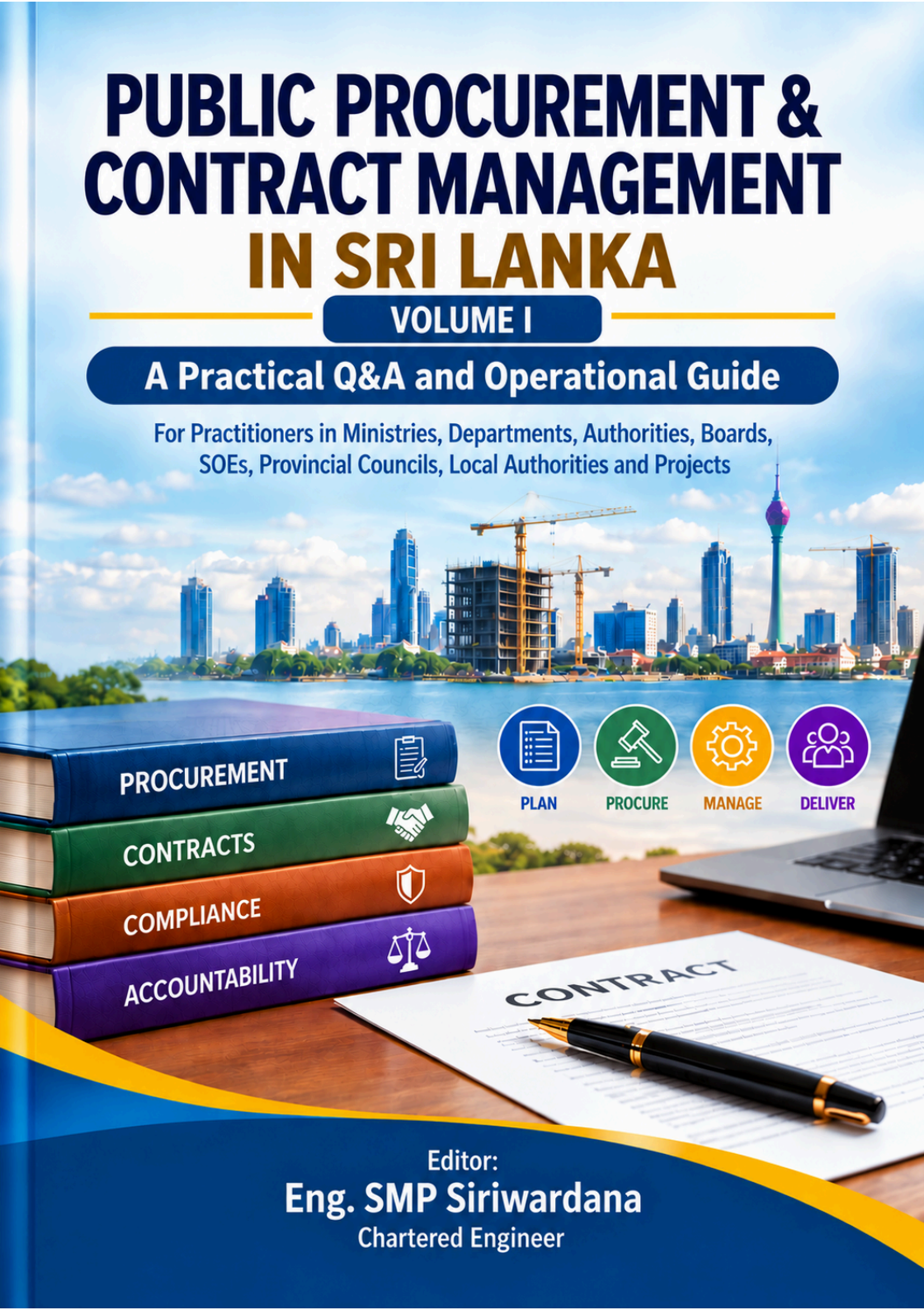
PUBLIC PROCUREMENT & CONTRACT MANAGEMENT IN SRI LANKA

VOLUME I

A Practical Q&A and Operational Guide

For Practitioners in Ministries, Departments, Authorities, Boards, SOEs, Provincial Councils, Local Authorities and Projects



Editor:
Eng. SMP Siriwardana
Chartered Engineer

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For Practitioners in Ministries, Departments, Authorities, Boards, SOEs, Provincial Councils, Local Authorities and Projects

Transparency
Accountability
Value for Money
Better Public Services
Sustainable Development

Editor:
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Preface

Public procurement and contract management play a central role in the delivery of public infrastructure, Goods and Services and in the responsible use of public funds in Sri Lanka. Increasingly complex projects constrained public resources, stronger expectations of accountability and the continued development of national and international procurement practices require practitioners to combine procedural compliance with sound professional judgement.

The **Procurement Guidelines 2024 and Procurement Manual 2024** provide the principal national framework for the procurement of Goods, Works and Non-Consulting Services. They operate together with applicable legislation, financial regulations, Standard Procurement Documents, specialized procurement frameworks, financing agreements and the conditions of individual contracts.

Yet, an important practical challenge remains. Formal rules necessarily establish principles, responsibilities and procedures at a general level, while procurement officers, engineers, committee members, project managers and contract administrators must apply those requirements to particular situations often involving incomplete information, technical complexity, competing contractual considerations, strict time constraints and significant financial consequences.

Questions frequently arise in practice:

- **Which procurement method is appropriate?**
- **What information must be included in the Procurement Documents?**
- **How should a deviation in a bid be treated?**
- **What is the respective role of BEC, PC and approving authority?**
- **How should a Variation, EOT or payment claim be assessed?**
- **When does a contractual issue become a dispute?**
- **What records are necessary to support an important decision?**
- **How should procurement and contract risks be controlled?**

This publication was developed to address that practical interface between **rules and implementation**.

Rather than reproducing the Procurement Guidelines or Manual, it explains their application through structured Q&A, operational guidance, practical scenarios, process maps, contract-management principles, risk controls and cross-references to the governing framework. Particular attention has been given to the areas in which procurement and engineering practice intersect, planning, evaluation, contract formation, Variations, time management, payment, quality, claims, disputes and contract closeout.

A Two-Volume Practitioner Reference

During the development of this work, it became evident that two different forms of information were required.

Practitioners need, first, a compact reference that explains **what should be done, why it is required, how the process operates and where responsibility lies**.

They also need practical working documents—forms, registers, checklists and templates which must provide sufficient writing space and table width for actual operational use.

For this reason, the publication is arranged as two complementary volumes.

Volume I — Public Procurement & Contract Management in Sri Lanka

A Practical Q&A and Operational Guide

Volume I provides the principal explanatory and professional reference. It covers the procurement and contract-management lifecycle from planning and procurement-method selection through Procurement Documents, competition, evaluation, award, contract administration, completion and closeout.

It also addresses consultant selection, donor-funded procurement, e-GP, PPPs, community participation, State-Owned Enterprises, audit and accountability, governance and ethics, supplier/contractor performance, procurement monitoring, practical case studies, SOPs, risk management and institutional capacity building.

The Q&A structure has been retained because many procurement problems arise as specific operational questions requiring a direct answer supported

by the relevant principle or procedure. The case studies complement that approach by demonstrating how the principles should be applied to realistic procurement and contract-management situations.

Meaningful process diagrams and flowcharts have also been retained where they make a procedure easier to understand than narrative text alone.

Volume II — Public Procurement & Contract Management in Sri Lanka

Operational Forms, Templates & Compliance Checklists

A Practical Companion Workbook

Volume II is the operational companion to Volume I.

It consolidates the forms, templates, registers and checklists required to document and manage procurement and contract activities. Its larger working format is intended to make the documents practical for completion, adaptation, printing and institutional use.

The relationship between the two volumes may therefore be summarized as:

Volume I — WHAT, WHY and HOW

Volume II — DOCUMENT, RECORD, CHECK and MONITOR

The two volumes are designed to be used together, while avoiding unnecessary duplication.

Intended Users

The publication is intended principally for:

- **Chief Accounting Officers, Accounting Officers, Heads of Institutions and senior managers** responsible for procurement governance and accountability;
- **Procurement Management Divisions, Procurement Professionals, Procurement Committees and Bid Evaluation Committees** involved in planning, documentation, evaluation and award;
- **Engineers, Project Managers, Contract Managers and Consultants** responsible for Works and contract administration;
- **Project and donor-funded procurement personnel** applying national and financing-agency requirements;

- **Internal Auditors, compliance personnel and other oversight professionals** reviewing procurement and contract records; and
- **Contractors, suppliers and service providers** seeking a clearer understanding of public procurement and contractual procedures.
- **Students and new entrants to procurement**; seeking practical learning and professional examinations material.

The book may also serve as a training and professional development reference for officers entering procurement or assuming committee, engineering or contract-management responsibilities.

How this Publication Should Be Used

This work is a **practical professional guide**, not a substitute for the governing instruments.

For any actual procurement or contract, practitioners should confirm the current applicable:

- law and financial regulations
- Procurement Guidelines and Manual
- financing agreement or donor framework where applicable
- Procurement Documents
- approvals
- signed Contract.

Where a contractual matter is concerned, the rights and obligations of the parties arise principally from the **actual Contract**. General explanations or examples in this book should therefore not be used to override contract-specific provisions.

Similarly, procurement thresholds, authority limits, procedures, donor requirements and standard documents may change. Users should verify the current official version before applying any time period, monetary threshold, approval level or contractual requirement.

Closing Perspective

This publication aims to support more informed procurement and contract-management decisions.

Sound public procurement requires more than completing procedural steps. It depends on:

- sound planning
- appropriate competition
- objective evaluation
- proper approval
- effective contract management
- reliable documentation
- accountability and continuous improvement.

When those disciplines operate together, procurement becomes an effective management process for converting public resources into useful infrastructure, Goods and Services while protecting transparency, fairness, Value for Money and accountability.

It is my hope that these two volumes will provide practitioners with a useful working reference one that supports professional judgement, strengthens institutional practice and contributes to the responsible management of public resources in Sri Lanka.

Eng. SMP Siriwardana

Chartered Engineer

Kandy, Sri Lanka

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PART I — INTRODUCTION & FOUNDATIONS

CHAPTER 1 — PURPOSE OF THE BOOK & OPERATIONAL GUIDANCE

1.1. Purpose of the Guide

Public procurement and contract management in Sri Lanka operate within a structured regulatory framework comprising the **Procurement Guidelines 2024**, the **NPC Procurement Manual 2024**, **Standard Procurement Documents/Standard Bidding Documents (SPDs/SBDs)**, and applicable public-finance and contractual requirements.

Although these instruments establish governing rules and procedures, practitioners frequently encounter practical questions requiring timely and defensible decisions. This book is therefore designed as a practical **Question-and-Answer (Q&A)** reference that translates regulatory and contractual requirements into operational guidance for day-to-day procurement and contract administration.

1.2. Why a Q&A Format?

- *Can we accept a late bid?*
- *Is this variation permissible?*
- *Does this EOT qualify as compensable?*
- *Can the PC overturn the BEC recommendation?*
- *Is this consultant eligible under QCBS?*

Procurement and contract-management issues usually arise as specific operational questions rather than theoretical problems. The Q&A format enables practitioners to identify the relevant issue quickly, understand the applicable requirement, and determine an appropriate course of action without navigating lengthy regulatory text. It is particularly suited to the

types of questions arising during BEC evaluations, PC deliberations, contract administration, audit reviews and dispute management.

1.3. Who Should Use This Guide?

This guide is intended for:

- **Procurement Committees and Bid Evaluation Committees**; for procurement decision-making, evaluation and award.
- **Procurement Professionals and PE/PMD/Project**; for planning, bidding, administration and reporting.
- **Engineers, Project Directors and Contract Administrators**; for contract administration, payments, variations, delays, defects and disputes.
- **Contractors, Suppliers and Consultants**; for understanding procurement and contractual obligations and procedures.
- **Internal and External Auditors**; for compliance and governance review.
- **Students and new entrants to procurement**; for practical learning, professional examinations and applied study.

This book provides an integrated practical reference for stakeholders across the procurement ecosystem.

1.4. How to Use the Guide

This book is designed primarily for issue-based reference rather than continuous reading. Readers may proceed directly to the relevant Q&A, case study, SOP, flowchart or operational form.

It may be used during:

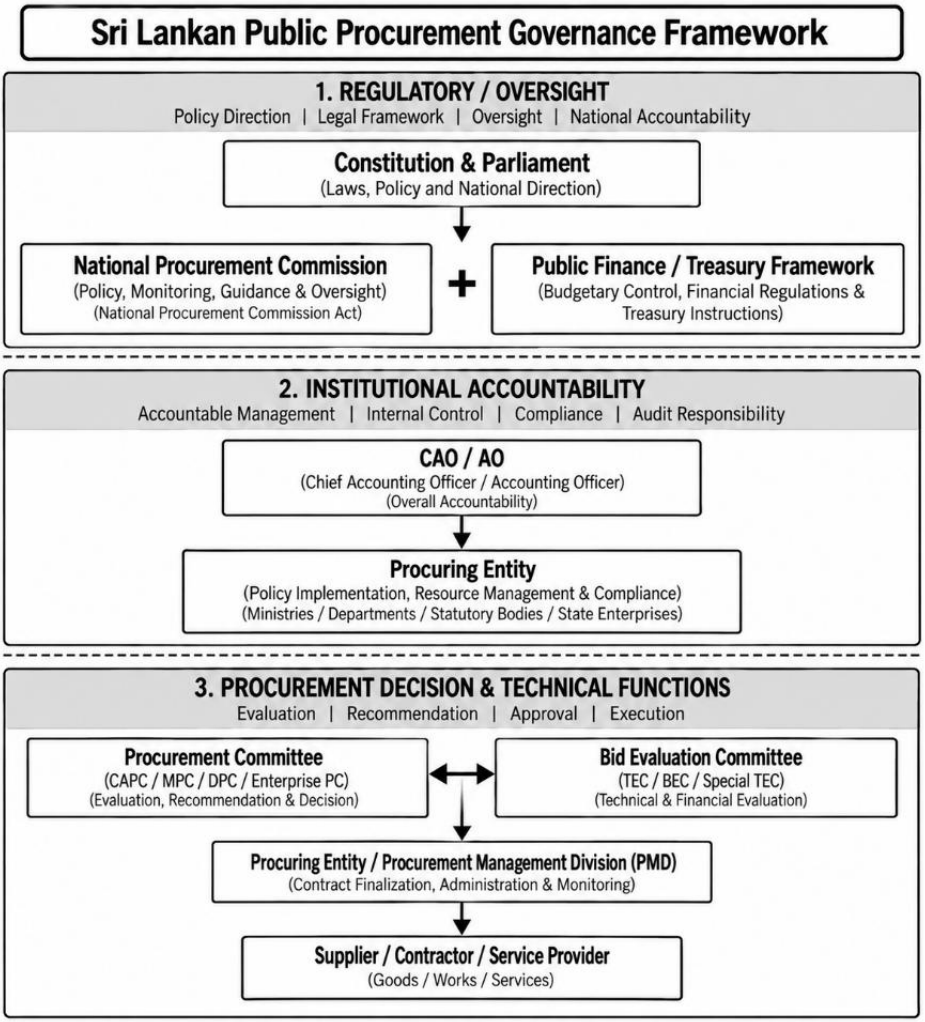
- BEC meetings and evaluations;
- Procurement Committee deliberations;
- Bid openings and award procedures;

- Contract administration and negotiations;
- Site inspections and progress reviews;
- Audit and compliance reviews; and
- Claims and dispute-resolution processes.

Readers may proceed directly to the relevant Q&A, case study, SOP or process map in Volume I and consult the corresponding operational form, register or checklist in Volume II. The explanations provide practical professional guidance and should be applied together with the current governing instruments and the applicable Contract.

1.5. Academic and Professional Learning

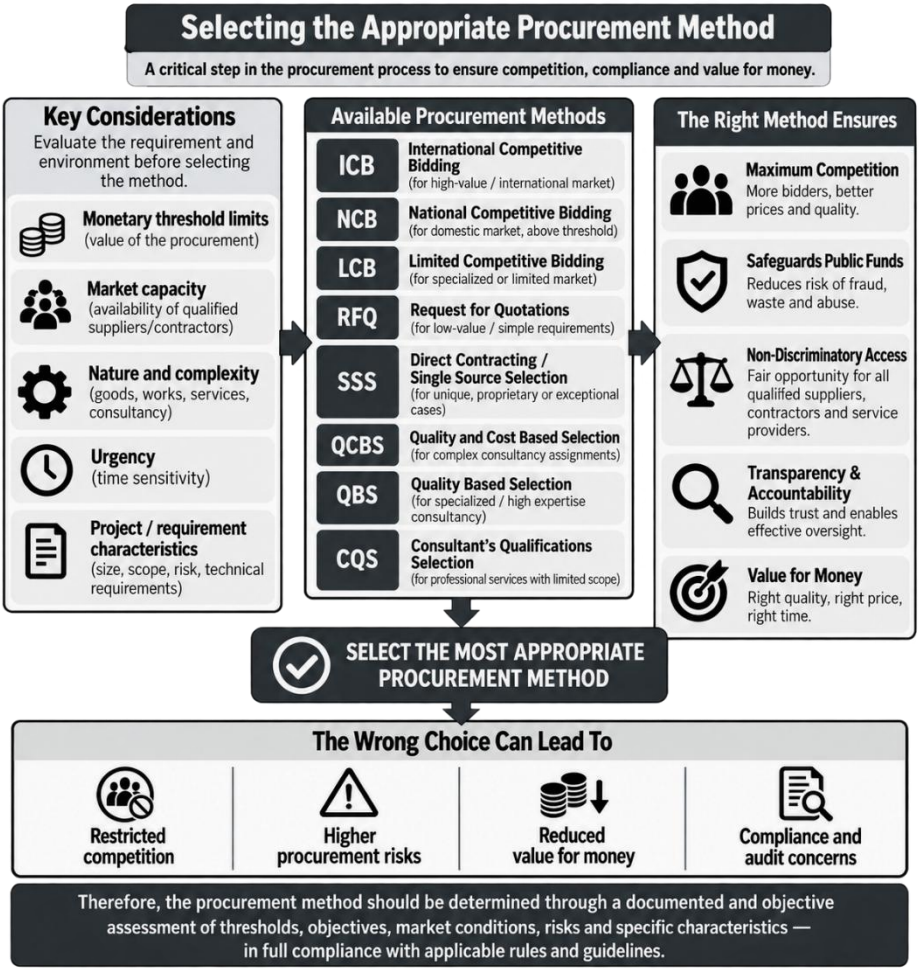
The Q&As and case studies may be used for examination and assignment preparation, while the statutory matrices, method comparisons and governance frameworks can support academic research. The scenario-based structure can also assist candidates preparing for professional interviews, viva voce examinations and chartership assessments.

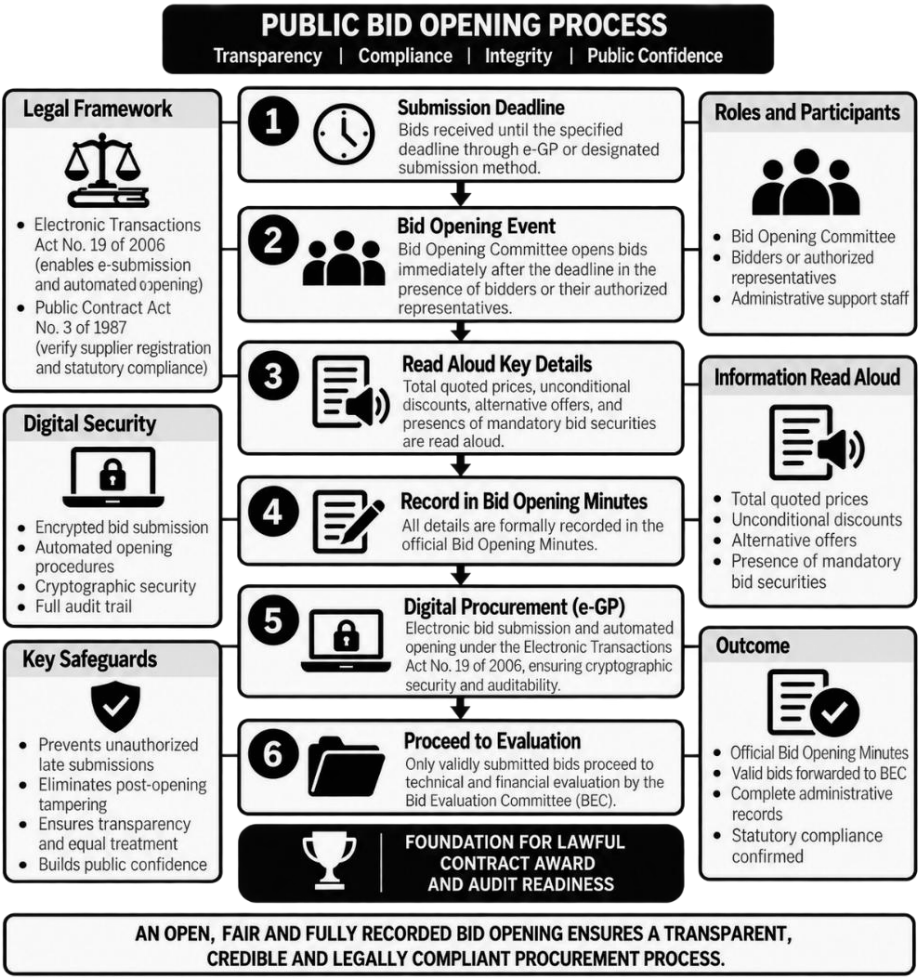


The Procurement Manual 2024 provides the detailed procedures, authority and threshold requirements, explanations, time schedules and operational guidance necessary to implement the Procurement Guidelines. In practical terms, the Guidelines establish the governing requirements, while the Manual explains their procedural application. The two documents should therefore be read together.

arrangements where the conditions prescribed in the Guidelines and Manual are satisfied. Consultant selection is governed by the applicable consultant-selection framework and is dealt with separately in this book.

Sound procurement planning and method selection should therefore achieve more than procedural compliance. They should promote **Value for Money (VfM), appropriate competition, realistic scheduling, procurement readiness and clear accountability**, while preventing artificial contract splitting, avoidable emergency procurement and inappropriate use of less competitive methods.




PUBLIC BID OPENING PROCESS
Transparency | Compliance | Integrity | Public Confidence
Legal Framework
Electronic Transactions Act No. 19 of 2006 (enables e-submission and automated opening)
Public Contract Act No. 3 of 1987 (verify supplier registration and statutory compliance)
Digital Security
Encrypted bid submission
Automated opening procedures
Cryptographic security
Full audit trail
Key Safeguards
Prevents unauthorized late submissions
Eliminates post-opening tampering
Ensures transparency and equal treatment
Builds public confidence
1 Submission Deadline
Bids received until the specified deadline through e-GP or designated submission method.
2 Bid Opening Event
Bid Opening Committee opens bids immediately after the deadline in the presence of bidders or their authorized representatives.
3 Read Aloud Key Details
Total quoted prices, unconditional discounts, alternative offers, and presencs of mandatory bid securities are read aloud.
4 Record in Bid Opening Minutes
All details are formally recorded in the official Bid Opening Minutes.
5 Digital Procurement (e-GP)
Electronic bid submission and automated opening under the Electronic Transactions Act No. 19 of 2006, ensuring cryptographic security and auditability.
6 Proceed to Evaluation
Only validly submitted bids proceed to technical and financial evaluation by the Bid Evaluation Committee (BEC).
FOUNDATION FOR LAWFUL CONTRACT AWARD AND AUDIT READINESS
Roles and Participants
Bid Opening Committee
Bidders or authorized representatives
Administrative support staff
Information Read Aloud
Total quoted prices
Unconditional discounts
Alternative offers
Presence of mandatory bid securities
Outcome
Official Bid Opening Minutes
Valid bids forwarded to BEC
Complete administrative records
Statutory compliance confirmed
AN OPEN, FAIR AND FULLY RECORDED BID OPENING ENSURES A TRANSPARENT, CREDIBLE AND LEGALLY COMPLIANT PROCUREMENT PROCESS.

Q22: What is the BOC's principal responsibility at closing?

A. The BOC is responsible for ensuring that bid/proposal submission is closed at the correct time stated in the Procurement Documents and that all bids/proposals received before the deadline are made available for opening.

Ref: Manual 6.6(B).

Q23: When should bid opening take place?

A. Bids/proposals should be opened **immediately after closing**. The Manual further explains that opening should take place, as far as possible, **within 30 minutes of submission closing**.

Ref: Guideline 6.6(a); Manual 6.6(A).

Q24: Must the opening be public?

A. Yes, except where the procurement method provides otherwise. The Manual states that opening should take place in the presence of bidders or their authorized representatives who wish to attend, with the exception for Direct Procurement.

Ref: Guideline 6.6(a); Manual 6.6(A).

Attendance by bidders is **optional**, not a condition for a valid opening.

Q25: May the BOC reject a bid during opening?

A. No, provided the bid was received on time.

The BOC does not determine responsiveness, eligibility, qualification or technical compliance. Those matters belong to the subsequent evaluation process.

Only late bids are excluded from the opening process.

Ref: Guideline 6.6(b)–(c); Manual 6.6(C).

E. Opening Procedure

Q26: What should the BOC do first when organizing bids for opening?

A. The Manual prescribes the following sequence:

1. identify and separate withdrawals;
2. identify modifications;
3. match modifications with the corresponding original bid;
4. separate originals and duplicates; and
5. seal/initial the relevant envelopes as prescribed.

Ref: Manual 6.6(D).

Q27: What happens to a properly withdrawn bid?

A. If the BOC is satisfied to the withdrawal notice and its authentication, the original bid/proposal is **not opened**. It is retained securely for return after finalization of the contract award.

If the withdrawal is not satisfactorily authenticated, the original bid is opened with the other bids.

Ref: Manual 6.6(D)(2).

Q28: How is a modified bid handled?

A. A properly marked Modification envelope is opened together with the corresponding original bid. The Modification is opened and read first, followed by the original bid as prescribed.

Ref: Manual 6.6(D)(3).

Q29: Are duplicates open at the public opening?

A. Normally, no. The original is opened and read, while duplicates are retained securely.

Where envelopes have been incorrectly marked, the BOC may open another envelope only to identify which contains the original and then correct the marking.

Ref: Manual 6.6(D)(4).

Q30: What safeguards are applied to opened BOQs and Price Schedules?

A. The Manual requires the BOC to cover the **Rate and Item Total columns** of the BOQ/Price Schedule with transparent adhesive tape to prevent subsequent alteration.

Ref: Manual 6.6(D)(4)(viii).

Q31: Which bid documents should BOC members initial?

A. The Manual identifies, among others:

Form of Bid; Summary of BOQ; Bid Security cover letter; discount letter, if any; and any modification.

Ref: Manual 6.6(D)(ix).

F. Information to be Announced

Q32: What information must be announced at public opening?

A. The BOC should announce and record:

- bidder's name and address;
- bid amount;
- lot/item amounts where applicable;
- availability of original Bid Security and issuing entity;
- discounts offered;
- availability of required samples; and
- modifications, if any.

Ref: Manual 6.6(E).

Q33: Must discounts be announced?

A. Yes. Discounts should be announced separately, with clarity as to whether the announced price is inclusive or exclusive of the discount.

If the BOC fails to announce a discount, the bidder is entitled to request that the discount be announced.

Ref: Manual 6.6(E)(iv).

Q34: Can arithmetic corrections be made during public opening?

A. No. Public opening is a recording and announcement exercise, **not an evaluation exercise**.

Arithmetic corrections and other financial adjustments belong to the subsequent evaluation by the PC/BEC under Chapter 7 of Procurement Guideline.

Q35: Can bidders argue about responsiveness during opening?

A. The BOC should not determine substantive evaluation questions during the opening session.

Any procedural occurrence or relevant incident may be recorded in the opening record, but technical, commercial, legal and qualification determinations belong to the evaluation process.

The Manual expressly allows special events or incidents occurring during opening to be included in the minutes.

G. Bid Opening Records and Custody

Q36: Must Bid Opening Minutes be prepared?

A. Yes. The proceedings must be recorded in the prescribed Bid/Proposal Opening format and signed by all BOC members.

The record includes the opening time and place, bidder details, announced prices, Bid Security information and any other prescribed or special features.

CONTRACT MANAGEMENT FRAMEWORK

From Award to Successful Completion

1 Mobilization & Commencement



- Issue Letter of Acceptance (LoA)
- Handover site possession
- Issue Notice to Commence
- Establish legal baseline dates
- Obtain key preliminary submittals:
  - Work program (CPM)
  - Insurance policies
  - Other required documents

Outcome: Project legally commenced

2 Financial Oversight & Risk Mitigation



- Obtain and manage unconditional performance guarantees
- Process advance payments and ensure recovery
- Certify interim payments after verification
- Apply retention and securities
- Enforce liquidated damages (LD) for delays
- Monitor overall financial exposure and risks

Outcome: Public funds protected

3 Performance & Quality Control



- Monitor compliance with Technical Specifications and TOR
- Conduct regular site inspections
- Verify milestones and key deliverables
- Ensure quality assurance and testing
- Enforce health, safety, and environmental standards
- Maintain systematic records and reports

Outcome: Quality work delivered

4 Contractual Variations & Scope Management



- Assess and approve scope changes
- Manage quantity variations
- Evaluate cost adjustments
- Process time extension (EOT) requests
- Ensure compliance with authority limits and procedures
- Avoid cost overruns and delays
- Maintain proper documentation and justifications

Outcome: Controlled changes and minimal disputes

5 Dispute Resolution & Governance



- Manage operational grievances and claims
- Apply multi-tier dispute resolution (e.g. Engineer's determination, DAB, arbitration)
- Maintain complete contract records
- Ensure compliance with statutory requirements
- Facilitate audits by national statutory bodies
- Promote timely and amicable settlement

Outcome: Disputes resolved and audit-ready records

Governing Rules & Standards



- Procurement Guidelines 2024
- Procurement Manual 2024
- Standard CIDA / FIDIC Conditions of Contract
- Public Contract Act No. 3 of 1987
- Electronic Transactions Act No. 19 of 2006
- Other applicable laws, circulars and regulations

Key Stakeholders



- Procuring Entity (PE)
- Project Management Unit (PMU)
- Engineer / Project Manager
- Contractor / Consultant
- Supervision Consultants
- Relevant statutory bodies (Auditor General, PAB, etc.)

Key Success Factors



- Transparency and accountability
- Timely decision-making
- Strict contractual and statutory compliance
- Effective communication
- Proper record keeping
- Proactive risk management
- Focus on value for money

Expected Outcomes



- Successful project delivery
- Quality and durable assets
- Optimal use of public funds
- Reduced disputes and claims
- Strong audit and legal defensibility
- Enhanced public confidence

DISCIPLINED CONTRACT MANAGEMENT | ACCOUNTABLE PUBLIC INVESTMENT | BETTER SERVICE DELIVERY

Ref: Manual 5.17(D); Annexure VII of Chapter 5.

Q22: Must the Advance Payment Guarantee equal the amount advanced?

A. The security should cover the advance being released in accordance with the Contract and the prescribed guarantee form.

The GPMCM checklist similarly requires the guarantee to correspond to the amount specified in the Contract or the amount requested as advance, as applicable.

Ref: Manual 5.17; applicable Advance Payment Guarantee.

Q23: Can an advance be paid before the contractor satisfies the required conditions?

A. No. Payment should be made only after the conditions specified in the Procurement Documents and Contract have been fulfilled, including provision of the required Advance Payment Guarantee.

For the Works procedures covered by the GPMCM, its operational checklist also requires an acceptable Performance Security, Advance Payment Guarantee and the relevant advance-payment statement before payment.

Ref: Guideline/Manual 5.17; applicable GCC/SCC.

Q24: Must advance payment always be released only after the formal agreement is signed?

A. Not necessarily. The 2024 framework requires prescribed Performance Security before entering into the agreement, while the timing and conditions of advance payment are governed by Manual 5.17 and the Contract. For Works, GPMCM recommends completing the contractual and security prerequisites as part of the pre-commencement process.

Ref: Manual 5.17 and 5.19; applicable Conditions of Contract.

Q25: Can advance payment be made in instalments?

A. Yes, where the Contract provides for instalments. The amount, timing, currencies and conditions of each instalment should be established by the Contract.

GPMCM specifically recommends checking these matters before processing advance payment.

Ref: Applicable GCC/SCC/Contract Data; GPMCM CA24.

Q26: How must advance payment be recovered?

A. For Works contracts under the 2024 Manual, advance payment must be progressively recovered and **fully recovered before payment of 90% of the amount due to the contractor**.

The detailed deduction mechanism should be stated in the Contract.

Ref: Manual 5.17(A).

Q27: Can the amount of the Advance Payment Guarantee be progressively reduced?

A. Yes, where the prescribed guarantee and Contract permit this. The guaranteed amount may reduce as the advance is recovered.

For example, the ICTAD/SBD/03 form expressly provides for progressive reduction by amounts repaid by the contractor.

Ref: Applicable Advance Payment Guarantee and Conditions of Contract.

Q28: What happens if the advance is not fully recovered before the guarantee expires?

A. The PE should monitor the security and request its extension sufficiently before expiry where an unrecovered advance remains.

The Manual specifically requires a monitoring mechanism for this purpose.

Ref: Manual 5.17(E).

D. Pre-Commencement Readiness

Q29: What should the PE verify before physical commencement of a Works contract?

A. The exact requirements depend on the Contract. Typical pre-commencement matters may include:

- formal contract execution;
- Performance Security;
- funding/payment arrangements;
- appointment of the Engineer or other contract administrator;
- access to and possession of the Site;
- required insurance;
- required statutory approvals;
- contractual documents and drawings;
- survey information;
- advance payment where applicable; and
- arrangements for the contractor's initial site establishment.

The GPMCM provides a detailed pre-commencement checklist for these matters.

Ref: Applicable Conditions of Contract; GPMCM CA07.

Q30: Should a contract-management team be established before commencement?

A. For significant contracts, this is sound operational practice. GPMCM identifies formation of the project/contract-management team, handover of contract documents, establishment of document control and clarification of responsibilities as early mobilization-stage activities.

For current procurements, this should be aligned with the statutory requirement for the PE to appoint Contract Manager(s) and prepare the Contract Management Plan.

TIME MANAGEMENT IN CONTRACT ADMINISTRATION

Monitoring, Managing and Controlling Contractual Time Obligations

Purpose

- Ensure completion, delivery and other time obligations are met.
- Manage time-related risks, EOT, delay claims and Liquidated/Delay Damages.
- Achieve timely and successful project completion.

Responsibilities (Procurement Guidelines 2024)

- Procuring Entity (PE) is responsible for contract management.
- Provide adequate supervision.
- Appoint the responsible Contract Manager(s).
- Manage time extensions and other implementation issues.
- Address time-related claims and disputes promptly, with due attention to cost escalation.

TIME MANAGEMENT PROCESS

1 Establish Time Baseline
- Refer to Contract Data / SCC / Schedule and Conditions of Contract.
- Identify commencement date, Time for Completion / Intended Completion Date.
- Understand contract-specific procedures (e.g. ICTAD/SBD/03, FIDIC, etc.).

2 Programme of Works
- Contractor submits programme.
- Review and approve programme.
- Monitor progress against approved programme.

3 Monitor Progress
- Regular site meetings and reporting.
- Track key milestones and actual vs planned dates.
- Identify early warning signs of delay.

4 Delay Events and EOT Claims
- Contractor gives notice and submits claim as per Contract.
- Assess entitlement, contractual risk allocation and effect on completion.
- Use delay-analysis techniques (e.g. critical path) where applicable.

5 VRC Review and Approval
- Variation Review Committee (VRC) examines EOT, prolongation and delay claims.
- Make recommendations within the applicable approval framework.

6 Determine Extension of Time
- Approve EOT only if entitlement is established.
- Issue formal EOT determination.
- Revise contractual completion date.

7 Liquidated / Delay Damages
- Apply LD where delay is attributable to the Contractor.
- Rates must be in the Procurement Documents and Contract.
- Apply national maximum rates and overall cap (Procurement Manual).

8 Completion and Closeout
- Confirm completion and final delivery.
- Verify clearance of delay claims and LD.
- Update records and lessons learned.

Key Contractual Elements

- Commencement date (Start Date).
- Time for Completion / Intended Completion Date.
- Programme submission and approval.
- EOT and delay claim procedures.
- Liquidated/Delay Damages provisions.
- Contract-specific requirements (e.g. ICTAD/SBD/03, FIDIC, etc.).

Important Considerations

- A delay event does not automatically entitle the Contractor to an EOT.
- Entitlement depends on contractual risk allocation, compliance with notice/claim requirements and the effect on completion.
- Different contract forms use different terminology and procedures; a single FIDIC clause or method is not universally applicable.
- Use critical-path and other recognized delay-analysis techniques for complex Works.
- Maintain contemporaneous records.
- Address claims promptly to mitigate cost escalation.

Roles and Responsibilities

Party	Key Responsibilities
Procuring Entity (PE)	• Overall contract management • Provide supervision • Appoint Contract Manager(s)
Contract Manager	• Day-to-day time management • Monitor programme and progress • Process EOT and delay claims
Contractor	• Submit programme • Give notices and claims • Proceed expeditiously • Complete within contractual time
VRC	• Review and recommend on EOT, prolongation and delay claims
Approving Authority	• Approve EOT and application of LD as per thresholds

Outcomes

- Realistic and manageable contract periods.
- Timely and justified EOT decisions.
- Proper application of Liquidated/Delay Damages.
- Reduced time-related disputes.
- Successful and timely project completion.

DISCIPLINED TIME MANAGEMENT | COMPLIANT EXECUTION | SUCCESSFUL OUTCOMES

CHAPTER 19 — DONOR-FUNDED PROCUREMENT World Bank, ADB & JICA

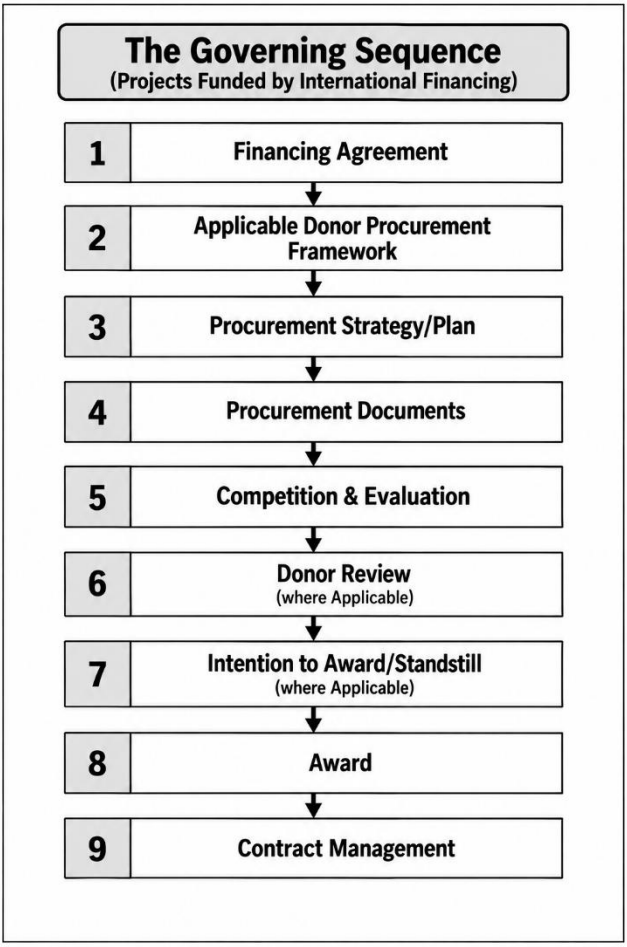
Chapter Overview

Foreign-funded projects constitute a major component of infrastructure and development investment in Sri Lanka. Procurement financed by the **World Bank, Asian Development Bank (ADB), Japan International Cooperation Agency (JICA)** and other development partners may be governed by procurement requirements incorporated into the applicable financing or legal agreement.

Sri Lanka's Procurement Guidelines 2024 expressly recognize this position. Under **Guideline 1.4.1**, where a Foreign Funding Agency requires use of its own Procurement Regulations or Guidelines, those provisions prevail over the national Procurement Guidelines **to the extent applicable**. Where a conflict exists, the Foreign Funding Agency requirements take precedence. If the Sri Lankan Guidelines impose an additional step not contained in the donor framework, the PE should bring that requirement to the donor's attention and apply it with the donor's concurrence.

This principle does **not** mean that donor rules automatically displace all Sri Lankan law. The applicable financing agreement, donor procurement framework, national law and project-specific Procurement Documents must be read together.

Modern donor procurement increasingly emphasizes **Value for Money, fit-for-purpose procurement, strategic planning, market engagement, quality-based evaluation, sustainability, integrity, complaints handling and active contract management**. However, World Bank, ADB and JICA procedures are not identical and should not be merged into one generic “MDB procedure.”



A. Governing Hierarchy & Applicable Procurement Rules

The first task in every foreign-funded procurement is to determine **which procurement framework applies to the particular contract package**.

The following hierarchy should normally be established at project commencement:

Guideline 1.4.1 provides the national basis for applying Foreign Funding Agency procurement requirements where their use is mandatory.

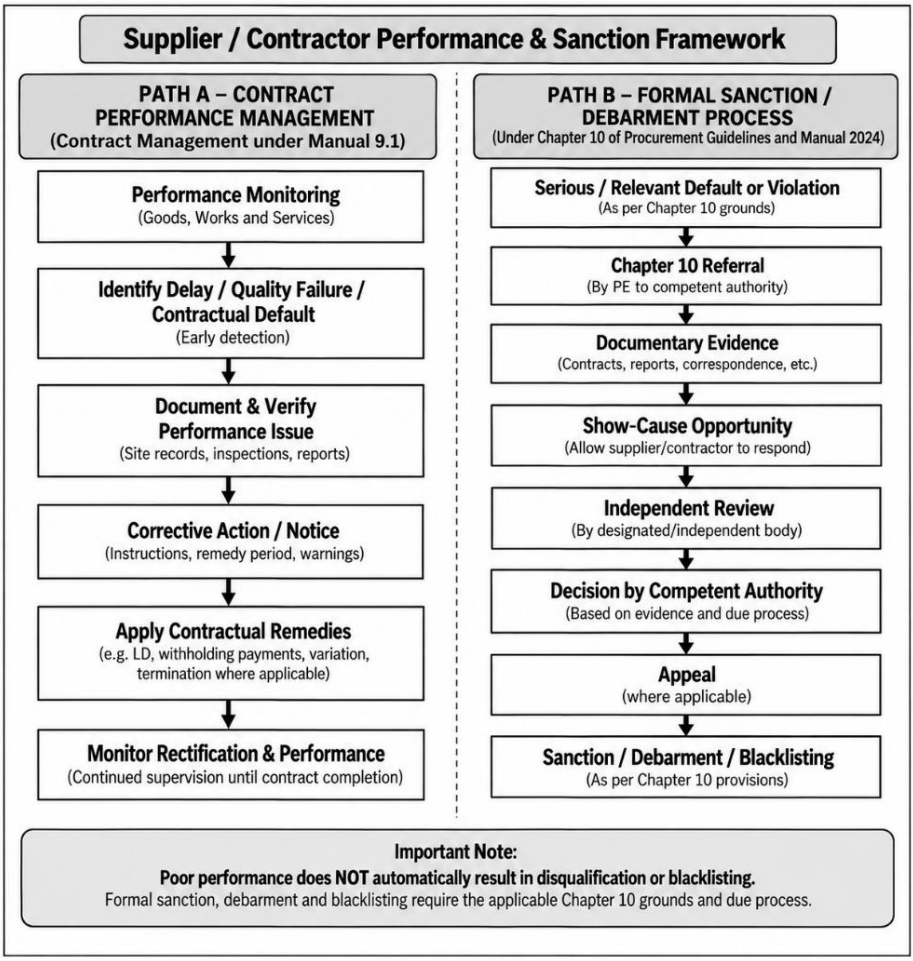
Where the financing arrangement requires application of Foreign Funding Agency procurement rules, those rules prevail over the Sri Lankan Procurement Guidelines to the extent applicable and in the event of conflict, as provided by Guideline 1.4.1.

Project responsibility

Even where donor rules apply, procurement remains primarily the responsibility of the Borrower/Recipient and its implementing entity. Donor review or a donor no-objection does not convert the donor into the Procuring Entity.

The implementing agency must therefore maintain adequate:

1. procurement capacity
2. technical expertise
3. evaluation independence
4. financial controls
5. environmental/social compliance
6. records
7. contract-management capacity.



A. Supplier & Contractor Performance Monitoring

Performance should be monitored against the **actual Contract**, including specifications, delivery requirements, quality standards, programme, payment provisions, environmental/social requirements where applicable and other contractual obligations.

PART VI – STATUTORY AUDIT & COMPLIANCE

CHAPTER 23 — PROCUREMENT AUDIT, COMPLIANCE & SURCHARGE

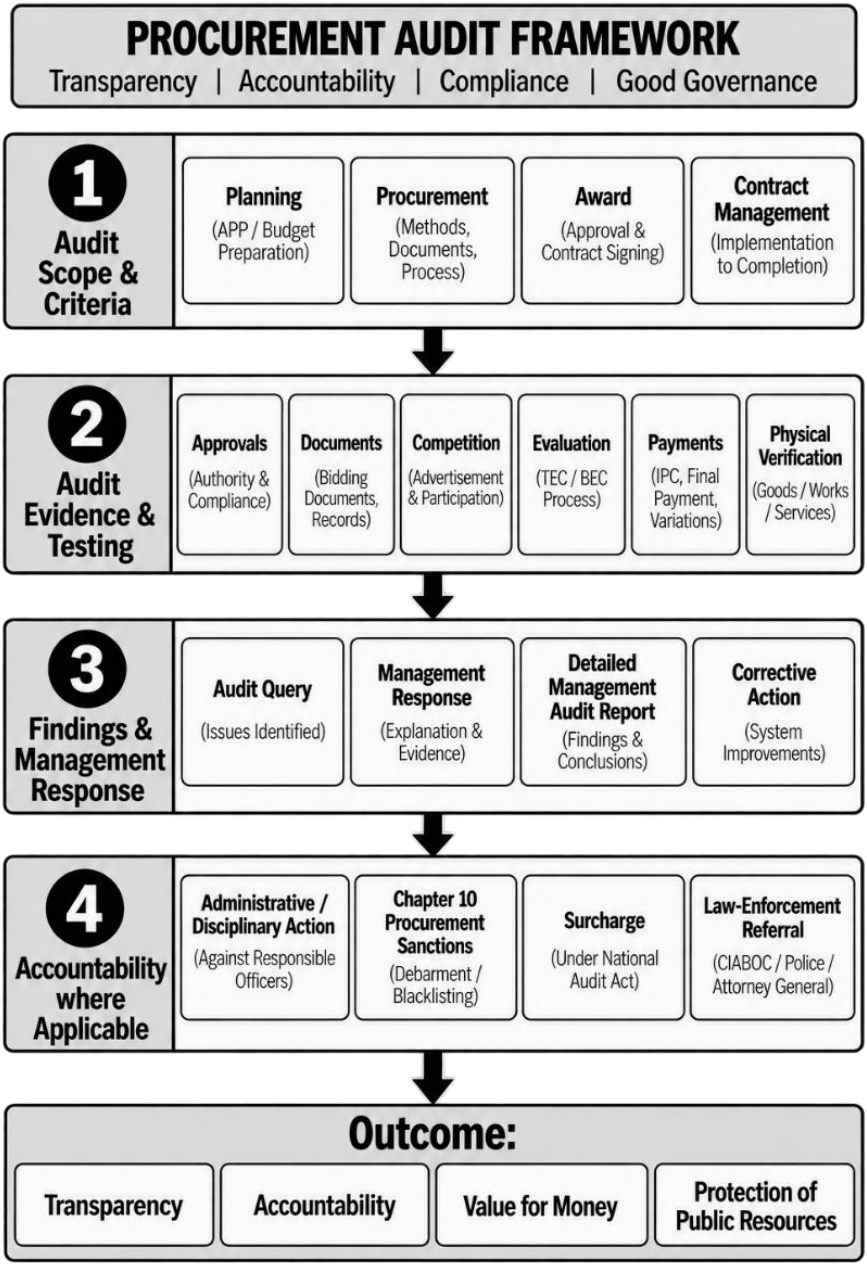
Chapter Overview

Procurement audit provides independent assurance that public procurement has been planned, conducted, awarded and administered in accordance with applicable law, Procurement Guidelines, financial authority, approved Procurement Documents and contractual requirements.

The National Audit Act No. 19 of 2018 as amended by Act No. 19 of 2025 establishes the statutory audit framework, powers of the Auditor-General, internal-audit arrangements, Audit and Management Committees (AMCs), audit reporting and surcharge provisions. The Act must now be read together with the **National Audit (Amendment) Act No. 19 of 2025**, which materially revised the surcharge regime and certain reporting and enforcement provisions. (Auditor General's Department)

The Procurement Guidelines 2024 separately assign the National Procurement Commission (NPC) responsibilities to monitor procurement practices, investigate procurements conducted outside established procedures and report responsible officers to the appropriate authorities. The Guidelines also place overall responsibility for the procurement process on the CAO/AO.

Audit findings do not automatically establish fraud, personal liability or surcharge. Those consequences require the procedure and evidentiary basis prescribed by the applicable law.


PROCUREMENT AUDIT FRAMEWORK
Transparency | Accountability | Compliance | Good Governance
1
Audit Scope & Criteria
Planning
(APP / Budget Preparation)
Procurement
(Methods, Documents, Process)
Award
(Approval & Contract Signing)
Contract Management
(Implementation to Completion)
2
Audit Evidence & Testing
Approvals
(Authority & Compliance)
Documents
(Bidding Documents, Records)
Competition
(Advertisement & Participation)
Evaluation
(TEC / BEC Process)
Payments
(IPC, Final Payment, Variations)
Physical Verification
(Goods / Works / Services)
3
Findings & Management Response
Audit Query
(Issues Identified)
Management Response
(Explanation & Evidence)
Detailed Management Audit Report
(Findings & Conclusions)
Corrective Action
(System Improvements)
4
Accountability where Applicable
Administrative / Disciplinary Action
(Against Responsible Officers)
Chapter 10 Procurement Sanctions
(Debarment / Blacklisting)
Surcharge
(Under National Audit Act)
Law-Enforcement Referral
(CIABOC / Police / Attorney General)
Outcome:
Transparency
Accountability
Value for Money
Protection of Public Resources

Q&A SECTION — 34 Q&A

A. Audit Authority & Institutional Responsibilities

Q1: What is the legal basis for public-sector procurement audit?

A. The constitutional audit framework under Articles 153–154, together with the National Audit Act, governs audit of public entities. The Auditor-General's statutory scope includes examination of income, expenditure, transactions, legality of expenditure and prudent management of public finance and property. (Auditor General's Department)

Ref: National Audit Act No. 19 of 2018, ss.2–3.

Q2: Does the NPC perform the same function as the Auditor-General?

A. No. Their functions should be distinguished.

The **Auditor-General/National Audit Office** exercises the statutory public-audit function. The **NPC** governs public procurement and has constitutional functions to monitor procurement, review practices, investigate departures from established procurement procedures and report relevant matters to appropriate authorities.

Q3: Who bears institutional responsibility for procurement compliance?

A. The CAO/AO has responsibility for the entire procurement process, including procurement planning, pre-contract activities and contract execution. The PE and PMD support implementation, documentation and reporting.

The National Audit Act additionally requires CAOs/AOs to maintain effective financial controls, respond to audit queries, establish internal-audit mechanisms and take required action on audit findings. (Auditor General's Department)

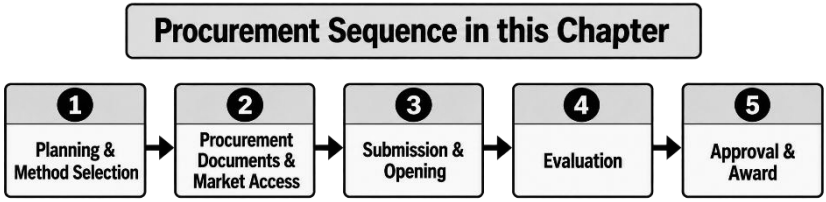
PART VII – CASE STUDIES & PRACTICAL APPLICATION

CHAPTER 25 — PROCUREMENT CASE STUDIES (35 Practical Scenarios)

Chapter Overview

Procurement rules become most useful when they can be applied correctly to practical situations. This chapter presents selected scenarios covering procurement planning, method selection, Procurement Documents, bid submission and opening, evaluation, approvals and contract award.

Each case identifies a procurement problem, explains the applicable principle and states the appropriate response. The cases should be read together with the relevant Procurement Guidelines 2024, Procurement Manual 2024, applicable Standard Procurement Documents and, for consultant selection, the applicable consultant selection framework.



The cases are illustrative. They do not replace the actual Procurement Documents or the facts and approval requirements of a particular procurement.

A. Procurement Planning & Method Selection

Case Study 1 — Artificial Slicing to Avoid Procurement Controls

Scenario: A PE divides one foreseeable requirement into several small contracts solely to use a lower procurement method or lower-level procurement authority.

Correct Approach: Packaging or slicing may be legitimate where justified by market capacity, implementation requirements or the nature of the Works/Goods. It must not be used to fit a procurement within a particular method or PC authority level.

Lesson: Legitimate packaging is permitted; manipulative splitting is not.

Ref: Guidelines 4.3; Manual 4.3.

The 2024 Guidelines expressly prohibit slicing or packaging intended to fit a lower procurement authority or particular procurement method.

Case Study 2 — Unjustified Use of Limited Competitive Bidding

Scenario: Standard equipment is available from many suppliers, but the PE invites only three preferred suppliers through limited bidding without demonstrating a restricted market.

Correct Approach: LIB/LNB is appropriate where the number of potential suppliers, contractors or service providers is genuinely limited but sufficient to ensure competition. Where the market is broad, an open competitive method should normally be used.

Lesson: Limited bidding requires genuine market justification, not administrative convenience.

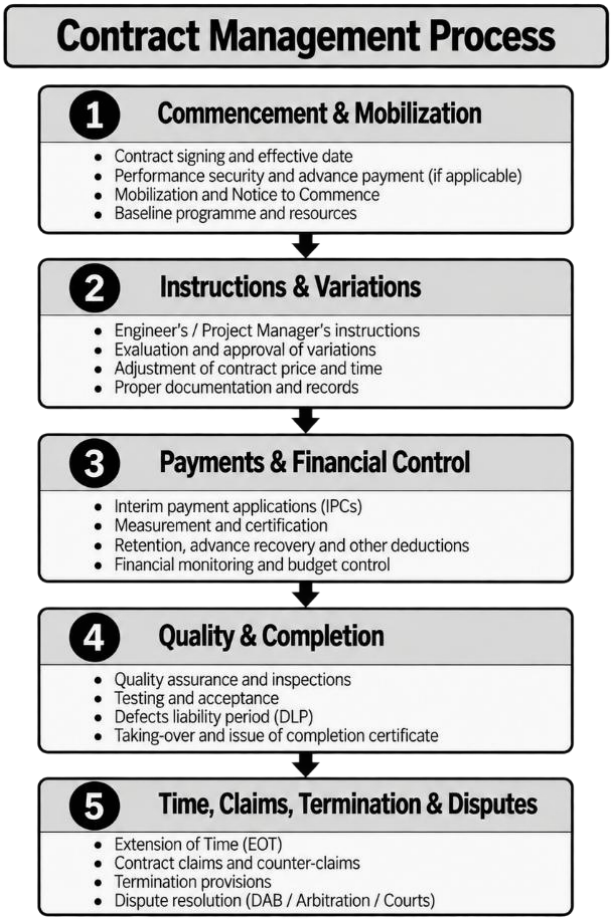
Ref: Guidelines 3.1.3–3.1.4; Manual 3.1.3–3.1.4.

The Manual requires invitations to all identified suppliers where the potential market is limited and requires the applicable approval for use of LIB/LNB.

CHAPTER 26 — CONTRACT MANAGEMENT CASE STUDIES (35 Practical Scenarios)

Chapter Overview

Contract management requires the Procuring Entity (PE) to ensure that the Goods, Works or Non-Consulting Services awarded are delivered in accordance with the agreed quality, quantity, time and contractual conditions. Responsibility for contract management lies with the PE, while certification, supervision, payment, variations, time extensions, claims and completion are governed principally by the **actual Contract**.



For Works contracts using FIDIC/CIDA/ICTAD-type conditions, the GPMCM provides useful operational procedures for commencement, programme control, instructions, Variations, payments, claims, defects, taking-over and disputes. However, those procedures should be applied only to the extent that they correspond with the particular Contract.

A. CONTRACT COMMENCEMENT & MOBILIZATION

Case Study 1 — Required Performance Security Not Furnished

Scenario: A Works contractor attempts to proceed without furnishing the Performance Security required by the Procurement Documents and Contract.

Correct Approach: Where Performance Security is required, it should be obtained and verified in accordance with Manual 5.19 and the Contract before the relevant contractual stage proceeds. For Works, the Manual normally requires security of not less than 5% of contract value. For contracts below LKR 5 million, the PE may waive it after considering the nature and risk of the contract.

Lesson: Performance Security is governed by **Manual 5.19 and the Contract**, not by a fictitious Guideline 10.2.

Ref: Manual 5.19; applicable GCC/SCC.

Case Study 2 — Advance Payment Released Without an Acceptable Guarantee

Scenario: A mobilization advance is released before the Contractor provides the Advance Payment Guarantee required by the Contract.

Correct Approach: An Advance Payment Guarantee must be obtained where an advance is paid. For Works above LKR 50 million, the current Manual permits a maximum advance of 20%; below LKR 50 million, up to 30%. The advance must be fully recovered before payment of 90% of the amount due to the Contractor.

Lesson: Advance payment is a controlled contractual financing mechanism, not an unsecured mobilization facility.

Ref: Manual 5.17; applicable Contract.

Case Study 3 — Commencement Issued Before Contractual Prerequisites Are Met

Scenario: The Engineer issues the commencement instruction although one or more prerequisites stated in the Contract remain outstanding.

Correct Approach: Check the actual Contract before commencement. Depending on the contract form, prerequisites may include Performance Security, insurance, site access, funding arrangements or advance payment. A formal Contract Agreement is not universally the sole trigger because, where an agreement is required but has not yet been signed, the LoA may itself operate as the binding agreement under the Manual.

For the FIDIC-type arrangements addressed by GPMCM, insurance and other pre-commencement obligations are specifically checked before commencement.

Lesson: Apply the **commencement conditions actually written into the Contract**.

Ref: Manual 8.7 and 9.1; applicable GCC/SCC.

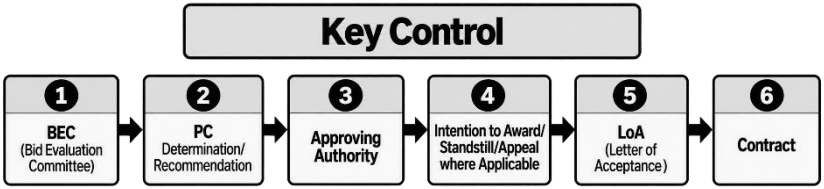
Case Study 4 — Employer Delays Site Possession

Scenario: The Employer cannot provide access or possession of the required site on the contractual date.

Correct Approach: Record the actual access available, identify the effect on the Contractor's programme and evaluate any EOT and/or cost entitlement strictly under the Contract. Employer delay does not automatically establish a particular number of days or amount of compensation; causation, critical-path effect, mitigation and contractual entitlement must be established.

Lesson: Site-access delay should be treated as a **contractual event requiring contemporaneous analysis**, not automatic compensation.

Ref: Manual 9.1; applicable GCC/SCC; GPMCM where applicable.



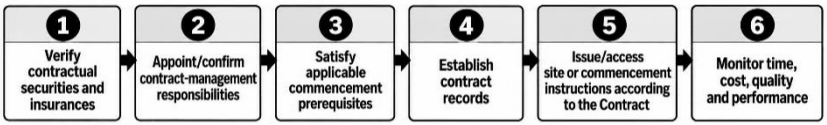
G. SOP 7 — CONTRACT COMMENCEMENT & ROUTINE ADMINISTRATION

Objective

To establish effective post-award control in accordance with the signed Contract.

Procedure

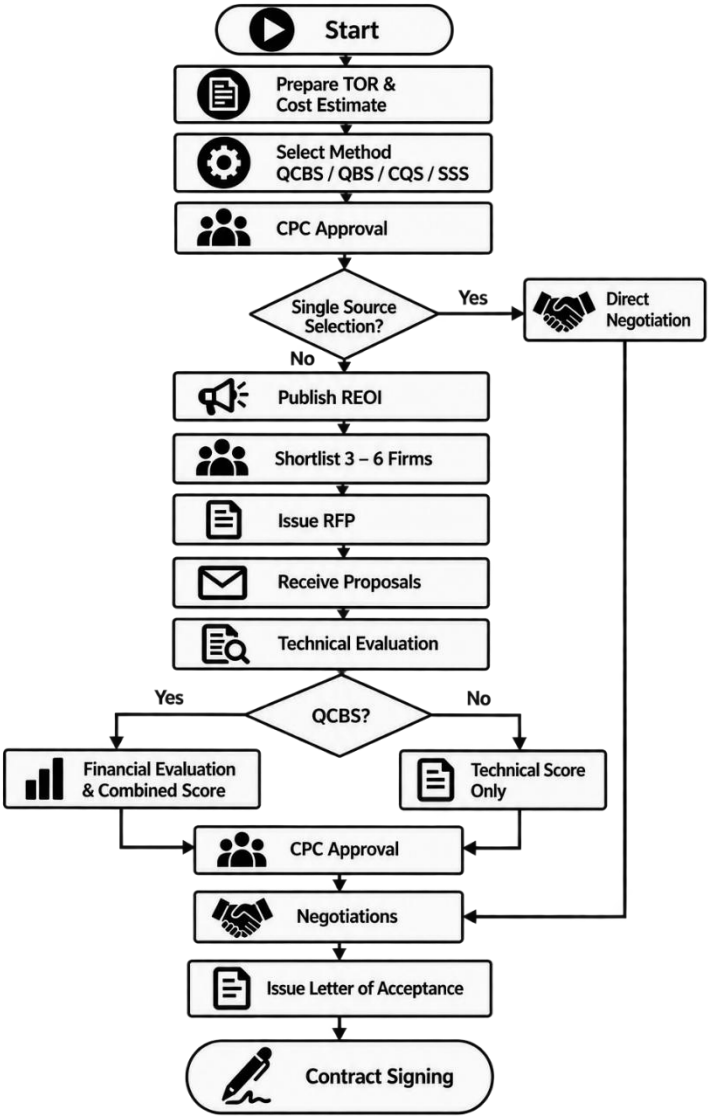
After the formal agreement, the **PC and BEC normally cease to exist and responsibility for implementation passes to the PE**. They may only be recalled under a new mandate for residual matters where necessary.



The actual Contract governs:

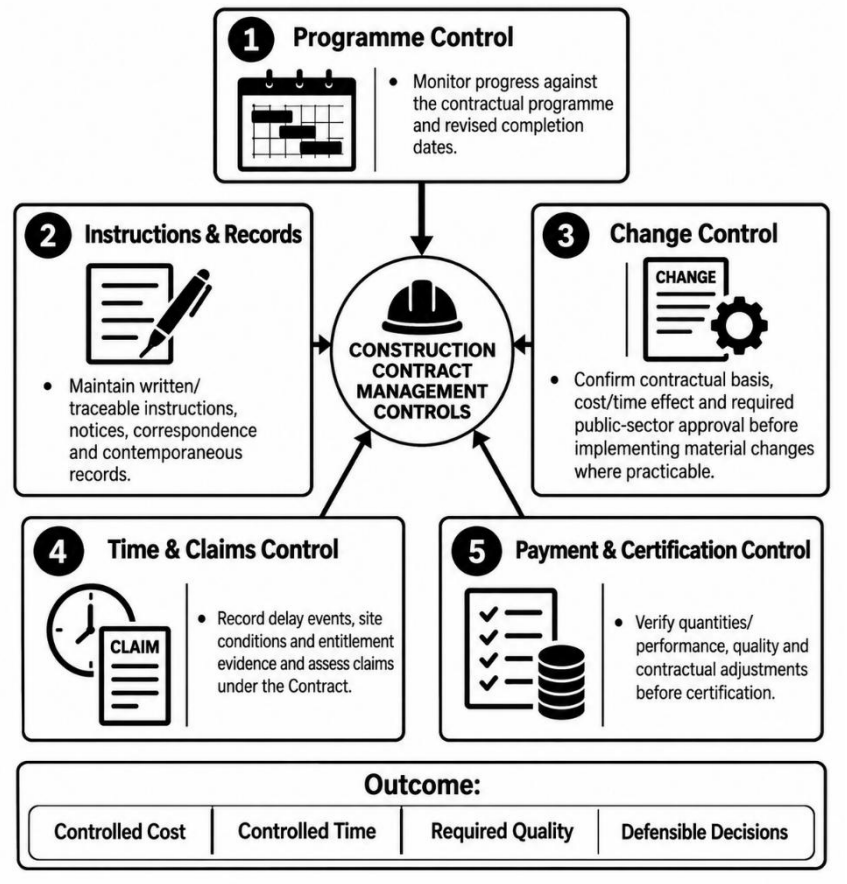
- site possession/access;
- commencement;
- insurance;
- programme requirements;
- instructions;
- testing;

SECTION H — Consultancy Procurement (QCBS / QBS / CQS / SSS)



Detailed Visual Presentation of the Procedure described in Guideline & Manual for Employment of Consultancy Services

Contract Risk Control Diagram



Mentoring — pairing less-experienced officers with suitably experienced procurement, engineering, legal or financial personnel.

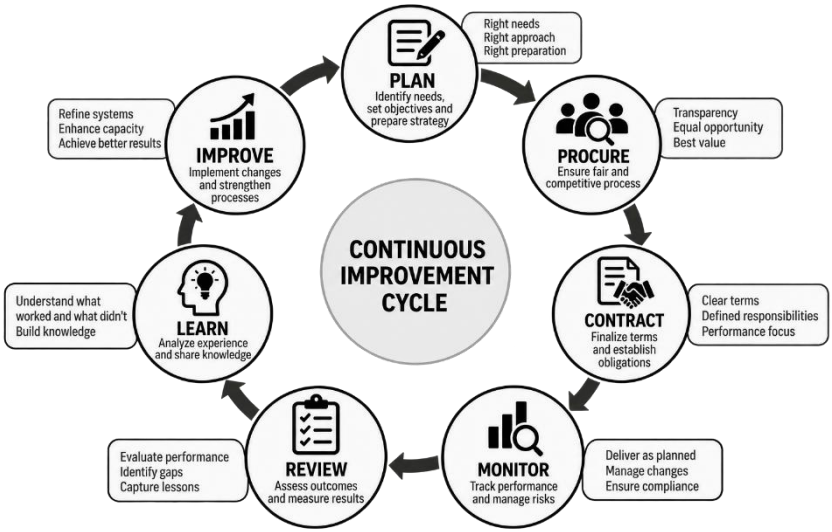
Lessons learned — structured review of completed procurements, audit findings, appeals and contract-management problems.

Self-development/CPD — professional courses, seminars and appropriate professional qualifications.

E. RECOMMENDED PROCUREMENT TRAINING CURRICULUM

Module Curriculum Matrix.

Module	Principal Content	Practical Exercise
1. Governance, Ethics & Legal Framework	Guidelines/Manual hierarchy; CAO/AO, PE, PMD, PC/BEC/AC roles; ethics/conflicts	Governance scenario
2. Procurement Planning & Method Selection	MPP, APPP, DAPP, PP, PTS; TCE; packaging; methods; authority	Prepare procurement plan/package
3. Specifications & Procurement Documents	functional specifications; BDS/SCC; qualification; securities; evaluation criteria	Correct restrictive specification
4. Publicity, Submission & Bid Opening	publicity, issue, clarification/addenda, closing, late bids, BOC procedure	Simulate bid opening
5. Bid/Proposal Evaluation	preliminary examination; responsiveness; commercial/technical/financial evaluation; qualification; BER	Evaluate sample bids
6. Award, Debriefing & Appeals	PC determination; approving authority; intention to award; standstill; PAB/PAC; LoA	Prepare award sequence
7. Consultant Selection	CPC; QCBS, QBS, FBS, LCS, CQS, SSS; shortlisting; RFP; negotiation	QCBS exercise



H. THE TWO-VOLUME PRACTITIONER SYSTEM

The restructuring of this publication into two complementary volumes gives the material a clearer operational purpose.

Volume I — Practical Q&A & Operational Guide

Volume I explains:

- ✓ WHAT the requirement is
- ✓ WHY it matters
- ✓ HOW it should be applied
- ✓ WHAT decision or control is required.

It contains the regulatory interpretation, practical Q&A, case studies, SOPs, process maps, risk-management principles and professional guidance needed to understand the procurement and contract-management process.

Volume II — Operational Forms, Templates & Compliance Checklists

(Rear Cover)



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ABOUT THE EDITOR

Eng. SMP Siriwardana is a Chartered Engineer with extensive experience in civil engineering, project management, procurement and public sector contract administration in Sri Lanka. He worked for Employer/Client, Engineer, Contractor and Consultant, covering all aspects in procurement and contract management. Having led major infrastructure programs serving PMUs, he brings a practical, field-tested perspective to navigating complex contractual, legal, and financial frameworks.

Recognizing the operational challenges faced by Procuring Entities, Bid Evaluation Committees, Contract administrators and Contractors, he edited this comprehensive guide to bridge the gap between regulatory mandates and practical execution. This volume serves as a recognized, step-by-step manual designed to help confirm consistency, well documented process, and seamless governance across every phase of the procurement lifecycle.

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