

**Report of the
Committee on Public Finance**

On

**Outsourcing Online Visa and Passport Application Services between the Consortium¹
and the Department of Immigration and Emigration of Sri Lanka**

Presented to Parliament
by

**The Hon. (Dr.) Harsha de Silva
Chair of the Committee**

Friday, the 12th of July 2024

Volume 1

¹ Outsourcing Agreement between GBS Technology Services & IVS Global-FZCO (IVS-GBS) and VF Worldwide Holdings LTD (VFS Global).

COMMITTEE ON PUBLIC FINANCE

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1. EXECUTIVE SUMMARY

1.1 The appointment of GBS Technology Services & IVS Global-FZCO and its technical partner VF Worldwide Holdings Ltd (the Consortium) as the authorised representatives for online visa applications was initially discussed in Parliament on November 23, 2023. This matter continued to be a topic of extensive discussion thereafter, engaging citizens, civil society, and the media.

1.2 The Committee on Public Finance (COPF) unanimously agreed to examine the appointment of the Consortium as the authorised representatives for online visa applications to Sri Lanka on May 7, 2024.²

1.3 The Consortium's proposal was initially received by the Ministry of Defence in March 2022. VFS Global and GBS-IVS subsequently submitted a letter to the Ministry of Foreign Affairs in October 2022. This letter proposed a marketing plan to boost tourist arrivals through *their* Electronic Travel Authorization (ETA) platform, at no cost to the Government of Sri Lanka. The Consortium had submitted an unsolicited project proposal to the Ministry of Public Security (MOPS) in June 2023,³ aimed at providing visa services, biometric services, and promoting tourism in Sri Lanka. Following Cabinet approval, the Outsourcing Agreement between the Consortium and the Controller General of the Department of Immigration and Emigration (DOIE) was signed on December 21, 2023.

1.4 Prior to receiving the proposal from the Consortium, a Cabinet Appointed Negotiation Committee (CANC) was established to assess a proposal submitted by Mobitel (Pvt) Ltd. (Mobitel) in November 2020 and to oversee the development of the System Specification Requirement (SSR) by the DOIE. However, both Mobitel and the Consortium submitted their proposals before the finalisation of the SSR. Nevertheless, the Consortium's proposal was accepted. This raises concerns regarding the process by which proposals were submitted without a finalised SSR.

1.5 COPF's review identified that the proposal submitted by the Consortium in 2023 did not undergo any competitive bidding process. Additionally, the marketing plan to boost tourist arrivals, which had bypassed the Sri Lanka Tourist Board (SLTB), never materialised, leaving the promised benefit of increased tourist arrivals unrealized as outlined in the June 2023 proposal.

1.6 During the COPF meeting, Mobitel highlighted that they were the ETA service provider since 2012, and submitted proposals for system improvements in July 2020 (revised in November 2020) and again in August 2023. The latter proposal addressed all of DOIE's requirements. However,

² On May 8, 2024, the Chair of COPF discussed with the Secretary General of Parliament and the Director of Legislative Services the authority of COPF to undertake the examination as per the Standing Orders of Parliament for further clarity.

³ The Committee has not been informed of the exact date.

despite Mobitel's claim of having the necessary technological capacity and requesting upgrades since 2018, DOIE asserted Mobitel lacked the required capabilities. This indicated a significant communication gap between the two parties.⁴

1.7 COPF's review of documents revealed a potential contradiction. A Cabinet decision dated January 22, 2020, authorised Travelson International Travel Service (Shanghai) Company Limited to handle ETA applications specifically for Chinese nationals. This existing agreement raises concerns about a potential conflict with the role of the Consortium, designated as the exclusive facilitator for the DOIE.

1.8 Following the handing over of services to the Consortium, a popular travel vlogger 'TrekTrendy' Will Davis (with over 1 million subscribers on YouTube) reported a significant data breach in May 2024.

1.9 Conclusion: The absence of competition in the procurement process very likely resulted in an agreement that did not provide the best value for money. Additionally, there are issues relating to the fee structures, the procurement process including technical and software specifications, contractual agreements, potential financial and data security risks, the ambiguous investment of USD 200 million by the Consortium, and its exclusivity.

1.10 Recommendations: In light of the concerns identified in Section 1.9 Conclusion above, COPF recommends a comprehensive forensic audit by the Auditor General's Office. The audit objective is to conclusively determine the outcomes of this report, enabling the authorities to take necessary action.

1.11 Limitations of the report: It is beyond the purview and technical capacity of the COPF to review the complex technical details of the proposed service.⁵

1.12 Addendums: After a careful review within the COPF over a period of three weeks, several members provided comments and documents. These are included as addendums to this report.

1.13 This report is structured as follows:

Section 2: The meetings with COPF: A timeline and overview.

Section 3: Main issues

Section 3.1: The agreement approval process and procurement criteria

Section 3.2: The proposed investment of USD 200 Million

Section 3.3: Fee components

Section 3.4: Exclusivity of the agreement

⁴ Mobitel had sent letters to the Controller General of DOIE regarding the critical status of ETA infrastructure on; June 2018, October 2018, December 2018, March 2019, May 2019, October 2019, February 2020, June 2020. These letters were shared as documentary evidence with COPF.

⁵ The proposals are highly technical and contain extensive Information Technology terminology. For instance, the evaluation reports reference System Specification Requirements (SSR) and various software development and redesign processes.

Section 3.5: Data breach
Section 3.6: Exclusion from COPF oversight
Section 4: Conclusion
Section 5: Recommendations

2. Meetings held by the Committee on Public Finance (COPF): Timeline & Overview

2.1 May 9, 2024: COPF held its first meeting to discuss the appointment of the Consortium as authorised representatives for online visa applications. MOPS and DOIE officials attended and presented the primary reasons for proceeding with the Consortium's proposal.

2.2 May 14, 2024: At the conclusion of the previous meeting, a follow-up meeting was scheduled for May 14, 2024, with representatives from both MOPS and Mobitel. However, on May 13th, MOPS officials informed the COPF Secretariat of their unforeseen inability to attend due to challenges retrieving necessary files due to the relocation of their ministry in 2016.⁶ Despite this late cancellation, the meeting on May 14 proceeded with representatives from Mobitel, who presented a detailed explanation of their operations at the ETA facility.

2.3 May 28, 2024: The meeting was rescheduled because DOIE officials were unavailable, citing attendance at a foreign meeting. They informed the COPF secretariat about their inability to attend.

2.4 June 4, 2024: COPF's final session included representatives from MOPS and DOIE. Officials updated the Committee on the previous partnership with Mobitel, and the reason for the advancement and implementation of the Consortium's project proposal and agreement.

A detailed description of each meeting is provided in Annexure 1 for reference and comprehensive understanding of the proceedings.

3. Main Issues Discussed

3.1 The Agreement Approval Process and Procurement Criteria

3.1.1 MOPS clarified that the Consortium's proposal resulted from a procurement process, though not a competitive open tender. COPF observed that MOPS and DOIE officials stressed the urgency to upgrade the existing 30-day ETA system. The Consortium's proposal offered features supporting 17 additional visa categories and wider data access. Received by the Ministry of Defence in March 2022, the initial proposal underwent discussions with Foreign Affairs and Finance Ministries, and DOIE before finally reaching MOPS in June 2023. An evaluation Committee (EC), appointed by the MOPS, then reviewed it.

3.1.2 The Committee observed that lack of competition adversely affects the value for money and the quality of service. It was revealed that Mobitel proposed a comprehensive suite of services

⁶ The committee observed that the Chairman did not agree to the last minute cancellation by the Secretary to the MOPS.

comparable to that of the Consortium at USD 1.00 per visa. This is a staggering 94.5% lower than the Consortium's fee of USD 18.50 per visa. This vast price difference confirms the overall weakness of the procurement decision.

3.1.3 As per Clause 5.3 of the Consortium Outsourcing Agreement:

“5.3 For the avoidance of doubt IVS-GBS and VFS shall not be liable for any indirect, special or consequential loss or damage however caused which arises out of or in connection with the provision of the service under this Agreement; and, in any event, the entire liability of IVS-GBS and VFS, if any, under or in connection with this agreement shall be limited in maximum to the amount of the fees received in the 6 month period immediately prior to the incident giving rise to the liability.”

The Committee noted that the agreement with Mobitel did not include a consequential damages exclusion Clause.⁷ The exclusion of such damages by the Consortium places Sri Lanka in a more vulnerable position.

3.1.4 A misrepresentation was identified concerning the global reach of the proposed service provider. Section 1.2 of the Cabinet Memorandum dated September 8, 2023, and the Consortium's evaluation report both stated that IVS-GBS Global Services operates in 145 countries.⁸ However, during Committee proceedings, MOPS officials clarified that IVS-GBS currently serves only three governments (India, Malaysia, and Greece) excluding Sri Lanka. This is significantly less than the 145 countries served by VFS Global, the Consortium's identified technical partner. While IVS-GBS acts as the prime contractor, VFS Global appears to be the entity with the actual global reach.⁹ This discrepancy between the stated capabilities and the reality raises concerns about the transparency and accuracy of the information presented in support of the Consortium's proposal.

3.1.5 While it is acknowledged that IVS-GBS, being a global operator, may provide a wider range of services compared to the previous provider, Mobitel stated that their proposal adequately addressed all requirements specified by the DOIE. Representatives of Mobitel indicated that they had been requesting an ETA system upgrade since 2018 and submitted a proposal in July 2020.¹⁰ Documents submitted by the MOPS indicate that this proposal was revised and re-submitted on November 24, 2020.¹¹ This proposal was presented to the Cabinet via a memorandum on July 29, 2021, which sought approval for recommending the appointment of a CANC and a Project Committee (PC) to evaluate the proposal.¹² Letters submitted by Mobitel indicate that the DOIE

⁷ The Mobitel Agreement however was not disclosed to the Committee.

⁸ Cabinet Memorandum (PS/10/01/30/CPV) No. 38/2023, titled "Appointment of Authorised Representatives to Submit Online Visa Applications of Foreigners Who Visit Sri Lanka and Passport Applications of Sri Lankans Overseas"

⁹ Consortium Outsourcing Agreement, Annexure 01, Page 10 of 15, point b titled "Guarantees and Payments."

¹⁰ The proposal titled "Proposal for Improvement to ETA and Other Urgent Enhancements to Border Control."

¹¹ The proposal was titled "Revised Proposal for Improvement to ETA and Other Urgent Enhancements to Border Control."

¹² (MOD/CP/IA/122/2021).

informed Mobitel via a letter dated September 21, 2021, that the proposal received initial approval from the Cabinet.

3.1.6 Mobitel reported struggling to obtain clear system requirements from the DOIE. Despite submitting initial and revised proposals in August 2022 and August 2023 (partnering with Scicom in the latter), Mobitel received minimal feedback and was ultimately told to cease services in April 2024. Conversely, MOPS claims Mobitel lacked technical capacity. This points to a significant communication breakdown between the parties.

3.1.7 The Committee observed the EC report (page 3 of 6) highlights a discrepancy in functionalities between the proposals. Features like risk profiling, passenger name records, and advance passenger information, present in Mobitel's proposal, are absent from the Consortium's proposal.

3.1.8 The Committee raised concerns about the selection process. Firstly, the MOPS-appointed EC for the Consortium's proposal lacked technical expertise previously included in the ECs from the University of Moratuwa. Secondly, the EC reviewed the Consortium's proposal before the CANC (evaluating Mobitel's proposal) finished work on the System Specification Requirement (SSR). While MOPS cited the September 2023 Cabinet Memorandum outlining Mobitel's software development delays, the Committee questioned why CANC did not finalise the SSR before the Consortium's proposal was assessed.

3.1.9 During the COPF meeting, the MOPS cited Mobitel's limited capacity and outdated technology (originating from India in 2012 and lacking access to source code) as reasons for the undeveloped SSR. However, these explanations seem irrelevant to DOIE's responsibility for leading the SSR development, as outlined in the PC recommendations. The PC clearly stated that DOIE, in collaboration with the University of Moratuwa, should have spearheaded the SSR creation. This points to a substantial disconnect between MOPS' justification and the established development process.

3.1.10 The absence of a finalised SSR raises concerns about the fairness of the procurement process. Without a formal document outlining system requirements, both the Consortium and Mobitel lacked a clear baseline for their proposals. Had the SSR been finalised there could have been many other potential service providers who would have had an opportunity to submit proposals. A further troubling question that arises from the above is whether the Consortium received a closed SSR?

3.1.11 On May 9, 2024, during the first COPF meeting, MOPS officials stated that Mobitel's proposal, despite receiving initial Cabinet approval, was not implemented due to the lack of testing or a pilot run. This absence of testing for Mobitel's system raises concerns about the consistency applied to the procurement process. If the Consortium's system was not tested, it would undermine the rationale for not implementing Mobitel's system.

3.1.12 The Committee found that in October 2022, VFS Global and GBS-IVS had submitted a separate letter to the Ministry of Foreign Affairs, bypassing the Sri Lanka Tourism Board (SLTB). This letter offered to boost tourist arrivals through direct marketing on their ETA platform. However, the SLTB is the designated authority for tourism promotion, possessing expertise and established networks. This unilateral approach raises concerns about the effectiveness of the marketing efforts without the SLTB's involvement. Finally, it is worth noting that this proposal never materialised thus far, leaving its potential impact unproven.

3.1.13 A key discrepancy exists between the stated justification for awarding the contract to the Consortium and its initial capabilities. According to the Minister of Tourism, Harin Fernando, the 30-day single-entry e-visa facility, only recently implemented on May 1, 2024, was previously offered by Mobitel^{13, 14 and 15}. This contradicts the rationale behind procuring the Consortium, which was supposedly to provide superior services compared to Mobitel.

3.2 The Proposed Investment of USD 200 Million

3.2.1 Section 2.3 of the Cabinet Memorandum dated September 8, 2023, from the MOPS, indicated that IVS-GBS Global Services had proposed to invest USD 200 million to provide the necessary technical equipment, software, and knowledge for system integration with the DOIE to deliver these services.¹⁶ However, upon reviewing the Consortium Outsourcing Agreement and proposal, the specified investment amount of USD 200 million is not mentioned

3.2.2 Additionally, it failed to specify which party would be responsible for disbursing these funds. Information in this regard has not been received by the Committee thus far.

3.3 Fee Components and Misalignment with Agreement and Annexures

3.3.1 The Consortium Outsourcing Agreement, Annexure 02, primarily focuses on a service fee structure. Yet, at the COPF meeting on May 9, 2024, it was discovered that a convenience fee of USD 7.27 was charged in addition to the service fee. The MOPS stated, however, that it is a tax with additional fees and provided a breakdown.¹⁷

3.3.2 The breakdown of the convenience fee remains inconsistent as there was a lack of clarity regarding its exact components throughout the COPF meetings.¹⁸ Additionally, the Committee

¹³ <https://www.youtube.com/watch?v=974FZKFv5dY>

¹⁴ <https://www.ft.lk/front-page/Harin-assures-re-implementation-of-single-entry-30-day-visa-from-1-May/44-760979>

¹⁵ <https://youtu.be/3O4W-of9gDA?t=311>

¹⁶ The Cabinet Memorandum No. 38/2023, (PS/10/01/30/CPV), is titled "Appointment of Authorised Representatives to Submit Online Visa Applications for Foreign Visitors to Sri Lanka and Passport Applications for Sri Lankans Overseas."

¹⁷ A convenience fee of USD 7.27 is applied, covering payment gateway costs (5%), digital tax (USD 1), and VAT (5%), as per the MOPS.

¹⁸ The Committee found that this convenience fee had been even referred to as a "transaction fee", and this fee seemed to have varied amongst different applicants.

pointed out that a tax cannot be labelled as a convenience fee; it should be accurately referred to as a tax and credited to the Treasury account.

3.3.3 The Attorney General's letter dated May 13, 2024 (Refer Annexure XX), observes that the agreement between the parties does not explicitly mention or define a 'convenience fees.' However, Clause 1.2.2 of Annexure 2 of the Consortium Outsourcing Agreement mentions that the stated fee of USD 18.50 is exclusive of any payment gateway fees, local taxes, and other transaction fees. This suggests that the service provider may be charging applicants for any additional fees incurred during their transactions.

1. STATUTORY FEES TO BE COLLECTED FROM eTA/ eVISA APPLICANTS

- 1.1 The service fee for an individual tourist for all normal visa categories is 18.50 USD per applicant.
 - 1.2 The total service fees shall be structured as:
 - 1.2.1 Service fee of 18.50 USD per application
 - 1.2.2 Fees will be exclusive of any payment gateway, local taxes as applicable and other transaction fees.
- In case of a change in visa fee, the CG-DIE will inform IVSGBS 48 working hours in advance.

3.3.4 On the other hand, it could be argued that Clause 7.3 of the Consortium Outsourcing Agreement, which refers to the Service Providers being solely responsible for "other statutory payments" associated with performing the obligations under this agreement, implies that the Service Providers should bear such additional costs.

- 7.3 Service Providers will be solely responsible for all the payments, which shall not be limited to payment of, expenses, insurance, salary/ies to employees or otherwise any expenses but shall not be limited to other statutory payments, fees and expenses associated with performing the obligations under this Agreement.

3.3.5 There are two primary issues at hand: First, the exact criteria and components of the convenience fee need clarification. Second, there is uncertainty regarding which Clause supersedes: Clause 7.3 in the Consortium Outsourcing Agreement or Clause 1.2.2 of Annexure 2.

3.3.6 The Consortium Outsourcing Agreement lacks a Clause establishing the order of precedence in the event of conflicting provisions. This ambiguity arose between the main agreement and its annexures. While the agreement seemingly incorporates annexures and other attachments, a clear priority list is not included.

In this Agreement, where the context so deserves, the following words or phrases shall mean the following;

(a) "Agreement" means this Agreement and any schedules, annexures, exhibits and certificates attached to this Agreement, as amended, restated or supplemented from time to time.

3.3.7 The Attorney General's initial review of the Consortium Outsourcing Agreement did not include the annexures. Additionally, the current process does not mandate re-submission of the agreement to the Attorney General after incorporating their amendments and recommendations.

3.3.8 The President's Media Division announced on May 6, 2024, that the single-entry 30-day visa fee is USD 50, comprising a USD 40 visa fee and a USD 10 service fee.¹⁹ and ²⁰ However, this conflicts with the Consortium Outsourcing Agreement which stipulates a USD 18.50 service fee. This discrepancy necessitates clarification regarding any amendments made to the Consortium Outsourcing Agreement to accommodate the differing service fee structure.

3.4 Exclusive ETA Facilitator

3.4.1. The Consortium Outsourcing Agreement grants exclusive rights to the Consortium (Sections 2.1 & 4.1). However, this exclusivity is not mentioned in the Cabinet Memorandum dated September 8, 2023, which presented the Consortium's proposal for approval. The Committee highlighted this as a serious misrepresentation.

3.4.2 The Cabinet Memorandum dated September 8, 2023, reveals a separate agreement with Travelson International Travel Service (Shanghai) Company Limited (Section 1.4). This agreement authorises Travelson International to handle ETA applications specifically for Chinese nationals. This existing agreement appears to contradict the exclusive facilitator role granted to IVS-GBS. The unclear termination status of this agreement with Travelson International is further emphasised by the Evaluation Committee's (EC) reference to it in their evaluation report (page 3 of 6). The EC report mentions that IVS-GBS can *also* act as representatives "given that an agreement with the aforementioned Chinese company has been signed." This raises questions about the purpose and ongoing validity of the Travelson International agreement.

3.4.3 An exclusive contract with the Consortium eliminates competition from other potential providers and locks DOIE with the consortium with the risk of Vendor Lock-In. The exclusive nature of the agreement, with a lengthy 16-year duration, raises significant concerns. This locks in DOIE into a single provider, potentially leading to higher service fees, stagnant innovation, and

¹⁹ <https://www.ft.lk/front-page/Harin-and-tourism-industry-happy-as-Cabinet-reverts-to-previous-30-day-visa-fee-regime/44-761467#:~:text=The%20President's%20Media%20Division%20confirmed,and%20%24%2010%20as%20service%20fee.>

²⁰ <https://www.youtube.com/watch?v=974FZKFv5dY>

limited flexibility for future system adaptations. Additionally, making changes with a single vendor can be difficult and costly, further exacerbating the drawbacks of vendor lock-in.

3.5 Data Protection and Data Breach

3.5.1 Data protection is of utmost national importance.²¹ In May 2024, a significant data breach was reported by Will Davis, a popular travel YouTuber with over a million subscribers, known as ‘TrekTrendy.’²² Davis highlighted the breach, stating,

“Some of you may remember the Sri Lanka visa saga a few weeks ago. Well whilst mine has long been approved, each day I’ve been getting other tourists visas emailed to me complete with full names, address and passport info. How is this a thing?! I’ve reached out in an attempt to try and make these stop but what a massive data breach.”

3.5.2 The Committee identified concerns regarding the adequacy of the Consortium's data protection measures. This includes a lack of clarity surrounding their data protection strategy and the systems in place to safeguard sensitive information from potential breaches, as well as concerns regarding the accessibility of disseminated data and the measures taken to ensure its security.

3.5.3 The Consortium Outsourcing Agreement between the parties contains a strict confidentiality Clause outlined in paragraph 6.1, which states:

“The Parties agree to keep confidential all information concerning the services and other related business disclosed by either Party to the other, which is not in the public domain, including this agreement (subject to disclosures required by law), and no disclosures shall be made without the prior written consent of the other party by the disclosing Party. The same provisions are applied to the information concerning visa applications available in the IVS-GBS and VFS database that will be perused only for the purposes specified in this agreement.”

3.5.4 The Committee identified a potential violation of Clause 6.1 of the Consortium Outsourcing Agreement. This stems from the alleged data breach involving the unauthorised disclosure of confidential visa application information as stated earlier in 3.5.1. While MOPS clarified that the circulated data was dummy data, the incident raises concerns about the system's security. The random circulation of any data, even dummy data, to foreign visa applicants is a potential security risk.

²¹ According to an extract from the Daily FT article ["The Obstacle Course I Ran Over Four Days to Get an eVisa to Sri Lanka"](https://www.ft.lk/columns/The-obstacle-course-I-ran-over-four-days-to-get-an-eVisa-to-Sri-Lanka/4-763786), the true owner of the VFS domain, gbstechnologyservices.com, remains obscured in the WHOIS domain search registry, raising transparency issues.

²² <https://www.newswire.lk/2024/05/09/popular-youtuber-highlights-massive-data-breach-in-sri-lankas-new-vfs-visa-system/>

3.5.5 The Committee directed MOPS to immediately attend to the aforementioned data breach. Consequently, MOPS indicated that KPMG, a multinational professional services firm, will provide an independent report on this matter.²³

3.5.6 The Committee noted that a breach of the Clauses outlined in the Consortium Outsourcing Agreement would result in the activation of Termination Clause 4, as specified in the Agreement.

3.6 Exclusion from COPF Oversight

3.6.1 The amendment of visa fees for travellers to Sri Lanka and any associated taxes constitute public finance matters. Parliamentary procedure dictates that such matters require clearance from the COPF as outlined in its Standing Orders (Sections 121(2)(a) and (b)). These sections mandate COPF to examine revenue collection under Article 148 of the Constitution. Bypassing COPF and delegating these financial considerations to a Sectoral Oversight Committee prevented proper scrutiny and discussion during the approval stage of the Visa fee increase.

4. Conclusion

4.1 The Committee is of the opinion that the absence of a competitive bidding process in procuring the services of the Consortium prevented DOIE from obtaining the best value for money. This is especially evident when considering the fees charged by competing destinations are much lower.^{24, 25} If the SSR had been finalised the DOIE could have conducted a truly competitive procurement process.

4.2 Several key issues remain unresolved beyond the concerns identified within the procurement process:

- 1. Unclear Fee Structure:** Fee components, including discrepancies in service fees and the presence of convenience fees, lack transparency.
- 2. Data Breach and Termination:** The existence of a data breach potentially triggering a termination clause requires further investigation.
- 3. Conflicting Exclusivity:** The granted exclusivity to the Consortium contradicts the continued presence of existing service providers.
- 4. Uninvested Funds:** The reported allocation of USD 200 million remains uninvested and unexplained.

²³ This report has not been received thus far

²⁴ Competitor countries, such as India, Nepal, Maldives, Vietnam, Cambodia, Laos, Indonesia, Malaysia, Thailand and Singapore have lower service fees for visas (this list is not exhaustive)

²⁵ Additionally, some countries offer free visas to Sri Lanka but still require payment of the service fee, potentially affecting bilateral agreements.

5. Recommendations

5.1 The Committee recommends that the Auditor General undertakes a comprehensive forensic audit of the entire procurement process, utilising the findings outlined in this report. It was revealed during the COPF meeting on June 04, 2024 that the Auditor General had already initiated such an audit. The Committee requests this audit be completed at the earliest opportunity.

The findings should serve as the foundation for determining necessary action. Such action could involve the abrogation of the Consortium Outsourcing Agreement or amending specific Clauses within the same.

5.2 The Committee recommends MOPS, DOIE and the Sri Lankan Data Protection Authority to review the KPMG report (as per Section 3.5.5 of this report) and take immediate and decisive actions to ensure the complete security and protection of all data handled through the ETA application process.

Addendum List

- A. Comments by Hon. Dr. Suren Rāghavan, MP (Received on 1.7.2024)
- B. Comments by Hon. Mayantha Dissanayake, MP (Received on 9.7.2024)
- C. Note on the GBS/IVS Ownership Structure by Hon. Rauff Hakeem, Attorney at Law, MP (Received on 9.7.2024)
- D. Note on the Outsourcing of eVisa Services to GBS Technology Services and IVS Global FZCO (GBS/IVS) with VF Worldwide Holdings Pvt Ltd (VFS Global) as Technical Partner by Hon. Rauff Hakeem, Attorney at Law, MP (Received on 9.7.2024)
- E. Letter from the Ministry of Public Security: Regarding a Statement made at the Committee on Public Finance on 09.07.2024 (Received on 10.07.2024)

Annexure List

Annexure 1. COPF Meeting Minutes

Annexure 2. Documents Submitted by the Ministry of Public Security

- Cabinet Memos Ministry of Public Security
- Cabinet approval by cabinet paper
- Cabinet decision Appointment of authorised representatives
- Comprehensive Proposal on E-Visa, Consular Services, Visa Services Biometric Services and Tourism Promotion to the Ministry of Public Security together with the Ministry of Foreign Affairs
- Cabinet Decisions Office of the Cabinet of Ministers
- Cabinet Memorandums Ministry of Finance, Economy and Policy Development
- Observations of the Minister of Foreign Relations
- Cabinet Memos Ministry of Defence
- Ministry of Public Security Appointment of Technical Evaluation Committee
- Cabinet Memorandum Observations of the Minister of Finance, Economic Stabilization and National Policies
- Report by the Technical Evaluation Committee appointed by the Ministry of Public Security
- Draft Agreement between GBS technology services and IVS Global FZCO and the department of Immigration and Emigration
- Ministry of Public Security Memorandums

Annex 3: Summary Provided by Mobitel

Annex 4: Detailed Report from SL Mobitel Submitted to COPF

Addendum A

From Suren Raghavan PhD, M. P. (Member of COPF)
To the Chair / Members of COPF
Subject Contract to VFS for Visas to Enter Sri Lanka¹
Date 01 July 2024 | Colombo

I wish to place my comments and recommendations on the above as follows:

1. This document should not be designated as the report of the Committee on Public Finance (COPF) until a majority of the members have agreed and signed accordingly.
2. Members should be granted the liberty to dissent from the entirety or specific sections of the report, with or without providing reasons.
3. Comments made by the members should either be incorporated into the main body of the report or included as part of an annex.
4. Section 1.1 of the report mentions that the "COPF examined." It should specify who proposed the examination of the contract and the rationale behind it.
5. Sections from 1.2 onward chronicle the events leading to the award of the contract to VFS. These can be reorganized in chronological order, distinct from the sequence of the COPF deliberations.

¹ Report on Outsourcing Online Visa and Passport Application Services between the Consortium¹ and the Department of Immigration and Emigration of Sri Lanka distributed on the 18th of June 2024

- 6 Section 1.3 states that "the matter was widely debated." The report should specify the dates and the proposal for debating this issue in the House.
7. Point 1.4 state "COPF review found "this is a conclusive statement COPF did not arrive at any conclusion except to further investigations

The rest of the report appears to be a record of deliberations.

My Recommendations:

The Committee on Public Finance (COPF) can recommend the appointment of, or itself appoint (if within its mandate), an investigative committee. This committee should include:

- One representative from the Department of Inland Revenue (DOIE)
- One representative from Mobitel Ltd.
- Three public service executives at the former Ministry Secretary level

The committee's task will be to conduct an in-depth analysis of the events and processes involved and submit a report with findings on whether there has been any violation in the awarding of public sector contracts.

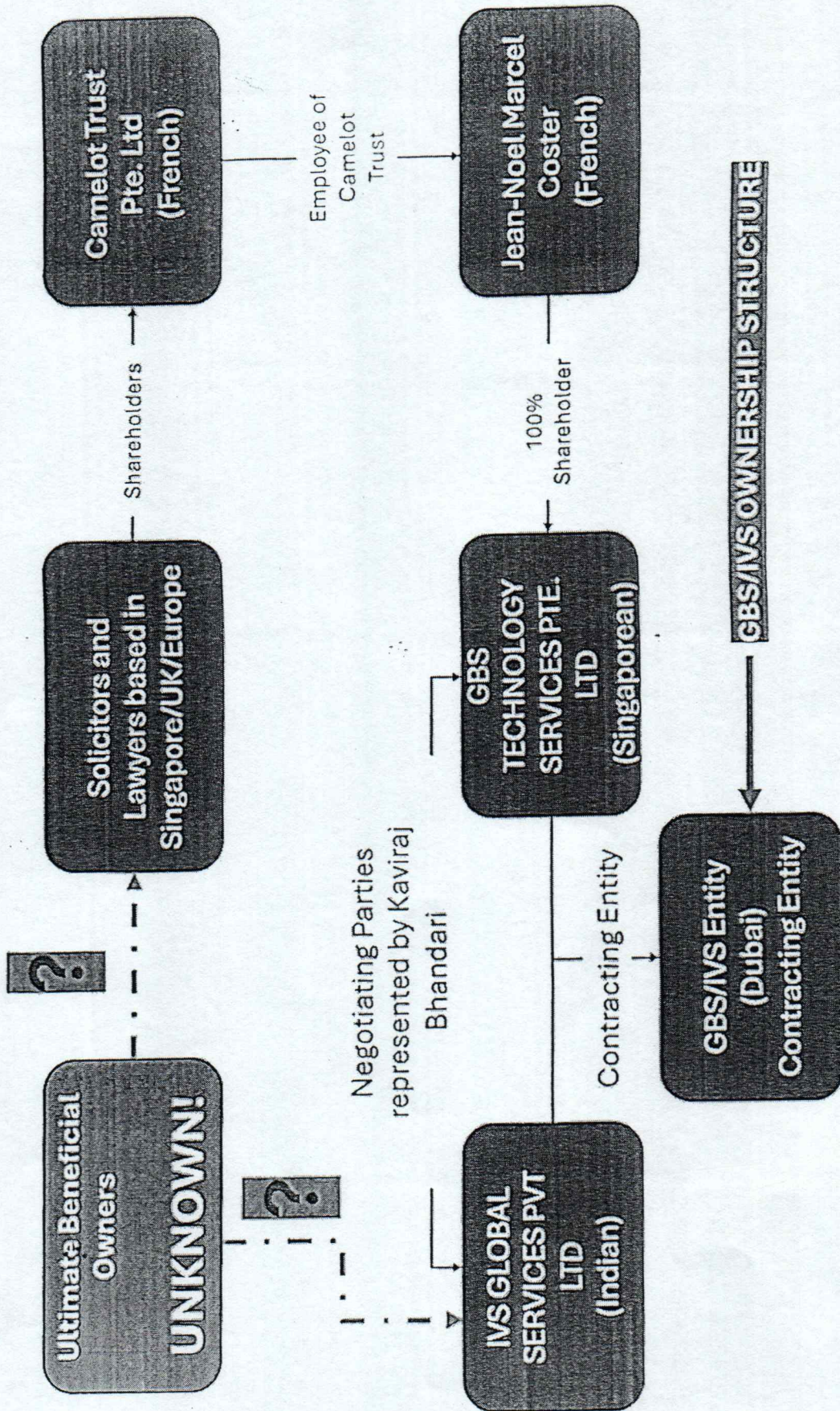
Subsequently, the COPF should forward this report to the Auditor General for a forensic analysis of the financial processes that led to the awarding of this sensitive contract. Both the committee's report and the Auditor General's report should be made available under the Right to Information (RIT) law.

No.	Hon. Raghavan's comment	Changes
1	This document should not be designated as the report of the Committee on Public Finance (COPF) until a majority of the members have agreed and signed accordingly.	Cannot be incorporated in the report
2	Members should be granted the liberty to dissent from the entirety or specific sections of the report, with or without providing reasons.	The dissent from the entirety or specific sections of the report can be incorporated as such as an additional section to the report
3	Comments made by the members should either be incorporated into the main body of the report or included as part of an annex.	Comments made by the COPF are included in Annexure 1, and verbatim transcripts can be annexed, if possible. Comments made by the Committee are explained from an overarching perspective, rather than referring to individual members.
4	Section 1.1 of the report mentions that the "COPF examined." It should specify who proposed the examination of the contract and the rationale behind it.	Incorporated, refer to the Visa google doc. - Point 1.1
5	Sections from 1.2 onward chronicle the events leading to the award of the contract to VFS. These can be reorganized in chronological order, distinct from the sequence of the COPF deliberations.	Incorporated - we rearranged the points to provide a better sequence of events in the report: Sections 1.1-1.2 detail COPF's mandate, 1.3-1.4 provide a reiteration of facts and the consortium's history, and 1.5-1.8 cover COPF's review and revelations.
6	Section 1.3 states that "the matter was widely debated." The report should specify the dates and the proposal for debating this issue in the House.	Incorporated, refer to the Visa google doc. - Point 1.1
7	Point 1.4 state "COPF review found "this is a conclusive statement COPF did not arrive at any conclusion except to further investigations	Amended, refer to the Visa google doc. - Point 1.5
Recommendations		
	The Committee on Public Finance (COPF) can recommend the appointment of, or itself appoint (if within its mandate), an investigative committee. This committee should include: One representative from the Department of Inland Revenue (DOIE) One representative from Mobitel Ltd. Three public service executives at the former Ministry Secretary level	
	the COPF should forward this report to the Auditor General for a forensic analysis of the financial processes that led to the awarding of this sensitive contract. Both the committee's report and the Auditor General's report should be made available under the Right to Information (RIT) law	
Report Date	01/07/2024	

Addendum B

Hon. Mayantha Dissanayake noted that there is no mention of any Fintech company involved in the transaction. However, CCAVENUE, which appears to be a Fintech company, is referenced by a specific number. He inquired about the involvement of this company, believing it might be a mistake, and raised the issue with the secretary. However, it has not been addressed.

Addendum C



Addendum D

Outsourcing of eVisa Services to GBS Technology Services and IVS Global FZCO (GBS/IVS) with VF Worldwide Holdings Pvt Ltd (VFS Global) as Technical Partner

The outsourcing of Sri Lanka's eVisa services has been contracted to IVS/GBS, a company with a dubious background, which further engaged VFS Global for technical support. I wish to highlight four major issues from the many that compel us to question the integrity of this transaction, ultimately leading us to conclude that this deal reeks of corruption.

1. Following Procurement Guidelines

When the state engages in contracting services, it is imperative to follow the procurement guidelines set forth by Sri Lanka's 2016 Procurement Guidelines. These guidelines are designed to ensure transparency, accountability, and fairness in public procurements. Some key steps include:

- **Advertising the procurement:** Proper notices should be given to ensure wide participation.
- **Bidding process:** An open and competitive bidding process should be conducted.
- **Evaluation:** Bids should be evaluated based on pre-determined criteria.
- **Awarding contracts:** Contracts should be awarded to the most suitable bidder based on the evaluation.

Notably, the courts have repeatedly emphasized the importance of adhering to these guidelines to prevent corruption and malpractice. For instance, in the case of *Gamini Senarath v. Attorney General*, the court underscored the necessity of following procurement guidelines to uphold public trust and ensure the best value for money. The failure to follow these guidelines in the outsourcing of eVisa services indicates a serious lapse in governance, lacking transparency and accountability. This is particularly alarming in light of the International Monetary Fund (IMF) Governance Diagnostics, which link good governance to economic recovery. The collapse of Sri Lanka's economy has been partly attributed to the government's negligence in governance, incorporating corruption into economic activities. Proper adherence to procurement guidelines could have mitigated such risks.

2. Did Sri Lanka Need a Shady Middleman in GBS/IVS to Contract with VFS?

Based on evidence, GBS/IVS is a dubious operator with an opaque background. There is a real concern that terrorists or money launderers might be the ultimate beneficial owners of these entities.

GBS/IVS

This company, allegedly registered in the Dubai Silicon Oasis, has provided no ownership details despite queries from the Attorney General. Represented by Kaviraj Bhandari, who claims to be the principal officer, GBS/IVS negotiated the deal with the Government of Sri Lanka.

GBS Technology Services Pte. Ltd (GBS)

Registered in Singapore, GBS is owned by Jean-Noel Marcel Coster, an investment

manager at Camelot Trust Pte. Ltd. Despite this, the beneficial owners of GBS are not on record, and no due diligence appears to have been conducted by the government to verify the ultimate beneficial owners (UBOs).

IVS Global Services Pvt Ltd (IVS)

Similar to GBS, IVS has no disclosed beneficial ownership details, raising the same concerns about due diligence and the potential for connections to illicit activities.

Kaviraj Bhandari

The only notable information on Bhandari is an allegation of defrauding Mumbai, casting further doubt on his credibility.

OECD, FATF, and UBO Diligence Requirements

The Organisation for Economic Co-operation and Development (OECD) and the Financial Action Task Force (FATF) emphasize the importance of transparency in beneficial ownership to combat money laundering and terrorist financing. The FATF specifically requires that countries:

- **Identify and verify UBOs:** Ensure the accuracy of information regarding the individuals who ultimately own or control a company.
- **Maintain up-to-date records:** Keep detailed records of UBOs that are accessible to competent authorities.
- **Conduct due diligence:** Perform thorough checks on all parties involved in financial transactions to prevent illicit activities.

Sri Lanka's failure to adhere to these international standards in this transaction raises significant concerns about national security and the potential for involvement in illicit activities by the contracted parties.

3. Data Security and Threat to National Security

All data of arriving passengers into Sri Lanka is collected by GBS/IVS through the website www.srilankaevisa.lk, and is stored on servers owned by GBS/IVS. The data is then passed to the Government of Sri Lanka every six months. This arrangement poses severe risks:

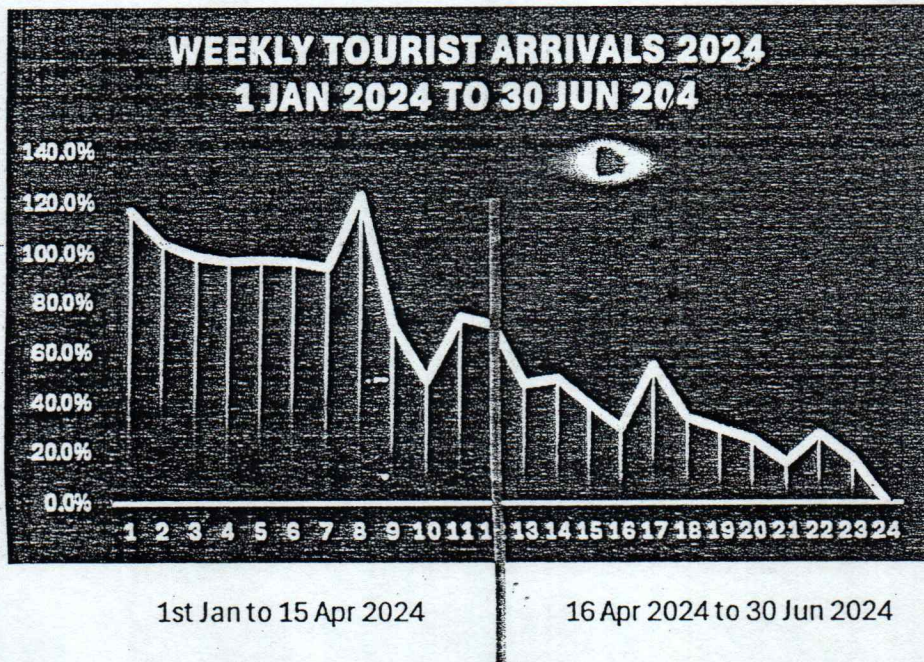
- **Data Ownership:** The website is owned by VFS Global Services Pvt Ltd, which is not registered in Sri Lanka. This means the data is controlled by an unknown third party, not the GOSL.
- **Security Threats:** The custody of sensitive data by an unverified entity can lead to data breaches, misuse, and potential espionage.
- **National Security:** The lack of direct control over this data by the GOSL poses a significant threat to national security. Sensitive information about arrivals could be exploited by malicious actors.

4. An Opportunity with an Imputed Value of c. USD 1.4 Billion Given Away for Free

The eVisa service, with its exorbitant fees, could have generated an estimated USD 1.4 billion, which is approximately 35% of the IMF Extended Fund Facility. If this opportunity had been auctioned to the highest bidder, the Government of Sri Lanka could have raised over USD 1 billion, which could have been used to rescue Sri Lankan Airlines or other national interests.

5. Drastic Drop in Tourist Arrivals Post Imposition of High Visa Fees

The average growth in tourist arrivals from January 1, 2024, to April 15, 2024, was 84% compared to the same period in 2023. However, following the implementation of the eVisa services on April 16, 2024, and the introduction of exorbitantly high service fees, the growth rate plummeted to 25.3% from April 16 to June 30, 2024. This significant decline in growth strongly suggests that the newly introduced high visa service fees are a major contributing factor to the drastic drop in tourist arrivals, as demonstrated by the below chart



Handing over such a lucrative opportunity for free suggests corruption and mismanagement. It raises questions about whether individuals or groups within Sri Lanka benefitted from facilitating this deal through the cabinet and appointed committees without following proper procurement guidelines.

Rauf Hakeem M.P.

Outsourced eVisa Service - Analysis

- Assumptions**
- Visa Service fees paid by Tourists USD 18.50
 - Other fees USD 7.27
 - Total Fees USD 25.77
 - Term of Contract 10 Years
 - Unconditional extension 6 Years
 - Tourist Arrival for Years 2024 to 2035 X Numbers as per IVS Global Projections given to DIE
 - Assumed Growth of Tourist Arrivals 5% Per annum from 2026 onwards for 16 Years
 - Terminal Growth Rate 2% Per annum from 2039 onwards
 - Service fees increase 10% Every 2 Years as per contract with Service Provider

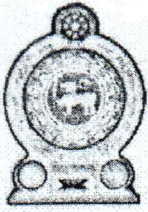
Year	No of Tourist Arrivals	Total Service Fees to be paid per Tourist	Total Service Fees Paid by Tourists per Year [Cash Flows]	Present Value of Cashflows
2024	1,900,000	25.77	48,963,000	43,639,037
2025	2,300,000	25.77	59,271,000	47,082,178
2026	2,650,000	28.35	75,119,550	53,183,193
2027	3,000,000	28.35	85,041,000	53,660,774
2028	3,350,000	31.18	104,458,695	58,746,272
2029	3,709,000	31.18	115,652,925	57,969,490
2030	4,025,000	34.30	138,056,977	61,674,887
2031	4,350,000	34.30	149,204,435	59,407,172
2032	4,650,000	37.73	175,443,835	62,259,037
2033	4,950,000	37.73	186,762,792	59,069,295
2034	5,200,000	41.50	215,814,782	60,835,875
2035	5,400,000	41.50	224,115,351	56,306,343
2036	5,400,000	45.65	246,526,886	57,962,412
2037	5,400,000	45.65	246,526,886	54,242,899
2038	5,400,000	50.22	271,179,574	55,838,278
2039	5,400,000	50.22	271,179,574	52,255,072
Terminal Value			3,231,573,209	

Total Fees Paid for the whole Term (16 Years) USD 2,752,098,185 (USD 2.75 Billion)
In LKR USD 825,629,455,382 (LKR 825.7 Billion)

Imputed Value of eVisa Revenue Generating Opportunity

Based on Discounted Cash Flow Methodology (DCF)

DCE Assumptions	
Risk Free Rate (1 Year US Treasury Rate)	5.20%
Risk Premium over US Treasury Rate	7.00%
Discount rate to be applied	12.20%
Terminal Growth Rate	2.00%
Sum of PV Cashflows	894,132,215
Present Value of Terminal Value	512,304,639
Present Value of eVisa Service Opportunity	1,406,436,853 [USD 1.4 Billion]
Exchange Rate	300
Present Value of eVisa Service Opportunity (LKR)	421,931,056,002 (LKR 421.9 Billion)



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Ministry of Public Security

18 වන මහල, "සුහරූපය", බත්තරමුල්ල, ශ්‍රී ලංකාව.
 18 වන මහල, "සුහරූපය", බත්තරමුල්ල, ශ්‍රී ලංකාව.
 18th Floor, 'Suhurupaya', Battaramulla, Sri Lanka.

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ඒ අනුව මෙම ප්‍රකාශය අසත්‍ය හා පදනම් වරහිත බව ප්‍රකාශ කරන අතර, ඒට අදාළව සංචාරකයන්ගේ පැමිණීම සම්බන්ධයෙන් ආගමන හා විගමන දෙපාර්තමේන්තු දත්ත පද්ධතියෙන් ලබා ගත් දත්ත අනුව සිදුවී ඇති ප්‍රවර්ධනය පිලිබඳව වූ සංඛ්‍යාලේඛණ මුදල් කමිටුවේ අවධානයට යොමු කරවන මෙන් කාරුණිකව දන්වමි.

	On Arrival	VFS	Total	Percentage Increased
May 2023	-	-	71,326	
June 2023	-	-	87,656	
May 2024	30,780	82,896	113,676	62.75 %
June 2024	29,885	120,097	149,982	58.44 %

ඉහත සංඛ්‍යාලේඛණ අනුව 2023 වර්ෂයේ මැයි මාසයට සාපේක්ෂව 2024 මැයි මාසය තුළදී සංචාරකයින්ගේ පැමිණීම 62.75% කින් වැඩි වී ඇති අතර, එය ජූනි මාසය හා සැසඳීමේදී 58.44% ක වර්ධනයක් පෙන්නුම් කරයි. මේ අනුව ඉහත ප්‍රකාශය අසත්‍ය බවත්, සංචාරකයන්ගේ පැමිණීම වර්ධනය වී ඇති බවත්, පැහැදිලි කරමි.

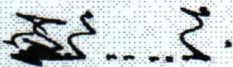
VFS ආයතනය ආගමන හා විගමන දෙපාර්තමේන්තුව හා සම්බන්ධවීමට පෙර ශ්‍රී ලංකාවේ පැවැති විසා කාණ්ඩ වලට අමතරව නව විසා කාණ්ඩ ගණනාවක් හඳුන්වාදීමට හැකි වූ අතර එම නව විසා කාණ්ඩ යටතේ විදේශිකයින් මෙරටට පැමිණීම සම්බන්ධව ප්‍රගතිය පහත පරිදි වේ.

Month	6 Months Tourist / Business	1 Year Tourist / Business	2 Year Tourist / Business	5 Year Tourist / Business	10 Year Tourist / Business	TOTAL Counts
April	16,438	558	129	19	08	17,152
May	14,962	1505	333	53	25	16,878
June	10,183	1601	409	88	14	12,295

ඉහත VFS ආයතනය මගින් අයදුම්පත් ලබා ගැනීමෙන් විසා නිකුත් කිරීම මගින් ලද ආදායම පහත පරිදි වේ.

	US \$	LKR
April (14 Days)	1,564,450	475,592,800.00
May	1,707,760	519,159,040.00
June	1,260,125	383,078,000.00
	4,532,335	1,377,829,840.00

* (ඩොලරයේ අගය රු 304.00 ක් වශයෙන්)



පී.වී ගුණතිලක
ලේකම්