



Technical Assistance Report

Project Number: 53293-001
Knowledge and Support Technical Assistance (KSTA)
December 2019

Democratic Socialist Republic of Sri Lanka: Supporting Tourism Resilience

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 26 November 2019)

Currency unit	–	Sri Lanka rupee/s (SLRe/SLRs)
SLRe1.00	=	\$0.0055
\$1.00	=	SLRs183.26

ABBREVIATIONS

ADB	–	Asian Development Bank
PSTSC	–	Private Sector Tourism Skills Committee
Q	–	quarter
TA	–	technical assistance
TSP	–	Tourism Strategic Plan

NOTE

In this report, “\$” refers to United States dollars.

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CONTENTS

	Page
KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	1
III. THE TECHNICAL ASSISTANCE	3
A. Impact and Outcome	3
B. Outputs, Methods, and Activities	3
C. Cost and Financing	4
D. Implementation Arrangements	4
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	9
3. List of Linked Documents	10

KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 53293-001	
Project Name	Supporting Tourism Resilience	Department/Division	SARD/SLRM
Nature of Activity	Capacity Development	Executing Agency	Ministry of Tourism and Aviation
Modality	Regular		
Country	Sri Lanka		
2. Sector		ADB Financing (\$ million)	
✓ Industry and trade	Trade and services		0.50
		Total	0.50
3. Operational Priorities		Climate Change Information	
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity			
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 8.9		Some gender elements (SGE)	✓
		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization Low			
5. Safeguard Categorization Safeguard Policy Statement does not apply			
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.50	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.50	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.50	
Currency of ADB Financing: US Dollar			

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will assist the Government of Sri Lanka's efforts to build a resilient and competitive tourism industry. The TA team will work in close collaboration with the Ministry of Tourism and Aviation (Ministry of Tourism); the Sri Lanka Institute of Tourism and Hotel Management (Institute of Tourism); and the Sri Lanka Tourism Development Authority to train homestay operators, raise awareness and provide training, and update the tourism institute's curricula.

2. The TA is included in the country operations business plan, 2020–2022 of the Asian Development Bank (ADB) for Sri Lanka.¹ The TA is in response to the government's request to support tourism, which was severely affected by the terror attacks on 21 April 2019.²

II. ISSUES

3. **Tourism a key contributor to Sri Lanka's economy.** In 2018, earnings from tourism were \$4.4 billion (or 4.9% of gross domestic product), representing average annual growth of 28.9% from \$575.9 million in 2010.³ Tourist arrivals increased from 0.6 million in 2010 to 2.3 million in 2018. Tourism was the country's third-largest foreign exchange earner behind remittances (\$7.0 billion) and garment exports (\$5.3 billion) in 2018. In 2017, Sri Lanka received 11% of tourist arrivals in South Asia, the second highest rate behind India.⁴ Direct jobs generated in the industry increased from 55,000 in 2010 to 169,003 in 2018 (or 2.1% of the country's total employment in 2018). Tourism supported 388,487 direct and indirect jobs in 2018, or 4.8% of total employment. The large number of indirect jobs is an indicator of the multiplier effect of this growing industry.

4. **Tourism potential.** Tourism has been one of the pillars of Sri Lanka's growth since the end of the long civil conflict in 2009. The country offers a diverse range of tourism experiences in a compact size, allowing tourists to enjoy multiple aspects of it. It has won several international endorsements as a travel destination.⁵ The World Travel and Tourism Council estimates that the direct jobs in Sri Lanka's travel and tourism industry are expected to be 522,000 by 2028, and total employment is expected to exceed 1 million jobs by 2028.⁶

5. **Easter Sunday attacks.** On 21 April 2019, Sri Lanka was hit by coordinated attacks that killed 253 people, including 37 foreigners, and injured at least 500.⁷ The industry felt their immediate impact: tourist arrivals during the second quarter (Q2) of 2019 were 41.4% lower than

¹ ADB. 2019. *Country Operations Business Plan: Sri Lanka, 2020–2022*. Manila.

² The TA first appeared in the business opportunities section of ADB's website in July 2019.

³ Central Bank of Sri Lanka. 2019. *Annual Report 2018*. Colombo.

⁴ World Tourism Organization. 2019. *Compendium of Tourism Statistics: Data 2013–2017, 2019 Edition*. Madrid.

⁵ Government of Sri Lanka, Sri Lanka Tourism. [International Endorsements](#) (accessed 28 August 2019); and Government of Sri Lanka, Ministry of Tourism and Aviation. 2017. [Sri Lanka Tourism Strategic Plan, 2017–2020](#). Colombo.

⁶ World Travel and Tourism Council. 2018. *Travel & Tourism Economic Impact 2018: Sri Lanka*. London. The council classifies direct jobs as employment by hotels, travel agents, airlines, and other passenger transportation services (excluding commuter services), as well as jobs in the restaurant and leisure industries directly supported by tourists. Indirect jobs are generated through wider effects from travel and tourism investment spending, government collective spending that aids travel and tourism activity, and domestic purchases of goods and services by the industry segments dealing directly with tourists. The induced contribution to employment measures the jobs supported by the spending of those who are directly and indirectly employed by the travel and tourism industry.

⁷ The Government Official News Portal. 2019. [Over 100 Suspects Arrested](#). 28 April (accessed 28 August 2019).

in Q2 2018, compared with 4.1% year-on-year growth in Q1 2019. Month-on-month arrivals, however, show a pickup.

6. **Support for tourism after the attacks.** The government announced a financial relief package to support the tourism businesses with immediate cash flow needs.⁸ To attract tourists back, the government also launched promotional campaigns to present Sri Lanka as a safe destination, and several more are planned. Immediately after the incidents, some of the leading private tourism players launched the Sri Lanka Tourism Alliance.⁹ The TA builds on the government's recovery efforts to help create a resilient tourism industry in the context of the government's sector development strategy.

7. Consultations with various stakeholders emphasized the need to not only focus on recovery but also build a resilient and competitive tourism industry. Sri Lanka is the only country in South Asia that showed a decline in tourism competitiveness—its ranking fell from 64th in 2017 to 77th in 2019, as measured by the Travel and Tourism Competitiveness Index.¹⁰

8. **Sector development strategy.** The government's medium-term development strategy, Vision 2025, highlights tourism's importance in helping Sri Lanka become a rich country.¹¹ To further the Vision 2025 objectives, the government adopted the Tourism Strategic Plan (TSP), 2017–2020, which envisions Sri Lanka to be the world's finest island for memorable, authentic, and diverse experiences.¹² The TSP identifies weak coordination, institutional deficiencies, lack of resources, and market failures as constraints to Sri Lanka becoming a high value-added destination and providing economic benefits to communities. To remedy this, the TSP proposes six core actions: (i) improving governance and regulation, (ii) understanding visitors, (iii) marketing and communicating effectively, (iv) developing sustainable destinations, (v) lifting industry standards, and (vi) engaging the workforce and communities.

9. **Spreading tourism's benefits.** To empower rural communities, distribute the benefits of tourism growth, supplement available accommodation, and broaden the base of tourism stakeholders, the government launched a homestay program in 2011.¹³ The program offers an alternative experience and allows tourists to gain first-hand insights into the local culture and lifestyle. The Tourism Development Authority registered 503 homestay units with 1,520 rooms, but many operate informally and their managers lack training. It is essential that those offering homestays meet a certain standard in terms of facilities, services, security, and reliability. The tourism authority provides guidelines and training for homestay operators that cover these different criteria. However, training efforts have not kept pace with growth in the number of homestay operators. The geographic dispersion of homestay units and the choice of Colombo as a venue for training has made it difficult to reach out to most homestay operators. Travelers

⁸ This included (i) a 1-year moratorium on loans by tourism businesses, (ii) a 1-year moratorium on loans by tourism employees, (iii) duty-free import of security equipment for hotels, (iv) working capital loans for tourism businesses of up to SLRs250 million at a preferential interest rate of 3.4% to be repaid within 2 years, (v) a lower value-added tax for tourism businesses (7% instead of 15%), and (vi) interest-free Sancharaka Podda loans up to SLRs500,000 with a 1-year moratorium from the Regional Development Bank to support small and medium-sized enterprises in the industry.

⁹ [Sri Lanka Tourism Alliance](#) (accessed on 28 August 2019).

¹⁰ World Economic Forum. 2019. [The Travel & Tourism Competitiveness Report 2019: Travel and Tourism at a Tipping Point](#). Geneva.

¹¹ Government of Sri Lanka. 2017. *Vision 2025: A Country Enriched*. Colombo.

¹² Government of Sri Lanka, Ministry of Tourism Development. 2017. [Sri Lanka Tourism Strategic Plan, 2017–2020](#). Colombo.

¹³ Sri Lanka Tourism Development Authority. [Rooms in Sri Lanka Homes for Tourists](#) (accessed 28 August 2019).

typically rely on social media platforms and booking websites to learn not only about the place they plan to visit but also for their choice of accommodation. Homestay operators will benefit from the marketing of their facilities on social media platforms and from learning how to handle feedback or queries through social media or booking websites.

10. **Developing a competitive workforce in tourism.** The Private Sector Tourism Skills Committee estimates an additional demand for 25,000–30,000 workers per year to meet the expected increase in tourist arrivals, but the government and private training institutes only produce 10,000 graduates annually.¹⁴ The committee calls for concerted efforts to build a strong and competitive workforce—developing skills to meet industry needs, improving the quality of training, and raising awareness of parents and communities about job opportunities and working conditions in the tourism industry—while also engaging local communities. Although low female labor force participation is a countrywide challenge, the share of women among those employed in tourism is estimated at less than 10% because of social and cultural issues; negative industry perceptions; multiple roles that women are expected to fulfill, including household and family responsibilities; and inflexible work hours.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The TA is aligned with the following impact: industry standards improved, and workforce and communities engaged (footnote 12). The TA will have the following outcome: awareness, willingness, and capacity of communities and the workforce to engage in tourism enhanced.¹⁵

B. Outputs, Methods, and Activities

12. **Output 1: Homestay operators trained on quality of service and their marketing skills strengthened.** Through training programs, hands-on guidance, and knowledge sharing, the TA will provide homestay operators with coaching to improve service provision in terms of customer care, security, and reliability and also support them in marketing their units. Industry experts, in consultation with the tourism authority, will develop standards for homestay units that the coaches will apply during site visits. The homestay operators will receive training on setting up social media profiles, managing content, and managing and responding to customer feedback. Before on-site coaching starts, all trainers will participate in a train-the-trainer program with industry experts.

13. **Output 2: Awareness and knowledge on tourism among women and youth increased.** The TA will raise awareness about tourism opportunities among women and youth by targeting students, parents, and teachers. The TA will also support a program that exposes young people to practical training in specific fields and provides entry-level readiness to join the industry.

14. **Output 3: Sri Lanka Institute of Tourism and Hotel Management curricula updated.** To overcome the skills gap in tourism and make tourism education more attractive by offering a pathway to a degree program, experts engaged under the TA will define the requirements and upgrade the curricula that will allow the Institute of Tourism to offer a joint degree with the

¹⁴ Private Sector Tourism Skills Committee. 2018. [Sri Lanka Tourism and Hospitality Workforce Competitiveness Roadmap 2018–2023: A Private Sector Approach](#). Colombo.

¹⁵ The design and monitoring framework is in Appendix 1.

University of Vocational Technology. The experts will also prepare an action plan that eventually enables the institute to offer a degree independently.

C. Cost and Financing

15. The TA is estimated to cost \$550,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2. The Ministry of Tourism, the Institute of Tourism, and the Tourism Development Authority will provide counterpart support in the form of office space, counterpart staff, facilities, and other in-kind contributions.

D. Implementation Arrangements

16. The Ministry of Tourism will be the executing agency, while ADB's Sri Lanka Resident Mission will administer the TA. The TA will be implemented from December 2019 to December 2021. ADB will select, recruit, supervise, and evaluate 20 national consultants, 1 international consultant, and 13 resource persons by individual selection. Implementation arrangements are summarized in the table.

Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	December 2019–December 2021		
Executing agency	Ministry of Tourism Development, Wildlife, and Christian Religious Affairs		
Implementing agency	Ministry of Tourism Development, Wildlife, and Christian Religious Affairs		
Consultants	To be selected and engaged by ADB		
	Individual selection: 1 senior tourism education specialist	International expertise (1.2 person-months)	\$34,760
	Individual selection: Consultants—1 program manager, 1 communication specialist, 1 homestay program coordinator, 2 hospitality specialists, 5 coaches, 1 branding specialist, 1 cluster homestay coach, 1 training program coordinator, 4 tourism and hospitality experts, 1 outreach program coordinator, 1 hospitality curriculum development expert, and 1 education expert Resource persons—2 hospitality specialists, 3 digital marketing specialists, and 8 private sector experts	National expertise (51.0 person-months)	\$323,140 (national consultants and resource persons)
Advance contracting	Advance contracting is proposed for the program manager, homestay program coordinator, training program coordinator, outreach program coordinator, and senior tourism education specialist.		
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Source: Asian Development Bank.

17. **Consulting services.** ADB will engage consultants following its Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁶ Resource persons will be engaged for technical meetings, conferences, workshops, and seminars.

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$500,000 on a grant basis to the Government of Sri Lanka for Supporting Tourism Resilience, and hereby reports this action to the Board.

¹⁶ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Tourist industry standards improved, and workforce and communities engaged (Sri Lanka Tourism Strategic Plan, 2017–2020) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Awareness, willingness, and capacity of communities and the workforce to engage with the tourism industry enhanced	By 2021 a. 50% of participants (at least 30% of them women) in the awareness campaign and training program expressed interest to join the industry (2019 baseline: not applicable) b. Improved homestay units received ratings that are at least 1 point above the baseline on travel websites (2019 baseline: to be determined)	a. Post-program evaluation form b. Travel websites	Awareness not translating into actual industry involvement
Outputs 1. Homestay operators trained on quality of service and their marketing skills strengthened	By 2020 1a. Training skills of six coaches to train the homestay unit owners improved. (2019 baseline: not applicable) 1b. Standards for homestay operations revised (2019 baseline: existing standards ^b) 1c. At least 200 homestay unit owners and/or managers (at least 20% of whom are women) demonstrated increased knowledge in improving quality of their homestay operations (2019 baseline: not applicable) 1d. Draft training manual and certification manual prepared (2019 baseline: not applicable) By 2021 1e. At least 75 websites and/or social media profiles established or updated (2019 baseline: to be established)	1a. TA coordinators' reports 1b. Coaches' database 1c. Coaches' database 1d. TA coordinators' reports 1e. Coaches' database	Change in government policy

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>2. Awareness and knowledge on tourism among women and youth increased</p> <p>3. SLITHM curricula updated</p>	<p>1f. Draft branding and visual identity strategy for homestays prepared (2019 baseline: not applicable)</p> <p>By 2020</p> <p>2a. At least 75% of participants (at least 30% of whom are women) reported increased awareness on tourism as an employer (2019 baseline: not applicable)</p> <p>2b. 75% of trained participants (at least 30% of them women) reported increased knowledge on tourism (2019 baseline: not applicable)</p> <p>By 2020</p> <p>3a. Workshops held to validate revisions to SLITHM curricula (2019 baseline: not applicable)</p> <p>3b. Revised curricula submitted to relevant government authorities for accreditation (2019 baseline: not applicable)</p>	<p>1f. TA coordinators' reports</p> <p>2a. TA coordinators' reports</p> <p>2b. Participant feedback forms</p> <p>3a. Consultants' reports</p> <p>3b. Participant lists</p>	
<p>Key Activities with Milestones</p> <p>1. Homestay operators trained on quality of service and their marketing skills strengthened</p> <p>1.1 Hold workshop to train coaches to train homestay unit operators (April 2020)</p> <p>1.2 Coach at least 200 homestay unit operators and/or managers and make recommendations to revise standards for homestay units (May–November 2020)</p> <p>1.3 Prepare draft training manual and certification manual (November 2020)</p> <p>1.4 Hold workshop on digital marketing for homestay owners and help homestay operators improve their social media presence (July 2020–February 2021)</p> <p>1.5. Prepare draft branding and visual identity strategy for homestays (December 2020)</p> <p>2. Awareness and knowledge on tourism among women and youth increased</p> <p>2.1 Develop course content for the training programs (March 2020)</p> <p>2.2 Conduct six awareness programs targeting young people, at least one exclusively for young women, and parents of potential students, including site visits to hotels (June–October 2020)</p> <p>2.3 Conduct six training programs targeting young people, at least one exclusively for women (June–December 2020)</p> <p>3. SLITHM curricula updated</p> <p>3.1 Prepare report on current status of SLITHM curricula (June 2020)</p> <p>3.2 Hold workshops to validate revisions to SLITHM curricula (August 2020)</p>			

3.3 Submit revised curricula to relevant government authorities for accreditation (November 2020)
Inputs Asian Development Bank: \$500,000 Note: The Ministry of Tourism and Aviation; SLITHM; and the Sri Lanka Tourism Development Authority will provide counterpart support in the form of office space, counterpart staff, facilities, and other in-kind contributions.
Assumptions for Partner Financing Not applicable

SLITHM = Sri Lanka Institute of Tourism and Hotel Management; TA = technical assistance.

^a Government of Sri Lanka, Ministry of Tourism and Aviation. 2017. [Sri Lanka Tourism Strategic Plan, 2017–2020](#). Colombo.

^b Sri Lanka Tourism Development Authority. [Rooms in Sri Lanka Homes for Tourists](#) (accessed 28 November 2019). Source: Asian Development Bank staff.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	21.00
ii. National consultants	225.00
b. Out-of-pocket expenditures	
i. International and local travel	93.00
ii. Printing and translation ^b	18.90
2. Training, seminars, workshops, forum, and conferences	
a. Venue rental and related facilities	78.00
b. Participants	38.00
3. Contingencies	26.10
Total	500.00

Note: The technical assistance (TA) is estimated to cost \$550,000, of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of office space, counterpart staff, facilities, and other in-kind contributions. The value of the government contribution is estimated to account for 9.1% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Includes expenditure for reports and communication.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=53293-001-TARreport>

1. Terms of Reference for Consultants