakeholders and the district manager, the feeling is not to give up the sector, but rather concentrate on small things that can be done – despite the ongoing conflict. Rather than having a Regional-VCD, with higher-level stakeholder participation and more in-depth value chain analysis, it has been suggested to use a peace-meal, needs-based approach.