

 Early Warning System

ADB-57227-001

Sustainable Tourism Sector Development Program (Subprogram 1)



Quick Facts

Countries	Sri Lanka
Specific Location	Dambulla and Trincomalee
Financial Institutions	Asian Development Bank (ADB)
Status	Proposed
Bank Risk Rating	B
Borrower	Government of Sri Lanka - Ministry of Finance, Economic Stabilization and National Policies
Sectors	Industry and Trade, Infrastructure
Investment Type(s)	Loan
Investment Amount (USD)	\$ 100.00 million
Project Cost (USD)	\$ 8,876.00 million



Project Description

According to the Bank's website, the Sustainable Tourism Sector Development Program aims to support the Government of Sri Lanka in creating a resilient, inclusive, and sustainable tourism sector by boosting tourist arrivals and foreign exchange earnings from tourism, achieving at least \$5 billion in foreign exchange earnings from tourism by 2025, and by leveraging private sector participation (PSP) through strategic reforms and targeted catalytic investments. The program combines a policy-based loan (PBL), to be delivered through a programmatic approach, with two subprograms and a project investment component. The proposed reforms under the PBL component address the binding constraints faced by the tourism sector and businesses; and are aligned with Sri Lanka's National Tourism Policy (NTP), a 10-year policy document with the vision of transforming the tourism sector as the major engine of inclusive economic growth and sustainable development. The investment component will support sustainable tourism and urban development of the two destinations (Dambulla and Trincomalee) to enhance visitors' experience, expand the green economy, and enhance urban livability.

Tourism in Sri Lanka has suffered major challenges because of the Easter Sunday attacks in 2019 and the coronavirus disease (COVID-19) pandemic, leading to a decline in tourist arrivals and earnings from the sector. To recover and make the sector sustainable, inclusive, and resilient, overarching strategies and well-sequenced investments are required which can be delivered through a well-structured sector development program (SDP). The proposed SDP adopts a programmatic approach with two subprograms to manage complex and multiyear reforms involving various ministries and other public sector entities and the private sector. The improved governance of the institutions operating in the tourism sector will be sustained through the operationalization of the reforms under the PBL component. The investment component will support Dambulla and Trincomalee, two strategic tourism destinations, through infrastructure development and capacity building that will enhance the value proposition of these tourist destinations. Subprogram 1 will support reform actions to strengthen the institutional coordination of ministries and agencies; address policy and regulatory gaps in the tourism sector; and develop strategies and guidelines for skills enhancement following international standards, improve participation of women and disadvantaged groups, PSP, and resource mobilization. Subprogram 2 will support a policy reform involving the amendment of Tourism Act 2005 or enactment of a new Tourism Act in 2025, which will address the policy, regulatory, and procurement reforms needed for sustainable promotion and enhance the enabling environment for PSP. Other reform areas include the implementation of the tourism strategic plan, and registration and performance assessment of the tourism establishments following international standards.



Early Warning System Project Analysis

Following the ADB Safeguard Policy Statement (2009), the SDP is likely to be category B for the environment. The investment component is likely to have site-specific impacts, while no notable adverse impacts are envisaged from the policy actions.

The SDP is likely to be category B for involuntary resettlement. Based on the preliminary screening, the investment component of the project is likely to involve temporary economic impacts (insignificant involuntary resettlement impacts), while the policy actions are not anticipated to have any involuntary resettlement impacts. The project will use government land and is not anticipated to require the acquisition of private land, physical displacement from housing, or significant economic displacement.

The SDP is likely to be category C for indigenous peoples safeguards, as no impacts are anticipated because of the policy actions or the investment component. The proposed activities under the investment component will be on government land. No direct or indirect impacts to the dignity, human rights, livelihood systems or territories, or natural and cultural resources that are used, owned, occupied, or claimed by indigenous peoples as their ancestral domain or asset, are anticipated.



Investment Description

- Asian Development Bank (ADB)

The program combines a policy-based loan (PBL), to be delivered through a programmatic approach, with two subprograms and a project investment component.

Sri Lanka's development financing needs are derived from the projected budget deficit of around \$8,876 million in 2024 and \$5,491 million in 2025. The IMF's 4-year EFF program envisages Sri Lanka receiving financing from international financial institutions to close the financing gap while restructuring bilateral and commercial debts.



Contact Information

No contacts available at the time of disclosure.

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Bank Documents

- [Project Disclosure PDF](#)
- [Sustainable Tourism Sector Development Program \(Subprogram 1\): Concept Note](#)