

Contents

	Page No
• Vision	02
• Mission	02
1. Introduction	03
2. Major Functions	03
3. Organizational Structure	04
4. Cadre Information	05
5. Human Resource Development	06
6. Financial Performance	09
7. Physical Performance	11
7.1 Cash Management	11
7.2 Public Debt Management	21
7.3 Foreign Aid Management	26
7.4 Government Revenue	27
7.5 Progress on Treasury Single Accounts System and Treasury Finance Management System	30
7.6 Operations of Revolving fund for purchase & Sale of farmer Products	31

- ***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.”

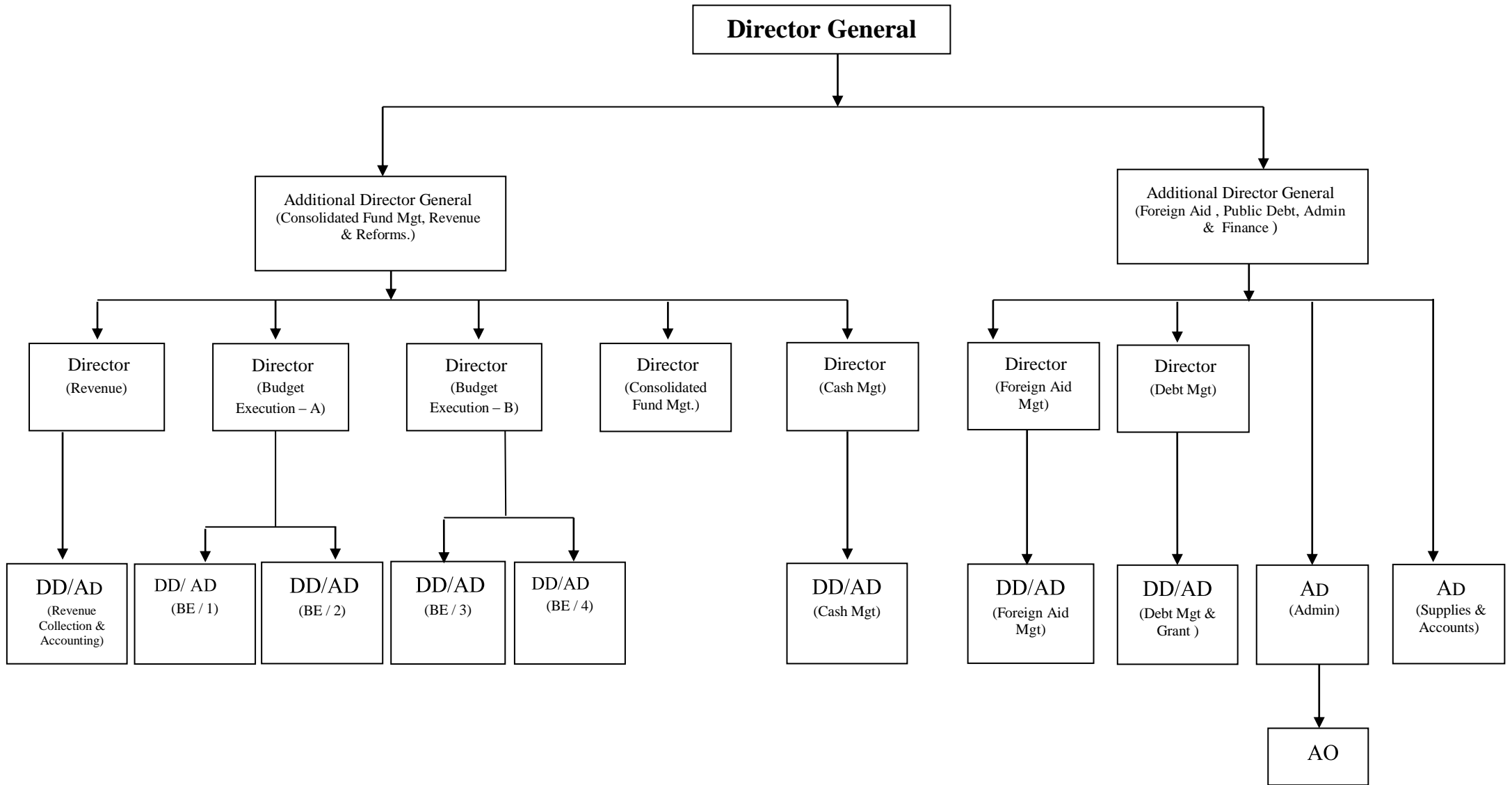
1. Introduction

The Department of Treasury Operations (TOD) was established on 28th 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, management plan on; annual, monthly and daily basis and manage them effectively and efficiently in order to execute the National Budget in achieving budget targets of the Government.

2. Major Functions

- Management of Treasury Cash Flow
- Facilitating 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 11 heads and Tax Revenue under 01 head.
- Facilitating for disbursement of funds under FA 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 31.12.2014

Designation	Approved Cadre	Exciting Cadre
Director General	1	1
Additional Director General	2	2
S.L. Ac. S - Class I	7	7
S. L. Ac. S - Class II/ III	9	3
S.L.A.S. - Class III	1	1
Administrative Officer	1	1
Development Assistant	20	17
P.M.A. -Class I/II/III	55	49
Information & Communication Technology Assistant	7	2
Driver	6	6
Office Employee Asst -Class I/II/III	12	11
Total	121	100

5. Human Resource Development

In view of improving the knowledge and expertise of the staff on related subjects; arrangements have been made for the officials of the Department to participate in local and foreign training programmes.

Table 5(a) Local Training 2014

Category of Staff	Number of Training Courses	Number of officers trained	Field of training	Location
Staff Officers	01	02	Advanced Management Development Programme	Miloda
Public Management Assistant	06	02	Training on Establishment code	SLIDA
		02	Training programme on Chief Management Assistant	SLIDA
		03	Higher Diploma in Professional Management Assistant	SLIDA
		01	Computer Driving License	SLIDA
		02	Training on Maintenance of Account System	SDFL
		01	Training on Procurement procedure	SDFL
All	01	16	Tamil Language for Government officers	Premises of the Department

In addition to the above, a residential training programme had been conducted on 23th November 2014 in “Laya Leisure” Kukuleganga, Mathugama with the objective of team building and development of attitudes of the staff. The training was directed to principles, values and perceptions leading to the behavior. It was helpful to improve the self-development as well as mutual relationship among the staff members. 55 employees actively participated in the programme.

Further, 08 staff officers were given opportunities for foreign training/ participating in conferences during the year.

Table 5 (b) Foreign Training and participation in conferences -2014

	Training / Seminar or Forum	Country	Duration	Number of Officers
1.	14 th Roundtable Discussion on Market Reforms in Asia	Japan	13.03.2014 – 14.03.2014	01
2.	Debt Stake holders Forum	Belgium	03.04.2014 – 04.04.2014	01
3.	Fourth Asian Regional Forum on Public Debt Management Forum	Georgia	23.04.2014 – 25.04.2014	01
4.	Inter – Governmental Forum for Expert Group of Financial Issues	Nepal	19.05.2014 – 23.05.2014	01
5.	Seminar for ODA Officials from South Asian Countries	China	06.06.2014 – 26.06.2014	01
6.	Seminar on Debt management of Government Bond Issuance	Thailand	25.06.2014 – 01.08.2014	01
7.	Debt Management performance Assessment	Vietnam	14.07.2014 – 18.07.2014	01
8.	Forum on Modernizing Treasury Management in Developing Countries	Singapore	28.07.2014 – 01.08.2014	01
9.	Regional Workshop on Public Sector Accounting	Indonesia	29.09.2014 – 30.09.2014	01
10.	Intergovernmental working on Experts of International Standards of Accounting & Reporting	Switzerland	12.10.2014 – 20.10.2014	01

5. (c) Circulars and Instructions

The Department had been instructed and guided via issuing circulars as below during year 2014.

Date	Circular No.	Title
11.06.2014	TOD-01-2014	Revenue Estimates for Year-2015
20.06.2014	TOD-02-2014	Statement of Arrears of Revenue-30.06.2014
13.10.2014	TOD-03-2014	Payment of Salaries, Salary Advances and pensions for the year 2015
20.11.2014	TOD-04-2014	Closing of Cash Books for 2014 and Settlement of Imprest Accounts
03.12.2014	TOD-05-2014	Determination of Annual Imprest Limits for Expenditure to be incurred under the Provision made in the Budget Estimates 2015
23.12.2014	TOD-03(I)-2014	Advance the Date of Pension Payment for the month of January-2015
31.12.2014	TOD-06-2014	Statement of Arreas of Revenue - 31. 12. 2014

6. Financial Performance - 2014

Table 6.(a) Financial Performance of Recurrent Expenditure - 2014

								Rs. '000
Item	Category/ Object/ Item/ Description	2013		2014		Increase/ Decrease over 2013 Expenditure	Increase/ Decrease % Based on Actual Expenditure 2013	
		Estimate	Actual	Estimate	Actual			
	RECURRENT EXPENDITURE	955,300	955,279	3,971,643	3,891,932	2,936,653	307.41	
	Personal Emoluments	37,298	37,289	40,410	40,102	2,813	7.54	
1001	Salaries & Wages	24,251	24,249	24,500	24,214	(35)	(0.14)	
1002	Overtime and Holiday Payments	501	500	510	508	8	1.60	
1003	Other Allowances	12,546	12,540	15,400	15,380	2,840	22.65	
	Travelling Expenses	1,403	1,397	1,370	1,365	(32)	(2.29)	
1101	Domestic	65	64	70	69	5	7.81	
1102	Foreign	1,338	1,333	1,300	1,296	(37)	(2.78)	
	Supplies	3,474	3,473	3,203	3,198	(275)	(7.92)	
1201	Stationery and Office Requisites	1,635	1,634	1,010	1,010	(624)	(38.19)	
1202	Fuel	1,771	1,771	2,125	2,120	349	19.71	
1203	Diets and Uniforms	68	68	68	68	-	-	
	Maintenance Expenditure	1,527	1,525	1,278	1,267	(258)	(16.92)	
1301	Vehicle	1,233	1,232	1,000	992	(240)	(19.48)	
1302	Plant, Machinery and Equipment	273	272	210	210	(62)	(22.79)	
1303	Building & Structure	21	21	68	65	44	209.52	
	Services	2,352	2,350	2,344	2,337	(13)	(0.55)	
1401	Transport	1,012	1,011	860	854	(157)	(15.53)	
1402	Postal and Communication	1,294	1,294	1,410	1,410	116	8.96	
1405	Other	46	45	74	73	28	62.22	
	Transfers	909,246	909,245	3,923,038	3,843,663	2,934,418	322.73	
1503-01	Refund of Proceeds Lotteries Development Subsidies	498,374	498,373	499,363	420,012	(78,361)	(15.72)	
1504	Development Subsidies - Kerosene Subsidy to CPL	-	-	3,022,775	3,022,775	3,022,775		
1505-01	Gov. Contribution of Public servant's Insurance Scheme	410,000	410,000	400,000	400,000	(10,000)	(2.44)	
1506	Property Loan Interest to Public Servants	872	872	900	876	4	0.46	

Table 6.(b) Financial Performance of Capital Expenditure - 2014

Item	Category/ Object/ Item/ Description	2013		2014		Increase/ Decrease over 2013 Expenditure	Rs. '000
		Estimate	Actual	Estimate	Actual		Increase/ Decrease % Based on Actual Expenditure 2013
	CAPITAL EXPENDITURE	506,800	502,334	6,892	6,460	(495,874)	(98.71)
	Rehabilitation and Improvement of Capital Assets	3,000	1,491	3,242	2,955	1,464	98.19
2001	Building Rehabilitation & Improvement	1,100	209	1,300	1,217	1,008	482.30
2002-1	Implementation of treasury Single Accounts System	1,000	981	1,000	812	(169)	(17.23)
2002-2	Other	100	98	142	140	42	42.86
2003	Vehicle	800	203	800	786	583	287.19
	Acquisition of Capital Assets	3,200	271	3,000	2,999	2,728	1,006.64
2102	Furniture & Office Equipment	3,200	271	3,000	2,999	2,728	1,006.64
	Acquisition of Financial Assets	500,000	500,000	-	-	(500,000)	(100.00)
2302-0	Revolving fund to be utilized in purchasing the Farmer Products	500,000	500,000	-	-	(500,000)	(100.00)
	Humen Resource Development	600	572	650	506	(66)	(11.54)
2401	Training & Capacity Building	600	572	650	506	(66)	(11.54)

7. Physical Performance

7.1 Cash Management

7.1.1 Treasury Cash Flow Management

Treasury Operations Department (TOD) adopted an effective cash planning and management strategy in 2014 to manage the government finance effectively, minimize borrowing costs towards 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 spending agencies (Government ministries, departments and other institutions) on timely manner and priority basis. General experience of the department was that the demand for cash was always higher than the availability of the funds. Therefore, it was among one of the main responsibility of the department to assess the needs of cash demands of each and every spending agency objectively in order to release the funds necessary for smooth implementation of the budget.

The cash flow management strategy adopted by the TOD in 2014 contributed to ease the pressure on bunching of the debt obligations, hence lowering the refinancing risk of the public debt portfolio and the pressure on the domestic interest rates. Under this strategy, TOD prepared an monthly operational cash management plan, based on projected aggregate cash inflows, limits on cash outflows and likely timing of the borrowings. This monthly plan was based on the annual cash plan, including projected cash inflows, cash outflows and planned borrowings prepared in line with the Appropriation Act approved by Parliament.

Annual & monthly cash plan were prepared based on the forecasts submitted by Departments of Inland Revenue, Customs and Excise and projected tax and non tax revenue receipts and expenditures considering the monthly pattern of them. 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 continuously updated operational cash flows.

In order to insure timely instruction to take required decisions in the process of achieving the annual budgetary targets in the treasury cash management. Secretary to the Treasury chaired for cash flow meetings with the participations of the Heads of main executive officers of the principal revenue collection departments such as Inland Revenue Department, Sri Lanka Custom and Department of Excise and Heads and Deputies of related Treasury Departments. Continuous supervision always allow a better implementation of policies through periodical changes as required. This will also measure the anticipated out come.

Similar to the previous years, the filling of the gap between revenue and expenditure during the year was made through borrowings. However, the year 2014 was a challenging year for the TOD in achieving its objectives. Despite revenue targets were not achieved as planned and increased the expenditure on interest, the Department of Treasury Operations addressed almost all the challenges reasonably in 2014 with the assistance of the Public Debt Department of the Central Bank of Sri Lanka. Among those challenges, following were the most notable.

1. To ensure the treasury cash management is not contradicted with the quarterly economic targets to be achieved by the Central Bank of Sri Lanka.
2. To implement the public investment programme as planned.
3. To utilize the domestic financial resources without adversely affecting the credit needs of the private sector.
4. To recommend obtaining debt from the international capital market at a lower cost.
5. To recommend borrowing at the monthly Domestic Debt Management Committee (DDMC) meetings to achieve desired public investment targets.

7.1.2 Treasury Cash inflow

Table 7.1 (a) Collection of Revenue - 2014

	(Rs.Million)		
	Estimate	Actual	%
Tax Revenue	1,158,000	987,712	85
Non Tax Revenue	92,261	97,237	105
Grant	13,701	2,495	18
Total Revenue	1,263,962	1,087,444	86

Chart 7.1 (a) Estimated and Actual Revenue 2014

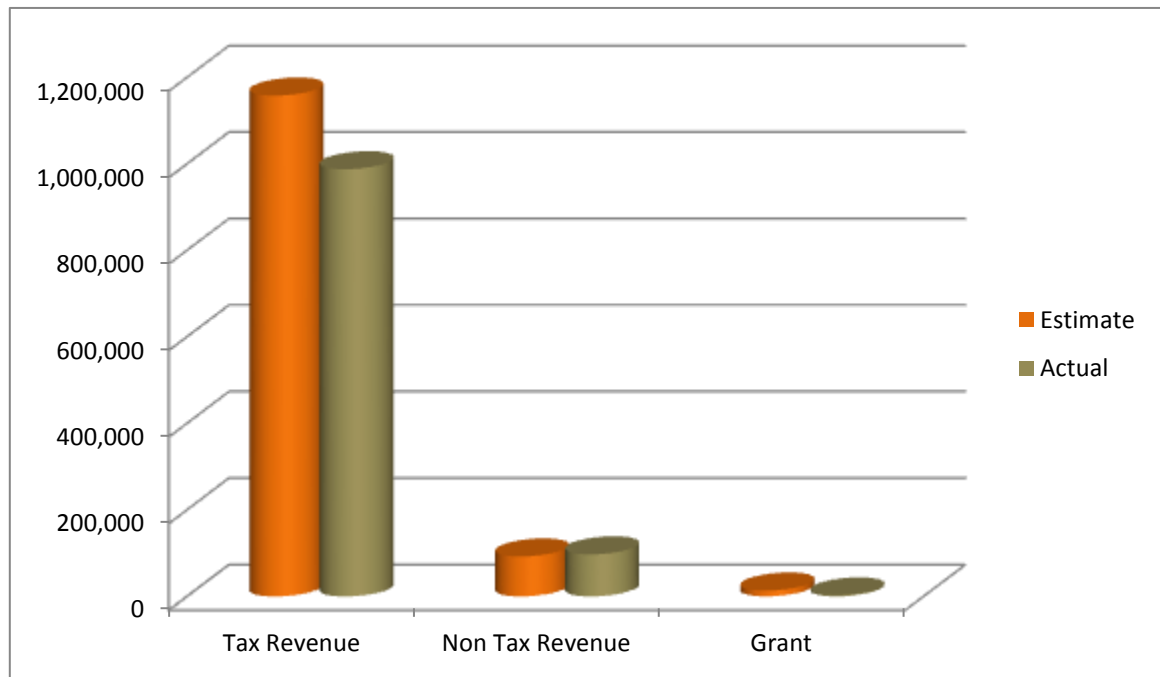
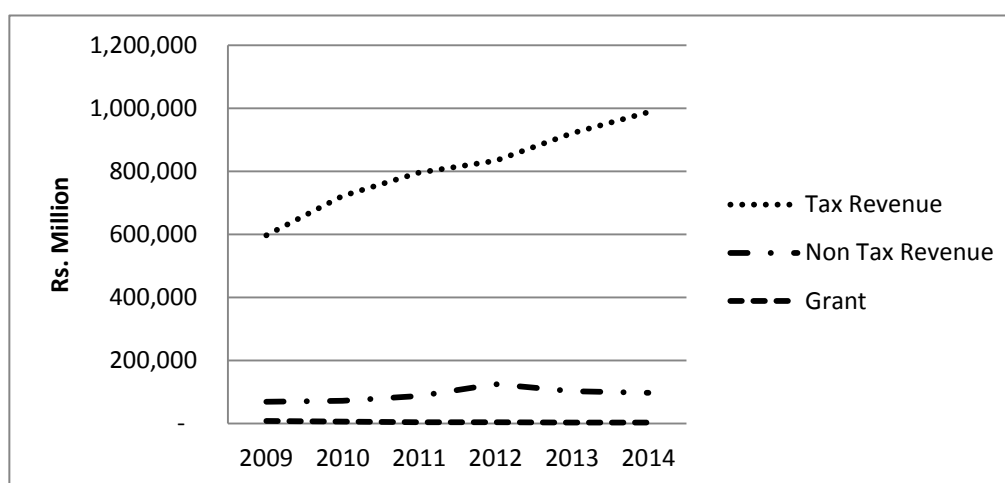


Table 7.1 (b) Collection of Revenue - 2009 to 2014**Rs. (Mn)**

	2009	2010	2011	2012	2013	2014
Tax Revenue	596,762	721,818	795,696	833,520	920,225	987,712
Non Tax Revenue	68,142	72,122	86,586	124,359	102,447	97,237
Grant	8,054	5,319	3,267	3,171	2,307	2,495

Chart 7.1 (b) Trend in Government Revenue 2009-2014

As shown in the Table 7.1(a) and the Chart 7.1(a) revenue collected in the year 2014 was 86% of the estimated revenue. This consists 85% of the tax revenue, 105% of the non tax revenue and 18% of the foreign grants from the total estimate.

As a result of further with the strengthening of monitoring on revenue collection by General Treasury, collection of tax revenue was Rs. 987,712 million in 2014 which is an increase of 7% with compared to the tax revenue collection of Rs. 920,225 million in 2013. The increase of the revenue from Value Added Tax, National Building tax, Import Duties on motor vehicles were mainly contributed for the increase in the tax revenue Cash inflow from foreign grants was marginally increased by 8% to Rs. 2,495 million. Accordingly, 91% of the total revenue in 2014 was received from the tax revenue while the balance 9% consists of non tax revenue and grants.

7.1.3 Treasury Cash Outflow

Department of Treasury Operations has also contributed for government effort of maintaining capital expenditure at a required level to facilitate the investment program of the government.

One of the challenging tasks of the Department was to match the revenue to meet these expenditure.

The Table 7.1 (C) shows the distribution of the imprest in 2014 for the each expenditure category.

Table :-7.1 (c) Distribution of imprest under spending category wise

	Rs.million	
	2013	2014
For Personal Emoluments	425,448	475,752
For Pension	116,591	121,603
For Samurdhi / Fertilizer Subsidy Payments	28,091	46,797
For Recurrent Expenditure	159,896	235,910
For Interest payments	469,928	449826
For Debt. Repayment	709,956	627,045
For Capital Expenditure	267,039	377569

The total imprest releases for recurrent expenditure amounted to Rs. 1,329,888 Million in 2014 which is 11% increase over the previous year.

7.1.4 Composition of Cash Limits and Releases

Cash Management Division of the TOD consists of five sectors as follows:

1. Infrastructure Development Sector (IDS)
2. Human Resources Development Sector (HRD)
3. Real Economy and Finance Sector (REF)
4. Defence Sector (DEF), and
5. Governance Sector (GOV)

Imprest releases for capital expenditure amounted to Rs. 377,569 Million in 2014. The imprest releases for capital expenditure was directed towards the improvement of national infrastructure development of the country such as road, human resources , transportation, power generation, water supply, ports and air ports , irrigation and upgrading the rural economy.

Chart 7.1 (C) Annual Cash Limit and Cash Releases - 2014

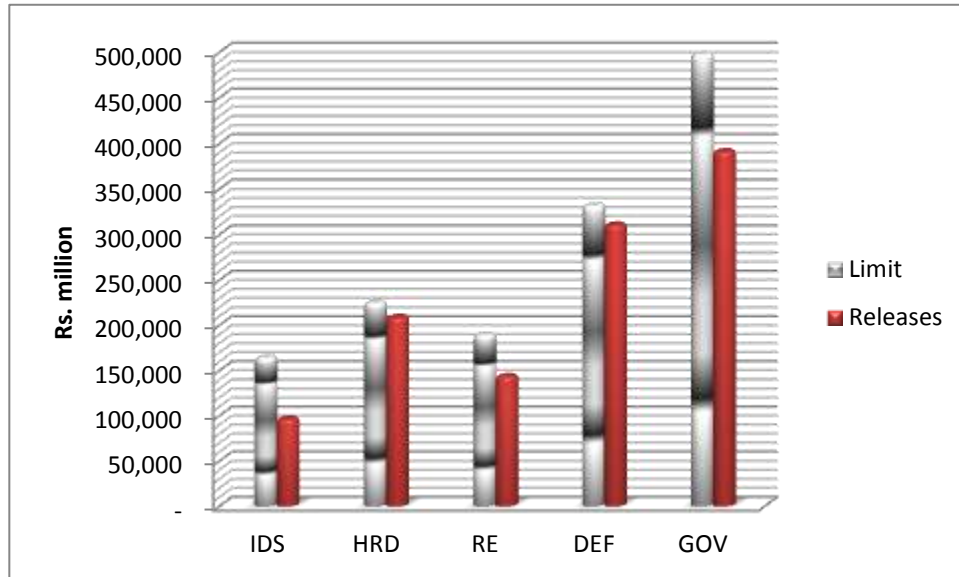


Table 7.1(d) Annual Cash Limit and Cash Releases - 2014)

		Rs.(Mn)				
		IDS	HRD	RE	DEF	GOV
Limit		164,225	225,056	190,327	331,947	497,734
Releases		96,431	208,814	143,396	310,505	391,075
Percentage of Releases		59%	93%	75%	94%	79%

As shown in the Table 7.1 (d), Department of Treasury Operations has released cash for each Departments and Ministries under these 5 sectors in accordance with their requirement in 2014. During this period, the Treasury had released funds amounting to more than 93% of the limits for Defence and Human Resources Development Sector. Governance, Real Economy Sector and Infrastructure Development Sector were also given 79%, 75% and 59% respectively. The Chart 7.1 (c) illustrated the cash release against the annual imprest limit during the year 2015.

**Table 7.1 (e) Sector-wise Breakdown of
Recurrent and Capital Expenditure and Imprest Limits**

(Rs. Million)

Sectors	Recurrent			Capital *		
	Imprest Limit	Imprest Releases	%	Imprest Limit	Imprest Releases	%
IDS	26,924	20,718	77	135,872	75,458	56
HRD	161,217	158,171	98	61,629	49,131	80
RE	91,039	74,767	82	96,522	68,224	71
DEF	291,821	278,699	96	36,266	28,905	82
GOV	375,428	309,043	82	120,768	81,531	68
Total	945,710	841,398	89	450,191	303,249	67

* without Public officers Advance

Chart 7.1(d)

Limits and Cash Releases for recurrent Expenditure - 2014

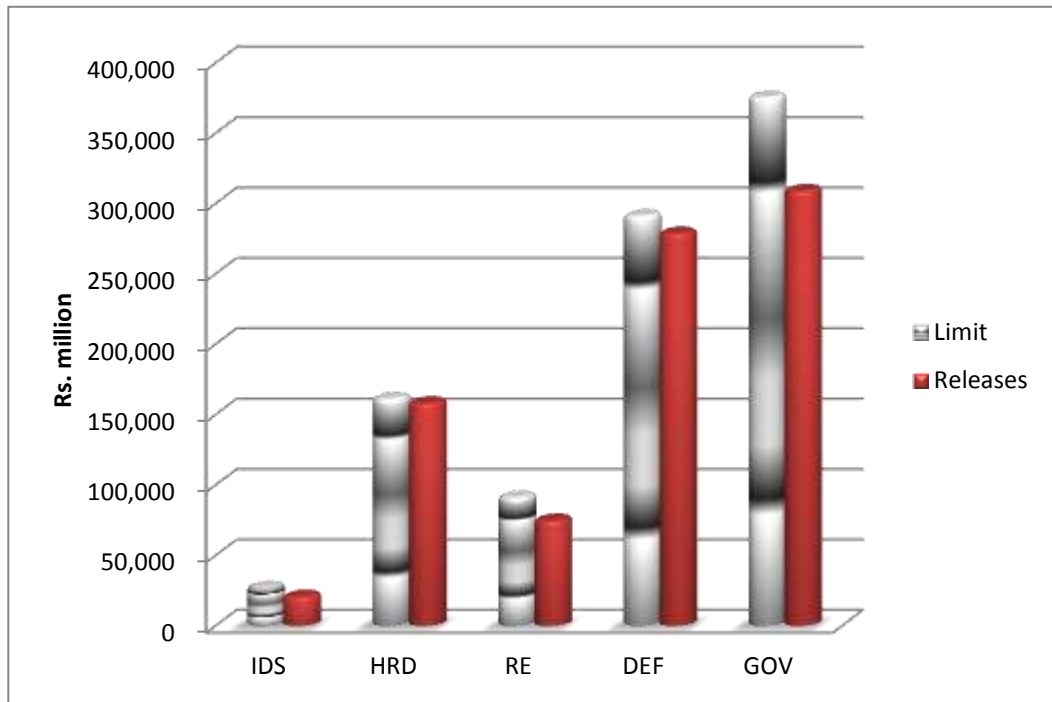
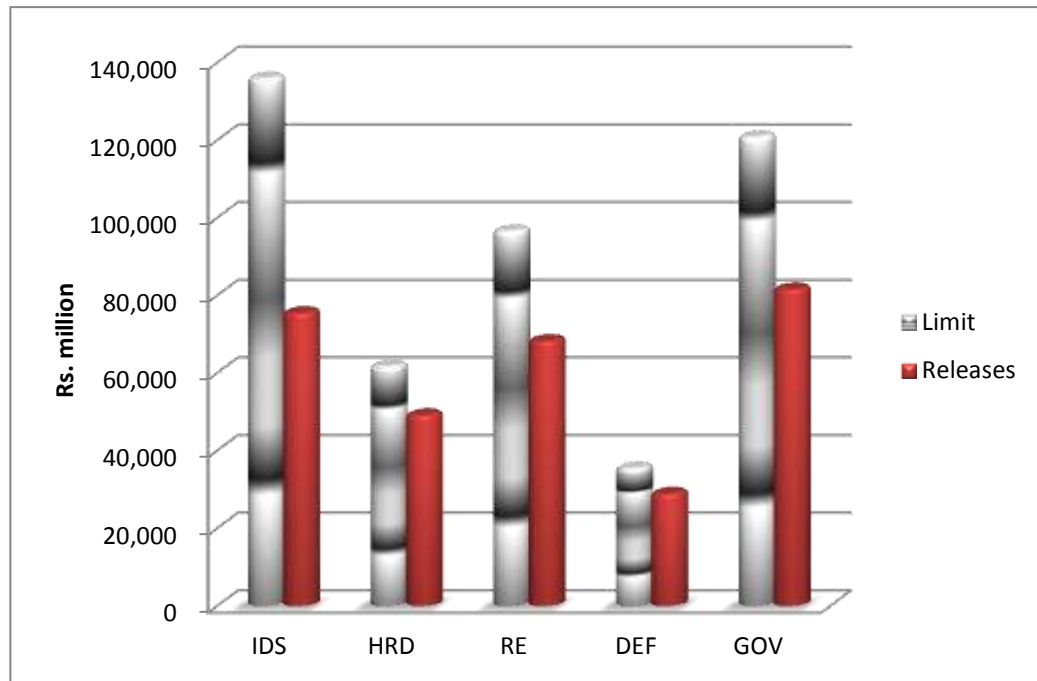


Chart 7.1(e)

Limits and Cash Releases for Capital Expenditure - 2014



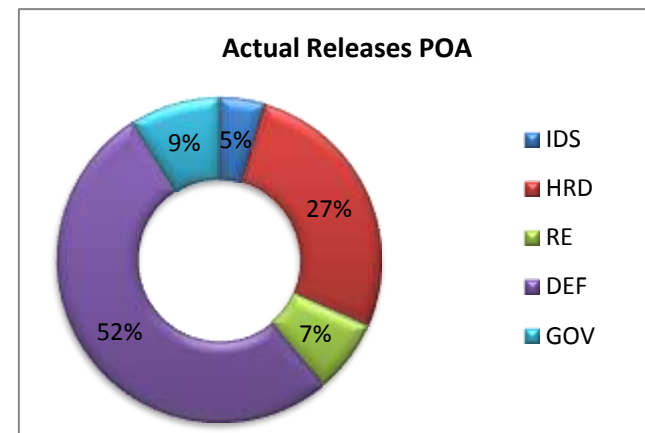
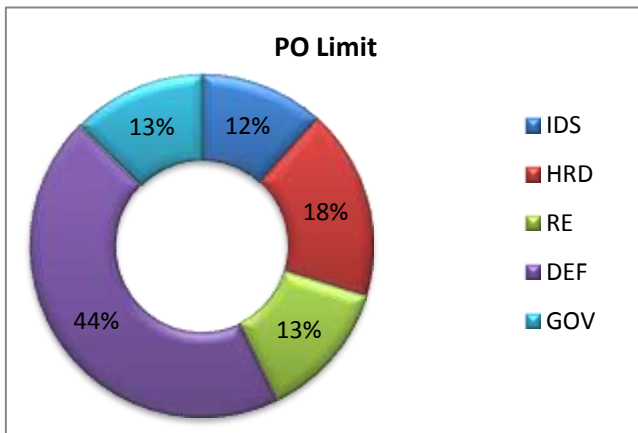
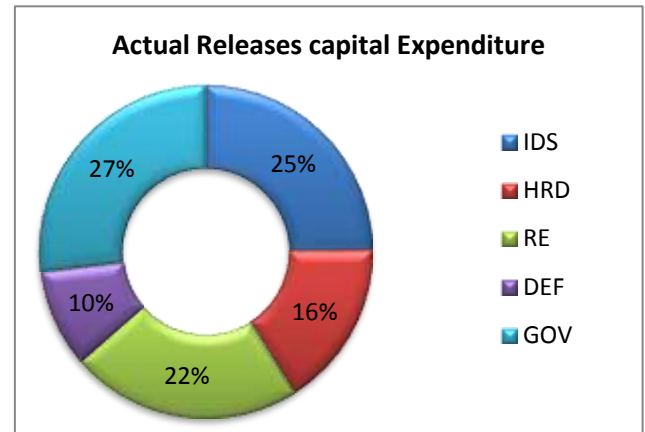
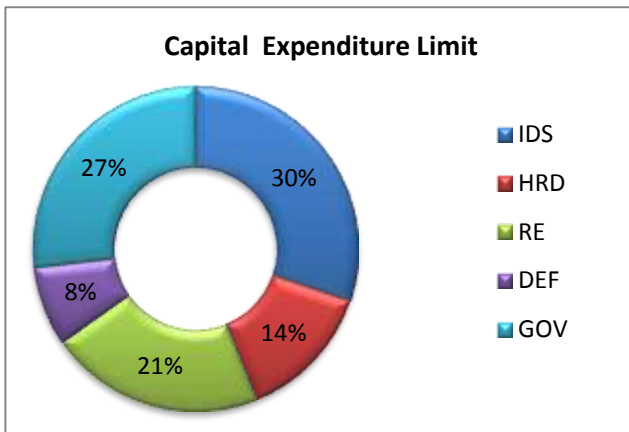
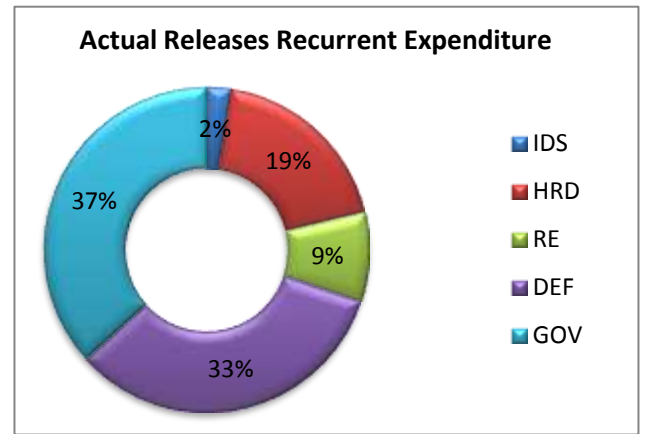
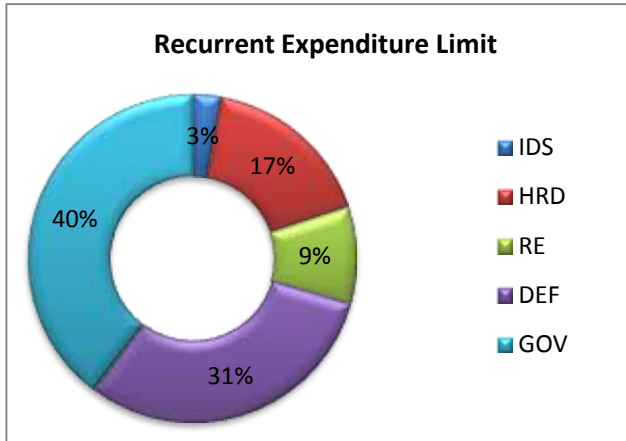
As shown in the Table 7.1(e) and chart 7.1(d) cash requirement of spending agencies for recurrent expenditure had been fulfilled, satisfactorily. In other words that was about 89% of the total cash limit determined for the year based on the annual budget. Human Resources Development and Defence sectors, under recurrent expenditure had been recorded more than 98%.

In case of capital expenditure, Treasury was able to release up to 67 % of the cash limit compared to the corresponding figure of 65% in last year. The highest release on capital expenditure, 82 % against imprest limit was made for the Defence sector.

7.1.5 Sectorial Composition of Cash Limits and Actual releases

When budget is formulated, the priority is given to the important sectors of the economy in allocating resources. The Department of Treasury Operations being the budget execution arm of the General Treasury has to maintain the same importance and priorities in releasing cash. As per the compositions shown in the Chart 7.1(f) TOD released cash for Recurrent Expenditure, Capital Expenditure and Advances to Public Officers (POA), endorsing the said priorities.

Chart 7.1 (f) Sectorial Composition of Cash Limits and Releases - 2014



7.2 Public Debt Management

7.2.1 Government Borrowing Programme – 2014

Under the Appropriation Act No. 36 of 2013, approval of the Parliament of Sri Lanka was granted for a maximum gross borrowing limit of Rs 1,278 billion to finance the resource gap for the year 2014. However this limit was subsequently enhanced through the amended Act of No 47 of 2014 to Rs. 1,478 billion to account for the bonds issued for capitalization and restructuring of balance sheets of Public Enterprises.

To finance the resources gap during the year government heavily relied upon the domestic sources. Accordingly, total gross borrowing from domestic sources recorded as Rs.1,001.9 billion, including rupee denominated Treasury bills and Treasury bonds issued to foreign investors representing a decrease from the 87.75 percent share of domestic borrowing in 2013 to 70.34 percent share in 2013, while the amount raised from foreign sources amounted to Rs. 422.5 billion, representing 29.66 percent share of total gross borrowing

Reflecting the government debt management strategy of borrowing at lowest possible cost action has been taken to issue longer tenure Treasury Bonds in place of maturing high cost short term debt securities. Accordingly, the major component of domestic borrowing comprised with the issuance of Treasury Bonds, which amounted to Rs.857.6 billion in gross terms increased by 6.9 percent over the year 2013 from Rs. 802.4 Billion.

Sri Lanka Development Bonds (SLDBs) denominated in foreign currencies recoded a remarkable decrease from Rs 237.9 billion in 2013 to Rs 95.5 billion in 2014 reflecting an decrease of 60 percent while issuance of Treasury bills decreased by 74.78 percent from to Rs.46.78 billion in 2013 to Rs 11.8 billion in 2014.

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

Item	2013		2014	
	Approved Limit	Usage	Approved Limit	Usage
Gross Borrowing	1,303,000	1,286,013	1,478,000	1,442,506
Domestic	1,069,000	1,102,696	1,146,500	1,001,968
Foreign	234,000	183,317	331,500	422,538
Total Financing	1,303,000	1,286,013	1,478,000	1,424,506

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

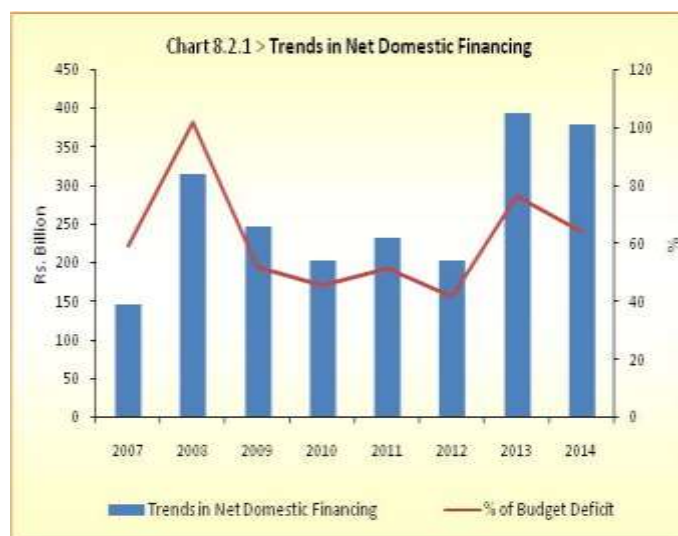
7.2.2 Net Domestic Financing

Total net borrowings from domestic sources to finance the budget deficit of Rs. 591.2 billion in 2014 amounted to Rs. 379 billion. This accounted for 64 percent of budget deficit. The total net borrowing to finance the deficit in 2014 through marketable debt instrument amounted Rs. 416.2 billion in accordance with the government strategy of focusing on marketable instrument while there was a repayment of non-marketable debt of Rs 37.5 billion.

NDF comprised mainly of marketable debt instruments such as Treasury bonds, Treasury bills and Sri Lanka Development Bonds (SLDBs). Of the total marketable

borrowings, Rs 369.1 billion or 97.5 percent were borrowed through treasury Bonds in 2014 excluding the net investments by non-residents in Treasury Bonds which amounted to Rs.15 billion.

Net borrowings from Treasury bills amounted to Rs. 26.1 billion, which accounted for 6.9 percent of NDF. The net borrowings through SLDBs declined to Rs21.0 billion from Rs 140.3 billion in 2013 and represented 5.5 percent of the total NDF. There was a repayment of Rs. 37.5 billion of non-marketable borrowings in 2014.



7.2.3.1 Outstanding Domestic Debt

Of the total domestic debt by end 2014, the share of Treasury bonds and Treasury bills accounted for 66.4 percent and 16.2 percent, respectively. The balance accounted for SLDBs (9.1 percent), provisional advances from the Central Bank (3.4 percent), Rupee loans (1.3 percent) and other borrowings (3.6 percent).

The stock of Treasury bonds increased by 15.9 percent to Rs. 2,844 billion in 2014 over 2013 while the stock of Treasury bills amounted to Rs.694.8 billion, an decrease of 0.7 percent over 2013. Total SLDBs issued increased by 5.9 percent to Rs. 391 billion as at end 2014.

7.2.3.2 Maturity Structure of Domestic Debt

By end 2014, medium and long term debt, accounted to 78 percent of the total domestic debt. It reflected a marginal increase compare to 76.3 percent in 2013, up to Rs. 3,336.6 billion.

Total Treasury bonds of Rs. 2,844.5 billion constituted 85.2 percent of the total medium to long term debt. The balance consisted the SLDBs (11.7 percent) and the Rupee Loans (1.7 percent) and Other loans (1.4 percent). The concentration of the government borrowings towards medium to longer term instruments facilitated the government to extend its yield curve during the year 2014.

Of the total outstanding domestic debt, the short term debt, which has a maturity period of less than one year, amounted to Rs.941.2 billion by end 2014. This was an increase of Rs. 32 billion from Rs. 909.2 billion in 2013. Treasury bills continued to dominate by accounting for 73.8 percent of the total short term domestic debt of the government.

Issuance of longer tenure securities in line with the medium term debt management strategy of the government resulted increase in the average time to maturity (ATM) of domestic debt to 5.74 years in 2014 from 4.8 years in 2013.

Table 7.2.(b) Maturity Structure of Domestic Debt for the year ended 2014

Year of Maturity	Instrument					Total	Maturity as a % of Total
	Treasury bills	Treasury bonds	Rupee Loans	SLDBs			
2015	750,267	511,705	31,430	93,774	1,387,176	31	
2016	-	299,986	-	78,252	378,238	8	
2017	-	380,764	-	59,824	440,588	10	
2018	-	474,309	-	157,267	631,576	14	
2019	-	294,512	-	1,966	296,478	7	
2020	-	82,303	-	-	82,303	2	
2021	-	86,902	-	-	86,902	2	
2022	-	183,062	-	-	183,062	4	

	-		-			
2023	-	76,994	24,088	-	101,082	2
2024	-	63,581	-	-	63,581	1
2025	-	15,487	-	-	15,487	0
2026	-	111,636	-	-	111,636	2
2028	-	187,355	-	-	187,355	4
2029	-	99,612	-	-	99,612	2
2032	-	134,365	-	-	134,365	3
2033	-	144,977	-	-	144,977	3
2034	-	77,859	-	-	77,859	2
2043	-	33,809	-	-	33,809	1
2044	-	82,508	-	-	82,508	2
Total	750,267	3,341,727	55,518	391,083	4,538,594	100

Sources : Department of Treasury Operations and Central Bank of Sri Lanka
Excluding Bank OD and Bonds issued in favour of CPC

7.2.3.3 Domestic Debt Service Payments

Total domestic debt service payments in 2014 amounted to Rs. 777.5 billion in comparison to Rs. 850.75 billion recorded in 2013. Out of the total Rs. 449.6 billion or 57.8 percent was for the domestic debt repayments while the balance Rs.327.9 billion (42.2 percent) was on interest payment. Both the amortization payments and the interest payments on domestic debt decreased by Rs. 46.5 billion and Rs. 26.8 billion, respectively in 2014 over the previous year.

Total domestic debt service payments as a percentage of GDP decreased marginally to 7.9 percent in 2014 from 9.8 percent in 2013. Domestic interest payments as a percentage of GDP declined to 3.4 percent from 4.1 percent in 2013 while domestic amortization payments decreased to 4.6 percent from 5.7 percent in the previous year. Domestic debt service payments to the total government revenue decreased to 65.1 percent from 74.8 percent in the previous year.

**Table 7.2.(c) Domestic Debt Service Payments
(Rs.Million)**

Year	Principal payments	Interest payments	Total
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

*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 is carried out, either releasing funds directly to the project or through the relevant Ministry. During the period of January -December 2014, Rs. 2,714 million has been released to the projects under RFA method. During the year 2014, Foreign Aid grants amounting to Rs.7,808 million has been received in cash in addition to Rs.1,607 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 the various projects. From January to December 2014, TOD facilitated to open 09 new such accounts, making the total number of accounts in operation 103 by the end of December 2014. During the year, funds amounting to Rs. 39,240 million have been received to these accounts from donor agencies.

7. 4. Government Revenue

7.4.1. Collection of Revenue:

The Director General of Treasury Operations functions as Revenue Accounting Officer for 11 Non Tax - Revenue Heads and 01 Tax - Revenue Head. Out of the total estimated Non-Tax Revenue of Rs. 178.5 Billion for the year under review, a sum of Rs 54 Billion equivalent to 30% of the Government total Non tax revenue and was expected to be earned from Rs. 32 Billion as the Tax revenue was estimated to collect during the year. During the year department was able to collect & account a sum of Rs.56.9 Billion as Non Tax - Revenue and Rs.31.3 Billion as Tax Revenue.

Table 7.4. (a) : Collected Tax and Non Tax Revenue by the Department 2013 – 2014

Revenue Description	Revenue Collections Rs: Million			
	2013		2014	
	Estimate	Collection	Estimate	Collection
Non Tax Revenue				
Rent on Govt. Building	612.0	620.8	650.0	641.7
Other Rental	80.0	62.1	3,120.0	3,509.9
On Lending Interest	8,167.0	8,178.8	8,425.0	6,757.8
Other Interest	1,610.0	1,485.0	1,475.0	1,220.1
Departmental Sales	125.0	108.1	100.0	98.7
Sundries	7,000.0	7,497.1	8,000.0	2,851.6
Fines & Forfeits	6,000.0	2,274.4	3,000.0	2,735.8
Other Receipts	4,000.0	11,430.2	12,000.0	4,705.3
Other Current Transfers	2,200.0	2,172.6	2,200.0	1,867.9
Sale of Capital Assets	800.0	280.2	300.0	17,604.3
Recovery of Sub Loans	16,825.0	15,968.5	14,750.0	14,892.3
Sub Total	47,419.0	50,077.8	54,020.0	56,885.4
Tax Revenue				
Telephone Subscribers' Levy	26,795.0	24,445.2	32,000.0	31,351.4
Sub Total	26,795.0	24,445.2	32,000.0	31,351.4
Total Revenue	74,214.0	74,523.0	86,020.0	88,236.8

In addition to the collection of above Tax and Non-Tax revenue, the Director General of Treasury Operation is functioning as the Revenue Accounting Officer for Foreign Grants. When it compared with collection of Rs. 15.8 billion in 2013 under the Foreign Grant Revenue Code the Department was able to collect only Rs. 9.4 billion due to conversion of Sri Lanka as a middle income earning country based on GDP Level.

7.4.2. Recovery of Sub Loan Capital and Interest:

The Government grants sub loans utilizing the loan proceeds of the foreign donors to Public Enterprises which are actively contributed for the improvement of the infrastructure essential for the development process of the country. Collection of the sub loan installments including loan repayment & interest are also among the main responsibility of the Department of Treasury Operations. Department is maintaining an updated data base in this regard.

Department was able to collect Rs. 14.96 billion as sub loan installment while sum of Rs.20.3 billion released as new sub loans to the Public Enterprise. In addition Rs. 6.8 billion was collected as interest on sub loans.

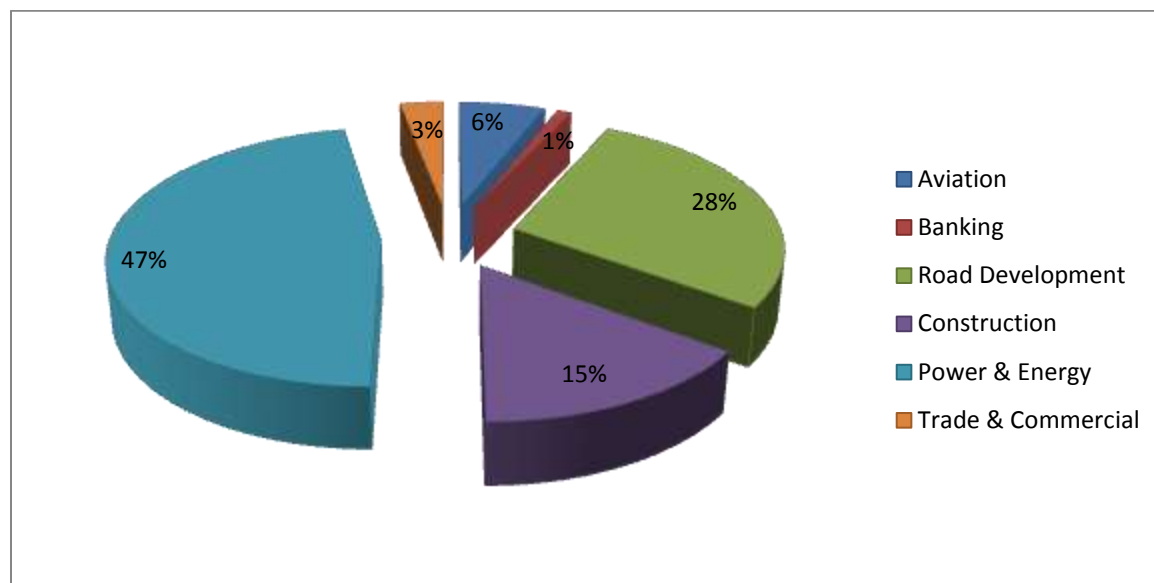
The Total outstanding balance of the sub loan as at 31.12.2014 was Rs. 208 billion which mainly distributed among 56 Public Enterprises including Commercial Banks, Development Banks and Rural Development Banks. These sub loans are granted by utilizing the main loans released to the government by the major donors such as World Bank, ADB & JICA on the concessional basis.

7.4.3. Treasury Guarantees

Department of Treasury Operations issues Treasury Guarantees to Public Enterprises and when these Institutions are sought collaterals to be submitted for obtaining Local & Foreign Loan facilities from financial institutions subject to the provisions of the Fiscal Management (Responsibility) Act No. 03 of 2003 which was amend by the Act No 15 of 2013 and the relevant Cabinet Approvals.

Department has issued Treasury Guarantees worth of Rs.55.6 billion at the end of the 2014. Out of that, 47.05% guarantees have been issued to the power & energy sector.

Chart 7.4.(b): Sector composition of the Treasury Guarantees 2014



7.4.4 Loan Guarantee Fund:

The government, with the view of ensuring all the public officers to possess a housing property introduced a housing loan scheme through the banking sector as a budget proposal in 2005, the “Guarantee Fund” was established under the Department of Treasury Operations to ensure the prompt settlement of loans by the General Treasury in event the officers who obtained loans through this scheme are died, totally disabled or retired on medical grounds. For this purpose, Loan Guarantee Fund was established in month of August in 2005 with the initial investment of Rs. 916.2 Million of Treasury Bonds.

Loan Guarantee Fund established in terms of Budget Circular No.122 of 26.04.2005 is implemented by the Department of Treasury Operations by settling the balance loan of the Public Servants as per the provisions to the bank.

Settlement of loan balances under this fund, during the period of 2012- 2014 is shown in table 7.4 (c)

Table 7. 4 (c): Settlement of loan balances

Year	2012	2013	2014
No. of Officers	63	78	46
Value of the loan settled (Rs Million)	47.1	59.7	32.4

Rs. 257.7 worth of loan balances have been settled to the banks on benefit of the 362 Public Servants. Department hope the Government will be able to further extend the facilities offered to the public servants throng efficiently and effectively managing the fund.

7.5. Progress on Treasury Single Accounts system (TSA) And Treasury Finance Management System (TFMS)

The government banking - network system is an important factor for an efficient management and control of the liquid cash resources of the Government Ministries and Departments. Treasury introduced the modified Treasury Single Account System in 2007 which can be effectively utilized is improve the efficiency and effectiveness of the public fund Management with one banking system network. Banking affairs were able to fulfilled economically and effectively and also overdraft and its cost could minimized comparatively due to the implementation of the Treasury Single Account System.

Treasury Finance Management System was introduced in year 2008 with the intention of fulfilling the requirement of finance management information and assure the user-friendliness of system. The system was updated in 2014 in order to further improve the effectiveness of the system. Since the system generates timely information, the Management is able to take effeective day today Fund Management decisions. FMIS facilitate to carry out all transactions related to Consolidated Fund as well as it provides information on overall cash position at end of the day.

7.6 Operations of Revolving fund for purchase & sale of farmer products

The revolving fund established as per the budget proposal in 2006 to create a sales net-work with the required storage facility to purchase paddy & rice, further continued in year 2014.

Department of Treasury Operations has released Rs. 227.46 Mn to the District Secretariats for purchasing paddy through their purchasing network of respective co-operative societies during the year 2014. However the funds requested by the Districts Secretariats were decreased by 87% when compared with the last year. This was mainly due to the drought whether prevailed in 13 major paddy cultivating districts including Ampara, Moneragala, Anuradhapura, Polonnaruwa, Trincomalee, Kurunegala in both Yala & Maha season.

Table 7.6 (a) Fund releases for purchase of paddy Maha & Yala Season in 2013 / 2014

Rs. Mn.

Name of the District Secretariat / Institute	2013			2014		
	Yala	Maha	Total	Yala	Maha	Total
D.S. Ampara	30.00	175.00	205.00		13.76	13.76
D.S. Anuradhapura	100.00	50.00	150.00			-
D.S. Batticaloa			-		80.00	80.00
D.S. Hambantota	200.00	150.00	350.00			-
D.S. Jaffna	22.00	-	22.00	20.00		20.00
D.S. Killinochchi	25.00	-	25.00	25.00		25.00
D.S. Mannar	30.00	-	30.00			-
D.S. Monaragala	30.00	-	30.00	10.00		10.00
D.S. Polonnaruwa	275.00	240.00	515.00	13.70		13.70
D.S. Trincomalee	12.00	25.00	37.00			-
D.S. Mullaitivu			-	50.00		50.00
D.S. Vavuniya	150.00	-	150.00	15.00		15.00
Paddy Marketing Board	250.00	-	250.00			-
Total	1,124.00	640.00	1,764.00	133.70	93.76	227.46

Department was able to recover Rs. 1632.4 Mn from District Secretariats during the year. This was an increase of 70% when comparing with the last year recoveries.

Table 7.6 (b) Operations of the Revolving fund during the Year 2014

Rs.Mn.

Name of the District Secretariat	Opening Balances as at 01.01.2014	Releases of Funds During the Year 2014	Recoveries During 2014			Closing Fund Balance as at 31.12.2014
			Settlements of Previous Year Outstanding	Settlement on 2014 Releases	Total Recoveries	
Paddy Marketing Board	2,250.00	-	195.45	-	195.45	2,054.55
Dep. Co-op Development	5.65		-	-	-	5.65
Min: of Trade Mar.	64.69	-	0.60	-	0.60	64.09
D.S. Ampara	368.83	13.765	307.66	0.57	308.23	74.37
D.S. Anuradhapura	264.59	-	182.92	-	182.92	81.67
D.S. Mannar	50.10	-	50.10	-	50.10	-
D.S. Trincomalee	37.00	-	37.00	-	37.00	-
D.S. Hambantota	355.80	-	4.07	-	4.07	351.73
D.S. Baticaloa	-	80.000	-	66.58	66.58	13.42
D.S. Monaragala	4.09	10.000	4.09	4.00	8.09	6.00
D.S. Polonnaruwa	552.99	13.700	492.24	13.70	505.94	60.75
D.S. Puttalam	20.00	-	-	-	-	20.00
D.S. Vavuniya	141.75	15.000	141.75	3.71	145.46	11.29
D.S. Mulativu	45.00	50.000	45.00	-	45.00	50.00
D.S. Kilinochchi	35.40	25.000	35.40	5.65	41.05	19.35
D.S. Jaffna	22.00	20.000	22.00	20.00	42.00	-
Total	4,217.88	227.46	1,518.27	114.21	1,632.48	2,812.86