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Supporting Accelerated Investment in Sri Lanka (SAIL) Project Quarterly Progress Report FY18 Q1, October 1 – December 31, 2017

January 31, 2018

This publication was produced by International Development Group LLC, for review by the United States Agency for International Development.

Supporting Accelerated Investment in Sri Lanka (SAIL) Project Quarterly Progress Report

October 1 – December 31, 2017
Fiscal Year 2018 Quarter 1

Contract Number: AID-OAA-I-12-00042/AID-383-TO-17-00001

January 31, 2018

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LIST OF ACRONYMS

ADB	Asian Development Bank
AfD	Agency for Development
AfIT	Agency for International Trade
BOI	Board of Investment
CCEM	Cabinet Committee on Economic Management
CEA	Central Environmental Authority
CID	Center for International Development (Harvard)
CMC	Colombo Municipal Council
DB	Doing Business
EDB	Economic Development Board
EFC	Employers' Federation of Ceylon
FDI	Foreign Direct Investment
FY	Fiscal Year
GIZ	German Corporation for International Cooperation
GSL	Government of Sri Lanka
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
MDA	Ministries, Departments and Agencies
MEL	Monitoring, Evaluation, and Learning
MODSIT	Ministry of Development Strategies and International Trade
MOJ	Ministry of Justice
MOLTUR	Ministry of Labour and Trade Union Relations
MoU	Memorandum of Understanding
NLAC	National Labour Advisory Council
OECD	Organization for Economic Co-Operation and Development
OSU	One-Stop-Unit
PMP	Performance Management Plan
RFP	Request for Proposals
ROC	Registrar of Companies
SAIL	Supporting Accelerated Investment in Sri Lanka
SLTDA	Sri Lanka Tourism Development Authority
SSLRA	Sri Lanka's Support for the Sri Lankan Reform Agenda
UDA	Urban Development Authority
USAID	United States Agency for International Development
USG	United States Government
WB	World Bank
WG	Working Group

BACKGROUND

With the new reformist government in office in Sri Lanka since January 2015, the country has a huge opportunity to make strides in furthering its economic development. While Sri Lanka has experienced strong economic growth over the past ten years, including a growth rate of 7 percent for 2013 and 2014, Foreign Direct Investment (FDI) growth has been constant in relation to domestic economic growth. The Government of Sri Lanka (GSL) is motivated to boost investment and enhance the role of the private sector as Sri Lanka seeks to transition to an upper-income country. FDI is key for this process, and the GSL is demonstrating a commitment to this goal.

USAID is providing support to the GSL through various programs. In particular, in support of improvements in investment, USAID launched the Supporting Accelerated Investment in Sri Lanka (SAIL) Project to support this commitment to enhance economic reforms. The SAIL project is implemented by International Development Group LLC (IDG).

The goal of the SAIL Project is to support the GSL's economic reforms, which aim to improve the business enabling environment – and the environment that affects FDI. The project is part of the larger USAID/Sri Lanka's Support for the Sri Lankan Reform Agenda (SSLRA) project to realize democratic and economic reforms. To do this, the SAIL Project is building on activities already agreed/being implemented such as those being implemented by the World Bank.

The SAIL Project is providing: 1) expert advice on legislative and regulatory reform and a strategy for attracting and retaining FDI; and 2) analysis and recommendations to improve institutions, laws, and the regulatory environment, as these are related to attracting and retaining FDI in Sri Lanka. Project activities primarily focus on providing technical assistance to improve the business enabling environment, promote FDI, and develop institutional and individual capacity.

The current report covers the first quarter of FY2018 which is the second year of operation of the project from October 1, 2017 to December 31, 2017.

SUMMARY

The SAIL Project aims to provide policy and institutional support to improve the business enabling environment and promote investment in Sri Lanka, to improve performance on World Bank Doing Business indicators, to strengthen investment policies and promotion activities, and to support the government's goal to become an upper middle-income country.

The project contract was signed on October 27, 2016 with an official start date of November 1, 2016. The FY17Q1 quarterly report covering the period of November 1 – December 31, 2016 was submitted in January 2017. The first quarter focused on project start-up activities including work plan development, office set up, and mobilization of the in-country team.

The FY17 Q2 report for the period of January 1 - March 31, 2017 was submitted in April 2017. During the second quarter, the project focused on strengthening the relationship between the SAIL Project team and the Ministry of Development Strategies and International Trade (MODSIT) staff as well as conducting some initial assessment activities.

The FY17Q3 Quarterly Report for the period April 1 - June 30, 2017 was submitted in July 2017. During this reporting period, the project team focused efforts on moving identified proposed reforms forward. The project began streamlining the investment approval process, starting with the tourism pre-approval process.

The FY17 Q4 Quarterly Report covered the period July 1 - September 30, 2017 during which the project team focused on consolidating progress made in previous quarters and moving into new aspects of our work – notably in the area of the Doing Business Indicators. The SAIL Project received an official request from MODSIT to support the Doing Business Indicator Task Force for Enforcing Contracts. The role of SAIL is to assist in the implementation of a number of reforms and help coordinate the Task Force activities. This also led to an agreement between the project and the Ministry of Justice to provide on-site support a couple of days a week. The on-site support began during the fourth quarter.

This FY18 Q1 report references the period from October 1-December 31, 2017 during which time the project continued to support labour reforms through various discussions. The formally appointed Labour Reform Working Group (WG) began meeting in the quarter, with discussions beyond the reforms proposed by the project and assurances from MOLTUR that SAIL proposed reforms would be discussed in future meetings. The team also met MOLTUR a couple times in the quarter. During the last meeting, MOLTUR agreed to move forward with regional public-private dialogue on labour issues around the country. The workshops will include a broad range of stakeholders representing a wide variety of interests, including an emphasis on those who represent informal sector workers, rural areas, and women workers. MOLTUR agreed to officially host these dialogues but suggested that they be held after the local government elections which are due to be held on February 10, 2018. SAIL will work with its partner, Verité, to prepare invitations, lists of participants and course material for the dialogues and also a short introductory presentation as requested by MOLTUR.

In the last quarter of the first year, SAIL agreed with MODSIT to support the WB Doing Business Enforcing Contracts Task Force. The first activity in the action plan is the development of an assessment of case management at the Commercial High Court. The project began and completed this assessment during the quarter. The results of the assessment will be presented to the Ministry of Justice and Task Force members in the next quarter.

The SAIL team continued to work on streamlining investment approval processes. In this quarter, the team focused on mapping and proposing interim and final procedures for the UDA Development Permit and Certificate of Conformity. The project obtained tentative agreement to move ahead with the implementation.

The policy paper supporting formalization of working arrangements between SLTDA and all Ministries, Departments, and Agencies (MDAs) in the investment approvals process was developed. This paper was jointly developed by the Ministry of Tourism Development and MODSIT and was submitted by The Ministry of Tourism to the Cabinet Committee for Economic Management (CCEM) for their recommendations.

In the months of November and December, the project continued to conduct several follow up and feedback sessions with SLTDA OSU and their representatives to discuss feedback to the re-engineered process, and work on the MOU Framework specific to UDA continued.

The project also developed a Reform Management Strategy as a tool to use when meeting with MDAs and finalized with SLTDA OSU.

Capacity development continued for MODSIT and SLTDA during the quarter with direct on-site support from the project and training for MODSIT on communications. The project also continued to support the Ministry of Justice with on-site support at least twice a week.

Training in basic customer skills was tentatively scheduled for early January 2018. This training opportunity would be used to develop the training schedule already proposed by SAIL to OSU in Q3.

Major Deliverables developed in the first quarter of Year 2 included:

1. Presentation for MOLTUR on Labour Assessment and Reform
2. Revised Draft Labour Reform Strategy Document
3. Draft Assessment of Case Processing by the Commercial High Court of Colombo
4. UDA proposed streamlined development permit and certificate of conformity processes submitted to UDA
5. Final Cabinet Paper to develop MoUs between SLTDA and line agencies on investment approval processes submitted to CCEM
6. SLTDA Reform/Change Management Strategy
7. Outline for Investor Book developed and submitted to SLTDA
8. Recommendations to investments section of the SLTDA website
9. SLTDA OSU 2018 Workplan related to investment approvals
10. Draft UDA 2018 Workplan related to investment approvals
11. Capacity Building Workshop for Communications staff of MODSIT/agencies

PROGRESS REPORT

Quarterly Key Results and Outcomes

During the first quarter of year 2, the SAIL Project team strengthened relationships with counterparts especially in MODSIT, SLTDA, MOJ and MOLTUR. The following are the key results in the quarter:

- Labour Reform Working Group began having official meetings
- Revised labour reform strategy
- Agreement from MOLTUR to move forward with regional public-private dialogue
- Development of a draft Assessment of the Commercial High Court case management
- Mapping of current and proposed new interim and final Development Permit and Certificate of Conformity procedures and agreement from UDA to move forward on implementation
- Development of a draft MoU document between SLTDA and UDA
- Submission of the final Cabinet paper on MoUs between SLTDA and other MDAs to the CCEM
- Finalized Reform/Change Management Strategy for SLTDA to use as a tool of operation with MDAs
- Conducted a capacity building workshop for MODSIT Communications staff and other ministry agencies

- Continued to support MODSIT, MOJ, and SLTDA with regular technical support and capacity development

Component 1: Assist the GSL with Legislative and Regulatory Reforms that will Address Current Constraints to FDI Attraction and Retention

Planned and Accomplished Technical and other Activities for the Quarter

The project continued to support priority reform areas agreed with the GSL in the first year. Some of the priority areas have been included as part of cooperation with other donors such as the World Bank to leverage funds being used to make improvements in the business enabling environment. Other areas have been specifically requested by the GSL, mainly the Minister of Development Strategies and International Trade. The three priority areas are labour reform, contract enforcement, and streamlining of investment approval processes. Support in these areas includes both technical assistance and capacity building (included in Component 2 discussions).

During the first quarter of year 2, the SAIL team continued to support labour law reform from behind the scenes and remained engaged in discussions with relevant counterparts and potential reform champions. The project also supported the Doing Business Task Force, Enforcing Contracts, as part of overall efforts to improve the rankings. The project completed a draft assessment of the Commercial High Court of Colombo and began providing onsite support to the Ministry of Justice. Finally, the SAIL team was able to make significant progress on streamlining investment approvals, mapping and getting agreement to reform two additional processes including the UDA Development Permit and the Certificate of Conformity.

1.1 Labour Reform

Labour reform continues to be discussed as an important reform for the country. In the quarter, the SAIL project continued to follow up directly with MOLTUR to push the reforms forward. The Working Group was officially appointed by MOLTUR last quarter, and although the initial meeting was planned, it was postponed several times. In this quarter, the leaders of MOLTUR again confirmed their intention to take the lead on labour reform with support from SAIL as necessary. The SAIL team and USAID met with S.A.N. Saranatissa, Secretary of the Ministry, Ananda Wimalaweera, Commissioner General Labour and the new Secretary of the NLAC on October 20, 2017 to determine best next steps and the status of the Working Group. MOLTUR emphasized that there is still an appointed Working Group and that reform is essential. USAID noted that the project can provide assistance directly to MOLTUR as required.

Through a follow up meeting with MOLTUR on December 29, 2017, the project was informed that two meetings of the WG took place during the quarter. However, topics covered went beyond what was proposed in the assessment. The Ministry has assured the project that discussions would proceed into the proposed reforms. The Ministry also agreed to have the project move forward with the public private dialogue around the country with the Ministry taking the lead. They also agreed to send a couple participants from Colombo. The discussions are set to start after local elections on February 10.

The SAIL team continued its discussions with Verité Research on conducting the public-private dialogue events developing an initial list of participants and proposed dates for each of the locations. Verité's draft strategy report was revised based on comments provided last quarter. The team also discussed the strategy with the Minister of MODSIT during the quarter.

SAIL continued discussions on how to move forward with outreach that would reach stakeholders outside the formal trade unions. This included development of a list of potential infographics that can be published in the media and a plan to educate local media on the issues.

1.2 Enforcing Contracts

The project attended the second Task Force meeting for Enforcing Contracts in early December 2017. The meeting focused on evaluating progress on each of the action items in the official action plan. The project also continued to provide progress updates both written and in person to MODSIT and the PM's office. This exercise has included several updates simply on the action plan items. However, it also included a detailed exercise to evaluate progress on each of the questions in the questionnaire used by the WB to evaluate countries and produce the rankings. The Task Force progress meetings are taking place every two to three weeks either at the PM's office or at MODSIT.

Sri Lanka actually went down in the rankings overall and in Enforcing Contracts in the latest publication of the WB Doing Business indicators. The ranking for Enforcing Contracts went down from 163 to 165 in 2018. However, this small change is more due to reforms made by other countries increasing their ranking rather than Sri Lanka changing anything for the worse. Reforms in this area only began to be discussed as of last year with the completion of the formal action plan for the Task Force. In order to make improvements, an assessment of the current situation had to be completed. This was the first item on the action plan.

During the quarter, SAIL completed the draft assessment of the case processing of the Commercial High Court of Colombo. (It was submitted early in the second quarter of Year 2). This assessment was done through Key Informant interviews and a descriptive mapping of the Commercial High Court process through detailed examination of randomly chosen case files. The SAIL team prepared questions for the interview, did relevant research and completed interviews and case reviews in the first quarter of Year 2. This included a review covering 29 cases, which included several really old cases and cases in all relevant categories, including arbitration, money recovery, company law, intellectual property claims, and admiralty.

The following is a summary of the results and proposed recommendations taken from the assessment.

Reasons for Delay in Case Processing

	Reason	Source	Short Term Remedy	Long Term Remedy
1	Summons Delay	Even though post office does give receipts for	Need to start monitoring the process of fiscal; consider it part of case	For corporations, require receipt by e-mail as part of

	Reason	Source	Short Term Remedy	Long Term Remedy
		registered mail, court fiscal staff have to be used	record and monitor; determine whether cases are counted or not before service has been done	corporate registration. For individual contract, provide address in contract and that address should be presumed adequate
2	Judges do administrative tasks such as review adequacy of the forms of complaints	Law requires this approval to be done by a judge; judges do some other tasks that are not required by law	Start using a Roll Call judge to review documents; introduce small local network with existing equipment so that judges can interact with Registrar	Change some legal provisions to allow Registrars to review adequacy of pleadings
3	Pre-Trial Procedure not fully in place	It has not been introduced; there are no written court procedures	Issuance of circular with new procedures; Roll Call judge to schedule and conduct pre-trial	
4	No firm deadlines for answers, replications, discovery actions	Rules of procedure lack deadlines	Impose deadlines through court circular	Amend Civil Procedure to have deadlines
5	Counsel do not use discovery	Interrogatories, requests for production of documents are available	Encourage through the introduction of timeframes and standardized documents in a court circular; Roll Call judge to approve interrogatories	Amend Civil Procedure to permit interrogatories without court approval
6	No continuous cross-examination of witnesses	Court procedures, customs of attorneys with full dockets; Court schedules many cases for one day	Issuance of circular with better procedures; start with new cases, gradually	
7	No continuous trials	Court procedures and customs of attorneys, with very full dockets Court defensively schedules many cases in one day Financing of litigation	As an interim measure, start with several fixed dates. Issuance of circular with better procedure, gradual introduction to change behavior of attorneys.	Schedule trials day-to-day
8	Frivolous evidentiary objections “subject to proof,” followed by court requirement of written submissions	Lack of appropriate penalty; Rules of evidence	Encourage speedy bench decisions through court circular and electronic case management at the bench, recording	Amendments to rules of evidence and to schedule of costs in applicable laws

	Reason	Source	Short Term Remedy	Long Term Remedy
		interpreted very liberally; counsel cause deliberate delay, especially if there are written submissions	decisions right away	
9	Constant requests for delays by attorneys	Attorneys delay “for personal reasons” regularly and this is granted as a courtesy by courts	Gradual introduction of stricter rules to change behavior of attorneys through circular	Impose penalties in applicable laws
10	Court schedules many cases in one day	This is a defensive measure to address counsel delays	Issuance of circular with better procedure, gradual introduction to change behavior of attorneys	Impose penalties for missing dates
11	Counsel have incentives to prolong cases	Compensation for each appearance; parties lack funds for continuous trial; delay to avoid evictions	Issuance of circular with better procedure, gradual introduction to change behavior of attorneys	Change financing of cases; allow contingency recovery and long-term payment (this is a very long process of change)
12	Communicating with counsel in person	Civil procedure allows for e-mail but this is not used	Introduce small local network for court (existing equipment); e-mail communication with counsel; filing of submissions by e-mail to the Registrar and opposing counsel	Large-scale automation of all courts in one system
13	Difficulty in processing and accessing files	No scanning or digitization of court files	Soft introduction of automation of new court files through small local network	Full automation, as is planned
14	Lack of English Stenographers	Low pay	Incremental improvement in pay and new staff	Resources to pay staff Use of recording devices
15	Translation delays	Requirement of translation of documents to Sinhala; documents in English, proceedings in Sinhala	Court circular to allow immediate filing of plaint in English with translation later	Resources to pay translators
16	No transparency; decisions not	Court decisions not available to	Gradual development of a small court website	Large-scale automation of all

	Reason	Source	Short Term Remedy	Long Term Remedy
	available; inconsistent decisions	the public and to counsel	publishing court decisions; transition to publishing all decisions	courts in one system
17	Delay in Execution of Judgments	Need further study to clarify causes	Monitor and keep data on process	

The project also held several discussions with the USAID CORE Justice project to begin identifying areas of potential cooperation. SAIL also shared the first draft of the assessment with the CORE Justice project.

During the quarter, the Secretary, MOJ was replaced. The project prepared information including a presentation on the project and the assessment to brief the new Secretary early in January. SAIL staff member also continued to spend time every week at the MOJ to support the Ministry.

1.3 Investment Approvals

Since obtaining an approval to progress streamlining the investment approvals process from SLTDA the project has exerted significant effort to gain feedback, and commentary from SLTDA OSU on the reengineered process during this quarter. However, SLTDA's ability to quickly support this process has been limited given the lack of staff. However, the project has continued to engage SLTDA at every opportunity and closely follow up. This process has helped the project build a good working relationship with the team, as well as provided the project with further insight into the day to day workings and issues prevalent at SLTDA OSU.

During the quarter, the project focused on obtaining feedback to the MOU Framework and finalized a draft MOU for agreement between SLTDA and UDA. The policy paper supporting formalization of working arrangements between SLTDA and other Ministries, Departments, and Agencies in the investment approvals process was finalized during the quarter. This paper was jointly developed by the Ministry of Tourism Development and MODSIT and was submitted by The Ministry of Tourism to the Cabinet Committee for Economic Management on November 1, 2017 for their recommendations.

In addition, the project continued to follow up on aspects related to the other required actions to implement the new Investment Approval Process and Redesign of the OSU, namely forming a Reform/Change Management Strategy and providing recommendations to website content and an investor book. During the quarter, the Business Enabling Environment Expert focused efforts on mapping two additional processes including the Development Permit and Certificate of Conformity processes from UDA. She developed proposed interim and final reengineered processes that were initially agreed with UDA. The following is a summary of the process steps and times proposed for the Development Permit Process which were reported by UDA.¹

¹ Please note that the baselines have been updated based on data more recently collected from SLTDA. Going forward the project will use the latest figures. Please see the updated PIRS in the appendix.

Process	Existing Process	Interim Process	Final Process	Total Reduction
Investor Steps	10	4	3	-7
Internal Steps	30	14	12	-18

Process	Number of Days	Total Reduction
Existing	180 days	
Interim	120 days	-60 days
Re-Engineered	75 days	-105 days

The following is what is proposed for the Certificate of Conformity.

Process	Existing Process	Interim Process	Final Process	Total Reduction
Investor Steps	15	3	2	-13
Internal Steps	30	13	11	-19

Process	Number of Days	Total Reduction
Existing	85 days	
Interim	40 days	-45 days
Re-Engineered	30 days	-55 days

The project began collecting data directly from SLTDA to determine the baseline number of days for each of these processes during the quarter. The numbers provided above were taken from discussions with UDA staff. The streamlined targets are also part of the objectives for UDA. However, data requested from UDA was not detailed enough to confirm what is presented. In addition, UDA data includes all construction not just for tourism projects.

The team also gave an initial presentation to the SLTDA Chairman and presented proposed changes to the OSU staff again including the UDA processes. Final comments to the interim and reengineered processes were collected during the quarter. The project held additional discussions on the OSU's facilitation role throughout the investor approval process, gaining agreement for the OSU to be the one contact for the investor throughout. The SLTDA Chairman also began a round of individual meetings with several of the departments involved in approvals to begin discussions on MoUs, providing further support to project efforts.

Planned but not Implemented Activities for the Quarter

With respect to labour law reform, the project has taken a more behind the scenes role providing support to MOLTUR when needed. This means that the project will not attend working group meetings for now. In addition, the project has not staged the public-private dialogues on labour law reform as their postponement was requested by MOLTUR.

Component 2: Assist in Restructuring the Board of Investment or Establishing a New Economic Agency to Function Effectively as an Investment Promotion Agency and as a One Stop Unit for FDI Entry into Sri Lanka

Planned and Accomplished Technical and other Activities for the Quarter

2.1 Capacity Development Related to Reforms in Component I

The project during the quarter continued providing regular onsite support to the Ministry of Justice and the Secretary in particular. The support provided included advice on technical aspects of the activities being implemented related to the Enforcing Contracts Task Force. In addition, the project provide support in organizing activities in support of the task force that is managed directly by the Ministry.

The project also continued to support MODSIT including the Secretary with regular meetings to discuss the reforms being implemented by the project. The project also met with the Minister during the quarter to update him on progress related in particular to labour reforms.

2.2 Capacity Development of SLTDA OSU to Function as a One Stop Shop

In terms of support for the streamlining of the investment approvals process, the team provided guidance to SLTDA in several areas including: the MOU Framework and development and finalization of a draft MOU for agreement between SLTDA and UDA. This process involved a lot of discussion in order to support greater understanding of the needs in terms of the agreement and how to use it with other organizations after the current document is agreed with UDA.

In addition to informal capacity building support, the project began discussions on holding some general communications and customer service training to support OSU and other staff that deal directly with investors.

2.3 Capacity Development of MODSIT to Implement Communications Strategy

As a result of training held in the previous quarter, SAIL agreed to support development of specific outreach materials. SAIL focused on helping MODSIT develop some immediate outreach materials including fact sheets and articles on areas of focus such as Doing Business. The following is the list of materials developed in cooperation with the project during the quarter (and in previous quarters). The documents were agreed with MODSIT during the quarter and posted to their website and/or published.

Type	Topic	Purpose	Notes
Thought Leadership	Can Service Trade with India Benefit SL	Newspapers/w ebsite	Part of an initial series of articles for publication in newspapers
Thought Leadership	Excessive Protection Hurt Exports	Newspapers/w ebsite	Part of an initial series of articles for publication in newspapers
Thought Leadership	Invasion of Foreign Professionals a myth	Newspapers/w ebsite	Part of an initial series of articles for publication in newspapers
Thought Leadership	Why Sign FTAs when there are issues	Newspapers/w ebsite	Part of an initial series of articles for publication in newspapers

Type	Topic	Purpose	Notes
Thought Leadership	Can local entrepreneurs face Indian Challenge	Newspapers/w ebsite	Part of an initial series of articles for publication in newspapers (SINHALA)
Factsheet - FTA v1	Description of FTAs - 1 page with graphics	Website/Gen use	Factsheet for use on website/public events
Factsheet - FTA v2	Description of FTAs - 2 pages (no graphics)	Website/Gen use	Factsheet for use on website/public events
Factsheet- NES	National Export Strategy - 1 page	Website/Gen use	Factsheet for use on website/public events
Factsheet- LNG	Liquified Natural Gas - 1 page	Website/Gen use	Factsheet designed at request of
Factsheet- DBI-1	DBI-Starting a Business - 2 pages	Website/Gen use	Factsheet for use on website/public events
Press Release	GSP+ Shows remarkable progress-English	Newspapers/w ebsite	Press Release edited for publication
Press Release	GSP+ Shows remarkable progress-Sinhala	Newspapers/w ebsite	Press Release edited for publication
Press Release	GSP+ Shows remarkable progress-Tamil	Newspapers/w ebsite	Press Release edited for publication
Thought Leadership	NES-Prerequisite for Economic Dev	Newspapers/w ebsite	Press Release edited for publication

Planned but not Implemented Activities for the Quarter

The project had initially planned to provide additional training to MODSIT on communications. The training was not scheduled during the quarter.

Cross-Cutting Activities

Planned and Accomplished Technical and other Activities for the Quarter

3.1 Donor Coordination

The project has focused efforts on regularly meeting donors individually. This process continues. Formal donor coordination is managed by the World Bank. However, the project has not been invited to participate.

There has been no further activity in this area.

3.2 Outreach of SAIL Activities

The project did not produce a quarterly report during the quarter. However, the following quarter will include work from the current and past quarter. The project focused on supporting MODSIT to get some of their outreach materials out during the quarter.

3.3 Public-Private Engagement in Areas Project is Supporting

Private-public sector engagement goes hand in hand with the reform process. The project has now prioritized the reforms to support. Private-public dialogue will increase as the project

moves through the reform process. During the quarter, the project is working with Verité to begin a public-private dialogue process related to labour reforms that will start in the next quarter.

3.4 Gender Considerations in Project Activities

The project continued to include gender considerations in its development of TORs and other relevant documents.

Planned but not Implemented Activities for the Quarter

Public private dialogue in the area of labour reform and investment approvals was planned but not implemented. With respect to labor, the project was asked by MOLTUR to delay the implementation given the delay in getting the WG started. It is expected that public private dialogue will take place for labor-related topics in the next quarter.

Challenges Encountered and Proposed Solutions

There were no new challenges during the quarter.

Lessons Learned

Developing relationships with key GSL counterparts has provided the project with additional means to move technical aspects of the project forward in times when there are administrative hurdles to overcome. This continues to be the case. It is also important to ensure that the project has relationships with all levels within the partner ministries. The project has seen a lot of change at the Secretary level in the ministries being supported. So the additional relationships at those ministries has been additionally important.

Planned Activities for the Next Quarter

SAIL Deliverables Planned for Next Quarter

The following are the planned deliverables for the next quarter:

1. Public-private dialogues on Labour Reform
2. Support for Working Group on Labour Reform, as needed
3. Final Assessment of caseflow of the Commercial High Court of Colombo, and presentation of recommendations
4. Draft Circular to improve Commercial High Court caseflow process
5. Final agreement on streamlined development permit and certificate of conformity processes through UDA
6. Comments on physical OSU layout
7. Final MoU between SLTDA and UDA
8. Recommendations on changes to the MODSIT website
9. Decision on Cabinet Paper on MoUs for the SLTDA OSU and relationships with line agencies
10. Capacity building session for MODSIT staff
11. At least 2 training sessions for SLTDA staff on communications and customer services

Planned Activities for the Next Quarter under Component I

1.1 Labour Reform

The two Ministers (MODSIT and MOLTUR) decided that the WG should be formed and led by MOLTUR. The members have been appointed, and initial meetings have taken place, but without discussion of labour reforms identified in the assessment. Public discussion of reform is needed. In the next quarter, the project will continue consultations with stakeholders to gather further comments to finalize plans for the planned public-private dialogue events around the country. MOLTUR has indicated that these events can take place after local government elections in February 2018. The project will begin implementation of these dialogues in the next quarter.

The SAIL team expects to provide its assistance in drafting labour legislation and assisting with additional research as required to prepare informational materials.

1.2 Enforcing Contracts

During the current quarter, the project completed a draft assessment of the caseload of the Commercial High Court of Colombo. The document will be officially distributed and presented at the beginning of next quarter. There is a newly appointed Secretary in MOJ, and the project expects to begin discussions with her on the short-term recommendations and the follow up to them. These discussions will take place in the next quarter and that initial steps on agreed upon reforms can be taken. In addition, the project will continue to provide advice to the Secretary of Ministry of Justice and staff on contract enforcement matters. The project will continue to provide technical and operational support for the Enforcing Contracts Task Force including regular progress updates to MODSIT and the PM's office. The project will continue to provide onsite support regularly to MOJ.

During the quarter, the project also plans to develop a first draft of a circular that would be a first step in defining improved processes at the Commercial High Court.

1.3 Investment Approvals

In the next quarter, the project will continue to move forward by adopting the specific MoU documents, and further engage with department level discussions in collaboration with SLTDA. SAIL will finalize the MoU with UDA. In addition, the project will get formal approval of the streamlined development permit and certificate of conformity processes from UDA.

SAIL will support the formal adoption of the Cabinet Paper on MoUs between SLTDA and line agencies. At the same time the project will continue to provide support on SLTDA's reform process.

The project will continue to provide support on SLTDA's reform process including providing comments on the new proposed layout and development of any interim materials for investors.

Planned Activities for the Next Quarter under Component 2

The following are some of the planned activities, which will continue in the next quarter:

2.1 Capacity Development Related to Reforms in Component I

During the first quarter, capacity development support will primarily be through SAIL staff working on-site at MODSIT and MOJ on Doing Business and enforcing contracts related activities.

2.2 Capacity Development of SLTDA OSU to Function as a One Stop Shop

The project identified a list of training needs to further support SLTDA in Year 2. SAIL will put together a training schedule and implement this throughout the year. The first training is scheduled for early January on basic customer service skills.

2.3 Capacity Development of MODSIT to Implement Communications Strategy

The project has planned to provide additional communications training over the next quarter, as agreed with MODSIT. This training will focus on the use of communications tools such as press releases and fact sheets. The training will provide an opportunity for MODSIT staff to develop materials that can be immediately uploaded to the website and/or printed for distribution.

Planned Activities for the Next Quarter under Cross-Cutting Activities

The following are some of the planned activities which will commence in the next quarter:

3.1 Donor Coordination

To the extent possible, the project will continue to support donor coordination efforts both through MODSIT and WB.

3.2 Outreach of SAIL Activities

The project will strive to share a wealth of information on project topics through media and other sources. The next newsletter will be completed during the quarter covering last and this quarter.

3.3 Support Outreach of SAIL Activities

The public-private dialogues on labour reform facilitated by our subcontractor, Verité Research, were postponed as a result of the delay in the meetings of the WG on labour reform. These dialogues will now commence after the scheduled local government elections in mid-February 2018 and will be hosted by MOLTUR who have expressed a willingness to do so.

3.4 Gender Considerations

The project will continue to include gender considerations in its work and look for opportunities to support improvements in gender and ethnic equality.

Factors Affecting Program Results

The SAIL Project requires the cooperation and support of government departments, ministries, and the legislative body, depending on the chosen areas of support. GSL's time and support is required for the SAIL Project to achieve its program objectives. This is also true of cooperating donors. If there is a lack of cooperation, activities planned under SAIL may be delayed. In these instances, the project will refocus efforts elsewhere in agreement with USAID.

Program Indicator Tracking Table

Indicator No.	Indicator Name	Target FY1	Actual FY1	Target FY2	FY2 Achievements				
					Q1	Q2	Q3	Q4	Total
	Sub-purpose 1: Improved/reformed legislative and regulatory environment that will address current constraints to FDI attraction and retention								
1.1	Number of business environment laws, regulations, or administrative procedures drafted, submitted for public/stakeholder consultation, submitted for legislative consideration, or passed/approved as a result of USG assistance	3-Drafted 2-Stakeholder 0-Legislative 0-Approved Total Target 5	2 - Drafted 2 - Legislative Total 4	3-Drafted 3-Stakeholder 2-Legislative 1-Approved Total Target 9	2 - Drafted 2 - Legislative Total 4				4 - Drafted 2 - Legislative Total 4
1.2	Number of days required for investment approval processes (PC-Preliminary Clearance, DP-Development Permit, CC-Certificate of Conformity)	PC 59.72	59.72	59.72	NA	NA	NA	NA	59.72
		DP NA	DP Baseline 406	DP 406	NA	NA	NA	NA	DP 406
		CC NA	CC Baseline 78	CC 78	NA	NA	NA	NA	CC 78
	Sub-purpose 2: Strengthened institutional capacity of BOI or AfD or other GSL to function effectively as investment promotion agency and a one stop shop for FDI entry into Sri Lanka								
2.1	Person hours of training completed in business			300	0				

Indicator No.	Indicator Name	Target FY1	Actual FY1	Target FY2	FY2 Achievements				
					Q1	Q2	Q3	Q4	Total
	enabling environment supported by USG assistance	100	59 Female 85 Male Total 144						
2.2	Number of institutions/organizations (public and private) receiving capacity development support through USG assistance	2-New	2-New	2-Continue 2-New	2-Continue 1-New				2- Continue 1-New

SAIL PMP Update

Purpose:

GSL improves the business enabling environment, in particular for attracting and retaining foreign direct investment

Sub-purpose 1: Improved/reformed legislative and regulatory environment that will address current constraints to FDI attraction and retention. This outcome is tracked with two indicators.

1.1: Number of business environment laws, regulations, or administrative procedures drafted, submitted for public/stakeholder consultation, submitted for legislative consideration, or passed/approved as a result of USG assistance

Reporting Frequency	FY1 Actual	FY2 Target	FY2 Q1 Actual	Proposed Target for Next Quarter
Annually	Drafted 2 Legislative 2 Total 4	Drafted 3 Stakeholder 3 Legislative 2 Approved 1 Total 9	Drafted 2 Legislative 2 Total 4	Drafted 1 Stakeholder 1 Approved 1 Total 4

SAIL is continuing to support labor, enforcing contracts and streamlining investment approvals in year 2. In the first quarter, the project drafted new processes for UDA's Development Permit and Certificate of Conformity which were officially submitted to UDA for agreement and eventual approval. In the second quarter, the project expects the Cabinet Paper on MoUs between SLTDA and other agencies to be approved. The project will also draft a Circular to be submitted to the Chief Justice on improvements in the procedures dictating case processing at the Commercial High Court during the upcoming quarter. SAIL completed drafts for the SLTDA investment pre-approval process and developed a Cabinet Paper on MoUs between SLTDA and other line agencies. The project also expects to hold stakeholder discussion on labour reform during the next quarter.

1.2: Number of days required for investment approval processes PC, DP and CC

Reporting Frequency	FY Baseline	FY Target	FY Actual	Proposed Target for Next Quarter
Annually	PC 59.72	59.72	59.72	59.72
Annually	DP 406	406	406	406
Annually	CC 78	78	78	78

For the Preliminary clearance (PC), the baseline presented is an average number of calendar days it takes from receipt of an application to pre-approval. The data was provided by SLTDA directly for applications over the last year. The referenced process includes the time required for an investment pre-approval through SLTDA. The project expects to reduce the time for this process throughout the life of the project. The estimated final proposed target for project end is 20 days. There is no target for the first year. It will take time to introduce and implement any proposed changes. Data presented for this process is from FY1.

During the first quarter of year 2, the project identified two additional process baselines and set targets for the outyears which can be found in the updated PIRS in Appendix A. The two identified processes include the development permit and the certificate of conformity processes, both managed by UDA. In the table above, the project has indicated the initial baselines.

Sub-purpose 2: Strengthened institutional capacity of BOI and/or AfD to function effectively as an investment promotion agency and as a one-stop shop for FDI entry into Sri Lanka. This outcome is tracked with two indicators.

2.1: Person hours of training completed in business enabling environment supported by USG assistance

Reporting Frequency	FY Baseline	FY Target	FY Actual	Proposed Target for Next Quarter
Quarterly	0	300		100

During the quarter, the project did not provide any formal training. The current total for FY2 is 0 for this indicator. The reason for the shortfall against what was expected is the lack of training opportunities at MODSIT. Although the project had agreed in the previous quarter to provide additional training to MODSIT, time was not allocated during the quarter. The project expects to provide at least two training sessions for SLTDA in the next quarter however.

2.2: Number of institutions/ organizations (public and private) receiving capacity development support through USG assistance

Reporting Frequency	FY Baseline	FY Target	Achievement	Proposed Target for Next Quarter
Quarterly	Continue 2	New 2 Continue 2	New 1	Continue 3

SAIL provided support over the year to two institutions including MODSIT and SLTDA. MODSIT's capacity development activities are focused on strengthening their policy reform efforts and their communications. The focus of SLTDA support is in introducing improvements in their approval and facilitation processes for investors. The project added one new institution, MOJ, in the first quarter. Capacity development at MOJ is focused on technical understanding related to enforcing contracts and the work being implemented in the task force. The project expects to continue supporting these three agencies in the next quarter. More details can be found in the discussion under Component 2 related to capacity development and under Component 1 in the section related to both enforcing contracts and streamlining investment approvals.

SUCCESS STORY

SAIL supports SLTDA Reform strategy with TIPs program

SAIL and SLTDA teams in close collaboration



The SAIL team in discussions with SLTDA One Stop Unit team

The team from USAID Supporting Accelerated Investments in Sri Lanka (SAIL) has made significant progress in its work to attract and facilitate new Foreign Direct Investments (FDI) through Sri Lanka's tourism sector.

The SAIL team has been working closely with the Sri Lanka Tourism Development Authority (SLTDA) to design a Tourism Implementation Plan (TIP) to increase Sri Lanka's competitiveness in the tourism sector and meet the goals and objectives of the SLTDA's Tourism Strategic Plan (TSP) 2017-2020.

Over the past year, the Sri Lanka Tourism Development Authority (SLTDA) has undertaken an extensive review of its services and its One Stop Unit (OSU) in order to make the unit more efficient and effective and geared to provide high quality service to investors.

To ensure the successful delivery of increased investment in Sri Lanka's tourism sector, SLTDA requires the full collaboration of a number of Ministries, Departments and Agencies (MDA's), in addition to the rapid expansion and capacity building of its OSU and OSU officers.

To facilitate this the TIP program includes support in the preparation of a 'Reform/Change Management Strategy' and the development of Memoranda of Understanding (MoU's) with MDA's.

The TIP program also includes support for re-engineering of the investment approval process for tourism, development of tools, protocols and implementation materials for investors and staff, identification of any legal, regulatory and institutional reforms, as required, the development of a communication plan, the preparation for a shared electronic processing/approval system, and outlining, training, and building the capacity of SLTDA's OSU and associated MDA's.

The SAIL team will continue to work closely with SLTDA through the coming years to implement the required reforms.

APPENDIX A PIRS

Performance Indicator Reference Sheet
Purpose: GSL improves the business enabling environment, in particular for attracting and retaining foreign direct investment
Name of Activity Intermediate Result: Improved/reformed legislative and Regulatory Environment that will address current constraints to FDI attraction and retention
Name of Activity Sub-Intermediate Result: NA
Name of Indicator: 1.2 Number of days required for investment approval processes (tourism, business registration, UDA approval and environment approval)
Indicator Type: Custom Indicator
DESCRIPTION
USAID Definition (if applicable):
Precise Definition(s): the time required from submission to formal written approval of a selected process. It is measured in days (8 hours is a day). Even though it is generally indicated, SAIL will specifically track at least three processes over the life of the project.
The first process identified is the pre-approval process from SLTDA (Sri Lanka Tourism Development Authority) to provide preliminary approval for a project. The time is measured in calendar days from receipt of application to issuance of letter of pre-approval from SLTDA. SLTDA maintains all the records.
The second process is the UDA (Urban Development Authority) Development Permit or construction permit. The time is measured from preliminary planning clearance granted by UDA to issuance of the development permit.
The third process is the UDA Certificate of Conformity. The time is measured including fire inspection, issuance of the CC and obtaining the water connection. The data is taken directly from the WB Doing Business website.
A set of approvals is looked at over the year and an average of calendar days is taken.
Unit of Measure: Number of days
Method of calculation: Average Number of Days required for a particular process of approval to be given
Disaggregated by: Type of approval
Justification & Management Utility: the reduction of time required for investment approvals is one of the key factors for attracting FDI.
PLAN FOR DATA ACQUISITION
Data Collection Method: direct collection from GSL agencies, SLTDA for tourism pre-approval process
Data Source(s): GSL agencies, SLTDA for tourism pre-approval process
Method of transfer to USAID: Quarterly Reporting
Frequency & Timing of Data Acquisition: Annually (FY 1 Q4, FY 2 Q4, FY3 Q4, FY4 Q4)
Estimated Cost of Data Acquisition: NA
Individual Responsible at IP (title): M&E Specialist
Individual Responsible for providing data to USAID: CoP, Home office
Location of data storage: SAIL Sri Lanka
DATA QUALITY ISSUES
Date of Initial Data Quality Assessment: FY1 Q4 (Sep. 2017)
Known Data Limitations and Significance (if any): Accurate data collection on time depends on the collection of information by the different agencies. Data is limited based on their limitation in collecting and tracking the process information.
Actions Taken or Planned to Address Data Limitations: Since the project is supporting the streamlining process we will build in tracking to the overall information collection process.
Date of Future Data Quality Assessments: FY2 Q4 (Sep. 2018), FY3 Q4 (Sep. 2019), FY4 Q4 (Oct. 2020)
Procedures for Future Data Quality Assessments: The information checked by CoP, Home Office

PLAN FOR DATA ANALYSIS, REVIEW, & REPORTING				
Data Analysis: Comparing against target				
Presentation of Data: tabulating trend				
Review of Data: CoP, Home Office				
Reporting of Data: Annual				
OTHER NOTES				
Notes on Baselines/Targets: Baselines for the first two processes come from SLTDA data and are only for tourism projects that go through SLTDA. Other UDA projects in other sectors are not considered in the data. However, the baseline for the Certificate of Conformity is taken directly from the doing business indicator on Dealing with Constructions Permits and includes the final step of getting the water connection. It includes all construction projects that require a certificate of conformity are is based on the WB Doing Business methodology based on a case study. Targets in years 3 and 4 may be adjusted with the update of the MEL Plan and after agreement with counterparts. The current targets are only project estimates.				
PERFORMANCE INDICATOR VALUES				
<i>Number of days taken from receipt of application to pre-approval</i>				
Year	Baseline	Target	Actual	Notes
FY 1	59.72	59.72	59.72	
FY 2		59.72		
FY 3		40		
FY 4		20		
THIS SHEET LAST UPDATED ON: 19/10/2017				
<i>Number of days taken from Preliminary Planning Clearance to issue of Development Permit</i>				
Year	Baseline	Target	Actual	Notes
FY 2	406			
FY 3		406		
FY 4		350		
Source: SLTDA database checked and revised by SAIL.. This data sheet last updated on 30 January 2018.				
<i>Number of days taken from Development Permit to UDA Certificate of Conformity</i>				
Year	Baseline	Target	Actual	Notes
FY 2	78			
FY 3		78		
FY 4		40		
Source: http://www.doingbusiness.org/rankings . World Bank Report. This data sheet last updated on 30 January 2018				