

Democratic Republic of Sri Lanka

FY2015 Ex-Post Evaluation of Japanese ODA Loan Project

“Tourism Resources Improvement Project”

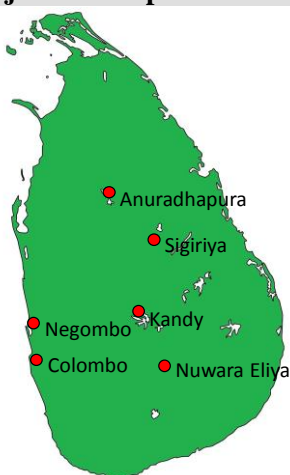
External Evaluator: Keisuke Nishikawa, Japan Economic Research Institute Inc.

0. Summary

In this project, tourism-related infrastructure and human resources were developed to grow the tourism industry at six tourist destinations in Sri Lanka. This project was consistent with the development plans and needs of Sri Lanka at the time of appraisal and ex-post evaluation as well as the priority areas of Japan’s ODA policy at the time of appraisal. Therefore, the relevance of this project is high. With regard to project implementation, while the components were implemented mostly as planned and the project cost was inferred to have been within the plan, the efficiency is fair as the project period exceeded the plan. With respect to project effectiveness, the tourism industry had grown rapidly since the civil war ended in 2009, and it was assumed that many of the targets of the indicators expected in this project had been achieved ahead of time and that the unachieved indicators would generally have reached their targets by the target year (2015). As for the impact of the project, it was confirmed that the tourism industry had significantly contributed to increases in employment and foreign exchange earnings, and this project made contributions to the development of the industry. Therefore, the effectiveness and impact of this project are high. Regarding sustainability, there were no issues in terms of institutional, technical and financial aspects of operation and maintenance of this project, but the sustainability of the effects generated in this project is fair as there were some issues found in the current status of operation and maintenance.

In light of the above, this project is evaluated to be satisfactory.

1. Project Description



Project Locations



Hotel School Constructed in this Project (In Kandy)

1.1 Background

Sri Lanka has a wealth of tourism resources such as beautiful natural scenery, beaches and its Buddhist culture, in addition to seven World Heritage Sites. The Sri Lankan government's efforts to develop the nation's tourism industry began with the formulation of the Ceylon Tourist Board Act in 1966. A surge in the number of foreign visitors to Sri Lanka from approximately 340,000 in 2001 to approximately 550,000 in 2005 had been observed after the ceasefire agreement was reached between the Liberation Tigers of Tamil Eelam (LTTE) and the Government of Sri Lanka in 2002. As a result, the tourism sector came to form a strategic part of Sri Lanka's economy in terms of foreign currency earnings and the generation of new employment.

However, sub-standard infrastructure at tourist destinations and shortages of human resources in the tourism sector resulted in fewer foreign visitors compared to its Asian neighbors¹. Specifically, since Sri Lanka failed to undertake adequate marketing or promotional activities not only in Japan but also other parts of East Asia, it received few tourists from these parts of the region.

Under these circumstances, the Government of Sri Lanka set forth a policy aimed at developing the tourist sector which involved the development of tourist infrastructure at six sites, including Sigiriya and Anuradhapura, which were World Heritage Sites, and a summer resort of Nuwara Eliya. Simultaneously, the government held a policy to target the Japanese market with a potentially large demand expected. With this background, this project was implemented to support these policies of the Sri Lankan government.

1.2 Project Outline

The objective of this project was to increase the number of foreign visitors to Sri Lanka and to stimulate the country's tourism industry by developing infrastructure at six tourist destinations, including Sigiriya and Anuradhapura, by providing support for human resource development, and by carrying out marketing and promotional activities in Japan, thereby contributing to the socioeconomic development of Sri Lanka in terms of generating new employment, acquiring foreign currency and so forth.

| | |
|---|---------------------------------------|
| Loan Approved Amount / Disbursed Amount | 2,604 million yen / 2,514 million yen |
| Exchange of Notes Date / Loan Agreement Signing Date | March 2006 / March 2006 |

¹ For example, while approximately 600,000 tourists visited the Maldives (in 2006), a neighboring country with 1/60 of Sri Lanka's population, Sri Lanka had only 560,000 tourists (in the same year).

| | | |
|-----------------------------|---|----------------|
| Terms and Conditions | Interest Rate | 0.9% |
| | Repayment Period | 20 years |
| | (Grace Period | 6 years) |
| | Conditions for Procurement | General Untied |
| Borrower / Executing Agency | Government of the Democratic Socialist Republic of Sri Lanka / Ministry of Tourism Development and Christian Religious Affairs | |
| Final Disbursement Date | May 2013 | |
| Main Contractor | - | |
| Main Consultant | Oriental Consultants Co., Ltd. Nihon Keizai Advertising Co., Ltd. | |
| Related Projects | <p>[Technical Cooperation] Development of Culture-oriented Tourism in Sigiriya (2008 – 2010)</p> <p>[Grant Aid] Construction of Sigiriya Museum (2006 – 2009) The Project for the Improvement of Display Equipment of the Sigiriya Museum (2007 – 2009)</p> <p>[Other International / Aid Organizations] Norway: Implemented a project to install signs in Sigiriya and Anuradhapura (2006)</p> | |

2. Outline of the Evaluation Study

2.1 External Evaluator

Keisuke Nishikawa, Japan Economic Research Institute Inc.

2.2 Duration of Evaluation Study

This ex-post evaluation study was conducted with the following schedule.

Duration of the Study: August 2015 – October 2016

Duration of the Field Study: November 16 – December 9, 2015, and February 17 – 29, 2016

2.3 Constraints during the Evaluation Study

While the executing agency of this project when it commenced was the Ministry of

Tourism, the ministry was integrated into the Ministry of Economic Development (MED) in 2010 at which time the MED became the executing agency of this project through to its completion in 2013. According to the executing agency at the time of ex-post evaluation (Ministry of Tourism Development and Christian Religious Affairs) however, when the MED was dissolved at the beginning of 2015, no ministry was assigned to follow up with this project, and the documents and data related to this project were lost during this time, before the ex-post evaluation was started in late 2015². As a result, some information such as detailed components of project activities and project costs could not be obtained. In this ex-post evaluation, judgements have been made to the most accurate extent possible based on the information collected.

3. Results of Evaluation (Overall Rating: B³)

3.1 Relevance (Rating: ③⁴)

3.1.1 Relevance to the Development Plan of Sri Lanka

At the time of appraisal, the Government of Sri Lanka had made it clear to promote development in the tourism sector as seen in the ‘Economic Policy Framework’ formulated in July 2004, also in which a plan to make Sri Lanka an ecological paradise was set. In the ‘Tourism Plan 2005’ formulated in 2004 by the Sri Lanka Tourism Promotion Bureau (hereinafter referred to as ‘SLTPB’), a goal was set to increase the number of foreign tourists to one million by 2010. As for the implementation structure, the ‘Sri Lanka Tourism Act’ was enacted in 2005, allowing the employment of experts from the private sector and increasing the independence of government organizations to implement a tourism administration. With the enactment of this Tourism Act, the Sri Lanka Tourism Development Authority (hereinafter referred to as ‘SLTDA’), in charge of tourism development planning, the Sri Lanka Institute of Tourism and Hotel Management (hereinafter referred to as ‘SLITHM’), responsible for the development of tourism-related human resources, and the SLTPB, assuming the role of tourism marketing for Sri Lanka, were officially established.

With respect to the national development policies at the time of ex-post evaluation, a long-term plan had yet to be formulated, as the new government had just been formed at the beginning of 2015. Therefore, the Economic Policy Statement announced at the end of that year and the 2016 budget speech made by the Minister of Finance were referenced for the purpose of evaluation. In the Economic Policy Statement of the new

² While the Ministry of Tourism Development and Christian Religious Affairs was described as the executing agency in this evaluation, the ministry was not officially delegated by the Sri Lankan government as the government agency responsible for this project after the dissolution of the Ministry of Economic Development.

³ A: Highly satisfactory, B: Satisfactory, C: Partially satisfactory, D: Unsatisfactory

⁴ ③: High, ②: Fair, ①: Low

government announced in November 2015, a strategy to develop a productive and result-based tourism industry was put forward to double or triple the amount of daily expenditures by tourists and to promote tourism development of Cultural Triangle⁵ and Central Highlands⁶, the target areas of this project. Also in the budget speech made in December of the same year, the strengthening of tourism promotion, the development of tourism-related human resources, the implementation of obligatory registration and rating of all hotels in the country, and so forth were put forward as a policy direction. In this way, the tourism sector was positioned with importance in the economic policy.

In the ‘Tourism Development Strategy 2011 – 2016⁷’, which was a tourism sector policy at the time of ex-post evaluation, a goal related to this project was set (1) to increase the number of foreign tourists from 650,000 (2010) to 2.5 million (2016), (2) to increase tourism-related employment, (3) to distribute the economic benefit to the entire society, and (4) to increase foreign exchange earnings. According to the executing agency, although this plan is set to come to an end in 2016, a subsequent four-year tourism promotion strategy is to be formulated during the same year, and the overall policy is to remain unchanged. Therefore, this project is consistent with the tourism sector policy.

3.1.2 Relevance to the Development Needs of Sri Lanka

When this project was being planned, Sri Lanka had various tourism resources, and the tourism industry had an important position within the country’s economy in terms of foreign exchange earnings and employment generation. However, there were several issues, including a lack of adequate infrastructure at tourist destinations and a shortage of human resources to underpin the tourism industry. Moreover, while it was thought that a demand for inbound tourism from Japan would potentially be high, tourist numbers were stagnant partly due to a lack of sufficient knowledge and experience in marketing to the Japanese tourist market⁸.

These issues on tourism development remained the same at the time of ex-post evaluation, and it was pointed out in the above-mentioned ‘Economic Policy Statement’ (November 2015) and ‘Budget Speech’ (December 2015) that domestic tourism resources were not being utilized sufficiently and adequate branding to expand the tourism industry and tourism-related human resources were not sufficient. In interviews

⁵ An area connecting three cities of Anuradhapura, Sigiriya and Polonnaruwa (approximately 40km from Sigiriya), with a concentration of ancient ruins including a number of world cultural heritage sites

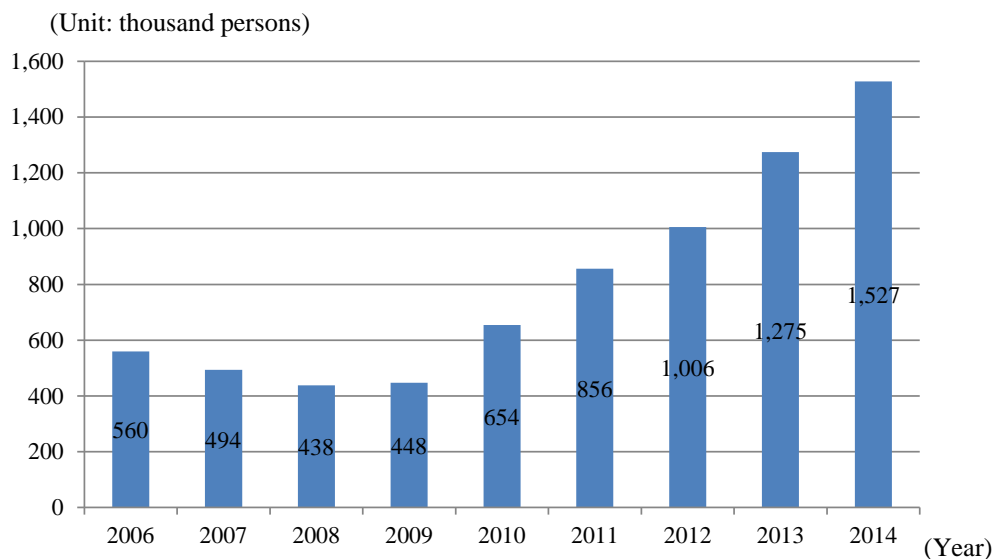
⁶ An area including the Central Highlands which became the World Natural Heritage Site in 2010 and Nuwara Eliya, a city targeted in this project

⁷ While this strategy was formulated during the previous government, it is an effective sector plan under the current government, according to the executing agency at the time of ex-post evaluation. Annual action plans of tourism-related organizations have been prepared based on this strategy.

⁸ The number of tourists from Japan was 17,178 (2003), 19,641 (2004), 17,148 (2005) and 16,189 (2006).

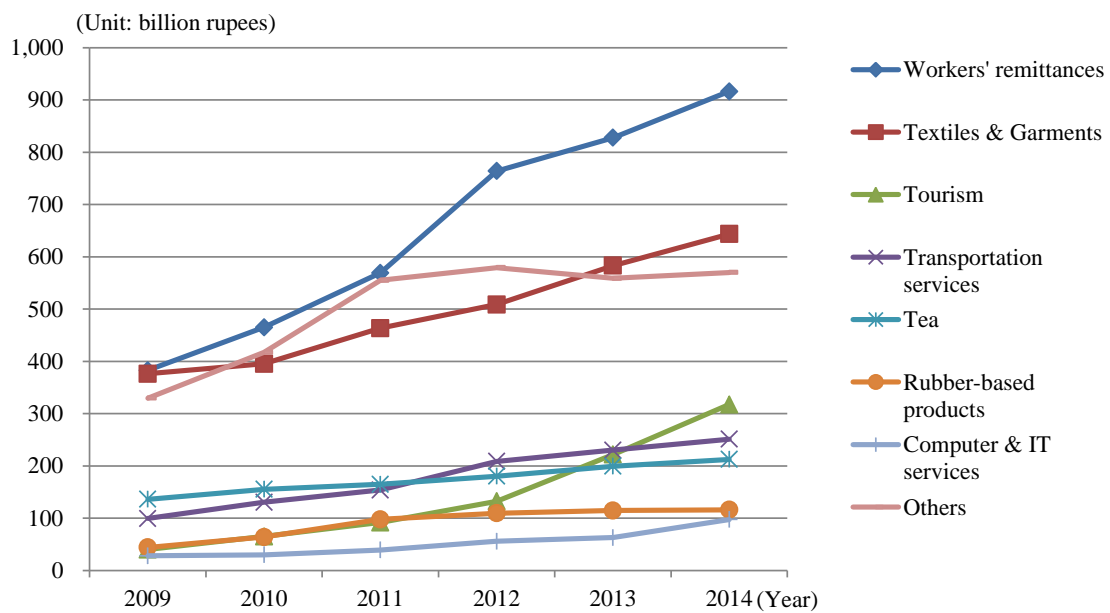
with tourism-related government organizations during the ex-post evaluation, it was recognized that while more human resource development in line with the growth of the tourism industry was needed, the capacities of hotel schools (operated by the government) responsible for human resource development were not sufficient and needed to be expanded further. Moreover, tourism-related infrastructure and other related infrastructure facilities in tourist areas such as water supply and sewerage systems were in need of development. In this way, it became clear that infrastructure development, human resource development, marketing, and so forth were still necessary.

The background for the need of infrastructure development, human resource development and marketing was the rapid increase of the number of foreign tourists and foreign exchange earnings, as indicated in figures below.



Source: 'Annual Statistical Report' various years, the SLTDA

Figure 1: Number of Tourists from Overseas



Source: 'Annual Statistical Report' various years, the SLTDA

Figure 2: Foreign Exchange Earnings by Industry

The number of foreign tourists rapidly increased after the civil war⁹ ended in 2009, and it grew to 1.527 million visitors five years later in 2014, which was 3.4 times larger than that in 2009. In line with the growth, the importance of tourism as a source of foreign exchange earnings by industry had consistently become higher. Although the tourism sector comprised only 2.8% of the foreign exchange earned in 2009, it grew to 10.2% in 2014.

As stated above, it was found that development needs for the tourism sector was high both at the time of appraisal and ex-post evaluation, and that this project was consistent with the development needs.

3.1.3 Relevance to Japan's ODA Policy

In the 'Country Assistance Policy for Sri Lanka' prepared in 2004, Japan prioritized assistance to improve foreign exchange earning capacities in the medium and long-term perspectives, in which assistance for tourism development while conserving the natural environment and historical heritage was specified. In addition, in JICA's 'Medium-Term Strategy for Overseas Economic Cooperation Operations', effective in 2006,

⁹ A civil war continued intermittently from 1983 till 2009 between the government and an anti-government group. Although a ceasefire had been achieved for some time at the time of appraisal of this project, peace negotiations did not progress smoothly after that and Sri Lanka went back into the civil war again from 2006. A series of civil wars, which lasted for 26 years, finally ended in 2009 when the government force brought the country under control.

‘infrastructure development for sustainable growth’, ‘assistance to human resource development’ and so forth were listed as overall priority areas. In the strategy, ‘economic infrastructure development and industrial development to achieve sustainable economic growth led by the private sector’ was the priority area of assistance to Sri Lanka. Furthermore, in JICA’s ‘Country Assistance Strategy for Sri Lanka’, effective in 2005, priority areas were specified to provide assistance to fields of the tourism sector conducive to employment generation and to foreign exchange earnings as part of the support for private sector development in which support for strengthening of tourism promotion measures for Japan, development of tourism-related infrastructure and development of human resources in the tourism sector were listed as strategic components.

In this way, this project was the one intended to materialize the assistance policy for Sri Lanka in order to support tourism development from the viewpoint of foreign exchange earnings, and was consistent with the Medium-Term Strategy for Overseas Economic Cooperation Operations in terms of infrastructure development for sustainable growth, human resource development, industrial promotion, and so forth. Also, this project supported the tourism sector as stipulated in the Country Assistance Strategy at the time of planning which was formulated under the Medium-Term Strategy for Overseas Economic Cooperation Operations. Therefore, a high level of consistency with Japan’s ODA policy during the time of planning was observed.

This project supported the development of tourism as specified in the national development plan and tourism sector plan of Sri Lanka at the time of appraisal and ex-post evaluation, and a high level of consistency was confirmed. Since 2009, when the civil war ended, the tourism industry had grown and development needs in terms of infrastructural and non-infrastructural aspects were high both at the time of appraisal and ex-post evaluation. In relation to Japan’s ODA policy, this project was consistent with each the Country Assistance Policy to Sri Lanka, the Medium-Term Strategy for Overseas Economic Cooperation Operations and the Country Assistance Strategy.

In light of the above, this project had been highly relevant to Sri Lanka’s development plan and development needs, as well as Japan’s ODA policy. Therefore, its relevance is high.

3.2 Efficiency (Rating:②)

3.2.1 Project Outputs

In this project, (1) Marketing and Promotion, (2) Human Resource Development, (3) Development of Tourism-related Infrastructure, and (4) Community Development

Activities for Local Residents were planned for implementation through the provision of consulting services. Table 1 summarizes the original and actual project scope obtained during the ex-post evaluation.

Table 1: Original and Actual Project Scope of this Project

| Project Scope | Original | Actual |
|--------------------------------|---|---|
| (1) Marketing and Promotion | <ul style="list-style-type: none"> ➤ Market survey and strategy formulation for Japan, and promotion activities in Japan | <ul style="list-style-type: none"> ➤ Revision of tourism website (established a Japanese language website) ➤ Advertising campaign Placement of advertisement on trains and articles in magazines ➤ Media-related activities in Japan Conference for the media, visit to several media outlets ➤ Activities for travel agents and consumers in Japan <ul style="list-style-type: none"> • Seminars and workshops for travel agents, visit to major travel agents • Participation in travel seminars and workshops for consumers ➤ Development of promotional videos and brochures, etc. |
| (2) Human Resource Development | <ul style="list-style-type: none"> ➤ Colombo Hotel School: Equipment procurement ➤ Kandy Hotel School: Construction of school buildings, Equipment procurement ➤ Training to the academic staff of both schools, and curriculum improvement ➤ Conducting of workshops for hotels and restaurants providing services to foreign guests | <ul style="list-style-type: none"> ➤ Colombo Hotel School Procurement of kitchen equipment and installation (bakery and laundry sections) ➤ Construction and equipment procurement at Kandy Hotel School Slight changes such as addition of an access road and development of school's garden, elimination of principal and staff rooms, etc. ➤ Human resource development program Training of Hotel School academic staff, Curriculum development and training of those in the tourism industry. Additional implementation of support for accreditation of vocational training qualification, and training on hospitality using English |
| (3) Infrastructure Development | <ul style="list-style-type: none"> ➤ Negombo: Rehabilitation and dredging of Hamilton Canal (7km), Fishermen's Wharf development, and Town beautification ➤ Sigiriya: Site rehabilitation (development of paths and | <ul style="list-style-type: none"> ➤ Negombo: Rehabilitation and dredging of Hamilton Canal (7km), Fishermen's Wharf development, and Town beautification (Change) Elimination of maintenance road, Addition of canal protection work, Extension of rehabilitated section of Hamilton Canal (2.5km) |

| Project Scope | Original | Actual |
|---|--|---|
| | <ul style="list-style-type: none"> rest area), access road rehabilitation (14km) ➤ Anuradhapura: Ring road rehabilitation (23km), Beautification of Malwathu Oya ➤ Nuwara Eliya: Rehabilitation of Gregory Lake and Victoria Park, Town beautification | <ul style="list-style-type: none"> ➤ Sigiriya: World Heritage site rehabilitation (development of paths, rest area and parking), access road rehabilitation (14km) (Change) Elimination of some components such as a toilet, elimination of installation of road signs in some sections ➤ Anuradhapura Ring road rehabilitation (23km), Beautification of a park along Malwathu Oya ➤ Nuwara Eliya Rehabilitation of Gregory Lake and Victoria Park, Town beautification |
| (4) Community Development Program for Local Residents | <ul style="list-style-type: none"> ➤ Tourism awareness campaign for local residents, Clean-up campaign | <ul style="list-style-type: none"> ➤ Clean-up campaign, Conducting of community awareness workshops, Familiarization visits among the project sites, Support to site-specific tourism product development, etc. |
| (5) Consulting Services | <ul style="list-style-type: none"> ➤ Implementation support for marketing and promotion ➤ Implementation support for human resource development programs ➤ Detailed design, preparation of tender documents and tender support related to infrastructure development, Environmental and social impact monitoring, Construction supervision ➤ Implementation support for community development programs | <ul style="list-style-type: none"> ➤ Implementation support for marketing and promotion ➤ Implementation support for human resource development programs ➤ Detailed design, preparation of tender documents and tender support related to infrastructure development, Environmental and social impact monitoring, Construction supervision ➤ Implementation support for community development programs |

Source: Information provided by JICA, Interviews with related agencies during the field visit

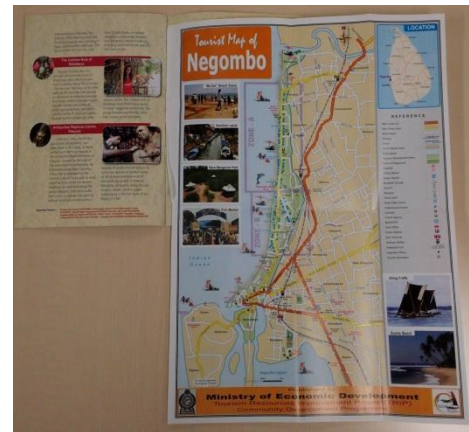
With regard to marketing and promotion, information on actual activities was obtained from the SLTPB and shows that the planned activities to increase the number of tourists from Japan were generally implemented with the cooperation of the Sri Lankan embassy in Japan. According to SLTPB, a number of media articles were prepared by them for the media and it is considered that the activities were implemented generally as planned.

Other project components were implemented mostly as planned despite some changes

seen in Negombo's Hamilton Canal, and there were no major changes to the plan. No change to lower the effects of this project was observed, and it was thought that there were no problems as a whole.



Example of an Article in a Media Magazine (Gekkan Leisure Sangyo Shiryo (Feb. 2013))



Tourism Information Brochure Prepared in this Project (with a map)

3.2.2 Project Inputs

3.2.2.1 Project Cost

This project was planned to cost 3,472 million yen, including the ODA loan amount of 2,604 million yen. The largest component was tourism-related infrastructure development (1,374 million yen), followed by human resource development (491 million yen), consulting services (345 million yen), marketing and promotion (236 million yen) and the community development program (12 million yen). These components were entirely covered by the ODA loan, and other components, including some of the interest during construction, administration cost and taxes, were planned to be borne by the Sri Lankan side.

However, while the actual amount of the ODA loan was revealed to have been 2,514 million yen, based on the information provided by JICA, it was not possible to capture the exact amount spent by the Sri Lankan side (administration cost and taxes), as described in '2.3 Constraints during the Evaluation Study'. This is because the Ministry of Economic Development, which was the executing agency when this project was completed, was dissolved, and no information on the project cost was stored at the subsequently-established Ministry of Tourism Development and Christian Religious Affairs. A calculation of the approximate cost was attempted based on the information about the project cost mentioned in the material prepared by the executing agency at the time of project completion, showing an overall project cost of 2,799 million yen (81% of the plan). As the ODA loan amount was 97% of

the plan despite the additional development of tourism-related infrastructure, it is highly possible that the overall project cost was also within the planned amount.

3.2.2.2 Project Period

The implementation period of this project was planned to be 56 months until December 2010 after the Loan Agreement was signed in March 2006. However, the actual period was 84 months, from March 2006 to March 2013, exceeding the planned period (150% of the plan).

Table 2: Comparison of Original and Actual Project Period by Component

| Sub-Program | Original | Actual |
|------------------------------------|-------------------------------|-----------------------------|
| Marketing and Promotion | April 2007 – December 2010 | September 2011 – March 2013 |
| Human Resource Development | | February 2011 – March 2013 |
| Tourism Infrastructure Development | | July 2008 – March 2013 |
| Community Development Program | | May 2011 – January 2013 |
| Consulting Services | | October 2007 – March 2013 |

Source: Prepared based on the information provided by JICA

Note: A definition of project completion date was the day that the contractors completed their civil work and the consultants completed their consulting services.

As shown in Table 2, all the sub-programs were commenced later than the planned time, leading to the delay of project completion. The main reasons for the delay, according to the executing agency, were that the preparations for procurement and of tender documents were delayed as there was no procurement specialist assigned to the division in charge of this project resulting in a subsequent delay in selecting the consultants and contractors, and the commencements of marketing, human resource development and the community development program were delayed as a lengthy period of time was required for the planning of detailed activities. Interview surveys during the ex-post evaluation with those concerned with this project showed that various approval processes within the executing agency (Ministry of Tourism) after the signing of the Loan Agreement required a lot of time, and a transfer of personnel involving officers responsible and those in charge of this project occurred when the Ministry of Tourism was dismantled and reorganized under the Ministry of Economic Development in 2010, which practically brought about a temporary suspension of this project, thus, becoming the largest factor for the delay.

In light of the above, the implementation period of this project is judged to have exceeded the plan by 50%.

3.2.3 Results of Calculations of Internal Rates of Return (Reference only): Economic Internal Rate of Return (EIRR)

At the time of appraisal of this project, the EIRR for marketing and promotion, infrastructure development, and human resource development were calculated under the following assumptions respectively.

Table 3: Economic Internal Rate of Return (EIRR) at the Time of Appraisal

| | Marketing and Promotion Infrastructure Development | Human Resource Development |
|--------------|---|---|
| EIRR | 23.6% | 28.5% |
| Benefit | Revenue from tourism | Productivity improvement of the graduates, Increases in revenues from tuition fees |
| Cost | Project cost Operation and maintenance cost | Project cost Operation and maintenance cost |
| Project Life | 25 years | 25 years |

Source: Information provided by JICA

A recalculation of EIRR based on the same assumptions was attempted during the ex-post evaluation, but it was not possible as the basis of the figures used for calculation at the time of appraisal was unclear and no data could be found due to the several changes of executing agency for this project.

In this project, the project outputs necessary for generating project effects were generally achieved with some changes to their detailed components. The project costs for them were highly likely to have been within the plan. However, the efficiency of this project is fair as the project period exceeded the plan by 50%.

3.3 Effectiveness¹⁰ (Rating:③)

3.3.1 Quantitative Effects (Operation and Effect Indicators)

At the time of appraisal of this project, increases in the number of foreign tourists, including Japanese nationals, tourism revenues, the number of hotel guests and the number of graduates from hotel schools were expected as effect indicators through implementing this project.

¹⁰ Sub-rating for Effectiveness is to be put with consideration of Impact.

Table 4: Effect Indicators of This Project

| | Baseline | Target | Actual | Actual |
|--|----------------|--------------------------|-----------------|-------------------------|
| | 2004 | 2012 | 2013 | 2014 |
| | Appraisal Year | 2 Years After Completion | Completion Year | 1 Year After Completion |
| Number of tourists from Japan (thousand tourists/year) | 20 | 120 | 33.5 | 42.1 |
| Total number of tourists (thousand tourists/year) | 566 | 1,452 | 1,275 | 1,527 |
| Negombo | 58 | 148 | No data | |
| Sigiriya | 99 | 253 | | |
| Anuradhapura | 6 | 16 | | |
| Nuwara Eliya | 29 | 75 | | |
| Tourism revenues (Sri Lanka as a whole, million Sri Lankan rupees / year) | 42,000 | 108,000 | 221,720 | 317,502 |
| Number of hotel guests (in the project area, thousand stays / year) | 4,394 | 11,250 | — | — |
| Number of foreign guests at hotel (in the project area, thousand stays / year) | — | — | 3,908 | 4,370 |
| Number of foreign guests at the hotels in the project area / Number of foreign guests at the hotels throughout Sri Lanka (%) | — | — | 57.5 | 56.1 |
| Number of graduates from hotel schools (graduates per year) | 721 | 1,081 | 1,978 | 2,135 |

Source: Data provided by JICA, the SLTDA and the SLITHM

As this project was planned to be completed in 2010, the target year of the effect indicators was expected to be 2012, two years after the project completion. However, as this project was actually completed in 2013, a level of achievement in 2015, two years after the completion, was estimated for the evaluation judgment of quantitative effects.

While one of the objectives was to increase the annual number of tourists from Japan, the number plunged to a little over 10 thousand per year in 2008, down from almost 20 thousand in 2004 (appraisal year). However, it rapidly recovered from 2009 and increased to 42 thousand in 2014. It was presumed that the marketing activities in this project made certain contributions in addition to the stabilization of security of travel. As will be stated later, the SLTPB resumed the marketing activities for the Japanese market from the beginning of 2016, and it is expected that this trend will continue unless there is another civil war.

Despite the civil war, until 2009 in Sri Lanka, the total number of foreign tourists and tourism revenues had already achieved their targets in 2014 (one year after project completion). Regarding the number of hotel guests, definitions of the obtainable data were different (while the guest numbers at all hotels in the project areas were expected as

the indicator, the data obtained in the ex-post evaluation were limited to the foreign guests at government-registered hotels), but the number of hotel guests was estimated to have achieved the target considering that foreign tourist numbers and tourism revenues had exceeded their targets.



Gregory Lake Park Developed and Kiosks
(In Nuwara Eliya)

With regard to the foreign tourist numbers by project area, no data were available according to the interviews with the related organizations during ex-post evaluation. Therefore, as an alternative, the numbers for visitors to the tourist attractions in Sigiriya and Anuradhapura were obtained, as indicated in Table 5. It was found that, as of 2014, both of the sites had exceeded the target foreign tourist numbers by project area (Sigiriya: 253 thousand visitors, Anuradhapura: 16 thousand visitors), indicating that there were more visitors to each area. In Nuwara Eliya, the two parks developed and improved in this project were earning increasing revenues through admission fees (Table 6), bringing positive effects to the city's financial revenues. A certain level of effect to local employment was also observed as a number of kiosks were established in the parks.

Table 5: Number of Visitors to the Archaeological Areas in Sigiriya and Anuradhapura

(Unit: thousand visitors)

| | | 2012 | 2013 | 2014 |
|---------------------------|------------|------|------|------|
| Sigiriya Rock | Foreigner | 227 | 270 | 355 |
| | Sri Lankan | 296 | 399 | 369 |
| | Total | 524 | 669 | 724 |
| Anuradhapura Ancient City | Foreigner | 54 | 70 | 80 |
| | Sri Lankan | 33 | 38 | 32 |
| | Total | 87 | 108 | 112 |

Source: Data provided by Central Cultural Fund¹¹

¹¹ A government organization under the Ministry of Education in charge of conserving cultural properties of Sri Lanka

Table 6: Admission Ticket Revenues at Parks in Nuwara Eliya

(Unit: thousand Rupees)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------|--------|--------|--------|--------|--------|
| Gregory Lake | 0 | 943 | 18,511 | 26,000 | 27,780 |
| Victoria Park | 13,256 | 24,882 | 19,061 | 22,447 | 23,263 |

Source: Data provided by Nuwara Eliya Municipal Council

Concerning the foreign tourist numbers of the city of Negombo, located approximately 40km north of the city of Colombo, the effect was checked by obtaining the number of foreign guests at hotels in the ‘North of Colombo Region’, released by the SLTDA, as the infrastructure facilities developed through this project were not collecting admission fees. The foreign guests were steadily increasing in recent years as shown in Table 7. Since Negombo is the city closest to Colombo International Airport, a gateway to Sri Lanka, the number of hotel guests was expected to continue increasing.

Table 7: Number of Foreign Hotel Guests in the North of Colombo Region

(Unit: thousand stays / year)

| | 2004 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------|------|------|------|------|------|-------|
| Number of Foreign Hotel Guests | 578 | 723 | 832 | 799 | 973 | 1,084 |

Source: “Annual Statistical Report” various years, the SLTDA

Along with this kind of tourist increase, the need for tourism-related human resources had also become high, and the number of graduates from seven hotel schools owned by the SLITHM in the country was also substantially higher than the target. According to the SLITHM, the demand had reached a level where the existing facilities could not accommodate any more students.

As stated above, many of the indicators set at the time of appraisal as a whole were achieved sooner than the plan, implying that quantitative effects have been largely generated.

3.3.2 Qualitative Effects (Other Effects)

At the time of appraisal of this project, the following qualitative effects were expected through implementing the project:

- Improvement in Sri Lanka’s visibility and image as a tourist destination
- Improvement in convenience for foreign tourists and their safety
- Improvement in awareness of tourism resource conservation and the tourism

industry by local residents

With regard to the improvement in Sri Lanka's visibility and image as a tourist destination, it can be said that the visibility and image as a tourist destination have sufficiently improved post civil war, as seen in the significant increase in the number of foreign tourists to this country, which is endowed with a number of World Heritage Sites. It was heard from the SLTPB that the marketing activities in this project to attract foreign tourists had certain effects on the improvement of the country's image in Japan.

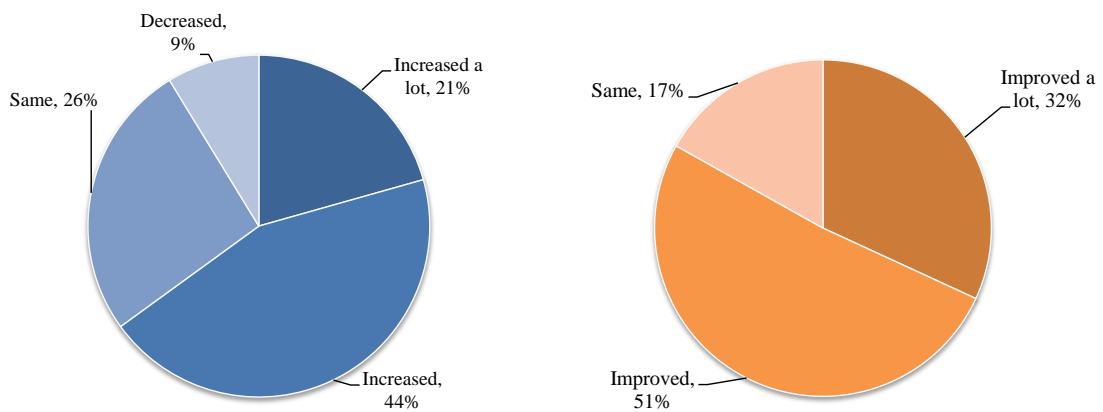
Two other effects were assessed by conducting interviews with the municipal councils of Anuradhapura, Nuwara Eliya and Negombo, which developed tourism-related infrastructure, and the Central Cultural Fund, which managed the facilities in Sigiriya and Anuradhapura. According to these organizations, recognition of tourism by local residents had improved with the growing number of tourists in recent years, and convenience and safety had also improved with the development of roads at various locations. At the world heritage site of Sigiriya Rock, better safety was observed with the development of walkways and staircases. In the section of the beneficiary survey¹² conducted in the project areas, 65% of the respondents felt increases in tourist numbers, and 83% of them expressed their opinions that the local economies had also improved with the growth of the tourism industry, demonstrating that the residents were feeling the contributions of the tourism industry. However, while the workshops for communities and the clean-up campaigns to clean up their local areas were conducted, their effects were not shown in a visible way, and no voluntary activities by residents were seen after the end of this project.

¹² A beneficiary survey was conducted to verify the qualitative effects and impacts by interviewing residents in the tourist destinations where infrastructure development was implemented.

Survey areas: Negombo, Sigiriya, Anuradhapura and Nuwara Eliya

Interviewees: A total of 160 interviews (valid response numbers) including local residents (69 in total), tourism business operators (30 in total), shop owners (36 in total), local government officers (7 in total), and others (18 in total). Convenient sampling with 40 people at each location

Key questions: Improvement of infrastructure, changes in the tourist numbers, impact on local economies, environmental and social (resettlement and land acquisition) impacts, human resource development in tourism, changes in local economies through tourism development, and maintenance of tourism-related infrastructure



‘In recent years, have you seen any changes in tourist numbers?’ ‘Do you think that the local economy improved with the development of the tourism industry?’

Figure 3: Recognition of Local Residents on the Tourism Industry (Beneficiary Survey)

This was a project which underpinned the tourism industry, implemented infrastructure development and workshops for local residents, and conducted overseas marketing and tourism-related human resource development in the country. Interviews with the related organizations revealed that this project was of some help to the improvement of the visibility and image of Sri Lanka as a tourist destination. Based on the project site visit and interviews with related organizations, better convenience and safety can be judged to have been achieved by the development of roads and walkway improvements at the World Heritage Sites.

3.4 Impacts

3.4.1 Intended Impacts

At the time of appraisal, this project was expected to contribute to ‘socioeconomic development in terms of generation of employment and the acquisition of foreign currency and so on’.

According to Annual Statistical Reports published by the SLTDA, the number of direct employments in the tourism industry had rapidly increased in recent years [shown as well in Table 8], particularly in the hotel and restaurant category and the travel agent and operator category, growing by 2.6 times and 2.1 times respectively during the three years from 2011 to 2014 and becoming the major drivers of the overall increase. The SLITHM commented that a demand for graduates of hotel schools had been very high, and it can be said that this project played a part in the increase in the supply of human resources.

Table 8: Direct Employment in the Tourism Industry

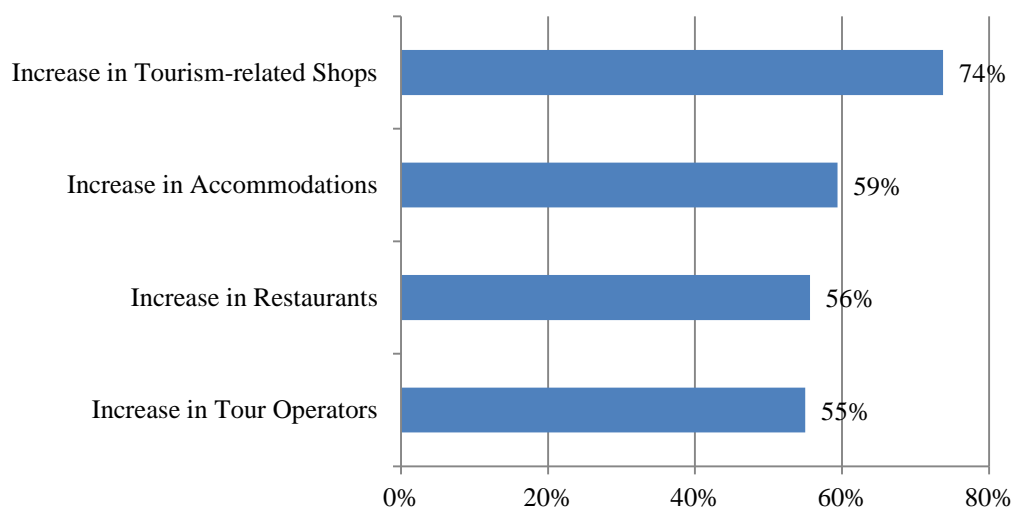
(Unit: person)

| Category | 2011 | 2012 | 2013 | 2014 |
|---------------------------|--------|--------|---------|---------|
| Hotel and restaurant | 39,901 | 47,761 | 90,444 | 105,001 |
| Travel agent and operator | 4,236 | 6,409 | 7,011 | 9,092 |
| Airline | 5,655 | 5,630 | 5,862 | 5,936 |
| Tour guide | 3,548 | 3,896 | 4,295 | 4,420 |
| Other | 4,446 | 4,166 | 4,938 | 5,341 |
| Total | 57,786 | 67,862 | 112,550 | 129,790 |

Source: ‘‘Annual Statistical Report’ various years, the SLTDA

Foreign exchange earnings from the tourism industry have been steadily increasing as shown in Figure 2 and Table 4. The increase was remarkable, growing almost eight times from 40.1 billion rupees in 2009, when the civil war ended, to 317.5 billion rupees in 2014, five years after the war. According to SLTDA’s Annual Statistical Reports previously mentioned in this report, the hotel occupancy rate was 48% in 2009, when the civil war ended, but increased to a rate of 70% and was 74% in 2014. The number of hotel rooms also increased from 14,461 (in 2009) to 18,150 (in 2014).

In the beneficiary survey, a question on whether local economies improved due to tourism development was asked and showed that 83% replied positively. 84% also provided a positive response to a question on whether they think that the infrastructure development and tourism-related human resource development underpinned tourism development. Regarding the concrete question on what kind of economic impact was observed in the project area after project implementation (multiple answers allowed), opinions were heard that they saw more tourism-related shops (74%), more accommodations (59%), more restaurants (56%) and more tourism operators (55%), which are shown in Figure 4.



Source: Beneficiary survey

Figure 4: Proportion of Beneficiaries Feeling Concrete Economic Impacts in the Project Areas

As stated above, increases in hotel rooms and improvements in occupancy rates were seen simultaneously and were in line with the increases in the number of tourists and the steady increase in the number of tourism industry employments as well as the consistent increases in foreign currency earnings. Positive answers to the local contribution of tourism were generally obtained in the beneficiary survey. Therefore, this project is considered to have contributed to economic and social development through the support extended to the tourism industry.

3.4.2 Other Impacts

3.4.2.1 Impacts on the Natural Environment

At the time of planning, the undesirable impacts of this project measured against JICA's Environmental Guideline were not serious, and no negative impacts to the natural environment were expected. In addition, the Environmental Impact Assessment (EIA) was not required according to Sri Lanka's domestic law, and an approval to implement this project was already obtained from the Central Environmental Agency (CEA). However, as dredging of the lake and canal in Nuwara Eliya and Negombo were planned, it was required prior to the commencement of civil works to confirm the harmlessness of dredging the earth and sand, as was it required to obtain an approval from CEA before using the earth and sand again for reclamation and so on. It was also required of the executing agency, in terms of other environmental measures, to monitor air quality, water quality and noise levels during

construction.

At the time of ex-post evaluation, the existence of negative impacts on the natural environment was checked together with the related organizations such as the municipal councils of Anuradhapura, Nuwara Eliya and Negombo, the Central Cultural Fund and the SLITHM in areas where tourism infrastructure and a hotel school were developed. All of them replied that there were no such impacts either during or after the project. The approvals for dredging in Nuwara Eliya and Negombo were obtained from CEA, and it was confirmed from interviews that the project was thereafter implemented and monitored. In the beneficiary survey, all the respondents commented that no negative impacts on the natural environment were observed either during or after project implementation.

Based on the above, the matters for consideration expected at the time of appraisal were all carried out without any problems, and no issues were found in the beneficiary survey. Therefore, it is considered that there are no environmental problems.

3.4.2.2 Land Acquisition and Resettlement

In this project, the acquisition of one hectare of land and the resettlement of 23 households (21 in Negombo and 2 in Nuwara Eliya) were expected due to project implementation. At the commencement of the project, it was planned that the Negombo Municipal Council would make a detailed plan for resettlement, carry out the actual resettlement and award compensations in Negombo with support from project consultants. In Nuwara Eliya, the municipal council had already agreed with the residents on their resettlement in a manner that the council would compensate them for their land and houses.

Interviews with Negombo Municipal Council and Nuwara Eliya Municipal Council conducted during the ex-post evaluation revealed that the land sections for this project were owned by the government outright and no land acquisition from private owners took place. Regarding the resettlement, 21 households in Negombo and 3 in Nuwara Eliya were resettled but the residents had all been residing in the project areas illegally, meaning that the councils were not legally bound to compensate them. However, it was confirmed in Negombo that, as an act of humanity, new houses were developed in the nearby area and the residents were resettled. In Nuwara Eliya, it was heard that three households affected by the improvement work done at Gregory Lake were provided with alternative housing. Interviews were conducted in the residential area of the resettlement in Negombo, and the affected residents commented that their living environment improved substantially compared to that before their resettlement. In the beneficiary survey, no one claimed to hear of anyone negatively affected by

land acquisition and resettlement.

Based on the above, it can be judged that there were no problems in terms of the land acquisition and resettlement processes.

3.4.2.3 Other Positive/Negative Impacts

In implementing this project, an Archaeological Impact Assessment (AIA) was required on the following sub-projects as some of the tourism-related infrastructure facilities had historical and cultural values:

- Rehabilitation of Hamilton Canal in Negombo
- Rehabilitation of the site and the access road in Sigiriya
- Improvement of ring roads in Anuradhapura

The AIA for these sub-projects were actually implemented and their implementation approvals were issued respectively. With regard to the rehabilitation and development in the World Heritage Sites of Sigiriya and Anuradhapura, there were points to be noted such as the requirement to abide by the rules of the United Nations Educational, Scientific and Cultural Organization (UNESCO). According to the Central Cultural Fund, they were all implemented in accordance with the aforementioned rules and without any negative impacts. Therefore, it is considered that there were no problems on this matter.

While the generation of project effects such as an increase in tourist numbers was delayed due to the civil war that occurred during the implementation period, the delay was regarded as an inevitable external factor in this survey. After the civil war in 2009 ended, the tourism industry had been growing rapidly and many of the indicators expected in this project achieved their targets ahead of schedule, and other unachieved indicators were expected to mostly achieve their targets by their respective target years. Regarding the impact, it was found that the tourism industry contributed significantly to an increase in employment and foreign exchange earnings and that this project contributed to the development of the industry. There were no particular issues found in the environmental and social aspects.

In light of the above, this project has largely achieved its objectives. Therefore, the effectiveness and impact of the project are high.

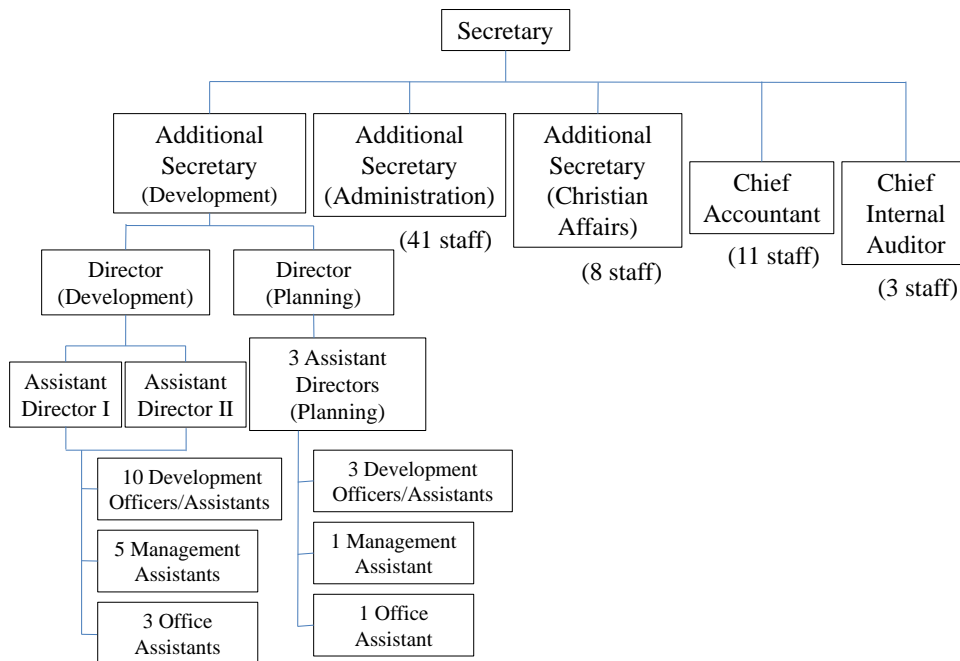
3.5 Sustainability (Rating: ②)

3.5.1 Institutional Aspects of Operation and Maintenance

The Ministry of Tourism was selected to be the executing agency, within which a Project Management Unit (PMU) would be established and would coordinate the following organizations as implementing agencies to carry out each activity of this project:

- Marketing: Sri Lanka Tourism Promotion Bureau (SLTPB)
- Human Resource Development: Sri Lanka Institute of Tourism and Hotel Management (SLITHM)
- Infrastructure Development: Road Development Authority (including its provincial offices), Central Cultural Fund, Negombo Municipal Council, Anuradhapura Municipal Council, Nuwara Eliya Municipal Council
- Community Development Program: Project Management Unit and consultants

However, as stated above, the Ministry of Tourism, which had been the executing agency, was integrated into the Ministry of Economic Development in 2010 and became one of its divisions as part of the government reshuffle; but, the Ministry of Economic Development was also dissolved after the establishment of a new government in 2015. As a result, no ministry was officially assigned to control this project integrally at the time of ex-post evaluation. As this project falls within the scope of the tourism industry, the Ministry of Tourism Development and Christian Religious Affairs, established in 2015, was appointed by the Ministry of Finance as the ministry to follow up with this project in practice. The number of staff under the secretary at the ministry is 98, and the tourism sector has 30 staff members under the deputy secretary in charge, who is mainly responsible for policy planning.



Source: Drawn from the information provided by the Executing Agency

Figure 5: Organization Chart of the Ministry of Tourism and Christian Religious Affairs (simplified version)

At the time of ex-post evaluation, as implementing agencies under the ministry, the SLTDA was in charge of development planning and general coordination of operation, including statistical development, the SLTPB was in charge of marketing, the SLITHM was in charge of tourism-related human resource development, and the Sri Lankan Convention Bureau (SLCB) was responsible for the invitation of international conventions. The SLTPB, SLITHM, Road Development Authority, Central Cultural Fund and the municipal councils¹³ of three cities were confirmed to have been in charge of operation and maintenance of the components implemented in this project, and they had remained unchanged.

In this project, the Project Steering Committee (PSC) was established during the project implementation by the executing agency, External Resources Department of the Ministry of Finance, Department of National Planning and JICA to check the project's progress and achievements. During the project period, discussions were held by PSC 10 times, but the PSC did not play a role in easing the delay of the project associated with the government reshuffle, and so forth. According to the executing agency, however, the PSC was functioning as a platform for information sharing and discussions on issues shared among the organizations concerned. The PSC was dissolved when the project

¹³ Maintenance activities of the Hamilton Canal in Negombo have been outsourced to the Sri Lanka Land Reclamation and Development Corporation (SLLR&DC) by the Negombo Municipal Council.

was completed, but there were no particular organizational issues observed thereafter as operation and maintenance activities had been appropriately undertaken by each implementing agency.

3.5.2 Technical Aspects of Operation and Maintenance

Since all the facilities developed in this project (hotel schools, roads, parks, the canal, World Heritage Sites and a fish market) did not require high-level maintenance techniques, no technical problems were identified in particular. The related agencies (the SLITHM, Road Development Authority, Central Cultural Fund, and the municipal councils of Negombo, Anuradhapura and Nuwara Eliya) commented that there were no technical issues in the area of maintenance. As to be stated later in this report, while some problems were seen in terms of maintenance status, they were not technical issues, and it was thought that their technical skills for maintenance as a whole were at appropriate levels.

Regarding training conducted by the executing and implementing agencies toward the improvement of technical skills in the field of operation and maintenance, there were few agencies with a systematic program as there was no routine maintenance work requiring special skills. But, the Road Development Authority in charge of regular maintenance of roads had been conducting maintenance training sessions for its technical staff several times a year at their training institute in Colombo. As for operation, there were several training programs held once a year by the executing agency for each staff in the fields of tourism management, tourism-related project evaluation, and so forth¹⁴.

3.5.3 Financial Aspects of Operation and Maintenance

At the time of appraisal of this project, no particular issues with implementing the project were expected as the maintenance budget for the facilities constructed with external loans was set and to be allocated by the government according to priority; and the Ministry of Tourism was responsible for allocating the budget in case the agency in charge of maintenance could not sufficiently afford a maintenance budget.

The budget information was collected during ex-post evaluation, confirming that the operation and maintenance budget required by each implementing agency, allocated through the system for doing so, was different from what was expected at the time of

¹⁴ In Sigiriya, a museum was constructed as a grant aid project, and a technical cooperation project 'Development of Culture-oriented Tourism in Sigiriya' was implemented between FY2008 and FY2010. On another hand, this project mainly focused on improving the Sigiriya Rock and rehabilitating the access roads, and there were no particular linkages observed with the past JICA projects that would raise the effectiveness and sustainability (technical aspects) of this project.

appraisal by the Ministry of Tourism, which was integrated during the project implementation. In particular, there was a mechanism to allocate revenues from the tourism development levy, imposed upon hotel guests, and the departure tax, levied on departing passengers, to the four organizations under the Ministry of Tourism Development and Christian Religious Affairs; it was basically determined 70% to the SLTPB, 14% to the SLTDA, 12% to the SLITHM and 4% to the SLCB. It was found in the revenues and expenditures report of the SLTPB and the SLITHM, the implementing agencies of this project, that the revenues from these taxes (in 2013) represent a very high percentage of their total revenue, at 91% and 82% respectively, as shown below in Table 9 and Table 10.

Table 9: Revenues and Expenditures of the SLTPB

(Unit: million rupees)

| | 2012 | 2013 |
|--------------------------|----------------|----------------|
| [Revenue] | | |
| Tourism Development Levy | 566.3 | 712.2 |
| Departure Tax | 813.2 | 1,121.8 |
| Other revenues | 64.6 | 186.8 |
| Total | 1,444.1 | 2,020.8 |
| [Expenditure] | | |
| Salaries, etc. | 28.3 | 31.5 |
| Consumables | 34.0 | 37.7 |
| Operation cost | 549.0 | 1,939.6 |
| Depreciation | 3.8 | 3.6 |
| Other expenditures | 0.6 | 2.0 |
| Total | 615.9 | 2,014.6 |
| Balance | 828.3 | 6.2 |

Source: the SLTPB Annual Report 2013

Table 10: Revenues and Expenditures of the SLITHM

(Unit: million rupees)

| | 2010 | 2011 | 2012 | 2013 |
|--------------------------|--------------|--------------|--------------|--------------|
| [Revenue] | | | | |
| Tourism Development Levy | 55.8 | 71.3 | 90.7 | 100.5 |
| Departure Tax | 117.0 | 142.4 | 139.4 | 192.3 |
| Tuition fees | 29.1 | 37.1 | 40.5 | 37.6 |
| Other revenues | 2.1 | 2.4 | 3.2 | 4.2 |
| Hotel revenues | 13.2 | 11.8 | 15.6 | 21.6 |
| Total | 217.2 | 265.0 | 289.4 | 356.1 |
| [Expenditure] | | | | |
| Salaries, etc. | 66.5 | 73.9 | 85.2 | 106.4 |
| Consumables | 73.9 | 98.2 | 120.2 | 134.1 |
| Depreciation | 33.8 | 36.8 | 32.5 | 34.9 |
| Other expenditures | 1.3 | 0.5 | 0.6 | 2.4 |
| Total | 175.5 | 209.4 | 238.5 | 277.9 |
| Balance | 41.7 | 55.6 | 50.9 | 78.3 |

Source: the SLITHM Annual Report, various years

In this way, revenues from tourism development levy and the departure tax had been increasing with the growth of foreign tourist numbers, and it was expected that this increasing trend would continue. However, discussions were ongoing at the time of ex-post evaluation as to whether this system would be reviewed from the mechanism which automatically allocates the tax revenues to tourism-related organizations at a certain ratio or from a project-based allocation system. Therefore, revenues and expenditures of these organizations could change in the future. Having stated that, the budget for tourism is not expected to decrease substantially though the allocation of budget to each organization could change significantly, as the tax revenues are to be used for the development of the tourism industry. Therefore, there is no problem as a

whole.

It was seen that the Road Development Authority, Central Cultural Fund and each municipal council secured a budget as well as operated and maintained the facilities developed in this project. The following tables show (Table 11 and Table 12) the actual expenditures of the Road Development Authority and Central Cultural Fund for maintenance activities as examples.

Table 11: Actual Expenditure for Road and Bridge Maintenance (Road Development Authority)

(Unit: million rupees)

| Province | 2012 | 2013 | 2014 |
|---|-------|-------|-------|
| Western Province (Negombo) | 626 | 742 | 860 |
| Central Province (Sigiriya, Nuwara Eliya) | 849 | 941 | 2,066 |
| Southern Province | 625 | 718 | 950 |
| Northern Province | 236 | 263 | 349 |
| Eastern Province | 346 | 394 | 686 |
| North-Western Province | 552 | 387 | 796 |
| North-Central Province | 663 | 582 | 565 |
| Uva Province | 337 | 423 | 600 |
| Sabaragamuwa Province | 536 | 606 | 896 |
| Total | 4,770 | 5,057 | 7,768 |

Source: Data provided by the Road Development Authority

Table 12: Actual Expenditure for Maintenance in Sigiriya World Heritage Area (Central Cultural Fund)

(Unit: thousand rupees)

| Item | 2013 | 2014 | 2015 |
|----------------------------------|--------|--------|--------|
| Garden maintenance | 2,079 | 33,148 | 30,171 |
| Building maintenance | 5,319 | 3,119 | 670 |
| Road maintenance within the area | 1,292 | 162 | 488 |
| Scientific maintenance | 1,613 | 3,843 | 3,455 |
| Other expenses | 1,009 | 0 | 25,937 |
| Total | 11,312 | 40,272 | 61,568 |

Source: Data provided by the Central Cultural Fund

In addition, maintenance work of Hamilton Canal in Negombo was outsourced to the Sri Lanka Land Reclamation and Development Board (SLLR&DC) by the city with the growing amount of budget allocated: 16 million rupees (in 2013), 17 million rupees (in 2014), 18 million rupees (in 2015) and 19 million rupees (in 2016).

The Road Development Authority did not necessarily consider the road maintenance budget to be sufficient, but the amount had been increasing. It was confirmed that the maintenance budget for the Sigiriya area had been increasing, backed by the growth in the number of admission tickets sold, enabling the development of related facilities, toilets and so on. At the municipality level, as described in the section on quantitative effect, 'Effectiveness', allocation of a sufficient maintenance budget had become possible, as evidenced by the significant increase in park revenues in Nuwara Eliya. Negombo's budget for outsourcing the canal maintenance was at a sufficient level, according to the SLLR&DC. Judging from the status of maintenance, it was thought that a sufficient budget had been generally allocated.

Based on the above, there were no major issues found in terms of marketing and

promotion, human resource development and operation as well as maintenance of infrastructure facilities, and it was thought that a generally sufficient level of budget had been allocated.

3.5.4 Current Status of Operation and Maintenance

In this project, various activities such as marketing and promotion, human resource development, the community development program and infrastructure development were implemented. The current statuses of these activities were captured in the ex-post evaluation and it was found that maintenance of the facilities developed through this project as a whole were conducted in line with the annual plans at many locations; but, some locations where maintenance was not necessarily sufficient were also spotted. It was thought that this insufficiency was not a matter either technical or financial issues but rather one of less priority having been given to routine maintenance of the facilities developed in this project as they were relatively new ones, while the maintenance of other dilapidated facilities were prioritized.

Individual statuses are described as follows:

- The World Heritage Site in Sigiriya was being maintained thoroughly, including cleaning of the entire premises. However, a motor for a winch for lifting materials to the top of Sigiriya Rock, provided through this project, had been broken-down for several months and a spare part for repair had been ordered. The developed roads were generally maintained in good condition, but damages to road shoulders as well as evidences of insufficient cleaning of drainage and pruning of trees along the roads were spotted at several locations.
- Gregory Lake in Nuwara Eliya was routinely maintained in a sufficient manner and dredging work was being implemented during the site inspection. Victoria Park was also maintained in generally good condition.
- In Anuradhapura, while the roads were mostly in good condition, a few sections were damaged. A park along Malwathu Oya was closed and not sufficiently utilized at the time of ex-post evaluation after having been flooded in 2015.
- In Negombo, there were some locations to be improved, such as scattered rubbish and damage to a developed walkway along Hamilton Canal. Also, some kind of countermeasure was thought to be necessary for water discharge at the fish market.
- The hotel school in Kandy, newly developed through this project, was generally maintained in good condition. Regarding the equipment, including at the hotel school in Colombo, the majority were being utilized for tourism-related human resource development, except for a cafeteria and some burners in the kitchen. On

the other hand, while curriculum improvement activities were carried out in this project, no further efforts to utilize the outcomes of the development of new curriculum were observed.

- Concerning the marketing and promotion activities, various activities had been implemented based on the annual plan of the SLTPB. While it was difficult to say that activities specific to the Japanese market were continuously conducted over several years after the completion of this project, it was confirmed that Japan was positioned as a priority market again in 2016, and a budget was allocated to start activities such as participating in tourism expos, holding tourism seminars in Japan, resuming advertising activities, promoting media-related activities, and so forth.

In this way, the facilities developed in this project were generally maintained in good condition, especially at tourist attractions in Sigiriya and Nuwara Eliya. However, as the developed facilities were relatively new and in better condition, they were given moderately lower priorities, resulting in poor cleaning and neglect in repairing of damages. At hotel schools, facilities and equipment were basically used for human resource development purposes, and the programs which had improved through this project were taken by many students. However, there was an issue in terms of further improvements in the curriculum. Regarding marketing activities, Japan-specific activities were resumed from 2016.

Therefore, while operation and maintenance status was generally favorable, further improvement was desirable for some activities and facilities.

There were no issues found in terms of the institutional aspects of operation and maintenance in this project. Regarding technical and financial aspects, no significant deficiencies were observed in the skills of the organizational staff members concerned nor were there issues with the budget situation. However, while there were positive aspects of the status of operation and maintenance, some concerns were felt in terms of the sustainability of the project effects.

In light of the above, no major problems had been observed in the institutional, technical and financial aspects of the operation and maintenance system; however, there were some issues with the current status of operation and maintenance. Therefore, the sustainability of the project effects is fair.

4. Conclusion, Lessons Learned and Recommendations

4.1 Conclusion

In this project, tourism-related infrastructure and human resources were developed to

grow the tourism industry at six tourist destinations in Sri Lanka. This project was consistent with the development plans and needs of Sri Lanka at the time of appraisal and ex-post evaluation as well as the priority areas of Japan's ODA policy at the time of appraisal. Therefore, the relevance of this project is high. With regard to project implementation, while the components were implemented mostly as planned and the project cost is inferred to have been within the plan, the efficiency was fair as the project period exceeded the plan. With respect to project effectiveness, the tourism industry has grown rapidly since the civil war ended in 2009, and it is assumed that many of the targets of the indicators expected in this project were achieved and the unachieved indicators would generally reach their targets by the target year (2015). As for the impact of the project, it was confirmed that the tourism industry had significantly contributed to increases in employment and foreign exchange earnings, and this project made contributions to the development of the industry. Therefore, the effectiveness and impact of this project are high. Regarding sustainability, there were no issues in terms of institutional, technical and financial aspects of operation and maintenance of this project, but the sustainability of the effects generated in this project is fair as there were some issues found in the current status of operation and maintenance.

In light of the above, this project is evaluated to be satisfactory.

4.2 Recommendations

4.2.1 Recommendations to the Executing Agency

Despite the influences from the civil war, this project underpinned the recent growth of Sri Lanka's tourism industry. After the completion of this project, it was observed that the maintenance of infrastructure, in relation to the tourism industry bringing revenues to the project area and the revision of curriculum for tourism-related human resource development, was not necessarily continued sufficiently. While the tourism industry has been rapidly growing post the civil war, it will be an important step, when the current growth of the tourism industry begins to slow, to make a plan for how to utilize the outcomes of this project during the growth period of the industry, that is, to find a way to strengthen the human resource development curriculum and to maintain the infrastructure which is already damaged. Further in this regard, it will be important that the organizations concerned such as the SLITHM, Road Development Authority, and each municipal council, being in charge of operation and maintenance, strongly recognize the viewpoint of sustainability of the tourism sector and continue its operation and maintenance.

4.2.2 Recommendations to JICA

None

4.3 Lessons Learned

Establishment of Project Implementation and a Monitoring Mechanism

A lengthy time was required for various administrative matters in this project, and the project was delayed further due to the change of executing agency. The executing agency to be responsible for the sustainability of this project had not been assigned when this ex-post evaluation commenced. Taking from these occurrences, it will be necessary when implementing projects to consider the possibility of a project delay due to a change of government or ministry-in-charge, depending on the country. When such possibilities can be foreseen, it will be important to delegate stronger authorities to the PMU and PSC established in the project for its implementation. Also, it is considered important to ensure mid-term sustainability by maintaining a system to sustain the project effects for at least several years after project completion. An example would be the necessity of the PMU members remaining assigned to their posts for a certain period of time even after the project completion in order to collect and maintain the related data.

Coordination between the Project Components

While this project aimed to respond simultaneously to various issues in the tourism sector by integrating not only the development of tourism-related infrastructure but also marketing and promotion, human resource development and a community development program, insufficient coordination between each project component was observed. In planning and implementing a project with various components under a certain strategy, it is important to have a viewpoint on (1) what kinds of infrastructure and human resources are required and where they are needed, (2) how marketing activities should be conducted, and (3) how the local residents should be involved. Therefore, it is considered important for those in the executing and implementing agencies, from planning to post-completion stages, to have a common recognition of what kind of relationship each activity has and what kind of effect as a whole they will achieve by taking part in an opportunity such as the PSC to exchange information so that the consistent effects of the entire project will be generated.

Comparison of the Original and Actual Scope of the Project

| Item | Plan | Actual |
|---------------------------------|--|--|
| 1. Project Outputs | | |
| • Marketing and Promotion | Market survey and strategy formulation for Japan, and promotion activities in Japan | Implemented as planned |
| • Human Resource Development | Colombo Hotel School: Equipment procurement Kandy Hotel School: Construction of school buildings, Equipment procurement Training to the academic staff of both schools, and curriculum improvement Conducting of workshops for hotels and restaurants providing services to foreign guests | Implemented as planned |
| • Infrastructure Development | Negombo: Rehabilitation and dredging of Hamilton Canal (7km), Fishermen's Wharf development, and Town beautification Sigiriya: Site rehabilitation (development of paths and rest area), access road rehabilitation (14km) Anuradhapura: Ring road rehabilitation (23km), Beautification of Malwathu Oya Nuwara Eliya: Rehabilitation of Gregory Lake and Victoria Park, Town beautification | Negombo: (Change) Deletion of maintenance road, Addition of canal protection work, Extension of rehabilitated section of Hamilton Canal (2.5km) Sigiriya: (Change) Deletion of some components such as a toilet, no installation of road signs in some sections Anuradhapura: Implemented as planned Nuwara Eliya: Implemented as planned |
| • Community Development Program | Tourism awareness campaign for local residents, Clean-up campaign, etc. | Implemented as planned |
| • Consulting Services | Implementation support for marketing and promotion Implementation support for human resource development programs Detailed design, preparation of tender documents and tender support related to infrastructure | Implemented as planned |

| | | |
|---------------------------------|--|---|
| | development, Environmental and social impact monitoring, Construction supervision Implementation support for community development programs | |
| 2. Project Period | March 2006 – December 2010 (56 months) | March 2006 – March 2013 (84 months) |
| 3. Project Cost | | |
| Amount Paid in Foreign Currency | 842 million yen | 2,392 million yen |
| Amount Paid in Local Currency | 2,630 million yen (2,369 million Rupees) | 407 million yen (484.39 million Rupees) |
| Total | 3,472 million yen | 2,799 million yen |
| Japanese ODA Loan Portion | 2,604 million yen | 2,514 million yen |
| Exchange Rate | 1 rupee = 1.11 yen (as of November 2005) | 1 rupee = 0.84 yen (Average between March 2006 and March 2013) |