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செயலாற்றுகை அறிக்கை  
**PERFORMANCE REPORT**



**2015**

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திறைசேரி செயற்பாடுகள் திணைக்களம்

**Department of Treasury Operations**

මුදල් අමාත්‍යාංශය  
කොළඹ 01.

நிதி அமைச்சு  
கொழும்பு 01.

Ministry of Finance  
Colombo 01.

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➤ **VISION**

*“To be the best Government fund manager in the South Asia Region”*

➤ **MISSION**

*“We are committed to ensure efficiency, economy and safety in handling funds belonging to the Consolidated Fund and other Treasury funds and to harmonize the Government expenditure programmes with the revenue plans and borrowing programme, while providing stewardship for fund accounting, including foreign borrowings”*

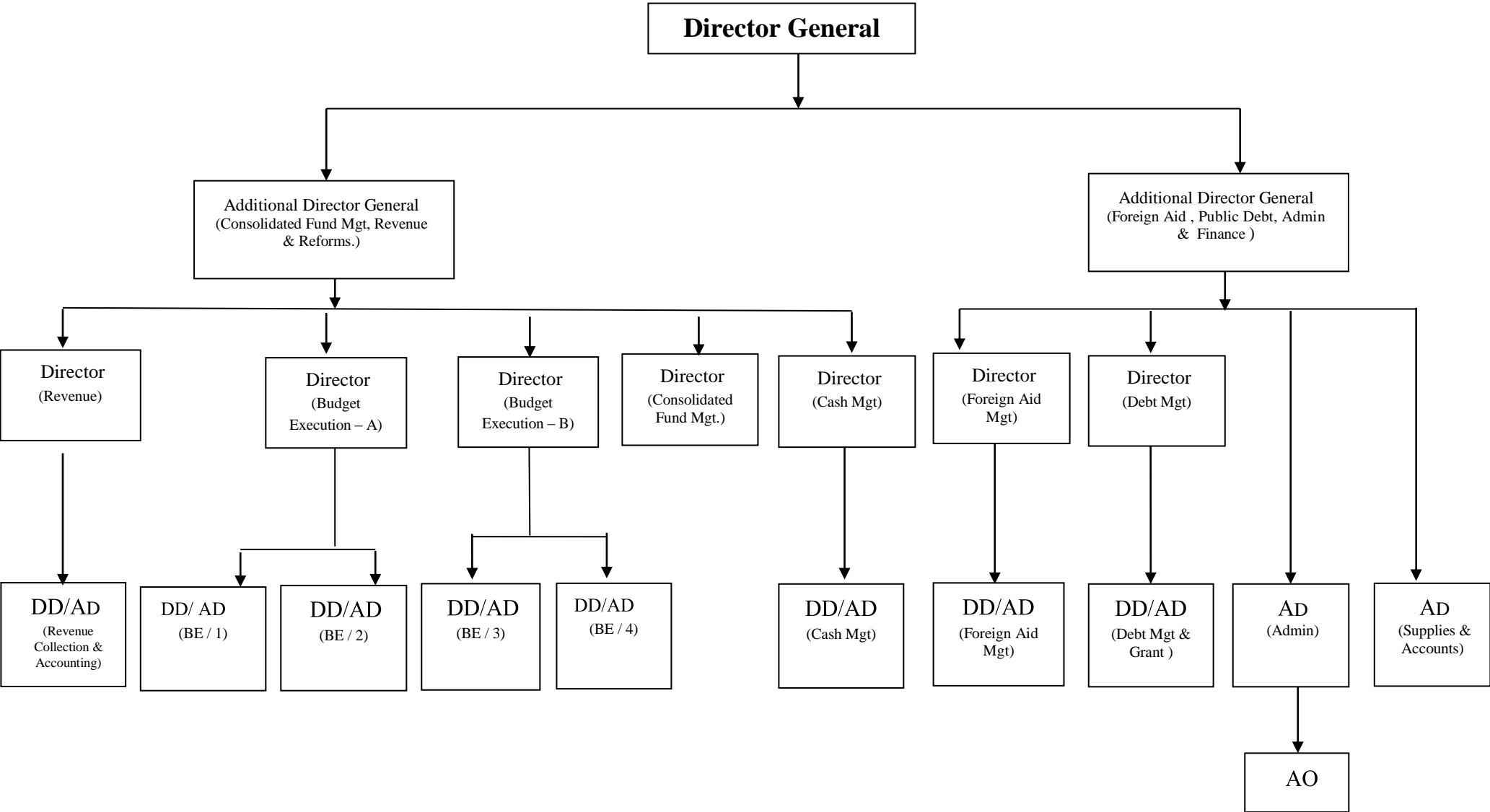
## **1. INTRODUCTION**

The Department of Treasury Operations (TOD) was established on 28<sup>th</sup> July 2004 with the objective of creating an efficient organization within the Treasury to handle matters relating to the management of the Consolidated Fund (Treasury cash flow) and Public Debt. In this endeavor, TOD translates estimated revenue and expenditure given in the National Budget into an operational cash inflow and outflow and then, identifies the deficit to be financed through the borrowings. To execute the National Budget to achieve the targeted results of the government, the estimated annual inflows and outflows are divided first into monthly numbers and then into daily numbers to facilitate the effective monitoring of the progress. If there are likely deviations from the set targets, the relevant authorities are directed to device appropriate strategies to arrest the situation.

## **2. MAJOR FUNCTIONS**

- Management of Treasury Cash Flow
- Facilitation in arrangement of Domestic and Foreign Commercial Borrowings.
- Disbursement of Treasury Funds through the payment system.
- Assessment, prioritization and release of funds to spending agencies.
- Issuance of Treasury Guarantees.
- Operation of fund flows relating to the on-lending programs of the Government.
- Estimation, Collection and Accounting of Non-Tax Revenue under 10 Revenue heads.
- Facilitation for disbursement of funds under Foreign Aid Loans and Grants.
- Accounting of Government borrowings and debt repayments.
- Authorization and Supervision of Government bank accounts and imprest accounts.
- Guidance, supervision and facilitation of Accounting of Foreign-Aid Projects.

### 3.ORGANIZATION STRUCTURE



#### 4. CADRE INFORMATION

Table 4 (a) Staff Strength as at 31.12.2015

Designation	Approved Cadre	Exciting Cadre
Director General	1	1
Additional Director General	2	2*
S.L. Ac. S - Class I	7	8
S. L. Ac. S - Class II/ III	9	8
S.L.A.S. - Class III	1	1
Administrative Officer	1	1
Development Assistant	20	15
P.M.A. -Class I/II/III	55	53
Information & Communication Technology Assistant	7	1
Driver	7	7
Office Employee Asst -Class I/II/III	12	12
Total	122	109

- \* One Class I officer of SLAcS has been working as an Additional Director General (Acting) which is a special grade post.

## 5. HUMAN RESOURCE DEVELOPMENT

As part of continuous training of employees with a view to improving the knowledge, skill and attitudes, the Department arranged its officers to participate in several training programmes which are given in the following table.

**Table 5(a) Local Training 2015**

<b>Category of Staff</b>	<b>Number of Training Courses</b>	<b>Number of officers trained</b>	<b>Field of training</b>	<b>Location</b>
Staff Officers	04	03	E-Governance & Change Management	Academy of Financial Studies
		05	Sri Lanka Public Sector Accounting Standards	Institute of Ernst & Young
		01	Training Programme on Cabinet paper writing	Sri Lanka Institute of Development Administration
		01	Essence of Public Procurement	Sri Lanka Institute of Development Administration
Public Management Assistant	02	04	English for Employment Purposes ( CEEP )	Sri Lanka Institute of Development Administration
		01	Workshop on Attitudes & Development	Institute of Human Resource Advancement
Development Officer	02	05	English for Employment Purposes ( CEEP )	Sri Lanka Institute of Development Administration
		09	E-Governance & Change Management	Academy of Financial Studies
All	01	15	Tamil Language for Government officers	Premises of the Department

In addition to the above, a residential training programme was conducted on 24<sup>th</sup> & 25<sup>th</sup> October, 2015 in “National Inland Fisheries & Aquaculture Training Institute”, Kalawewa with the objective of team building and development of attitudes of the staff. It was helpful to improve the self-development as well as mutual relationship among the staff member. Forty Seven (47) employees of the Department actively participated in the programme.

Further, Staff officers were given 25 opportunities for foreign training and conferences during the year.

**Table 5 (b) Foreign Training and Participation in Conferences -2015**

	<b>Training / Seminar or Forum</b>	<b>Country</b>	<b>Duration</b>	<b>Number of Officers</b>
01	Driving Government Performance : Leadership Strategies that Produce Results	U.S.A	20.09.2015 - 25.09.2015	01
02	Leadership, Communication & Interpersonal Skills through Self Mastery	Malaysia	29.08.2015 - 07.09.2015	06
03	The Oxford Advanced Finance Programme	Malaysia	12.09.2015 - 22.09.2015	07
04	Public Sector Accounting	Malaysia	24.08.2015 - 25.08.2015	01
05	ADB Credit Rating Forum	Japan	10.07.2015	01
06	ADB Forum on Promoting Remittance for Development Finance	Philippines	18.03.2015 - 19.03.2015	01



	<b>Training / Seminar or Forum</b>	<b>Country</b>	<b>Duration</b>	<b>Number of Officers</b>
07	Modernizing Treasury Management in Developing Countries	Singapore	27.07.2015 - 31.07.2015	02
08	China's Economic and Social Development Experiences for Euro – Asian Countries	China	01.07.2015 - 21.07.2015	01
09	Debt Management Performance Assessment	Vietnam	14.12.2015 - 18.12.2015	01
10	World Bank's Annual Stakeholders Forum of the Debt Management Facility	Philippines	03.06.2015 - 04.06.2015	01
11	Second Country Visit as part of DIPPCA ( SLIDA )	Malaysia	21.01.2015 - 27.01.2015	01
12	Master's Degree Programme in Finance	South Korea	23.08.2015 - 28.02.2017	01
13	Seminar on Introduction and Utilization of Foreign Capital of Inland Regions for Developing Countries	China	21.10.2015 – 10.11.2015	01

## 5. (c) Circulars and Instructions

The Department issued the following circular instructions which are given below during the year 2015 with a view to improving fund management of the government.

Date	Circular No.	Title
21.05.2015	TOD-01-2015	Revenue Estimates for Year-2016
21.05.2015	TOD-02-2015	Statement of Arrears of Revenue-30.06.2015
08.07.2015	TOD-04-2015	Payment of 2015 July Salary in advance on account of Ramazan Festival due on 18 <sup>th</sup> July 2015
15.10.2015	TOD-05-2015	Payment of Salaries, Salary Advances and pensions for the year 2016
23.10.2015	TOD-03-2015	Treasury Approval for opening of official Bank Accounts
23.11.2015	TOD-06-2015	Closing of Cash Books for 2015 and Settlement of Imprest Accounts
09.12.2015	TOD-07-2015	Statement of Arrears of Revenue - 31. 12. 2015
14.12.2015	TOD-08-2015	Collection of information for the determination of annual imprest limit to each Department for the payments under the budgetary provisions provided in the Appropriation Act 2016

## 6. FINANCIAL PERFORMANCE - 2015

Item	Category/ Object/ Item/ Description	2014		2015		Based on Actual Expenditure 2014	
		Estimate	Actual	Estimate	Actual	Increase/ (Decrease) of 2015 Expenditure	Percentage of expenditure Difference
	<b>RECURRENT EXPENDITURE</b>	<b>3,971,643</b>	<b>3,891,932</b>	<b>976,675</b>	<b>810,593</b>	<b>(3,081,339)</b>	<b>(79.17)</b>
	<b>Personal Emoluments</b>	<b>40,410</b>	<b>40,102</b>	<b>55,980</b>	<b>53,954</b>	<b>13,852</b>	<b>34.54</b>
1001	Salaries & Wages	24,500	24,214	26,000	24,583	369	1.52
1002	Overtime and Holiday Payments	510	508	600	428	(80)	(15.75)
1003	Other Allowances	15,400	15,380	29,380	28,943	13,563	88.19
	<b>Travelling Expenses</b>	<b>1,370</b>	<b>1,365</b>	<b>940</b>	<b>876</b>	<b>(489)</b>	<b>(35.82)</b>
1101	Domestic	70	69	100	71	2	2.90
1102	Foreign	1,300	1,296	840	805	(491)	(37.89)
	<b>Supplies</b>	<b>3,203</b>	<b>3,198</b>	<b>3,805</b>	<b>3,775</b>	<b>577</b>	<b>18.04</b>
1201	Stationery and Office Requisites	1,010	1,010	1,700	1,678	668	66.14
1202	Fuel	2,125	2,120	2,030	2,025	(95)	(4.48)
1203	Diets and Uniforms	68	68	75	72	4	5.88
	<b>Maintenance Expenditure</b>	<b>1,278</b>	<b>1,267</b>	<b>2,175</b>	<b>1,621</b>	<b>354</b>	<b>27.94</b>
1301	Vehicle	1,000	992	1,410	937	(55)	(5.54)
1302	Plant, Machinery and Equipment	210	210	465	451	241	114.76
1303	Building & Structure	68	65	300	233	168	258.46
	<b>Services</b>	<b>2,344</b>	<b>2,337</b>	<b>3,275</b>	<b>3,249</b>	<b>912</b>	<b>39.02</b>
1401	Transport	860	854	1,375	1,374	520	60.89
1402	Postal and Communication	1,410	1,410	1,775	1,756	346	24.54
1405	Other	74	73	125	119	46	63.01
	<b>Transfers</b>	<b>3,923,038</b>	<b>3,843,663</b>	<b>910,500</b>	<b>747,118</b>	<b>(3,096,545)</b>	<b>(80.56)</b>
1503-01	Refund of Proceeds Lotteries Development Subsidies	499,363	420,012	509,450	346,105	(73,907)	(17.60)
1504	Development Subsidies - Kerosene Subsidy to CPL	3,022,775	3,022,775	-	-	(3,022,775)	(100.00)
1505-01	Gov. Contribution of Public servant's Insurance Scheme	400,000	400,000	400,000	400,000	-	-
1506	Property Loan Interest to Public Servants	900	876	1,050	1,013	137	15.64

Rs. '000

Item	Category/ Object/ Item/ Description	2014		2015		Based on Actual Expenditure 2014	
		Estimate	Actual	Estimate	Actual	Increase/ (Decrease) of 2015 Expenditure	Percentage of expenditure Difference
	<b>CAPITAL EXPENDITURE</b>	<b>6,892</b>	<b>6,460</b>	<b>6,300</b>	<b>5,350</b>	<b>(1,110)</b>	<b>(17.18)</b>
	<b>Rehabilitation and Improvement of Capital Assets</b>	<b>3,242</b>	<b>2,955</b>	<b>1,700</b>	<b>1,609</b>	<b>(1,346)</b>	<b>(45.55)</b>
2001	Building Rehabilitation & Improvement	1,300	1,217	100	83	(1,134)	(93.18)
2002-1	Implementation of treasury Single Accounts System	1,000	812	1,000	981	169	20.81
2002-2	Other	142	140	100	51	(89)	(63.57)
2003	Vehicle	800	786	500	494	(292)	(37.15)
	<b>Acquisition of Capital Assets</b>	<b>3,000</b>	<b>2,999</b>	<b>2,800</b>	<b>1,950</b>	<b>(1,049)</b>	<b>(34.98)</b>
2102	Furniture & Office Equipment	3,000	2,999	2,800	1,950	(1,049)	(34.98)
	<b>Human Resource Development</b>	<b>650</b>	<b>506</b>	<b>1,800</b>	<b>1,791</b>	<b>1,285</b>	<b>253.95</b>
2401	Training & Capacity Building	650	506	1,800	1,791	1,285	253.95

## **7. PHYSICAL PERFORMANCE**

### **7.1 Cash Management**

#### **7.1.1 Treasury Cash Flow Management**

TOD adopted an effective cash planning and management strategy in 2015 to manage the government finance effectively with a view to minimizing borrowing costs in achieving the policy targets expected in the budget. In achieving these objectives, one of the primary responsibilities of the TOD is to release cash to Government ministries, Departments and other institutions on timely manner and priority basis. Practical difficulties encountered when fulfilling the demand for cash since the government couldn't collect revenue as anticipated and in timely manner. Therefore, it is one of the main responsibilities of the department to assess the real need of cash demands made by each and every Ministry and Department by taking into consideration the purpose for which they were demanding cash and then to release imprest on priority basis in order for effective implementation of the budget.

With the objective of managing Treasury Cash Flows effectively, TOD prepares a monthly operational cash management plan based on projected aggregate cash inflows while taking into account the limits on cash outflows and likely timing of the borrowings. The monthly cash plan is prepared based on the annual cash plan, including projected cash inflows, cash outflows and planned borrowings in line with the Appropriation Act approved by the Parliament.

Annual & monthly cash plans were prepared based on the forecasts submitted by the Departments of Inland Revenue, the Department of Customs and the Department of Excise by taking into account not only the monthly pattern of tax revenue and non tax revenue collection but also the pattern of expenditure forecasted by the respective ministries and departments. TOD was able to extend a better contribution towards the proper decision making on policy matters on efficient expenditure management and progressive revenue collection through daily updated operational cash flows.

In order to give timely instructions with the objective of achieving the annual budgetary targets, sixteen (16) cash flow meetings chaired by the Secretary to the Treasury were held during the year 2015 with the participation of the Heads and relevant executive officers of the principal revenue collection departments such as Inland Revenue Department, Sri Lanka Customs, Department of Excise and Department of Motor Traffic. With the objective of reviewing and giving technical assistance to the Secretary to the Treasury, Deputy Secretaries to Treasury along with Heads and Deputies of related Treasury Departments participated in these meetings. Continuous and rigorous review of revenue collection and the expenditure demands at these meetings helped the Treasury to bring about required changes of strategies for better implementation of policies to deliver the desired outcomes.

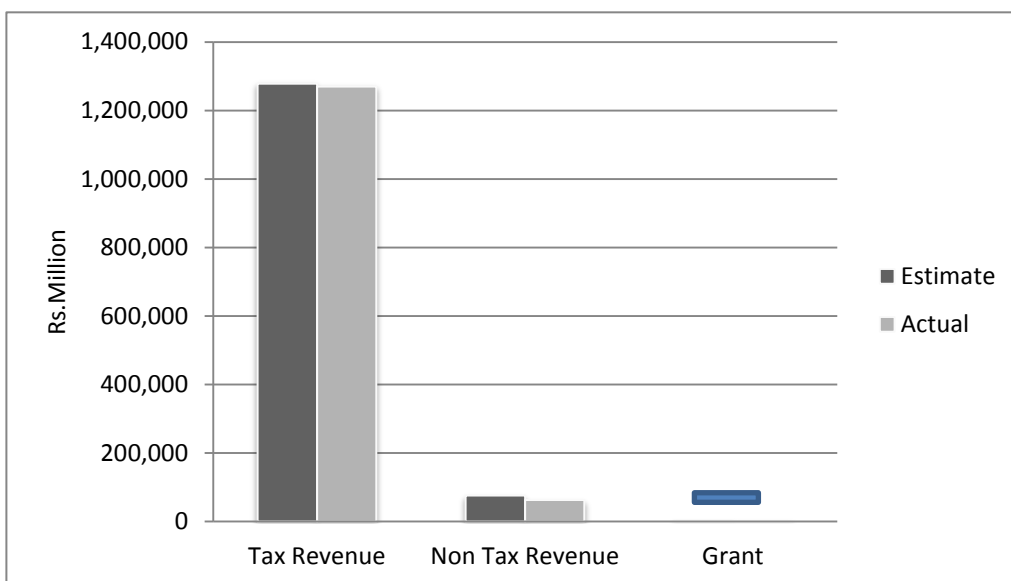
Similar to the previous years, the filling of the gap between revenue and expenditure during the year was made through domestic and foreign borrowings.

### **7.1.2 Treasury Cash inflows**

**Table 7.1 (a) Collection of Revenue - 2015(Rs.Million)**

	<b>Estimate</b>	<b>Actual</b>	<b>%</b>
Tax Revenue	1,277,700	1,270,065	99
Non Tax Revenue	76,239	63,046	83
Grant	3,166	1,540	49
<b>Total Revenue</b>	<b>1,357,105</b>	<b>1,334,651</b>	<b>98</b>

**Chart 7.1 (a) Estimated and Actual Revenue 2015**

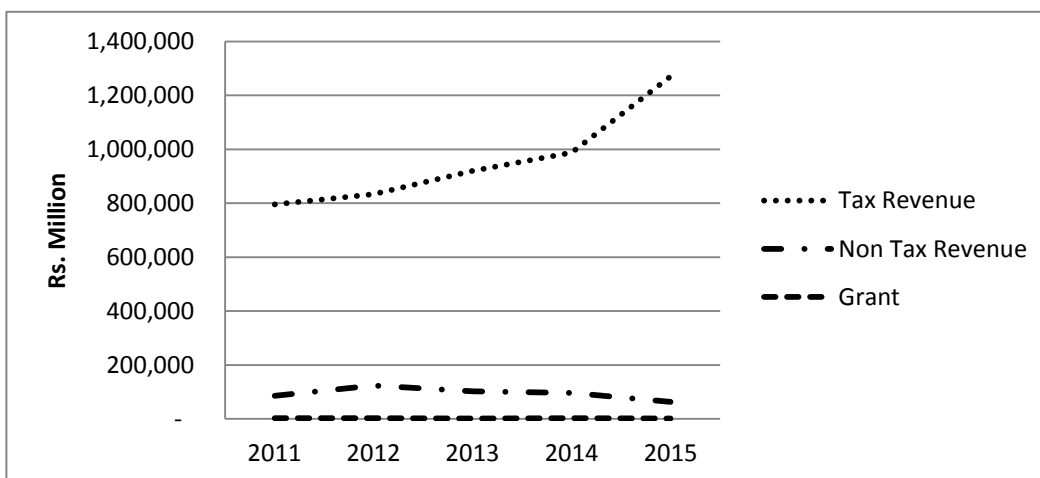


**Table 7.1 (b) Collection of Revenue - 2011 to 2015**

(Rs. million)

	2011	2012	2013	2014	2015
Tax Revenue	795,696	833,520	920,225	987,712	1,270,065
Non Tax Revenue	86,586	124,359	102,447	97,237	63,046
Grant	3,267	3,171	2,307	2,495	1,540

**Chart 7.1 (b) Trend in Government Revenue 2011-2015**



As shown in the Table 7.1(a) revenue collected in the year 2015 was 98% of the estimated revenue. This consists of 99% of the tax revenue, 83% of the non-tax revenue and 49% of the foreign grants. .

As a result of further strengthening of monitoring on revenue collection by the General Treasury, collection of tax revenue was Rs. 1,270,065 million in 2015 which was an increase of 29% when compared to the tax revenue collection of Rs. 987,712 million in 2014. Introduction of Super Gain tax and Betting and Gaming License fee and excise duty revision of motor vehicles were mainly contributed for the increase in the tax revenue. Cash inflow from foreign grants was Rs.1,540 million which was 38% decrease when compared to the revenue of this category in 2014. Accordingly, 95% of the total revenue in 2015 was received from the tax revenue while the balance 5% consists of non tax revenue and grant receipts.

### **7.1.3 Treasury Cash Outflows**

The Department of Treasury Operations has also contributed for the government's effort of maintaining capital expenditure to facilitate the investment program of the government to achieve the expected economic growth.

One of the challenging tasks of the Department is to collect the required revenue at least to meet the government's recurrent expenditure which includes the interest of the borrowing..

Portfolio of the ministries was changed during 2015 as per the Gazette No. 1897/15 dated 18.01.2015 and its amendment made later by Gazette No. 1933/13 dated 21.09.2015. Therefore, it was not practical to maintain data & information according to the sectorial classifications in budget execution process in 2015. Table 7.1 (c) shows summary of the overall distribution of imprest in 2015.



**Table :-7.1 (c) Distribution of imprest under spending categories (Rs. Mn.)**

	2014	2015
Personal Emoluments	475,752	604,861
Pension	121,603	151,957
Samurdhi and Fertilizer subsidies	46,797	90,106
Other Recurrent	235,910	243,324
Interest payments	449,826	530,869
Debt. Repayment	627,045	832,765
Capital	377,569	390,588

As a result of an increase in personal emoluments, Pensions and Samurdhi subsidy, the total imprest released for recurrent expenditure was increased by 22% compared to the recurrent expenditure of the previous year. Apart from that, Rs. 1,363,634 Mn. was utilized for debt services which was 26% higher than the expenditure incurred for debt services in 2014. Imprest released for capital expenditure was also increased by 3% over the previous year.

## 7.2 PUBLIC DEBT MANAGEMENT

### 7.2.1 Government Borrowing Programme– 2015

The draft Appropriation bill submitted to the Parliament for the year 2015 determined the gross borrowing limit to Rs.1,780 billion for financing the resource gap for which approval of the Parliament of Sri Lanka was granted under the Appropriation Act No. 41 of 2014. Although the 2015 budget was revised under Amendment Act No.01 of 2015, there was no change to the gross borrowing limit of Rs. 1,780 billion.

The actual total gross borrowing was Rs.1,745 billion which was contributed by the domestic sources and the foreign sources amounting to Rs.1,188 billion and Rs. 556 billion, respectively. Gross borrowings from foreign sources included proceeds from the issuance of sovereign bonds for value of Rs. 298 billion at the international markets and project and program loans of Rs. 258 billion . The total gross borrowing in the year 2015 was a 23 percent increase over that of the year 2014 which stood at Rs. 1,425 billion.

The actual total gross domestic borrowing of Rs. 1,188 billion in 2015 was a 19 percent increase over that of Rs. 1,002 billion in 2014. This increase was mainly financed through the issuance of Treasury Bonds and Sri Lanka Development Bonds (SLDBs) during the year 2015.

Table 7.2 .1 Government Borrowing Limits and Usage (Rs.Million)

Item	2014		2015	
	Approved Limit	Usage	Approved Limit	Usage
<b>Gross Borrowing</b>	<b>1,478,000</b>	<b>1,424,506</b>	<b>1,780,000</b>	<b>1,744,524</b>
Domestic	1,146,500	1,001,968	1,222,000	1,188,154
Foreign	331,500	422,538	558,000	556,370
<b>Total Financing</b>	<b>1,478,000</b>	<b>1,424,506</b>	<b>1,780,000</b>	<b>1,744,524</b>

Sources : Department of Treasury Operations and Central Bank of Sri Lanka

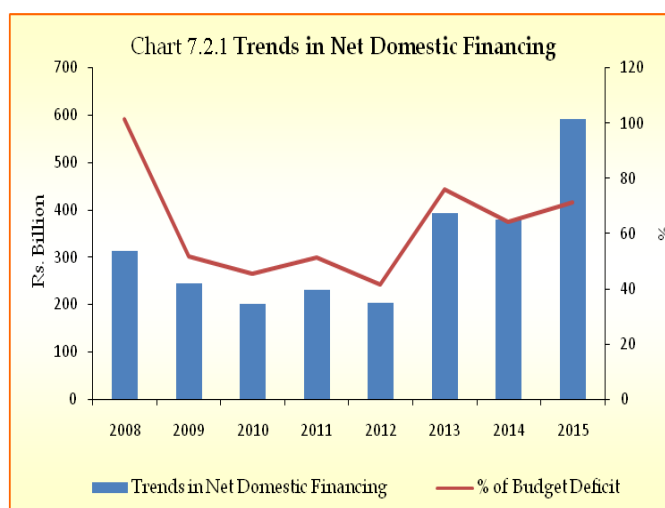
## 7.2.2 Domestic Financing

### 7.2.2.1 Net Domestic Financing (NDF)

Total net borrowings from domestic sources to finance the budget deficit increased by 57 percent in 2015 to Rs. 593 billion. This accounted for 72 percent of budget deficit. The total net borrowing to finance the deficit in 2015 through marketable debt instruments amounted to Rs. 608 billion while there was a repayment of non-marketable debt of Rs. 15 billion.

Out of the total marketable debt instruments, the issuance of Sri Lanka Development Bonds (SLDBs) amounted to Rs.223 billion in 2015 compared to Rs.21 billion in 2014.

During the year, borrowings from Treasury bills reflected a net outflow of Rs.26.4 billion which exceeded repayments compared to the issuances. Compared to the net receipts of Rs.26.1 billion in 2014 resulting a reduction in NDF by 4.4 percent. There was a repayment of Rs. 46.5 billion of non-marketable borrowings in 2015 which mainly consisted repayment of Rupee Loans amounting to Rs.31.4 billion.



**Table 7.2.2 Net Domestic Financing of the Government Budget: 2014 and 2015**

Item	Amount (Rs.Billion)		As a % of Total	
	2014	2015	2014	2015
<b>By Type</b>	<b>378.7</b>	<b>592.7</b>	<b>100.0</b>	<b>100.0</b>
Borrowing from Instruments	416.2	607.7	109.9	102.5
Treasury Bonds*	369.1	442.6	97.5	74.7
Treasury Bills*	26.1	-26.4	6.9	-4.4
Rupee Loans	0.0	-31.4	0.0	-5.3
Sri Lanka Development Bonds	21.0	223.0	5.5	37.6
Non Instrument Borrowings	-37.5	-15.0	-9.9	-2.5
Provisional Advances from the Central Bank	34.7	7.2	9.2	1.2
Other	-72.2	-22.3	-19.1	-3.8
<b>By Maturity</b>	<b>378.7</b>	<b>592.7</b>	<b>100.0</b>	<b>100.0</b>
Medium to Long Term	390.1	634.1	103.0	107.0
Treasury Bonds*	369.1	442.6	97.5	74.7
Rupee Loans	0.0	-31.4	0.0	-5.3
Sri Lanka Development Bonds	21.0	223.0	5.5	37.6
Short term	-11.4	-41.4	-3.0	-7.0
Treasury Bills*	26.1	-26.4	6.9	-4.4
Provisional Advances from the Central Bank	34.7	7.2	9.2	1.2
Other	-72.2	-22.3	-19.1	-3.8
<b>By Marketability</b>	<b>378.7</b>	<b>592.7</b>	<b>100.0</b>	<b>100.0</b>
Marketable	416.2	639.2	109.9	107.8
Treasury Bills*	26.1	-26.4	6.9	-4.4
Treasury Bonds*	369.1	442.6	97.5	74.7
Sri Lanka Development Bonds	21.0	223.0	5.5	37.6
Non - Marketable	-37.5	-46.5	-9.9	-7.8
<b>By Ownership</b>	<b>378.7</b>	<b>592.7</b>	<b>100.0</b>	<b>100.0</b>
Banks	126.9	291.8	33.5	49.2
Central Bank	35.7	80.3	9.4	13.5
Commercial Banks	91.3	211.6	24.1	35.7
Non Bank Sector	251.8	300.9	66.5	50.8

Sources : Department of Treasury Operations and Central Bank of Sri Lanka

\*Excluding investment by non residents

### 7.2.3 Outstanding Domestic Debt

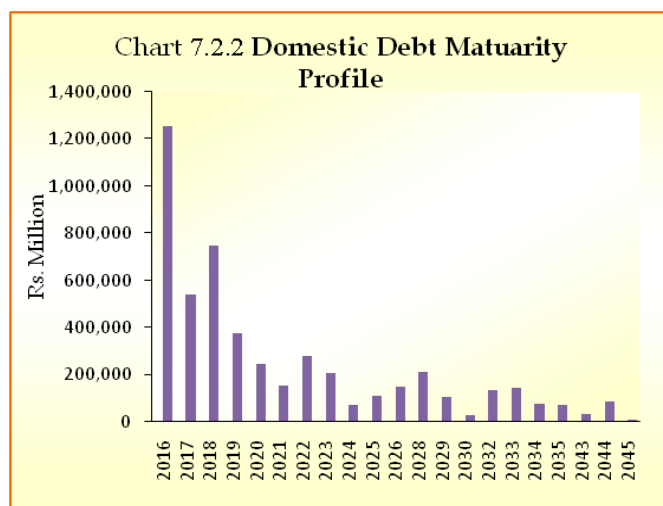
Of the total domestic debt of the government by end 2015, the share of Treasury bonds and SLDBs accounted for 67percent and 13 percent, respectively, while the share of Treasury bills reduced from 16 percent as of end 2014 to 13 percent as at end 2015. The balance accounted for provisional advances from the Central Bank of Sri Lanka (3 percent), Rupee loans (0.5 percent) and other borrowings (3 percent).The share of Rupee loans reduced from 1.3 percent in 2014 to 0.5 percent in 2015 as there was no issuance of Rupee loans in 2015,implying more emphasis on the marketable instruments.

The stock of Treasury bonds increased by 16 percent to Rs.3,305 billion in 2015 while stock of Treasury bills decreased by 5.3 percent to Rs.658 billion with comparison to 2014. The stock of SLDBs increased significantly by 71 percent to Rs. 668 billion as at end 2015.

#### 7.2.3.1 Maturity Structure of Domestic Debt

Out of the total domestic debt by the end of 2015, medium and long term debt accounted to 82 percent while short term debt accounted to 18 percent.

The total medium to long term debt included Treasury bonds worth of Rs. 3,305 billion or 82 percent while remaining 18 percent constituted the SLDBs (16.5 percent), Rupee Loans (0.6 percent) and others (1.19 percent).



### 7.2.3.2 Domestic Debt Service Payments

Total government domestic debt service payments in 2015 increased by 68 percent to Rs. 1,303 billion in comparison to Rs. 777 billion recorded in 2014. Out of the total debt service payment, amortisation amounted to Rs. 794 billion (60.9 percent ) while the balance Rs.510 billion (39.1 percent) was on interest payment. Both the amortization payments and the interest payments on domestic debt increased by Rs. 344 billion and Rs. 182 billion, respectively in 2015 over the previous year.

Total domestic debt service payments as a percentage of GDP increased to 11.7 percent in 2015 from 7.9 percent in 2014. Domestic interest payments as a percentage of GDP also increased to 4.6 percent from 3.4 percent in 2014 while domestic amortization payments increased to 7.1 percent from 4.6 percent in the previous year. Domestic debt service payments to the total government revenue increased to 89.6 percent from 65.1 percent in the previous year.

**Table 7.2.3 Domestic Debt Service Payments (Rs.Million)**

<b>Year</b>	<b>Principal payments</b>	<b>Interest payments</b>	<b>Total</b>
2005	203,347	113,164	316,511
2006	247,536	133,787	381,323
2007	252,165	161,370	413,535
2008	258,720	182,198	440,918
2009	401,296	273,977	675,273
2010	389,672	297,127	686,799
2011	439,894	288,134	728,028
2012	415,441	317,659	733,100
2013	496,042	354,706	850,748
2014	449,554	327,934	777,488
2015	793,547	509,674	1,303,221

*Sources : Department of Treasury Operations,  
Department of State Accounts and Central Bank  
of Sri Lanka*

### **7.3 FOREIGN AID MANAGEMENT**

Releasing of imprest for projects implemented under Reimbursable Foreign Aid (RFA) method was carried out, either in releasing funds directly to the project or through the relevant Ministry. During the period of January to December 2015, Rs.1,927 million has been released to projects under RFA method. During the year 2015, Foreign Aid grants amounting to Rs.5,043 million was received in cash in addition to Rs.970 million worth of materials and equipment received.

Central Bank maintains imprest fund accounts for the purpose of channeling funds which were received from the donor agencies to various projects. From January to December 2015, TOD facilitated to open 09 new such accounts, making the total number of accounts in operation to 105 by the end of December 2015. During the year, funds amounting to Rs. 38,148 million was received to these accounts from donor agencies.

## 7. 4. GOVERNMENT REVENUE

### 7.4.1. Collection of Revenue:

Director General of Treasury Operations acts as the Revenue Accounting Officer for 10 Revenue Heads of which two revenue heads were set for accounting of loan installment, both capital and interest of sub-loans. Balance 8 Revenue heads have been created to collect Revenue which cannot be directly allocated to single Ministry or a Department. The Department was able to collect a sum of Rs. 34.7 Billion as Non Tax revenue under the following 10 non tax revenue heads which was equal to 21.3% of the total estimated Non-Tax Revenue of Rs. 162.3 Billion for the year under review.

**Table 7.4. (a) : Tax and Non Tax Revenue Collected by Director General of Treasury Operations as Revenue Accounting Officer - 2014 – 2015**

Revenue Description	2014		2015	
	Revenue Estimate	Collected Revenue	Revenue Estimate	Collected Revenue
<b>Non Tax Revenue</b>				
Rent on Govt. Building	650.0	641.7	-	-
Other Rental	3,120.0	3,509.9	200.0	95.0
On Lending Interest	8,425.0	6,757.8	3,850.0	3,544.8
Other Interest	1,475.0	1,220.1	1,400.0	953.5
Departmental Sales	100.0	98.7	110.0	143.1
Sundries	8,000.0	2,851.6	5,500.0	4,710.4
Fines & Forfeits - Other	3,000.0	2,735.8	1,000.0	962.0
Other Receipts	12,000.0	4,705.3	18,800.0	9,342.8
Other Current Transfers	2,200.0	1,867.9	2,000.0	1,935.5
Sale of Capital Assets	300.0	17,604.3	350.0	97.9
Recovery of Sub Loans	14,750.0	14,892.3	14,000.0	12,960.8
<b>Non Tax Revenue Sub Total</b>	<b>54,020.0</b>	<b>56,885.4</b>	<b>47,210.0</b>	<b>34,745.8</b>

(Rs. Mn)



<b>Tax Revenue</b>				
Telephone Subscribers Levy	32,000.0	31,351.4	-	-
<b>Tax Revenue Sub Total</b>	32,000.0	31,351.4	-	-
<b>Total Revenue Collected by the Department</b>	<b>86,020.0</b>	<b>88,236.8</b>	-	-

In addition to the Revenue collection under 10 Non-Tax revenue heads, the Director General of Treasury Operations is also functioning as the Revenue Accounting Officer for Foreign Grants. The Department was able to collect Rs. 6 billion under foreign grant during the year 2015. Accordingly, the Department has collected & accounted for Rs. 40.7 Billion as revenue during the year under review through 11 Revenue Heads.

Three revenue heads under the responsibility of Director General of Treasury Operations as revenue accounting officer were allocated to 3 Department Heads as Revenue Accounting Officers, with the intention to closely monitor the progress of the collection of these revenue in 2015 considering the applicability of the source of the revenue in order to monitor them efficiently effectively.

#### **7.4.2 Treasury Sub Loans**

Government grants sub loans to Public Enterprises which actively contribute to the improvement of the infrastructure essential for the development of the country. Collection of the sub loan installments which include both capital recovery & interest components is also one of the responsibilities of the Department of Treasury Operations. Department maintains a monthly updated data base in this regard.

The Department was able to release Rs. 13.57 billion as new sub loans while a sum of Rs.12.96 billion was recovered as sub loans installments from Public Enterprises. In addition, Rs. 3.54 billion was collected as interest on sub loans.

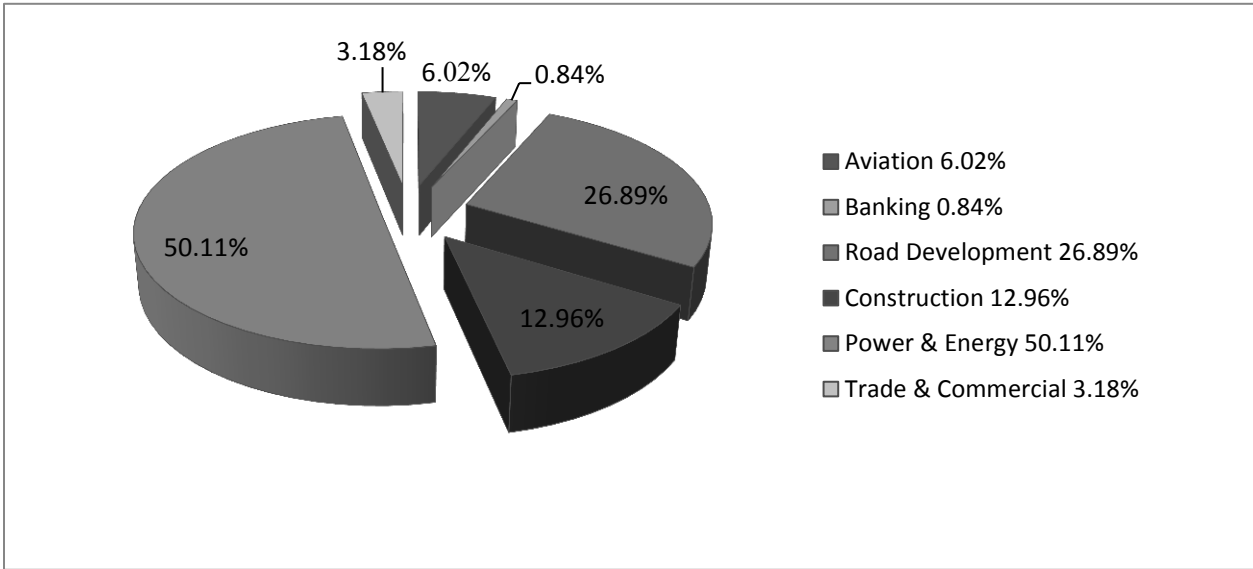
The total sub loan balance as at 31.12.2015 was Rs. 174.19 billion which mainly distributed through 56 Public Institutions including Public Enterprises, Commercial Banks, Development Banks and Regional Development Bank. These sub loans were granted by utilizing the main loans received by the government from the major donors such as World Bank, ADB & JICA on the concessional basis.

**7.4.3. Treasury Guarantees**

TOD issues Treasury Guarantees to Public Enterprises when these Institutions seek collaterals to be submitted for obtaining Local & Foreign Loan facilities from financial institutions subject to the relevant Cabinet approval and within the provisions of the Fiscal Management (Responsibility) Act No. 03 of 2003 with its amendments.

TOD has issued Treasury Guarantees for a sum of Rs.593.01 billion at the end of the 2015. Out of that, 50.11% guarantees have been issued to the power & energy sector.

**Chart 7.4.(b): Sectoral as composition of the Treasury Guarantees 2015**



## 7.5 TREASURY SINGLE ACCOUNTING SYSTEM AND TREASURY FINANCIAL MANAGEMENT SYSTEM

Requirement of proper banking system is a vital factor for effective and efficient fund management of the government ministries and departments. As a result of the connection of the banking system of the country through a network, the General Treasury was able to introduce Treasury Single Accounting(TSA) System in 2007 with a view of utilizing public funds effectively and efficiently.

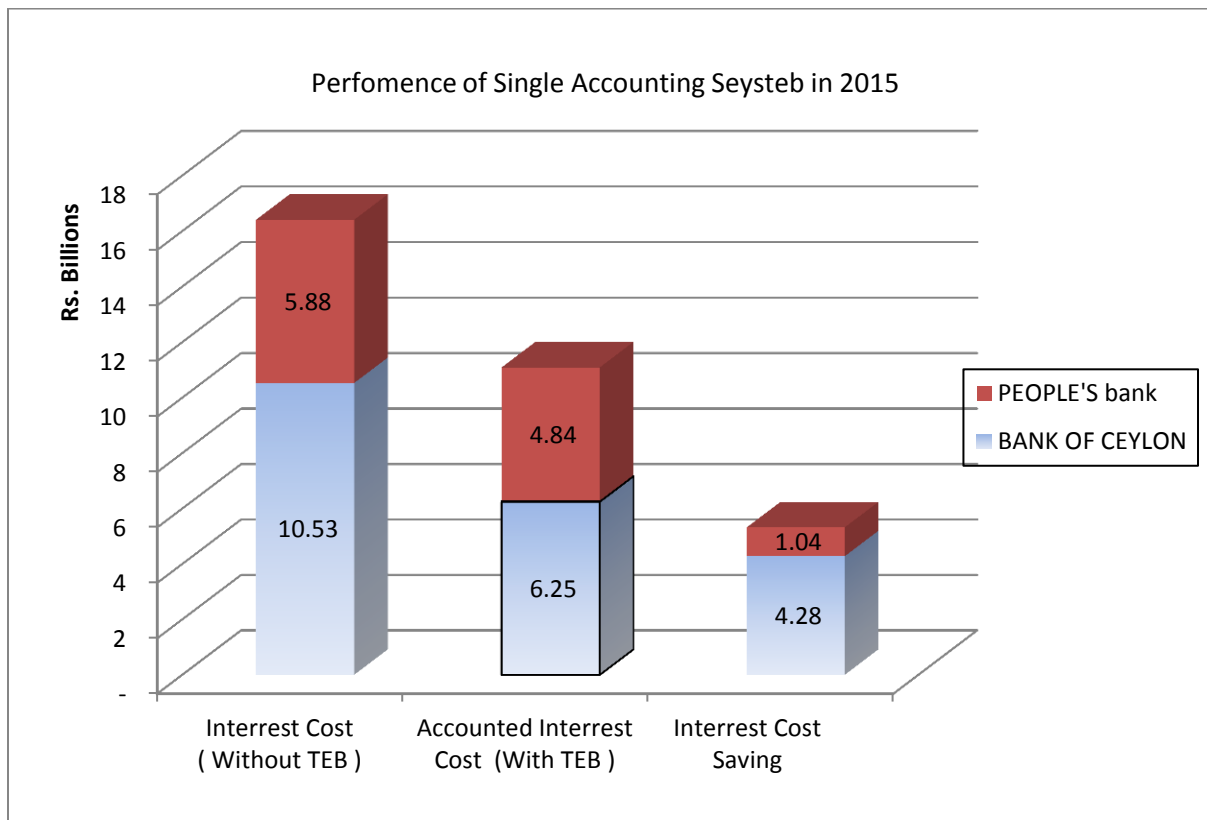
There are total number of 2391 official bank accounts under TSA system and in the name of Deputy Secretary to the Treasury as at 31.12.2015, and the following table illustrates the distribution of those accounts among the banks;

	Bank of Ceylon	Peoples Bank	Central Bank of Sri Lanka	Total
Official Bank Accounts under TSA	1,561	802	0	2,363
Main Official Bank Accounts maintained in the name of DST	1	1	4	6
Collection Bank Accounts maintained by the Dept. of Inland Revenue, out of the TSA system	16	6	0	22
Total	1,578	809	4	2,391

As a result of introducing TSA system, the General Treasury was able to reduce its Over Drafts on the DST's Main Bank accounts and cost on it by managing the financial transaction with banks effectively and economically. Therefore, TSA system leads to avoid maintaining the idle cash balances in the official bank accounts of the government throughout the country.

Average daily idle cash balances of the Government with Ministries, Departments, District and Divisional Secretaries were approximately Rs. 21 Billion in 2015. Thus, it was saved about Rupees 5.32 Billion of interest expenditure since these idle cash balances could temporarily be employed to DST's Main Accounts through the TSA system. The total interest cost on overdrawn fund would have been increased by 32% if the TSA system had not been in place. The following graph is illustrated this scenario.

### Chart



Treasury Financial Management System (TFMS) was introduced in the year 2008 with the intention of fulfilling the requirement of financial management information to be used more in user friendly manner. As a result of the continuous management review to uplift the efficiency of the system through necessary updates with the client institution which is responsible for technical & other maintenance and improvements of the system, TOD was able to further update the system during the year 2015. Ability to generate management reports within the system is very helpful for the Department to take its day-to-day key management decisions effectively. This system facilitates to carry out all the transactions of the Consolidated Fund including receipts & payments and it also provides the day end cash position report for the evaluation by the Management. The information generated through the system is effectively utilized by the higher management as a management tool for the effective decision making.

TOD has recorded total receipts of Rs. 4,330.3 Billion and total payment of Rs. 4,400.6 Billion, excluding inter-bank transactions in 2015. All these receipts and payments have been made under the 9,444 pay-in-vouchers and 18,252 number of payment vouchers respectively. All these 18,252 number of payment vouchers had been made through 17,933 transactions by ensuring the efficiency, convenience and safety in financial transactions process in Sri Lanka. Out of these, 16,062 number of vouchers have been made through electronic fund transfer system via Central bank of Sri Lanka, Bank of Ceylon and People's Bank which representing 88% of the total transactions. In addition, 319 inter-bank transactions have been made through the Real Time Gross entry Settlement (RTGS). And also, out of 9,444 receipt entries recorded in 2015, 76.7% was made through electronic fund transfers without using the cheques.

## 7.6 PROPERTY LOAN GUARANTY FUND

New loan scheme has been introduced by 2005 budget using the facilities with the banking system having the prime intention to provide every government servant a valuable asset like a housing property.

Loan Guaranty Fund was established under the supervision of the Department of Treasury Operations in order to mitigate the repayment risk of the bank due to the death or permanent disability of the borrowers.

Accordingly, The Fund was started with an investment of Rs. 916 Mn. in the Treasury bond as the seed Capital. This investment has now progressively increased up to Rs. 1,134 Mn.

Table :

Progress of the settlement of the loans from Property Loan Guaranty Fund 2005-2015

Year	2005 – 2013	2014	2015	Total
No. of officers died/Permanent disable / retired on medical ground	316	46	77	439
Total settlement in Rs. Mn.	235.3	32.4	65.3	333.0

As illustrated in the above table, 439 number of Government servants who died/permanents disable/retired on medical ground have been benefited since the relevant public sector Banks have been settled Rs. 333 Mn. as the final settlement of loan due. Aspiration of Department is to further extend the facilities offered to public servants through effective and efficient management of the Fund.