



Sri Lanka Public Financial Management Strengthening Project (P178432)

SOUTH ASIA | Sri Lanka | IBRD/IDA | Investment Project Financing (IPF) | FY 2023 | Seq No: 2 | Archived on 29-Apr-2024 | ISR00277

Implementing Agencies: Ministry of Finance, Economic Stabilization and National Policies - Public Finance Department, NATIONAL AUDIT OFFCIE OF SRI LANKA, National Audit Office of Sri Lanka

1. OBJECTIVE

1.1 Development Objective

Original Development Objective (Approved as part of Approval package on 28-Jun-2023)

To enhance the institutional capacity and transparency in procurement and external audit.

Has the Development Objective been changed since Board Approval of the Project Objective?

No

2. COMPONENTS

Name

Improving the operational efficiency and transparency in public expenditures through e-procurement:(Cost 4,000,000.00)

Enhancing accountability and institutional capacity of NAOSL:(Cost 3,500,000.00)

Project Management, implementation support, evaluation and audit:(Cost 100,000.00)

3. OVERALL RATINGS

| Name | Previous | Current |
|--------------------------------------|------------|---------------------------|
| Progress towards achievement of PDO | | ● Moderately Satisfactory |
| Overall Implementation Progress (IP) | | ● Moderately Satisfactory |
| Overall Risk Rating | ● Moderate | ● Moderate |

4. KEY ISSUES & STATUS



4.1 Implementation Status and Key Decisions

The project supports two reform areas (a) development and rollout of a government e-Procurement system; and (b) enhancing accountability and institutional capacity of the National Audit Office of Sri Lanka (NAOSL). The e-Procurement (e-GP) system has been rolled out with the functional module for procurement following shopping procedures and approximately 5500 tenders have been bid out through the e-GP system till date. Modules for competitive. The progress under the component for institutional strengthening of the NAOSL has been slow and NAOSL has prepared a detailed operational plan for implementing the reforms.

5. SYSTEMATIC OPERATIONS RISK-RATING TOOL

| Risk Category | Rating at Approval Approval Package - 28 Jun 2023 | Last Approved Rating ISR Seq. 01 - 19 Oct 2023 | Proposed Rating |
|--|---|--|-----------------|
| Political and Governance | ● Substantial | ● Substantial | ● Substantial |
| Macroeconomic | ● Substantial | ● Substantial | ● Substantial |
| Sector Strategies and Policies | ● Moderate | ● Moderate | ● Moderate |
| Technical Design of Project or Program | ● Moderate | ● Moderate | ● Moderate |
| Institutional Capacity for Implementation and Sustainability | ● Moderate | ● Moderate | ● Moderate |
| Fiduciary | ● Moderate | ● Moderate | ● Moderate |
| Environment and Social | ● Low | ● Low | ● Low |
| Stakeholders | ● Moderate | ● Moderate | ● Moderate |
| Overall | ● Moderate | ● Moderate | ● Moderate |



6. RESULTS

6.1 PDO Indicators by PDO Outcomes

| Enhanced transparency in procurement | | | | | | | | |
|--|---|------------|---|-------------|---|-------------|--|------------|
| Indicator Name | Baseline | | Actual (Previous) | | Actual (Current) | | Closing Period | |
| | Value | Month/Year | Value | Date | Value | Date | Value | Month/Year |
| Information available in the public domain on procurement opportunities (Text) | Information on shopping procurement using e-procurement in 40 (8 percent) pilot procuring entities available in the public domain | Dec/2022 | Information on shopping procurement using e-procurement in 245 (30 percent) pilot procuring entities at the national are available in the public domain | 26-Mar-2024 | Information on shopping procurement using e-procurement in 245 (30 percent) pilot procuring entities at the national are available in the public domain | 26-Mar-2024 | Enhanced access to information on procurement opportunities available in the public domain to bidders and citizens | Nov/2026 |
| | Comments on achieving targets | | This indicator measures the increase in transparency by the information available in the public domain of (i) procurement opportunities (bids) carried out using the e-GP system. | | | | | |
| Enhanced Institutional capacity in procurement | | | | | | | | |
| Indicator Name | Baseline | | Actual (Previous) | | Actual (Current) | | Closing Period | |
| | Value | Month/Year | Value | Date | Value | Date | Value | Month/Year |
| Reduction in procurement cycle time in at least two procurement entities with | Lack of information on procurement cycle time in | Dec/2022 | Baseline survey in two MDAs is delayed and is | 27-Mar-2024 | Baseline survey in two MDAs is delayed and is | 27-Mar-2024 | 10 percent reduction in time taken for procurement | Nov/2026 |



| | | | | | | | | |
|--|-------------------------------|--|--|--|---|--|---|--|
| significant procurement volumes (Text) | procuring entities | | expected to be completed by Sept 30, 2024 | | expected to be completed by Sept 30, 2024 | | over the baseline in selected procurement entities. | |
| | Comments on achieving targets | | This indicator will measure the efficiency in procurement in terms of time taken in at least two key selected procuring entities within ministries or departments. | | | | | |

Enhanced transparency in external audit

| Indicator Name | Baseline | | Actual (Previous) | | Actual (Current) | | Closing Period | |
|---|---|------------|--|-------------|---|-------------|--|------------|
| | Value | Month/Year | Value | Date | Value | Date | Value | Month/Year |
| Specialized audits carried out by NAOSL that are made publicly available (Text) | A limited number of specialized audits carried out by NAOSL and the absence of a manual for procurement audit or dated audit framework for environment audit. | Dec/2022 | Activity is delayed. The consultants for reviewing and updating the framework and manuals in the process of being contracted. Yet to be initiated | 27-Mar-2024 | Activity is delayed. The consultants for reviewing and updating the framework and manuals in the process of being contracted. Yet to be initiated | 27-Mar-2024 | Audit reports of specialized audits available in public domain | Nov/2026 |
| | Comments on achieving targets | | This indicator measures the enhanced of institutional capacity of the NAOSL to carry out specialized audits as per the acceptable framework developed and adopted by by NAOSL. | | | | | |

Enhanced Institutional Capacity in external audit

| Indicator Name | Baseline | | Actual (Previous) | | Actual (Current) | | Closing Period | |
|----------------|----------|------------|-------------------|------|------------------|------|----------------|------------|
| | Value | Month/Year | Value | Date | Value | Date | Value | Month/Year |



| | | | | | | | | |
|---|---|----------|--|-------------|---|-------------|--|----------|
| NAOSL's capacity developed to undertake participatory audits (Text) | Limited engagement of citizens in the audit process | Dec/2022 | Engagement with potential peer SAIs initiated | 27-Mar-2024 | Engagement with potential peer SAIs initiated | 27-Mar-2024 | NAOSL's institutional capacity for participatory audit is enhanced and the results are shared with the citizens in the public domain | Nov/2026 |
| | Comments on achieving targets | | This indicator measures the capacity of NAOSL to involve citizens in audit thereby enhancing citizens engagement | | | | | |

6.2 Intermediate Results Indicators by Components

| Improving the operational efficiency and transparency in public expenditures through e-procurement | | | | | | | | |
|--|---|------------|--|-------------|--|-------------|--|------------|
| Indicator Name | Baseline | | Actual (Previous) | | Actual (Current) | | Closing Period | |
| | Value | Month/Year | Value | Date | Value | Date | Value | Month/Year |
| E-procurement system established and operational (Text) | There is an e-procurement system that provides the functionality of only the Request for Quotations | Nov/2022 | A draft implementation plan has been prepared. The revised target date for notifying the mandatory use | 27-Mar-2024 | A draft implementation plan has been prepared. The revised target date for notifying the mandatory use | 27-Mar-2024 | An E-procurement system covering various methods of procurement has been developed and | Nov/2026 |



| | | | | | | | | |
|--|---|----------|---|-------------|---|-------------|---|----------|
| | (shopping) method | | for e-GP system for shopping procurement by central level MDA's is September 30, 2024 after addressing some technical aspects in the e-GP system - version 2.1. | | for e-GP system for shopping procurement by central level MDA's is September 30, 2024 after addressing some technical aspects in the e-GP system - version 2.1. | | performance reports published | |
| | Comments on achieving targets | | This indicator measures the development of the core modules of the e-GP system and enabling administrative guidelines that mandates the use of the e-GP system | | | | | |
| Scale up of existing modules and roll out of new modules of the e-GP system (Text) | Shopping module rolled out in 40 pilot procuring entities | Dec/2022 | Of the 445 procuring entities (PE) registered at the national level in the e-GP system, 245 (30 percent) are active users of the e-GP system | 27-Mar-2024 | Of the 445 procuring entities (PE) registered at the national level in the e-GP system, 245 (30 percent) are active users of the e-GP system | 27-Mar-2024 | E-Procurement system rolled out to all procuring entities at the national level | Nov/2026 |
| | Comments on achieving targets | | This indicator measures the progress in roll out of the various modules of the e-GP system to the procuring entities | | | | | |
| Information on contract award in public domain | Contract award | Dec/2022 | MoF has mandated the | 27-Mar-2024 | MoF has mandated the | 27-Mar-2024 | 60 percent of shopping | Nov/2026 |



| | | | | |
|--------|--|--|--|---|
| (Text) | information not available in public domain | e-publication of contract awards information above Rs 200 million in the e-GP portal, while shopping procurement initiated in the e-GP system as enabled to display the award on completion of the award. As on date information on 270 contract awards above Rs 200 million have been e-published and 34 contract awards following shopping method have been disclosed on the e-GP portal | e-publication of contract awards information above Rs 200 million in the e-GP portal, while shopping procurement initiated in the e-GP system as enabled to display the award on completion of the award. As on date information on 270 contract awards above Rs 200 million have been e-published and 34 contract awards following shopping method have been disclosed on the e-GP portal | procurement and 50 percent of open procurement method contract award information available in the public domain |
|--------|--|--|--|---|



| | Comments on achieving targets | | This indicator measures the percentage of contract award information against procurement carried out using the e-GP system available in respect of entities using the e-GP system | | | | | |
|---|---|------------|---|-------------|---|-------------|---|------------|
| Enhancing accountability and institutional capacity of NAOSL | | | | | | | | |
| Indicator Name | Baseline | | Actual (Previous) | | Actual (Current) | | Closing Period | |
| | Value | Month/Year | Value | Date | Value | Date | Value | Month/Year |
| Improvement in performance rating of NAOSL in selected priority indicators as per SAI-PMF Assessment (Text) | NAOSL performing between the founding and established levels as per SAI-PMF assessment at an aggregate level with low scores in Domain B - Internal Governance and Domain E- Human Resources and Training | Nov/2019 | NAOSL has prepared in-house a detailed operational plan for implementation of the Development Action Plan (DAP) | 27-Mar-2024 | NAOSL has prepared in-house a detailed operational plan for implementation of the Development Action Plan (DAP) | 27-Mar-2024 | Increase in NAOSL's SAI-PMF Assessment rating in priority indicators over baseline assessment in Domains B, C (Audit Quality and Reporting), and E - Human Resources and Training | Nov/2026 |
| | Comments on achieving targets | | This measures the improvement in selected indicators related to the institutional capacity of the NAOSL | | | | | |
| Capacity Building of NAOSL staff in specialized Audits (No. of staff trained) (Text) | Limited and absence of structured training in | Dec/2022 | Update of manuals yet to be initiated | 27-Mar-2024 | Update of manuals yet to be initiated | 27-Mar-2024 | The capacity of NAOSL staff enhanced to carry out | Nov/2026 |

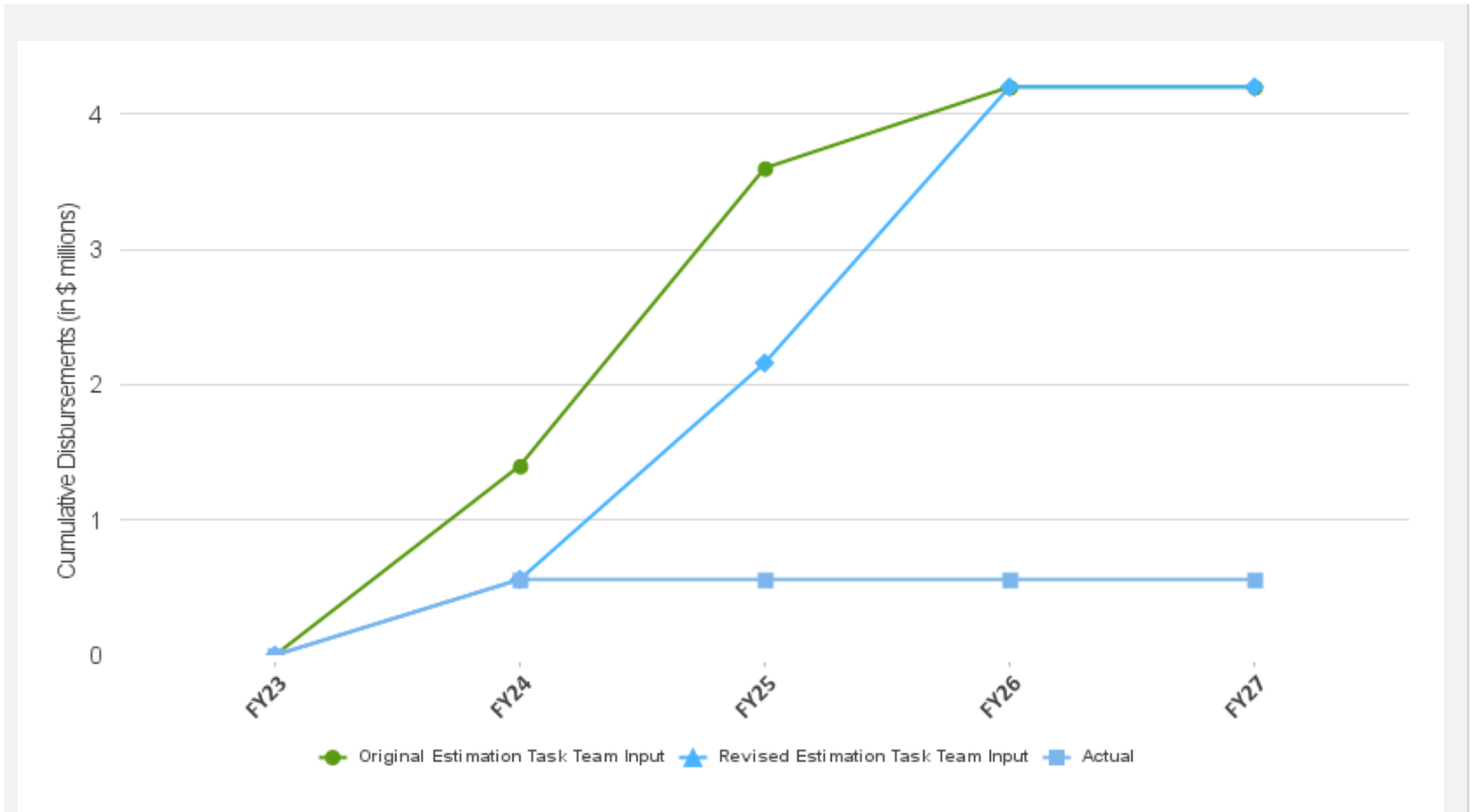


| | | | | | | | | |
|---|---------------------------------------|----------|--|-------------|--|-------------|---|----------|
| | specialized audits | | | | | | specialized audits | |
| | Comments on achieving targets | | This indicator measures the human resource capacity enhancement to carry out specialized audits | | | | | |
| | Nil | Dec/2022 | Nil | 27-Mar-2024 | Nil | 27-Mar-2024 | 40 female staff have received specialized training in Financial Attest, Procurement and Environment Audit | Nov/2026 |
| | Comments on achieving targets | | As Above | | | | | |
| | Outdated AMS and no CAAT tools in use | Dec/2022 | Consultant to study the existing AMS and appropriate CAAT tools to be contracted | 27-Mar-2024 | Consultant to study the existing AMS and appropriate CAAT tools to be contracted | 27-Mar-2024 | Enhanced efficiency in audits by NAOSL through use of IT tools | Nov/2026 |
| | Comments on achieving targets | | This indicator measures the enhancement in the efficiency of audit process using IT based audit management tools | | | | | |
| Of which No. of staff trained are female (Text) | | | | | | | | |
| Enhanced access and use of audit management software (AMS) and Computer Assisted Audit Techniques (CAAT) (Text) | | | | | | | | |



7. DATA ON FINANCIAL PERFORMANCE

7.1 Cumulative Disbursements



7.2 Disbursements (by loan)

| Loan/Credit/TF | Status | Original | Revised | Cancelled | Disbursed | Undisbursed | % Disbursed |
|----------------|-----------|----------|---------|-----------|-----------|-------------|-------------|
| TF-C1642 | Effective | 4.20 | 4.20 | 0.00 | 0.56 | 3.64 | 13.33% |

7.3 Key Dates (by loan)

| Loan/Credit/TF | Status | Approval | Signing | Effectiveness | Orig. Closing | Rev. Closing |
|----------------|-----------|-------------|-------------|---------------|---------------|--------------|
| TF-C1642 | Effective | 28-Jun-2023 | 06-Jul-2023 | 06-Jul-2023 | 30-Nov-2026 | 30-Nov-2026 |

8. KEY DATES



| Key Events | Planned | Actual |
|--------------------------------|-------------|-------------|
| Approval | 30-Jun-2023 | 27-Jun-2023 |
| Effectiveness | 06-Jul-2023 | 06-Jul-2023 |
| Mid-Term Review No. 01 | 30-Mar-2025 | |
| Operation Closing/Cancellation | 30-Nov-2026 | |

9. RESTRUCTURING HISTORY

10. ASSOCIATED OPERATION(S)

There are no associated operations