

Policy Paper
on
Restructuring and Strengthening para-public institutions in
Sri Lanka Tourism Sector

June 2025

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Abbreviations

AoA	:	Articles of Association
ATL	:	Above The Line
BTL	:	Below The Line
CCD	:	Coastal Conservation Department
CCF	:	Central Cultural Fund
CLG	:	Company Limited by Guarantee
DFC	:	Department of Forests Conservation
DMC	:	Destination Management Committee
DWLC	:	Department of Wild Life Conservation
eGP	:	Electronic Government Procurement
EPF	:	Employees Provident Fund
ETF	:	Employees Trust Fund
HR	:	Human Resources
ILO	:	International Labour Organization
IMTC	:	Inter-Ministerial Tourism Committee
INGOs	:	International Non-Government Organizations
IT	:	Information Technology
KPI	:	Key Performance Indicators
MICE	:	Meetings Incentives Conferences and Exhibitions
MSME	:	Micro-Small-Medium Enterprises
NPA	:	National Procurement Agency
NTPFC	:	National Tourism Policy Formulation Council
NTC	:	National Tourism Commission
NTOs	:	National Tourism Organizations
NVQ	:	National Vocational Qualifications
OTA	:	Online Travel Aggregator
PPP	:	Public Private Partnerships
PROMISE	:	Procurement Management Information System
PTBs	:	Provincial Tourism Bureaus
SBD	:	Standard Bid Documents
SLITHM	:	Sri Lanka Institute of Tourism and Hospitality Management
SLR	:	Sri Lankan Rupee
SLTA	:	Sri Lanka Tourism Authority
SLTDA	:	Sri Lanka Tourism Development Authority
SLTPB	:	Sri Lanka Tourism Promotion Board
SOE	:	State Owned Enterprise
SOR	:	Scheme of Recruitment

TDF	:	Tourism Development Fund
TDL	:	Tourism Development Levy
TOR	:	Terms Of Reference
TTL	:	Through The Line
TVEC	:	Tertiary and Vocational Education Commission
TVET	:	Technical and Vocational Education and Training
UGC	:	University Grants Commission
UN	:	United Nations
UNWTO	:	United Nations World Tourism Organization
US\$:	United States Dollars

1. Context and Rationale

Sector Context

Sri Lanka's tourism sector grew significantly to register its' best performance in 2018, receiving about 2.33 million foreign tourists and garnering about US\$ 4.4 billion in tourism receipts as the 3rd largest foreign exchange earner for the economy. Since then, the tourism sector has endured multiple shocks and is seeking to build back better. Trends over 2024 and in the first quarter of 2025 indicate robust tourism growth, with the sector poised to surpass the 2018 levels of achievement in 2025. Overall macroeconomic stabilization and growth, coupled with tourism sector revival together lay a strong foundation for Sri Lanka's tourism sector to scale greater heights.

The sector's aspirations to achieve targets of 5 million international tourist arrivals and US\$ 8 billion in tourism receipts in the medium-term is achievable, albeit challenging. There exists significant headroom for growth, as evident from multiple factors such as – opportunities for diversification of key source markets, leveraging outbound tourism growth from Asia's large economies with a focus on enhancing their duration of stay, expanding per capita spends, new product development to beat off-season lows, formalization of the tourism economy, elevating service standards, and domestic tourism.

However, achieving high levels of year-on-year sustained growth to achieve these targets and beyond shall require several measures that include –

- ✓ expanding enabling basic infrastructure, site level facilities and seamless long-distance transport linkages
- ✓ enabling expansion of room capacity
- ✓ driving sustainability at destinations, at accommodation properties and across the tourism supply chain
- ✓ effective tourism sector governance, and formalization of all operators
- ✓ tourism product and supply-chain enhancements
- ✓ tourism brand development to gain new markets and tourist segments
- ✓ building economic resilience of the tourism sector
- ✓ developing human resource talent base to support this growth

Public sector institutions and public-private partnership organizations play a key catalyst role to enable these transitions. It is therefore imperative for the prevailing institutions to be significantly reformed and restructured, and empowered mechanisms instituted to catalyze rapid transformation of the sector. Extensive consultations held across the cross-section of stakeholders from within Government, private tourism industry and office-bearers of these para-public institutions, indicate a widespread consensus on the need for restructuring the institutions in order to lay the foundation for tourism sector's long-term sustained growth.

Objectives of restructuring tourism sector institutions

The imperatives for restructuring and organisational transformation are driven by the need for:

- ✓ Empowered institutional mechanisms to respond to the challenges and opportunities in the sector.
- ✓ Clear delineation of roles and responsibilities amongst the institutions, with well-established mechanisms for collaboration between them, while being operationally independent.
- ✓ The legal framework and entity structure of the adopted structures should enable effective delivery of the mandate, and not limit their effectiveness.
- ✓ Policies, strategies and plans are shaped by participation of diverse stakeholders including the private sector.
- ✓ Institutions are equipped to effectively compete on all market dimensions – as desirable destinations, for tourist market and wallet-share, in perceptions and following in the media, for talent, and to attract the premier supplier-base.
- ✓ Institutions with public-private partnership at leadership / decision-making levels achieve effectiveness through judicious mix of private sector efficiencies, public policy perspectives, public accountability, and skilled, motivated and committed human resources (HR).
- ✓ Effective delegation of powers with concomitant accountability.
- ✓ Restructured organizations are aligned to strategic plans, and clearly defined job roles, responsibilities and performance measures. The organization structures are not rigid and adapt to emerging demands and expectations.
- ✓ All entities commit to a set of Key Performance Indicators (KPIs) in their Annual Plans, that are aligned with their long-term strategic plans. The entities are held accountable for the committed KPIs through appropriate oversight.
- ✓ The entities undertake efforts at resource mobilization in addition to the funding support they receive.
- ✓ Processes and systems for financial management, procurement, human resource management are agile, technology enabled / automated, simplified and transparent.

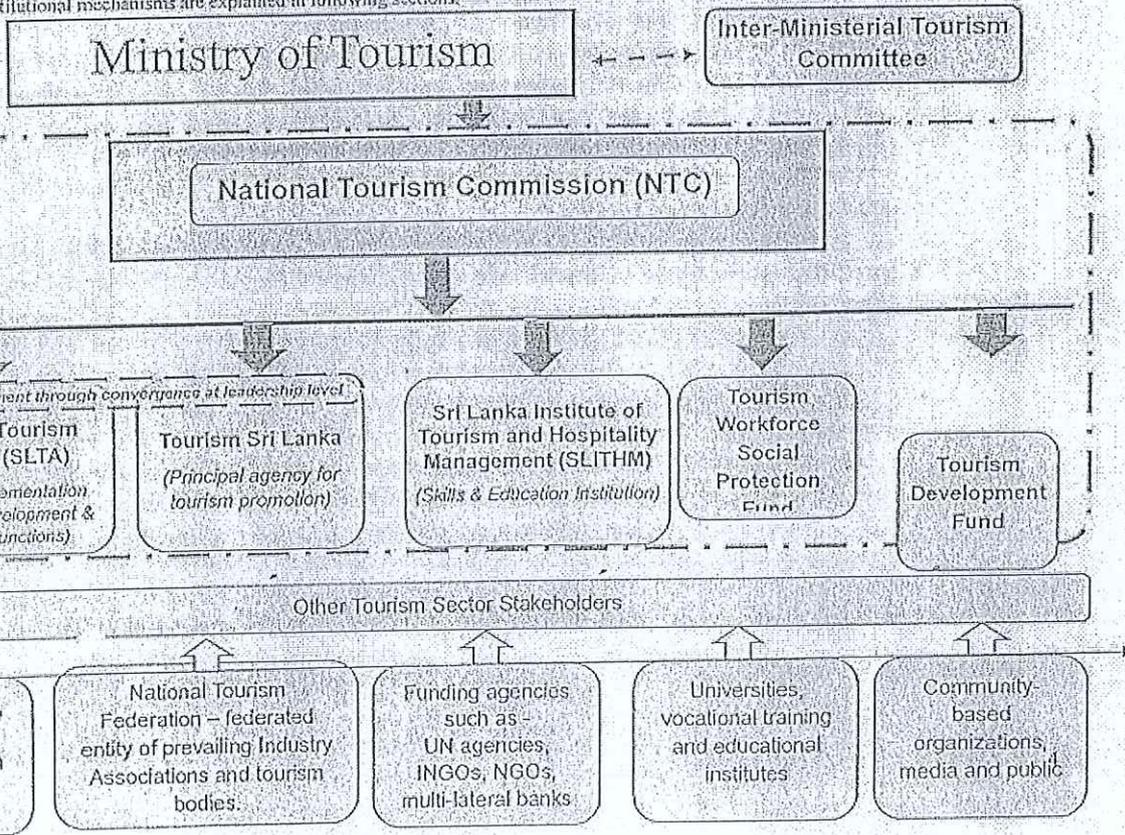
Core principles to be adopted in restructuring and strengthening the institutions

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- ✓ Robust legal framework for the institutional mechanisms and restructured entities: Reforms are backed by a pragmatic legal framework, which empowers the entities, enables them access expertise and holds them accountable. It is proposed that a new Tourism Act is enacted to provide such a robust legal framework, for which a New Tourism Bill shall be introduced in Parliament to replace the prevailing Tourism Act No. 38 of 2005.

- ✓ Governance and management systems need to be dynamic, adaptive and nimble – Agile organisations are vital to compete in the rapidly-changing and globally-competitive tourism sector.
- ✓ Performance management at entity level – The empowered entities will work to achieve Key Performance Indicators (KPIs), ensure accountability to stakeholders and contribute to sector-level aspirations. Consistent strong performance is critical for year-on-year sustained growth of the industry.
- ✓ Collaboration between agencies as well as across levels of Government (Central/ Provincial/ Local) – To improve inter-agency coordination (especially related to spatial planning and infrastructure), to ensure consistency in tourism governance across provinces with clearly demarcated responsibilities, and to develop closer working partnerships across and throughout levels of government.
- ✓ Public and Private Sector Partnerships – For inclusive perspectives, incorporating private sector expertise in operations, managing assets and human resource talent, and driving the adoption of sustainable tourism across the supply chain.
- ✓ Good corporate governance – Institutional accountability to government, as per framework applicable to government entities, while managing risk and reputation, and creating value for the tourism industry and communities at large.
- ✓ Fiscal discipline and internal controls – Financial transparency and discipline are required to effectively manage institutional mandates, while maintaining the necessary checks and balances.
- ✓ Effectiveness in procurement – All procurement by the institutions will pursue public procurement tenets of economy, efficiency, fairness, transparency, quality, and value for money.
- ✓ Human resource / talent development and performance management – To attract and retain talent, develop skills and competencies, track and reward performance.
- ✓ Financial sustainability and building a buoyant revenue base – The entities will proactively seek new revenue source opportunities to build institutional resilience. Allocation of funds from the Government to the implementing institutions is demand-responsive, dynamic and balances the various needs for sector development.
- ✓ Technology adoption and outsourcing non-core activities – For increased efficiency and transparency and enable the institutions focus on their key functions.

2. Overview of proposed institutional structure

Institutional framework for tourism management in Sri Lanka
 The illustration below depicts the recommended institutional framework for tourism management. The details for each of the institutions and proposed institutional mechanisms are explained in following sections:



3. Institutional mechanisms for oversight, policy, coordination and support to National Tourism Organizations

Ministry of Tourism

As per the Constitution, the line Ministry of Sri Lanka responsible for Tourism, is overseen by the Minister allocated the responsibility for the tourism sector. The Ministry responsible for Tourism exercises the Authority and supervision under the direction of the Minister of Tourism shall support the National Tourism Commission in the execution of its' mandate.

National Tourism Commission

An empowered statutory Commission shall be constituted under the proposed Tourism Act called National Tourism Commission (NTC). The NTC shall enable improved tourism sector governance, maintain oversight of the 3 National Tourism Entities (NTE's) provide policy and strategic guidance recommend prudent resource allocation and regulations for the Tourism Sector. Support under the direction of the Ministry in charge of Tourism and Cabinet of Ministers. on decisions related to procurement, large project investments and draft and recommend regulations for the tourism sector.

Rationale: Tourism is a unique sector that is driven by consumer preferences and the spending of domestic visitors and tourists from across the world. Natural and heritage assets are vested with the public sector, and governments have overall responsibility in managing destinations as well. However, the tourism assets and public infrastructure are leveraged by private sector enterprises along the tourism value-chain, generating employment and fostering socio-economic development. Destination planning, tourism and transport infrastructure assets are the remit of national institutes, while local and provincial councils play a role in last-mile civic services required by visitors. Thus, tourism is a complex sector requiring multi-sectoral expertise and a combination of perspectives from within and outside of Government. Hence the mandate of the Ministry of tourism shall be more effectively served by an agile and professional organization, constituted with powers derived from the proposed New Tourism Act.

Mandate: under the direction of the Ministry in charge of Tourism the NTC shall be empowered and mandated to undertake the following functions:

a) Policy and strategic Planning

- ✓ Frame and communicate national policies, strategies and plans for the tourism sector, which includes a 10-year Master Plan for tourism sector of Sri Lanka
- ✓ Review and provide inputs for finalization of 5-year strategic plans of the three NTEs, viz. Sri Lanka Tourism Authority (SLTA); Tourism Sri Lanka (Tourism SL) and Sri Lanka Institute of Tourism and Hospitality Management (SLITHM). The existing institution to promote Sri Lanka as a MICE destination named; Sri Lanka Convention Bureau (SLCB) will be merged with the proposed Tourism Sri Lanka (Tourism SL)

- ✓ Provide strategic guidance, and monitor the performance of the three 3 NTEs, vis-à-vis agreed annual Key Performance Indicators (KPIs)
- ✓ Provide strategic guidance to NTEs holistic approach to tourism, leveraging opportunities, addressing challenges and integrating perspectives of culture and heritage, forest and wildlife conservation, conserving coastal and other natural habitats, urbanization and transport linkages, crafts and performing arts, agriculture and industry, etc.
- ✓ The NTC shall focus on issues that require coordinated policies, regulations, and actions across other line ministries related to tourism such as
 - Customs, immigration, quarantine, policing and law enforcement for tourist safety, public health and safety, emergency response, taxation and statutory compliance, excise and licensing, etc.
 - Land use planning, building regulations, basic infrastructure, natural and cultural sites or assets conservation, transport infrastructure for road, rail, air, coastal and sea; local transport connectivity, cross-sector environmental issues, crafts and performing arts, etc.
- ✓ On specific policy issues requiring specialized expertise, constitute specific committees with specified members, defined Terms-of Reference and time-period for providing recommendations, Alternatively, the NTC may also procure the services of experts for conducting studies, preparing plans, policy analysis and similar work.

b) Regulations for tourism sector

- ✓ Harmonize regulations of the tourism sector with other sectors, where such regulations contradict / conflict with each other.
- ✓ Recommend regulations drafted by SLTA for regulation of tourism business operations to the Minister of Tourism.
- ✓ Draft and recommend Notification of regulations for the development of tourism Zones
- ✓ regulations drafted by SLTA for regulation of tourism business operations to the Minister of Tourism.

c) Resources and Fund management for tourism sector

- ✓ As per Financial Regulations 124 of Government of Sri Lanka the Secretary Tourism is designated as the Chief Accounting Officer of the Ministry of Tourism, with responsibilities towards proper use of public funds and maintaining accounts as per laid procedure.
- ✓ Oversee the management of Tourism Development Fund, and maintain rational allocation of funds and resources to NTEs and other agencies to achieve national objectives
- ✓ Explore other budgetary and non-budgetary sources of funds and resources for tourism sector developments in Sri Lanka.
- ✓ Prioritize and guide large capital investments for destination development
- ✓ Provide guidance and direction for concomitant resources allocation in sectors allied to tourism
- ✓ Oversee the constitution, and effective functioning of "Tourism Workforce Social Protection Fund".

- ✓ Ensure allocation of resources to the "Tourism Workforce Social Protection Fund" with respect to government contribution to the fund.

d) Procurement support for Ministry of Tourism.

- ✓ Recommend sector specific unique procurement procedures and financial regulations for the NTEs, and recommend the same for approval to the Ministry of Tourism, Ministry of Finance, National Procurement Commission, etc,
- ✓ Review specific financial and procurement approvals forwarded by the NTEs to the Ministry of Tourism (for specific procurement that exceed the financial and procurement approval limits of NTEs)
- ✓ Support the SETA for coordinating with the Board of Investments, related Ministries, and national agencies for speedy approvals of project investment proposal from domestic and foreign investors.

The prevailing roles of the planning and development sections of the Ministry for Tourism in the areas of tourism development plans/Zones, funding and development of tourism infrastructure and routine facilitation and liaison with provincial Tourism Bureaus may be delegated to Sri Lanka Tourism Authority under the supervision of the Ministry of Tourism.

Thus, in the framing of the proposed Tourism Act, Rules of business operators thereunder and defining the organization structure of the NTC, it shall be ensured that there are no overlaps, conflicts or contradictions between the role of NTC vis-à-vis the NTEs and they complement one another.

- ✓ Constitution of NTC: The NTC shall be a body corporate with perpetual seal and succession, as per a proposed new Tourism Act to be enacted by the Government. The Commission Headed by a Chairperson. The Minister of Tourism shall appoint qualified and capable person for the NTC Chairperson. The Secretary (or nominee) Ministry of Tourism shall serve as ex-officio, board member of the National Tourism Commission.

The Commission shall include not less than 11 and not more than 20 members drawn from within and outside of the government. Further, members of the NTC, including ex-officio members shall be appointed by the Minister of Tourism.

Four members shall be selected/ deputed from within Government and its' allied institutions to bring perspective of Finance, public policy, public administration, economics, governance, and other tourism related or allied sectors. The secretary or his representative to the ministry of the Minister in charge of the subject of Provincial Council. Nominees shall possess experience and knowledge in the field of travel, hospitality and tourism will be selected to bring private sector perspectives in large formal and small informal enterprises. Further, two members shall bring forth the

expertise and perspectives on sustainable tourism and articulate the views of host communities.

As a statutory body, the NTC represents a statutory body for tourism under the Minister of Tourism with significant role in framing of policies and regulations, and hence in order to avoid conflict of interest, members of the board of NTC from outside of government who bring specific expertise and perspectives of the tourism sector shall not include persons owing or having significant beneficial interest in Tourism business that are directly regulated by the NTC or SLTA.

Apart from the Commission members (Chairperson and other members), the NTC shall be staffed with professional and senior official on deputation to execute the mandate discussed above. It is proposed that the internal organization structure of the NTC comprise the competent senior professionals. As per following division

- i) Policy regulations and Strategic planning division
- ii) Resources/fund management and Finance division
- iii) Procurement and project investment support division
- iv) Administration and coordination division

NTC shall maintain lean organization structure staffed with professional laterally hired into the organization on tenure-based (3 year) contracts or civil servants on time-bound deputation from within the government.

Overall functioning, reporting and accountability:

The role of the Chairperson, the members, and the Director General of the NTC shall be in executive capacity. The Commission shall be required to meet at frequent intervals and undertake decisions in a time-bound manner.

NTC shall be directly responsible to the Secretary, Minister of Tourism and Parliament of Sri Lanka, with its annual reports tabled in Parliament. The NTC shall be held accountable for buoyant and sustainable tourism sector growth in Sri Lanka, through indicators such as tourism sector contributions to economy and employment, equitable and sustained growth, foreign exchange contributions to the economy, environmentally sustainable tourism, local economic development, investment and resources mobilized in the sector and its' effective utilization within the tourism sector. The NTC shall liaise with the Ministry of Tourism and other ministries and government institutions on such matters as required for its' effective functioning.

There shall be appointed by the Minister of Tourism on the advice of the NTC, a person to be the Director-General, who shall be the Chief Executive Officer of the NTC. The criteria applicable and the procedure to be followed in the appointment of the Director General shall be as prescribed.

To address the legal implications of the above policy directives and enable effective functioning of the NTC, it is proposed to enact a new Tourism Act. With the establishment of the NTC, the prevailing Tourism Advisory Committee (as per clause 32 of Tourism Act) should be made defunct and a similar provision need not be provided for in the proposed Tourism Act.

National Tourism Policy Formulation Council (NTPFC)

Mandate: The National Tourism Policy Formulation Council Unit (NTPFC) shall serve as a 'think-tank' for Sri Lanka tourism, with a legal mandate to support the NTC and NTEs as follows –

- ✓ Deliberate on range of policy issues and make recommendations to the NTC and NTEs in a timebound manner; formulate pragmatic and forward-looking policies and plans to drive sustainable and buoyant tourism sector growth
- ✓ Periodically evaluate the trends in the economy, demography, foreign trade, currency valuation, infrastructure development, urbanization, skill and employment, human resources development, gender issues; and the long-term impact of these on the tourism sector
- ✓ Prepare a Draft Master Plan for a 10-year timeframe for the tourism sector on behalf of NTC
- ✓ Examine an outside-in perspective on Sri Lanka's tourism sector, viz. competitive positioning in relation to other South-Asian, Asian and global tourism destinations
- ✓ Draft appropriate regulations for the tourism sector
- ✓ Over a period of time, coordinate the policy formulation facilitation role of the Inter-Ministerial Tourism Committee for multi-sectoral issues requiring diverse perspectives from different Government ministries
- ✓ Provide an external review and perspective for large tourism destination development project proposals, and other large capital investment projects related to tourism
- ✓ Examine all relevant international and national good practices and successes, document and disseminate them to concerned stakeholders
- ✓ With a view to guide Sri Lanka's tourism sector stakeholders, review and extract important insights from international publications, research and expert inputs of industry bodies and international agencies.

The NTPFC: The NTPFC for tourism shall be constituted and mandated as per the proposed new Tourism Act to be enacted by the Government. However, the NTPFC shall not be a body corporate with its own seal or succession and shall remain an unit coming under the NTC. NTPFC shall not hold a budget, and all its requirements for administrative, secretarial and research support shall be provided by NTC. NTPFC shall not have fiduciary powers and responsibilities with respect to budgets, financial or procurement matters in the tourism sector. Expenses to be incurred if any by the NTPFC shall be borne by the NTC on its behalf.

NTPFC may include those for thematic issues such as – sustainable tourism, facilitate for development of provincial tourism management, human-capital development, tourism sector investment promotion, institutionalization of community-based tourism, etc.

Inter-Ministerial Committee on Tourism (IMCT)

Tourism as an economic sector intersects with diverse sectors, and hence formulating policies and strategies requires diverse perspectives from within Government and expertise from private sector, academic institutions, international agencies, civil society and a range of other actors. The prevailing administrative structure of tourism sector institutions has had limited effectiveness in being able to effectively integrate and/or collaborate with other sectors to foster holistic and inclusive tourism development. For eg. non-tourism authorities that manage public assets such as Coast Conservation and Coastal Resource Management Department, Department of Forest Conservation, Department of Wildlife Conservation, Central Cultural Fund – CCF), etc.

To achieve the right balance between these different agencies / sectors; more nuanced approaches are required in policy recommendation, preparation of development plans and strategies; curation of sustainable tourism products. Hence, inter-Ministerial Committee on Tourism already established vide Cabinet Memorandum No. PS/CM/EAD/233/2024 dated 12/03/2024 and approved on 18/03/2024, provides for the establishment of a Committee under Chairmanship of Secretary to the President and other senior officials from ministries and other institutes. The primary role of the Committee is to support the implementation of the tourism strategy plans and provide a forum for resolving multi-sectoral issues and enabling inter-agency coordination across different departments of the Government. Thus, the IMCT works at two levels – (a) deliberate on policies and regulations that have inter-sectoral and inter-ministerial linkages; and (b) decision-making with respect to inter-departmental issues.

After the establishment of the revised institutional structure that comprises NTC under the Ministry of Tourism, the NTC shall serve as the principle link between the Ministry of Tourism and IMCT; and support the deliberations and decisions arrived at within the IMCT.

Management of Tourism Development Fund

Imposition of the Tourism Development Levy and other contributions to the Tourism Development Fund (TDF) shall continue as per prevailing practice. The Tourism Development Fund shall serve to pool-in multiple stream revenues and capital sources, and be judiciously applied across different NTOs and other tourism institutions and any other priority needs of the tourism sector.

Past experience has shown that having fixed fund allocations to NTOs without corresponding plans and institutional capacity to effectively utilize the funds results in unspent resources with one agency on one-hand and fund deficiency for priority needs with another agency on the other hand. Hence, it is proposed that henceforth NTC shall periodically review and assign the allocation of shares of the TDF for each year.

Large capital projects or international marketing campaigns are the types of expenditure that require multi-year program budget allocations. Hence, predictability of fund allocations each year for NTEs is also critical to support preparation and execution of multi-year programs. NTEs shall prepare 5-year strategic plans and budgets, and a broad financial commitment based on projected share of allocations from the TDF shall be assigned by the NTC. Annually, these plans and progress of multi-year programs shall be reviewed by the NTC, and certain changes in the assigned budgets shall be made as appropriate. It shall be ensured that multi-year program continuity is maintained, and consequently the allocation of share from the TDF for the forthcoming year is finalised.

The proposed new Tourism Act to be enacted shall assign to the NTC - the responsibility of management of the Fund, planning and managing inflows and outflows, periodic accounting and regular audit of the TDF in line with the rules of business and financial procedures applicable to the Ministry of Tourism and in accordance with policies, regulations and guidelines laid down by Minister of Finance.

Facilitating Tourism Management at Provincial level

Tourism sector is on the concurrent list of the Constitution, and hence Provincial Councils too have a mandate with respect to tourism development, regulation and management. To drive consistency in the mandate, organization structures and functioning of the tourism management at the provincial level, it is proposed to facilitate the establishment of and strengthen the functioning of Provincial Tourism Bureaus (PTBs) in all provinces. This shall be achieved within the Constitutional framework of delegation of powers and functions to Provincial Councils.

NTC shall be mandated to define a harmonised framework for tourism management at the provincial level with inputs from in-depth consultations held with provincial councils and the consensus emerging thereof. With advice and concurrence from the relevant government bodies such as Attorney General Department, provincial councils etc, and approval from the Minister for Tourism, NTC shall recommend a Model Statute to be enacted as Provincial Tourism Statutes. Such a Model Statute shall define the institutional structure for setting up of Provincial Tourism Bureaus (PTBs) as an incorporated statutory body, the role and mandates for the PTBs, regulatory powers, financial and human resources for tourism sector governance and management.

Sri Lanka Tourism Authority shall support and facilitate the establishment / strengthening of Provincial Tourism Bureaus (PTBs) and implement institutionalization of tourism management at the provincial level. While working within the overall national strategy and master plan, PTBs' mandate shall include functions that are more effectively delivered at the local level with relevant local authorities.

Legal Implications / recommended enablers

The proposed new Tourism Act to be enacted and regulations framed thereunder shall formalise the above institutional mechanisms and guide the implementation of these structural changes in

the tourism sector. The office of the Attorney General shall be consulted in the drafting of the new Tourism Act, and regulations to be framed thereunder.

Sri Lanka Tourism Authority (SLTA)

Governance and Entity structure

Sri Lanka Tourism Development Authority (SLTDA), rechristened as 'Sri Lanka Tourism Authority' shall continue its corporate entity as a statutory entity, constituted under the proposed new Tourism Act. The name change from SLTDA to Sri Lanka Tourism Authority (SLTA), is intended to reflect its larger role as an Authority empowered by the proposed Act to undertake actions to develop and enforce regulations on the tourism sector. SLTA shall be the principal implementation Entity for the National Tourism Commission with respect to development and regulatory functions.

SLTA is functioning as an entity of NTC. The board members of the NTC shall be the governing body of SLTA and in addition to that Director-General of SLTA shall serve as a member of NTC Board.

There shall be appointed by the Minister of Tourism on the advice of the NTC, a person to be the Director-General, for a tenure of 3 years, who shall be the Chief Executive Officer of the SLTA. The criteria applicable and the procedure to be followed in the appointment of the Director General shall be as prescribed.

Reporting and overall accountability:

SLTA shall be managed by the NTC Board the Board empowered to undertake all decisions and execute the mandate of the Authority. SLTA shall followed and NTC shall frame a revised set of Administrative and Financial regulations, in respect of procurement, delegation of financial powers, financial controls and human resources management, in line with public finance management Act number 44 of 2024 or government prevailing Administrative, Financial regulations and procurement manual. Such revised regulations after due approvals, shall define the financial, administrative and procurement thresholds for decisions that need to be escalated by the Board of NTC to higher authorities. Executive responsibilities of the NTC shall be delegated to the Director-General. Fiduciary accountability is distributed across levels to the Director-General.

The SLTA shall frame an Annual Plan that shall outline the actions and key performance indicators committed for the forthcoming year. Such an Annual Plan shall be aligned with the three-year strategy plan of NTC. KPIs framed shall encompass all the core and support functions of SLTA. Financial KPIs shall be those related to collection of Tourism Development Levy (TDL) and efficacy in establishment and administrative costs being limited to a targeted percentage of overall revenues. The Annual Plan and SLTA's performance with respect to the Annual Plan shall be reviewed by the NTC.

Transformational strategies for management of tourism destinations

Strengthening Provincial Tourism Bureaus:

Sri Lanka Tourism Authority shall support and facilitate the establishment / strengthening of Provincial Tourism Bureaus (PTBs). Provincial Tourism Bureaus will ensure development of smaller tourism sites and attractions, site level management of infrastructure and services, promotion of domestic tourism, supporting formalization of micro-small-medium enterprises (MSMEs) in tourism, enforcement of service standards in MSMEs, engagement and capacity building of host communities, encouraging women's participation in delivery of tourism services, tourist safety and tourist information facilitation.

While the PTBs shall be empowered to recruit and deploy their own staff as per directions of their respective Provincial Councils, SLTA shall depute a core complement of staff across key functions to enable the PTBs initiate their roles and take charge of a wider mandate, as envisaged in the Model Statute. The remuneration of such deputed staff shall be borne by the SLTA. The deputed staff shall administratively report to the Chief Executive Officer of the PTB, and also come under the supervisory purview of SLTA and liaise with the corresponding departmental heads in SLTA headquarters for technical support and other proceeding.

Within the limits prescribed by the Constitution, and proposed new tourism act to be enacted by the parliament, provincial council may be permitted and empowered to collect fees related tourism, user charges / fees for specific services provided, and mobilize own sources of funds through donations, sponsorships and other value-added services provided to tourists. The Model Statute may define the manner in which such charges and fees related tourism may be applied.

Tourism Development Levy collected from tourism enterprises with a total revenue of less than SLR 12 million per annum levied at the rate of 0.5% shall continue to be collected by the SLTA and received in the TDF pool and remit to the Consolidate Fund. The aggregate of sum of TDL from enterprises with total revenue of less than SLR 12 million shall be redistributed as an administrative cost, some percentage specified in the regulation to the respective PTBs, to the extent of the facilitation for TDL collected from within their respective provinces in the corresponding year. However, with the establishment / strengthening of PTBs, the staff of PTB shall play a supportive role in enforcement of collection of the TDL from such enterprises (those with total revenues of less than SLR 12 million per annum (or as prescribed in the proposed tourism Act). This is expected to incentivise and motivate the PTBs to ensure registration, renewal of licenses and facilitation for TDL collection from micro-small-medium tourism enterprises and informal sector within their respective provinces.

In addition to these sources of funds, SLTA shall provide and administer capital grants with the approval of NTC against specific project proposals put forth by the PTBs. PTBs shall be encouraged to undertake site development at emerging tourism attractions and execute minor capital works to provide improved amenities and tourist facilities. Capital grant requests shall be evaluated by SLTA against a transparent set of criteria and sanctioned within the overall budget pool available for capital projects in that year.

Destination Management Organizations:

For leading destinations across Sri Lanka, it is imperative to prepare a destination management plan and create dedicated institutional mechanisms for improved destination management in line with global good practices. Such institutional mechanisms should engage all concerned stakeholder entities including – government entities (site / attraction owners such as Central Cultural Fund, Department of Wildlife Conservation, etc.), local industry associations, local government and civil society organizations.

With the concurrence of the respective Provincial Council, the Provincial Tourism Bureaus (PTBs) shall serve as a Destination Management Organization. For the leading destinations, a Destination Management Committee (DMC) shall be constituted, and a dedicated Destination Management Account shall be instituted. Both the Destination Management Committee and Destination Management Account are not separate legal entities and they shall operate within the overall umbrella of the legal entity of the PTB. The DMC shall include a wide set of stakeholders and shall be chaired by the Chief Executive Officer of the PTB. The DMC shall also endorse the Destination Management Plan prepared by PTB.

The Destination Management Account shall maintain a separate set of accounts/ringfenced account for the specific destination for complete visibility and auditability for all inflows and outflows from the account, and such an account will be maintained at the PTB level. The account shall pool various inflows including user charges, contributions by stakeholder institutions and other revenue sources. Furthermore, the application of such monies shall be within the identified geographic boundaries of the destination and as per the annual budget for the Destination Management Account, approved by the DMC. All the administrative, financial and procurement procedures for destination management shall be as per those applicable to its' umbrella legal entity, namely the PTB. The staff of PTB deployed at the destination shall be responsible for execution of activities for destination management and shall be under the oversight of the DMC.

Strategies for Organization transformation

SLTA shall adopt the following strategies and align its' organization to address the emerging opportunities and challenges. The SLTA organization structure shall incorporate / expand and strengthen the following functional units, viz.

- ✓ Product Development: Tourism product development shall not be limited to designing travel itineraries or offering inherited natural and heritage assets. Tourism product development shall focus on innovations in service delivery that create engaging and immersive tourist experiences. A focussed product development division, staffed with dynamic tourism professionals shall assess the tangible (eg. natural, heritage and man-made) and intangible (eg. history, culture, folklore, skills and human resources, culinary, etc.) assets at the destinations, examine demand patterns and support local service providers to curate and offer high-quality experiences to tourists.

- ✓ **Market Intelligence and Research:** This division shall be strengthened as a front-line function, providing insights on both supply side and demand side trends. This division shall either institute / commission or execute - market and consumer research, secondary studies and academic research, data collection and analysis to publish useful insights. This division shall address the needs of policymakers, tourism governance and administration, tourism marketing, private industry, infrastructure agencies, project planning, etc. Apart from the needs of SLTA, the division shall also cater to the needs of Tourism Sri Lanka, SLITHM, PTBs and tourism industry associations. Insights shall include both - regular publication / dissemination and one-off research exercises. Capacities for monitoring online platforms, leveraging digital data management technologies and establishing a robust and sustained data inflow mechanism shall be strengthened. A dedicated dissemination portal, benchmarked with that of leading tourism countries (*for eg. Australia Tourism Data Warehouse*) shall be the platform to disseminate the insights and engage with all stakeholders on tourism market intelligence and research.
- ✓ **Sustainable Tourism:** The sustainable tourism division shall be strengthened and expanded to support destinations and industry players to elevate their sustainability standards and environmental management practices. Apart from establishing standards and instituting systems for sustainability certifications, this division shall also be responsible for advocating responsible tourism and building capacity of public agencies that are managing destinations and private sector hospitality and tourism services operators. The division shall support framing regulations, destination and site-level tourism infrastructure planning, and carrying capacity analysis of key tourism attractions to enable sustainable operations and management.
- ✓ **Tourism Law Enforcement Unit (TLEU):** Occasionally tourists are at the receiving end of unfair trade practices, over-charging, deceit, harassment or just poor standards of service delivery. Many such tourists return to their home countries with unresolved issues and poor impression of tourism in Sri Lanka, with the negative sentiments expressed on social media or word-of-mouth publicity. Such instances have adverse consequences for building the tourism brand. Hence, it is important to institute an office of Tourism Law Enforcement Unit (TLEU) to take up such issues and follow them through to their logical end. The Unit shall be instituted within the overall organization structure of SLTA.

The TLEU shall provide an easy-to-access single window mechanism for registration and follow-up on tourists' complaints. The Unit shall undertake triage of all complaints received. Certain complaints may be resolved through mediation, warnings issued to service providers or amicable settlement. For issues where there are clear and repeated poorer standards of service delivery, the Unit shall refer such cases to the Standards and Quality Assurance Division. For cases on criminal liability for the offenses committed, the Unit shall refer such cases to the Legal Division of SLTA, and based on their advice, take up the cases with the Investigations Unit of Tourist Police or other law enforcement agencies as appropriate. The Officer in charge of this Unit shall administratively report to the Director-Legal of SLTA.

The collaboration between the SLTA and Tourist Police of the Sri Lanka Police Department will be further strengthened. The Tourist Police will be supported to establish an Investigations Unit, for taking up cases that are brought to their attention or referred to from the Legal Division of SLTA for further perusal.

- ✓ Destination planning and infrastructure development: This division plays a key role in developing and scaling up tourist capacities at destinations. This division shall play an important role in facilitating to NTC for resolving specific legal and regulatory issues with respect to land use development planning and building control regulations for development of notified tourist zones, public properties of tourism value and tourist attraction sites. Such legal and regulatory issues shall include under Town and Country Planning Ordinance, Urban Development Authority Act, Coast Conservation Act, local, provincial rules, etc. This is critical to achieve sustainable development the tourism zones.
- ✓ This division of SLTA shall strengthen its' internal capacity and a lean team of competent professionals in this division shall effectively maintain oversight and manage project-specific work outsourced to expert national and international consultants and contractors. This division shall also be tasked with building, managing and maintaining a landbank for the tourism sector development.
- ✓ Service standards and Quality Assurance: This Division shall serve as the standards setter and regulator of service delivery standards across all categories of tourism service providers. The Division shall be empowered through regulations to enforce service standards and certify the grade of service quality for various service provider categories. The Division shall also frame and seek adoption of a Code of Conduct, as a base level of services for all registered service providers. Further, the division shall also prepare and disseminate roadmaps or toolkits to enable micro-small-medium tourism enterprises to upgrade their service levels and seek certifications. A long-term plan to interlock certified skills of staff with certified service level for the tourism businesses shall also be prepared and implemented.
- ✓ Investor Relations and Supply Chain development: The focus of this division of SLTA shall not be limited to hospitality, but also include other tourism business such as – taxi and coach services, culinary services, adventure tour operators, ecotourism services, guide services, digital tourism services, wellness services, crafts and performing arts, etc. Supporting both large businesses and MSMEs, this division shall provide a one-stop shop approach for liaison with all Government agencies for establishing or expanding the tourism business. This division shall interface with the board of investment of Sri Lanka (BOI) for facilitating foreign direct investment in the tourism sector. For MSMEs, the division shall also support their integration with Online-Travel Aggregator (OTA) platforms to enable them to expand market reach and access.

Finance and Resource Management: The role of the Finance Division shall be further strengthened, to enable it to play a significant role in resource mobilization. The Division shall enhance its' capacity in land monetization, commercial structuring of public-private partnership (PPP) projects and other innovative measures for resource mobilization. Apart from its' prevailing role in accounting and internal controls, the Division shall enhance its' capacities in cost controls, budgeting, financial planning and analysis.

Licensing and TDL/other Tax collection

- ✓ A dedicated unit tasked for collection of TDL and other taxes shall be strengthened with systems and personnel with appropriate skills and the customer-centric orientation. Skills related to tax administration and review, analysis of financial statements and records of tourism enterprises are critical skills for the staff in this unit. Working as a facilitator to enable compliance, especially for small business are important soft skills for personnel in this division. User-friendly digital systems to enable self-assessment and compliance, analysis dashboards, assessment without direct human interface, and other such critical capabilities are required from the IT systems for this division.
- ✓ **Digital systems:** This support division shall strengthen its' capacity to design, develop and deploy digital solutions / web-based systems for all critical functions including collection of TDL/other taxes, licensing, standards and quality assurance inspections and all those key functions interfacing with external parties. The division shall oversee external service providers for digital and IT services, and support Tourism Sri Lanka and SLITHM through their transition phases as they develop their independent digital / ITs capabilities.
- ✓ **Resorts operations & management:** SLTA shall exit the business of providing hospitality services and operating and maintaining hospitality units. All hospitality properties owned by the SLTA shall enter into PPP arrangements on long-term lease basis. Long-term leases shall permit and transfer the responsibility for maintaining, upgrading and expansion of these units to the private parties. The Finance Division shall take over the responsibility of monitoring the covenants of such PPP contracts and collecting revenues due from them.
- ✓ SLTA shall decide and change the organization structure time to time to achieve its targets.

Human Resources Management and transition to the new Organization structure

Detailed exercises shall be taken up to draft a lean revamped organisation structure of SLTA and define the roles and responsibilities of the frontline and support organization units. For all roles, the positions, grades, job descriptions and reporting relationships shall

be defined in such exercise. A Scheme of Recruitment (SOR) shall be framed for SLTA and approval obtained from relevant government bodies, to align with contemporary skills, qualifications, experience and compensation in line with market trends, so as to attract the best talent. Extensive outsourcing of routine activities shall be adopted, supported by an optimally staffed lean organization structure.

SLTA may develop a SoR that shall provide it the necessary leeway to align the Human Resources and compensation to attract the best talent from the industry. SLTA shall also frame a robust performance management system, with clear linkages to remuneration and annual incentives. All of the above shall be encapsulated in a Human Resource Management Policy and Manual for SLTA.

The transition to the revised organization structure and systems shall be managed with a professional approach. Skill and aptitude assessments, accompanied by counselling shall lead to combination of measures that includes – redundancy management, up-skilling, reassignment within and across organisations / or across locations, deputation to PTBs; accompanied by accelerated hiring and extensive outsourcing so as to achieve the desired organization structure.

4.5 Legal Implications and Enablers

The legal implications and enablers to be enacted include:

- ✓ The proposed new Tourism Act to be enacted shall provide for the procedure of appointment of the Director-General and restructuring of the functions of the SLTDA.
- ✓ The proposed Tourism Act shall provide greater clarity in the mandate of SLTA, and its role vis-à-vis other NTEs, NTC, IMTC, etc.
- ✓ The Act shall provide for revised approaches to management of TDF and the distribution of the monies
- ✓ The SLTA shall continue to remain exempt from income tax.
- ✓ The Act shall seek alignment of role and mandate of SLTA with that proposed for PTBs as per the Model Statute framed after evolving a consensus with provincial councils.
- ✓ The objects of SLTA shall be framed include sustainable tourism, livelihood generation, community-based tourism and support to MSMEs.
- ✓ SLTA shall be required to submit an Annual Plan to the NTC containing KPIs for the coming year.
- ✓ The Act shall also create a new office of "Tourism Law Enforcement Unit (TLEU)" to redress grievances of tourists.
- ✓ At present the members, officers and servants of the SLTDA are deemed to be public servants for the purposes of the Penal Code (section 21 of the Act), but not for the purposes of the Code of Criminal Procedure Act. As a result, the SLTDA has to rely on the police to prosecute offences under the Act or regulations thereunder. This section may be amended to include the Code of Criminal Procedure Act or some appropriate provisions, which will allow the members, officers and servants of SLTA to directly institute prosecutions for offences under the Act or its regulations as per advice of the Attorney General Department.

- ✓ The proposed Act shall include a section for definitions or interpretation. Important terms such as "tourist" shall be statutorily defined as such in separate section.
- ✓ SLTA shall apply to the Department of Public Enterprises or other relevant regulations to have SoR, which would grant it greater freedom in staffing and remuneration as per approved government system.
- ✓ SLTA may also adopt its own Administrative Manual or NTC administrative manual with the approval of the Director-General, Department of Public Enterprises or relevant intuitions.
- ✓ With the concurrence of the office of Attorney General and consensus of provincial Councils, a Model Tourism Statute shall be drafted and shared with the Provincial Councils for adoption by them.
- ✓ The proposed New Tourism Act shall permit SLTA to delegate mandates / powers, human and financial resources through the respective Provincial Council to the Provincial Tourism Bureaus, while also empowering them to mobilise their own funds.

4. Tourism Sri Lanka

Governance and Entity Structure

Rationale: The prevailing entities – Sri Lanka Tourism Promotion Board (SLTPB) and Sri Lanka Convention Bureau (SLCB), are both statutory bodies engaged in promoting Sri Lanka as a travel and tourism destination. There are significant overlaps in their approach, with the singular difference being SLCB focuses on marketing for the Meeting-Incentives-Conventions-Exhibitions (MICE) segment, while SLTPB focuses on all other traveller segments. The unique-selling-proposition for the destination in both instances are the natural and cultural assets and attractions. The MICE industry value-chain and MICE-tourism-specific infrastructure is in a nascent stage in Sri Lanka. The MICE industry ecosystem and specialized infrastructure is yet to reach a level where it can compete with leading global or Asian destinations for large format events, backed by highly specialised competencies to win the hosting rights for such events. SLCB is a much smaller entity with limited budgets and inadequate support services capacity internally within its' organisation. Hence, converging promotional efforts shall create the desired synergies.

Entity structure: There shall be a national level entity promoting Sri Lanka as a destination for travel and tourism. This entity called "Tourism Sri Lanka". An Entity with the Name of "Sri Lanka Convention Bureau" will be amalgamated within the organization structure of the NTC. Tourism Sri Lanka shall focus on MICE tourism.

Board members of NTC shall collectively support to implement the objectives of the Tourism Sri Lanka. New Tourism Act shall define objectives and other critical aspects and policies, regulations for Tourism Sri Lanka, for governance of the entity.

The proposed new Tourism Act shall include provisions for a time-bound sunset clause to dissolve the Sri Lanka Tourism Promotion Board and Sri Lanka Convention Bureau. Transition of staff, assets, financial balances and operations shall be accomplished within the sunset period.

Sri Lanka Tourism Promotion Board (SLTPB) and Sri Lanka Convention Bureau (SLCB), Board shall be restructured as Tourism Sri Lanka (TSL). TSL is functioning as an entity of NTC. The board members of the NTC shall be the governing body of TSL and in addition to that Director General of SLTA and General Manager of TSL shall serve as a member of NTC Board.

There shall be appointed by the Minister of Tourism on the advice of the NTC, a person to be the General Manager, for a tenure of 3 years, who shall be the Chief Executive Officer of the TSL. The criteria applicable and the procedure to be followed in the appointment of the General Manager shall be as prescribed.

As an entity that primarily promotes Sri Lanka as a tourist destination through diverse marketing initiatives, public and private sector representation on the NTC Board is needed to bring in expertise and strategic guidance on competing effectively in international markets.

Reporting and Overall Accountability: The National Tourism Commission shall maintain oversight on the effectiveness and other outcome indicators of performance of Tourism Sri Lanka. The entity shall be a NTC Board managed organization, with the NTC Board empowered to undertake all operational decisions to execute the mandate of the Tourism Sri Lanka. The Board shall, however, delegate specific powers to the Managing Director related to operations. Tourism Sri Lanka shall prepare and adopt its own set of administrative, financial, procurement and human resource management policies and procedures, duly approved by the NTC Board and relevant government bodies.

Transfer of monies from the Tourism Development Fund, as approved by the NTC shall comprise the primary source of revenue for Tourism Sri Lanka. Fiduciary accountability is distributed across levels to the Director-Finance / Chief Finance Officer, Managing Director, etc. The Tourism Sri Lanka shall be subject to audit by the Auditor General, apart from statutory audits required as per the government policy. Tourism Sri Lanka shall adopt and enshrine principles of good corporate governance. The entity shall apply for and be exempted from payment of income tax.

The Tourism Sri Lanka shall frame an Annual Plan that shall outline the actions and key performance indicators committed for the forthcoming year. Such an Annual Plan shall be aligned with a five-year marketing strategy adopted by the NTC. Maintaining establishment and administrative costs within overall agreed limit (as percentage of total expenditure) shall be a KPI for Tourism Sri Lanka. The Annual Plan and Tourism Sri Lanka's performance with respect

to the Annual Plan shall be reviewed by the National Tourism Commission. The NTC shall provide feedback and make recommendations to the Tourism Sri Lanka.

Strategies for Organization Transformation

Tourism Sri Lanka shall frame a five-year marketing strategy, and periodically review and update the same on a rolling basis. Such a multi-year marketing strategy is critical to direct and execute multi-year sustained marketing campaigns to build the brand and create sustained impacts in key source markets. Such strategies shall be informed by consumer-market research, supply-side insights, competitor analysis and other data insights. The NTC shall provide inputs to Tourism Sri Lanka with the concurrence of the Ministry of Tourism in the course of finalization of the marketing strategy.

The Annual Plan shall inform the media plan that integrates all approaches, viz. above-the-line (ATL), below-the-line (BTL) and through-the-line (TTL). Such an annual plan shall frame the basis for preparation of budgets and executing procurement. Tourism Sri Lanka shall track and periodically report to NTC Board key metrics of marketing performance. Tourism Sri Lanka shall also prioritize domestic marketing campaigns and work collaboratively with Provincial Tourism Bureaus to align events, and other local initiatives.

A MICE Plus strategy shall be adopted, through which in addition to the conventional MICE segments patronised by corporates there shall also be focus on destination weddings, sporting events, performing arts festivals / concerts, school educational tours, etc.

Human Resources Management and transition to the new Organization structure

Organization structure:

The front-line tourism promotion function of the organization will be structured as per international market demands. Key market regions and the MICE division will be supported by market support departments with persons in them aligned to one or more regional markets. Market support departments will include – events organization, digital media, public relations and other BTL, creative design and content creation, etc. This shall create a structural alignment and focus on market region-oriented strategies and execution, with market support teams' accountability fused into market performance. Market strategies, action plans and budgets shall be aligned to specific market regions. With each market region assigned targets, the performance of the entire front-line team (i.e. market facing and their corresponding market support team members) shall be accountable for the marketing and tourism outcomes of their respective regions.

All the front-line functions and finance, human resources, legal, administration and procurement shall report to the Managing Director. To achieve a lean organization, framework contracts shall be adopted for activities of market support functions (for e.g. stall design and construction,

publishing and printing, audio-visual content production, etc.). Staff outsourcing / insourcing approach shall be adopted for needed support functions.

The Tourism Sri Lanka shall prepare and obtain approval from relevant government bodies for HR Manual, SoR that defines the overall organization structure, positions, reporting relationships, and compensation structure for the different levels of the organization.

Management of Human Resources: The organization shall foster an open, dynamic and result-oriented culture, that also fosters innovation and creativity. The organization shall undertake proactive efforts to attract and retain the best talent from tourism and other consumer marketing industry. The compensation structure of staff shall be gradually recalibrated to align with near market levels, with performance based financial incentives built into the compensation structure with the approval of the Ministry of Tourism and other relevant government bodies.

Robust and agile systems shall be established for performance assessment, deploying industry good practices such as balanced scorecard, using market-performance related data-driven metrics, and 360-degree feedback mechanisms. The NTC shall review the performance of the Managing Director and senior management, and approve their compensation and performance incentives for each financial year.

The transition into the new organization structure shall be rapidly executed with professional support. Skill and aptitude assessments, accompanied by counselling shall lead to combination of measures that includes – redundancy management, up-skilling, reassignment within or into other tourism institutions being restructured, or deputation to PTBs. The phase of staff restructuring shall be accompanied by accelerated hiring of critical talent to achieve the desired organization structure.

Legal Implications and Enablers

Board of NTC which will be the board of Tourism Sri Lanka shall be accorded special provisions under the proposed Tourism Act. The Tourism Sri Lanka shall be solely governed by the provisions of the proposed Tourism Act. Income and profits of the organization shall be exclusively used to further the objectives of the organization,

After the Tourism Sri Lanka has been established and incorporated, the proposed new Tourism Act shall make the necessary references to the Tourism Sri Lanka. For example, in lieu of a share of the Tourism Development Fund presently allocated to the SLTPB and SLCB, provisions in the new Act would enable fund allocation to the Tourism Sri Lanka for its operation. The income of the Tourism Sri Lanka shall also be exempted from income tax under the Inland Revenue Act, No. 24 of 2017.

5. Sri Lanka Institute of Tourism and Hospitality Management (SLITHM)

Governance and Mandate

Focus of the Entity: Tourism sector within Sri Lanka and across the world presents an excellent opportunity for Sri Lanka's youth for jobs, livelihoods and entrepreneurship in an industry that is poised for long-term growth. This context highlights the need for Government to accelerate investment in human resource development for the tourism and hospitality sector for the foreseeable future. It is however important that to achieve the desired public policy objectives, such public investment is more sharply directed through-

- ✓ enabling access to such education and skill development for underprivileged students through extending financial support;
- ✓ expanding the learning and skill development infrastructure and facilities across the country to improve its' reach and physical access;
- ✓ development of curriculum and delivery of training in areas critical to the sector, but under-served due to prevailing demand and supply trends.

6. Over the years, the demand for skilled manpower in the hospitality and food-beverages sector has also resulted in the emergence of number of private sector colleges in this field, some of whom have international affiliations. The prevailing Sri Lanka Institute of Tourism and Hotel Management (SLITHM) institution needs to be strengthened to drive sharper focus in its' role as a premier entity catering to diverse needs of human resource development for the tourism and hospitality sector.

Entity Structure: In view of its' critical role in implementing the Government's objectives of human resource development in the sector, the entity shall continue as a statutory entity under the proposed new Tourism Act. There exists wide visibility and recognition of the acronym 'SLITHM', as a brand name amongst students and employers within Sri Lanka and beyond. The institute shall take a wider perspective of training and skill development for the hospitality and accommodation sector in Sri Lanka, and hence the name shall be modified as 'Sri Lanka Institute for Tourism and Hospitality Management', while still retaining the abbreviated acronym 'SLITHM'.

With tourism being accorded priority status, the critical role of SLITHM within it, and the SLITHM earning substantial share of its income through fees, it is proposed that SLITHM should be considered for inclusion in the proposed new Tourism Act as a degree awarding education institute. This shall provide the institute with a greater degree of freedom to frame its' Scheme of Recruitment (SoR) in a manner to attract and retain suitable talent from the market for its' academic and non-academic staff with the approval of relevant government bodies.

SLITHM is functioning as an entity of NTC. The board members of the NTC shall be the governing body of SLITHM and in addition to that Director General of SLTA and Director General of SLITHM shall serve as a member of NTC Board.

There shall be appointed by the Minister of Tourism on the advice of the NTC, a person to be the Director General whom with the experience, eminence in the domain and expertise training, education and skill development, for a tenure of 03 years, who shall be the Chief Executive Officer of the SLITHM. The criteria applicable and the procedure to be followed in the appointment of the Director General shall be as prescribed.

Reporting and Overall Accountability: The overall responsibility of successfully managing the institute and achieving the overall human resource development objectives for the sector, rests with the SLITHM. The NTC Board shall delegate some powers to the Director General of SLITHM for effective functioning of the organization. SLITHM will adopt relevant guidelines of the university grant commission;

The institution shall frame a five-year strategic plan and obtain feedback from the National Tourism Commission on matters pertaining to overall impact on developing human resource capacities for the tourism and hospitality sector. SLITHM shall also frame an Annual Plan with Key Performance Indicators committed in the plan for the forthcoming year. The NTC shall maintain an oversight on its' performance and provide feedback and support to SLITHM in achieving its' annual performance and long-term strategic goals

SLITHM role in tourism and hospitality education standards and accreditation: As a premier institution in the tourism and hospitality sector, SLITHM possesses the academic depth and capacities to develop the course content, define the pedagogy and thereby the qualification framework for tourism and hospitality training, education and skill development sector in Sri Lanka. Working in partnership with the University Grant Commission, Tertiary and Vocational Education Commission (TVEC) and adopting the National Vocational Qualifications (NVQ) framework; regulations shall be introduced under appropriate sections of the proposed new Tourism Act to empower SLITHM to define the standards and accredit other tourism and hospitality sector training institutions within Sri Lanka. Similarly, SLITHM shall collaborate with the University Grants Commission (UGC) for graduate / postgraduate degrees offered in the tourism and hospitality sector.

Strategies for Organization Transformation

A study by the International Labour Organization (ILO) in 2021 estimated that all Technical and Vocational Education Training (TVET) institutes together produced about 10,000 graduates each year, while the demand is in excess of 25,000. Expanding the infrastructure facilities and regional presence of SLITHM is hence of utmost importance. The prevailing SLITHM institution is headquartered in Colombo, and operates eight Provincial Colleges across the country.

Overall structure of the institution: SLITHM shall continue to be headquartered at Colombo. The institution shall adopt an overall hub-and-spoke model, wherein three to five Regional Colleges and Provincial Colleges affiliated to each of them, shall

collectively provide access to education and skills training across the country. Further, it is proposed to expand the existing Provincial College structure of SLITHM to the District Levels enabling wider coverage around the country. Few existing Provincial colleges will be upgraded to Regional Colleges based upon its necessity and capacity to oversee the regional human resource development.

The proposed regional colleges will be established in identified strategic locations and shall be headed by a Director whereas the Provincial College by a Principal. All the colleges shall operate under one legal entity and overall management of SLITHM. The Directors and Principals shall report to the Director-General of SLITHM. Directors of Regional Colleges shall support the Provincial Colleges in academic matters, extend infrastructure facilities, share faculty resources, teaching content and provide administrative support. The Provincial Colleges shall extend support for outreach and candidate mobilization. These structural changes shall be executed concurrent with the other structural changes emerging from the launch of the degree program at Colombo.

The Academic Affairs Committee which will be established for SLITHM shall focus on academic matters of the institution such as – curriculum, pedagogy, teaching aids and methods, faculty allocation and scheduling, testing, validating on-job learning, etc.

Tourism and Hospitality Human Resource Development Fund: The institution shall continue to receive its' share of monies from the Tourism Development Fund each year, as per provisions to be made in the proposed new Tourism Act to be enacted by the Government.

The funds received by SLITHM from the TDF shall be maintained in a separate account, as a Tourism and Hospitality Human Resource Development Fund. To be utilized exclusively for this purpose, the fund shall be expended specifically for –

- ✓ Providing financial aid / scholarships to deserving underprivileged students, across all course categories and locations
- ✓ Improving infrastructure of the institution, with an emphasis for upgrading Provincial Colleges and strengthening the Regional Colleges
- ✓ Developing courses and delivering them in areas mandated by the NTC and SLTA. Emphasis shall be on practitioner training, skilling for self-employment and other such areas with weak market demand although critical for the sector.

The prevailing Scholarship Fund shall be activated and operate as a sub-fund within this overall Fund. SLITHM shall proactively seek additional contributions to the Scholarship Fund through individual and corporate sponsorships, philanthropies, international agencies, alumni, etc.

The institution should maintain and manage the Tourism and Hospitality Human Resource Development Fund, as per a set of Guidelines approved by the Board of NTC. The institution shall meet its' general administrative and establishment expenditure from its' general fund.

Board of the institution shall determine the course fees, seek sponsorships and exercise other innovative resource mobilization methods for financial sustainability and growth.

Expand and Compete: Advanced Professional Training Institute for Tourism

The institution shall build a competitive edge to effectively stay ahead of competition, retain its premier position within Sri Lanka and emerge as a sought-after institution across South Asia and South-East Asia.

The Institute also recognizes the need to retain and grow its eminence through keeping its pedagogy and content contemporary, achieving international standards, inducting high quality faculty and making investments in infrastructure and teaching aids. Areas to be strengthened for SLITHM shall include - delivering management development programs for corporates and international brands in tourism and hospitality sector; marketing to include outreach especially for provincial schools; delivering courses in foreign languages / communication / story telling; improved research and course delivery capacity in areas of consumer behaviour and market research; and improved inhouse capacity in digital content creation and e-learning delivery.

Hence, for areas of high-demand and specialized skills, SLITHM shall institute a separate school, viz "Advanced Professional Training Institute for Tourism". This institute shall operate within the legal entity of SLITHM, but operate as a premier school with robust governance systems and seek to attract talent for both faculty and students. The new institute shall explore public-private partnerships, seek international university affiliations, deploy top-class teaching infrastructure and equip students to be job-ready for the Sri Lanka and global hospitality industry. This entity shall also seek to attract international students, and target to place its graduates with global hospitality brands across Asia. Once established and sustainable, this institute shall be made an independent entity.

Human resources management for the institution

The institution shall be at liberty to frame its own SoR approved by the government defining skills and experience, and remuneration aligned with the market in order to attract and retain the best talent for both teaching and non-teaching staff.

Enhanced collaborations with private sector and international institutions will provide global perspective to faculty and other staff. Performance management systems for all staff shall deploy good practices such as balanced scorecard and 360-degree feedback that includes students and employers.

The NTC shall review the performance of the Director-General. The SLITHM shall review the performance of the Directors of Regional Colleges and Principals of Provincial Colleges and approve their compensation and performance incentives for each financial year with the approval of NTC.

All these structural transitions shall be rapidly executed, and the SLITHM may consider seeking external professional support, including reputed administrators of other publicly

funded educational institutions to constitute an independent group to support the transition. Skill and aptitude assessments, accompanied by counselling shall lead to combination of measures that includes – redundancy management, up-skilling or reassignment into a new role. Accelerated hiring shall be undertaken to achieve the desired organization structure.

Legal Implications and enablers

SLITHM shall make a case based on its strategic importance to the tourism sector, adoption of good governance principles. Having to compete in a market of alternate service providers and being only partially funded from the dedicated Tourism Development Fund and not drawing funds from the Consolidated Fund of Government of Sri Lanka.

SLITHM shall also adopt its own Administrative Manual with the approval of the relevant government bodies. SLITHM shall continue to be subject to audit by the Auditor-General.

The proposed new Tourism Act shall enable appropriate changes in governance mechanisms, expansion and strengthening the Regional and Provincial colleges, create enabling provisions to enter into PPP arrangements for the proposed new Institute, and seek international affiliations. The proposed new Tourism Act shall also provide for funds received by SLITHM from the TDF to be operated through a dedicated Tourism and Hospitality Human Resources Development Fund account, and define the dedicated uses it may be deployed for.

Regulations shall also be framed to enable SLITHM play a role with respect to setting standards for education, training and skill development in the tourism and hospitality sector and offer accreditation services for other institutions in Sri Lanka.

7. Financial Management and Procurement reforms

Financial Resources and Financial Management

Financial Resources: As the needs of the National Tourism Entities and other tourism sector institutions change over time, the NTC shall adopt a demand-responsive approach in deciding on the allocation of funds from the TDF. The NTC shall seek to prioritize funds to align with National Tourism Master Plan, while balancing across diverse needs. While the overall pool of funds within the TDF is expected to grow with buoyancy in the tourism economy in future years, it is also imperative that the institutions enhance their ability to raise their own sources of revenues.

The NTC shall indicate broad allocations for each of the institutions through a 3-year rolling plan. Each year, subsequent to the annual performance review of the sector and institutions, NTC shall finalise the allocation for the year and revise the rolling plan as appropriate. It is intended that there will not be any drastic changes to the allocations indicated in the rolling plan, so as to not impact any multi-year programs of the institutions and their strategic direction. These policy directives shall be enabled through appropriate provisions in the proposed new Tourism Act.

Financial Management: The critical need for enhanced financial provisions and delegation of higher levels of authority on financial decisions in the tourism sector institutions is well recognised. The NTEs shall draft their independent financial regulations applicable to their respective organizations and seek approval from the NTC and relevant government bodies. Such revised regulations shall reduce redundant processes, reduce layers of approvals, and provide simplified sets of categories for financial powers.

Emerging from a consensus evolved with Provincial Councils, a model financial management manual to be adopted by Provincial Tourism Bureaus with the concurrence of Provincial Council, and specifically accounting of funds received through NTC or allocations from the national government shall also be prepared and circulated to the PTBs.

All the restructured institutions shall deploy integrated Financial Accounting and Management software; with functionalities / modules for asset management, financial reporting, cash management, budgeting and budget control, receivables and payables, etc. Staff shall be trained, and their skills developed for usage of such application software.

Outsourcing or insourcing staff for routine financial management functions (accounts receivables / payables, tax filings, accounting for minor expenses, etc.) shall be adopted by the restructured institutions.

Internal controls for improved balance between delegation and control shall be aided by an internal audit function and usage of integrated financial management software applications. Performance metrics for the Finance Division in the restructured institutions

shall be established, wherein such measures include - budget variance; audit opinions / notes; timeliness of financial reporting as per the accounting calendar; statutory compliances; cash flow management, etc.

Procurement policies and Systems

Rationale for reforms: Currently, the tourism sector para-public organizations are following the procurement guidelines and manual issued by the National Procurement Commission (NPC). The organizations shall be guided by the manual issued by the Department of Public Enterprises, Ministry of Finance; that permits these entities to formulate their own systems and processes in procurement. Major issues and bottlenecks identified in the current procurement process may be overcome through adoption of procurement guidelines tailored to the needs of the organization, within the framework of good procurement principles according to the Procurement commission guidelines.

Procurement procedures: The NTEs shall draft their independent procurement guidelines and manuals in line with the Procurement Commission guidelines. Seek approval of the NTC, Department of Public Enterprises and Procurement Commission etc. Similarly, Tourism Sri Lanka shall also frame its procurement guidelines and financial manuals as appropriate to its need as a tourism promotion entity in accordance with Procurement Commission manual. As the main institution for the tourism sector, the NTC shall support the Ministry of Tourism on decisions related procurement and other financial approvals, beyond the limits of the NTC Boards.

Procurement guidelines and manuals should comply with all core principles of public procurement such as economy, efficiency, fairness, transparency, quality, and value for money. Policies and procedures prescribed shall be responsive to the market context and broadly accepted industry practices within the supplier base. This is especially critical for Tourism Sri Lanka, since procurement related to tourism promotion marketing and branding are unique, as compared to standard procurements of works, goods and services. Redundant legacy practices should be reviewed and should not be continued only because there were past precedents of the same. The NTEs shall approve decisions to break such obsolete precedents and adopt pragmatic processes.

Process Manuals: Standard Bidding Documents (SBD) shall be developed to cover all categories of Goods, Works, Services of consulting and non-consulting services. The procurement methods shall include national and international competitive bidding, limited competitive bidding, direct contracting, shopping and emergency procurement. Development of SBDs, templates for standard Terms of Reference (TORs), specifications for repetitive or standard goods or services, and simplified terms and conditions shall be adopted for increased efficiency and timely completion of procurement. Further, there shall be clear differentiation in the roles of Technical Evaluation Committee and Procurement Committee. Predefined evaluation methodologies for different categories of works, goods and services shall be useful for accelerating the process.

Procurement Systems: e-procurement for shopping that is available through the Electronic Government Procurement (eGP) system, will be adopted. Staff shall be trained and systems deployed with no further delay to commence using this eGP portal of Procurement Management Information System (PROMISE), thereby minimizing time and elaborate documentation. Enhanced IT infrastructure along with an IT-based procurement monitoring system shall be introduced to improve the efficiency of the Procurement Division. Further, basic internal portals for monitoring procurement milestones will enable management oversight to resolve bottlenecks and accelerate the process.

Legal Implications and enablers

The reform process may be approached in two stages. The first stage pertains to the time period until such time the proposed new tourism act establishment. In the second stage refers to the time period after these milestones are established and the organizations internally restructured as per the policy directives.

The first stage reforms, to be undertaken after the approval of this Policy Paper with the concurrence of the Minister of Tourism, shall entail preparation of revised financial regulations for each of the tourism entities under the prevailing entity structures. Approvals shall be sought from Department of Public Enterprises.

In the second stage, financial regulations for the established / reformed entities shall be revised again, and aligned to the new entity structure, hierarchy levels and delegation of powers. Approvals would be sought as required and/or applicable.

Further, the proposed new Tourism Act shall permit SLIA with the concurrence of the Minister of Tourism, to raise bonds and debt and explore other instruments to monetise the value of their landbanks subject to the Ministry of Finance and other higher authorities.

8. Social Protection for the Tourism Sector Workforce

Sri Lankan tourism sector has faced multiple external shocks since 2019. These shocks have been detrimental not just for business, but also livelihoods and assurance of secured jobs and incomes. The worst affected amongst them are those who are self-employed running micro-small and medium enterprises and those who work informally in such businesses. Prior to Covid-19, the tourism sector in Sri Lanka employed over 0.58 million persons, about 2/3rd of whom were in the informal sector and / or self-employed such as guides, taxi drivers, operators of small guest houses and eateries, etc. During the Covid-19 pandemic, many of those who were self-employed or in the informal sector experienced both loss of income and loss of job. Many of those working in tourism establishments in formal jobs also experienced job losses due to prolonged business disruptions.

The prevailing Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) largely cater to formal sector employments. Other social protection schemes of the Government focus on the elderly, differently abled, poor and those with chronic illnesses. In a stable and buoyant tourism economy, many of those with livelihoods in the tourism sector are able to make a living, and hence do not qualify for these social protection schemes. However, at times of crisis or downturns in the tourism sector, such persons are highly vulnerable and are pushed into poverty. It is hence imperative that the tourism sector workforce is protected and made resilient against such situations.

The Government intends to consider introducing a Social Protection and Contributory Pension / Insurance scheme for employees of the tourism sector. The intent is to provide a safety net to the tourism sector workforce, through the creation of a 'Tourism Workforce Social Protection Fund'. After wide stakeholder consultations and expert inputs, a scheme shall be evolved that provides a level of social protection for support at such times of crisis in the sector; or when the individual needs support for critical healthcare or in old age. With contributory provisions from the beneficiary, such schemes shall align with prevailing Government schemes and contributions supplemented from the Tourism Workforce Social Protection Fund. The NTC shall maintain a level of oversight of this Fund and ensure contributions from multiple sources such as the Government, international agencies, philanthropies, corporate donations, etc. collectively maintain adequate balances in the Fund. The NTC shall ensure widespread adoption of the proposed scheme by the tourism workforce and their employers as applicable. The specific scheme for the tourism sector workforce and the modalities of setting up and operating the Tourism Workforce Social Protection Fund shall be evolved after detailed financial due diligence, expert inputs and extensive consultations.

9. Tourism industry representation

Currently, the tourism industry is represented by multiple industry associations, representing different segments of the industry. The associations represent the views, challenges and opportunities of their respective industry segment, as their members are in similar businesses or operating at similar scale.

However, tourism is an industry with tightly integrated supply-chains of diverse types of businesses. To represent the collective voice and aspirations of the entire tourism industry, the Government of Sri Lanka recommends the formation of 'National Tourism Federation', an entity that federates the various associations of the tourism industry. It is recognised that establishing such a federation shall take some time, and hence it is recommended that such a Federation be established within the next two years.

The National Tourism Federation shall gain a larger voice and heft with respect to engagement with the Government at Central and Provincial levels, and in engaging with international organizations.

Further, at present the private sector perspective from the tourism industry in the entities and policy making bodies is incorporated through Board level participation by representatives from different associations. They represent large sections of the tourism industry, but not the entire industry.

End Note

- ✓ This policy paper was prepared taking into account different stakeholder views, garnered through extensive consultation.
- ✓ On approval of this Policy Paper by the Cabinet, actions shall be initiated to implement the policy measures.
- ✓ The implementation includes actions towards drafting the new proposed Tourism Act.
- ✓ Extensive consultations shall be held with stakeholders to accomplish further detailed organization design, policies and procedures for financial management, procurement, and human resource management.
- ✓ After enactment of this policy intent into legislation, the process of transition of the entities shall be facilitated.
- ✓ The institutions shall be supported and strengthened to set them on the trajectory to achieve overall sector goals.
- ✓ Any dispute may occur in this policy paper can be further reviewed and rectified at the stage of preparation of the proposed new Tourism Act.

