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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”

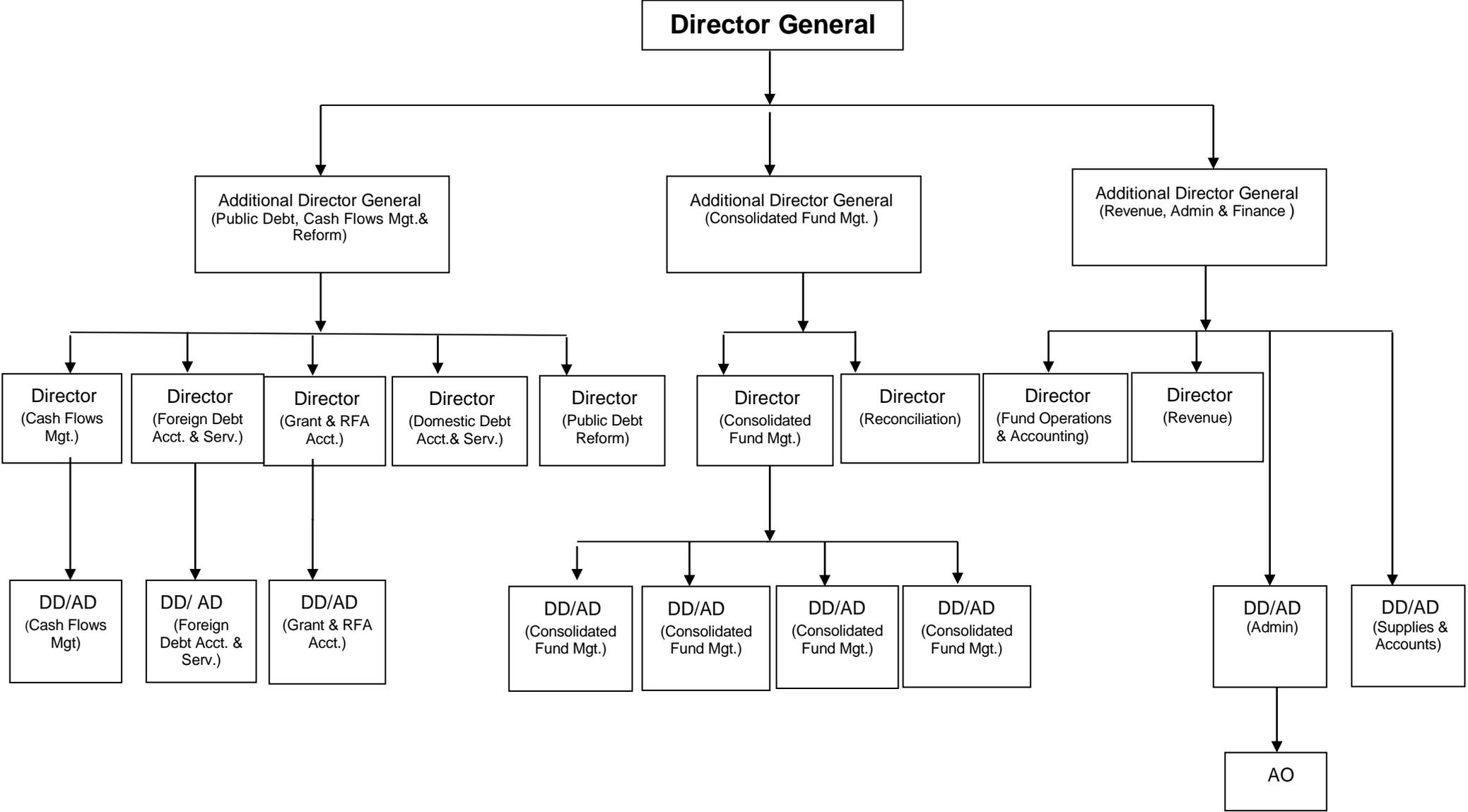
1. INTRODUCTION

The Department of Treasury Operations (TOD) was established on 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 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.
- Facilitation of Accounting of Foreign-Aid Projects.

3.ORGANIZATION STRUCTURE



4. CADRE INFORMATION

Table 4 (a) Staff Strength as at 31.12.2016

Designation	Approved Cadre	Existing Cadre
Director General	1	1
Additional Director General	3	2*
S.L. Ac. S - Class I	9	7
S. L. Ac. S - Class II/ III	8	9
S.L.A.S. - Class III	1	1
Administrative Officer	1	1
Development Assistant	20	16
P.M.A. -Class I/II/III	55	48
Information & Communication Technology Assistant	7	1
Driver	8	8
Office Employee Asst-Class I/II/III	12	12
Total	125	106

- * 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 2016

Category of Staff	Number of Training Courses	Number of officers trained	Field of training	Institute/ Location
Staff Officers	06	09	Enhancing Audit Quality	SLAASMB
		05	Certificate programme in Public Procurement	Miloda
		05	Introductory Course on Macroeconomic Dynamics and Linkages	Miloda
		03	Course on Introduction to Financial Market	USAID
		01	Conference on Public Private Partnership	Department of Public Finance
		01	Essential IT for Non IT Executives	Miloda
Public Management Assistant	09	02	Diploma in English for Junior Officers	Miloda
		01	Financial Regulations in the Public Sector	Miloda
		01	Formal letter writing skills	Miloda
		02	Public Procurement Management	Miloda
		05	Computer Driving License	SLIDA
		07	Computerized Govt. Payroll System	Miloda
		03	CIGAS	Miloda
		01	Work shop on Attitudes and Skills Development	IHRA
		06	E-code and its Applications	Miloda

Driver	02	08 04	Driver's training One day training course	Berjaya Hotel, Mount Lavonia Construction Equipment Training Center
All officers	01	100	Seminar for National Environmental day	Randora Auditorium

Further, Staff officers were given 16 opportunities for foreign training and conferences during the year.

Table 5 (b) Foreign Training and participation in conferences - 2016

	Training / Seminar or Forum	Country	Duration	Number of Officers
1.	First High-Level Follow-up Dialogue on Financing for Development in Asia and the Pacific	Korea	30.03.2016 - 31 .03.2016	01
2.	Financial Inclusion in the Digital Economy	Philippines	24.05.2016- 25 .05.2016	01
3.	Fiscal and Debt Management Workshop	Malaysia	13.06.2016 - 17 .06.2016	01
4.	Executive Training Programme on Macroeconomic Policies at the University of Hong Kong	Hong Kong	12.07.2016- 16 .07.2016 01.08.2016- 05.08.2016	03 04
5.	Executive Program in Public Finance Management / Government Debt Management for Senior Officials	Japan	24 .07.2016- 06 .08.2016	01
6.	Course on Financial Market Analysis	Singapore	01.08.2016 - 12.08.2016	01
7.	ADB Regional Forum on Public Sector Accounting	Thailand	11.10.2016 - 12.10.2016	01
8.	Sovereign Debt Management - Forum	Washington	19 .10.2016- 20 .10.2016	01
9.	Sovereign Liability and Risk Management	Singapore	24.10.2016- 28.10.2016	01
10.	CIPFA International Seminar 2016	Luxembourg	24 .11.2016- 25.11.2016	01

5. (c) Circulars and Instructions

The Department issued the following circular instructions which are given below during the year 2016 with a view to improving fund management of the government.

Date	Circular No.	Title
29.01.2016	TOD-01-2016	Payment of the Monthly Salary of Government Servants
31.05.2016	TOD-03-2016	Statement of Arrears of Revenue-30.06.2016
31.05.2016	TOD-04-2016	Revenue Estimates for Year-2017
15.09.2016	TOD-05-2016	Payment of Salaries, Salary Advances and pensions for the year 2017
09.09.2016	TOD-05-2015(I)	Advance the date of pension payment for the month of October 2016
20.10.2016	TOD-06-2016	Maintaining Idle Cash Balance in the Government Official Bank Accounts
18.11.2016	TOD-07-2016	Closing of Cash Books for 2016 and Settlement of Imprest Accounts
01.12.2016	TOD-08-2016	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 of 2017.
09.12.2016	TOD-09-2016	Statement of arrears of revenue 31.12.2016

6. FINANCIAL PERFORMANCE - 2016

Item	Category/ Object/ Item/ Description	2015		2016		Based on Actual Expenditure 2015	
		Estimate	Actual	Estimate	Actual	Increase/ (Decrease) of 2016 Expenditure	Percentage of Expenditure Difference
	RECURRENT EXPENDITURE	976,675	810,593	1,120,500	1,048,233	237,640	29.32
	Personal Emoluments	55,980	53,954	67,650	64,704	10,750	19.92
1001	Salaries & Wages	26,000	24,583	33,200	32,878	8,295	33.74
1002	Overtime and Holiday Payments	600	428	600	519	91	21.26
1003	Other Allowances	29,380	28,943	33,850	31,307	2,364	8.17
	Travelling Expenses	940	876	1,615	1,606	730	83.33
1101	Domestic	100	71	115	109	38	53.52
1102	Foreign	840	805	1,500	1,497	692	85.96
	Supplies	3,805	3,775	4,550	4,456	681	18.04
1201	Stationery and Office Requisites	1,700	1,678	2,500	2,423	745	44.40
1202	Fuel	2,030	2,025	1,975	1,961	(64)	(3.16)
1203	Diets and Uniforms	75	72	75	72	-	-
	Maintenance Expenditure	2,175	1,621	2,323	1,802	181	11.17
1301	Vehicle	1,410	937	1,650	1,545	608	64.89
1302	Plant, Machinery and Equipment	465	451	500	205	(246)	(54.55)
1303	Building & Structure	300	233	173	52	(181)	(77.68)
	Services	3,275	3,249	3,792	3,769	520	16.00
1401	Transport	1,375	1,374	1,805	1,802	428	31.15
1402	Postal and Communication	1,775	1,756	1,850	1,833	77	4.38
1405	Other	125	119	137	134	15	12.61
	Transfers	910,500	747,118	1,040,570	971,896	224,778	30.09
1503-01	Refund of Proceeds Lotteries Development Subsidies	509,450	346,105	539,420	470,992	124,887	36.08
1505-01	Gov. Contribution of Public servant's Insurance Scheme	400,000	400,000	500,000	500,000	100,000	25.00
1506	Property Loan Interest to Public Servants	1,050	1,013	1,150	904	(109)	(10.76)

Rs. '000

Item	Category/ Object/ Item/ Description	2015		2016		Based on Actual Expenditure 2015	
		Estimate	Actual	Estimate	Actual	Increase/ (Decrease) of 2016 Expenditure	Percentage of Expenditure Difference
	CAPITAL EXPENDITURE	6,300	5,350	9,140	8,929	3,579	66.90
	Rehabilitation and Improvement of Capital Assets	1,700	1,609	1,700	1,521	(88)	(5.47)
2001	Building Rehabilitation & Improvement	100	83	100	21	(62)	(74.70)
2002-1	Implementation of treasury Single Accounts System	1,000	981	1,000	981	-	-
2002-2	Other	100	51	100	34	(17)	(33.33)
2003	Vehicle	500	494	500	485	(9)	(1.82)
	Acquisition of Capital Assets	2,800	1,950	6,440	6,415	4,465	228.97
2102	Furniture & Office Equipment	2,800	1,950	6,440	6,415	4,465	228.97
	Human Resource Development	1,800	1,791	1,000	993	(798)	(44.56)
2401	Training & Capacity Building	1,800	1,791	1,000	993	(798)	(44.56)

7. PHYSICAL PERFORMANCE

7.1 Cash Management

7.1.1 Treasury Cash Flow Management

Treasury Operations Department (TOD) adopted cash planning and management strategies in 2016 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 responsibility of the TOD is to release cash to Government Ministries, Departments and other Institutions on timely manner and priority basis. Practical difficulties had been occurred when fulfilling the demand for cash since the government revenue had not been received as expected in timely manner. Therefore, it was among one of the main responsibility of the department to assess the needs of cash demands of each and every Ministries and Departments objectively in order to release the funds necessary for smooth implementation of the budget.

In order to effective management of Treasury Cash Flows, TOD prepared projected annual operational cash management plan. This annual plan including projected cash inflows, cash outflows and planned borrowings prepared in line with the Appropriation Act approved by the Parliament in monthly basis.

Annual and monthly cash plans were prepared based on the forecasts submitted by Departments of Inland Revenue, Customs, Excise and monthly patterns of collection previous months and imprest requirement forecasted by Ministries and Departments in monthly and annual basis. 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 ensure 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 21 cash flow meetings in 2016 with the participations of the Heads and relevant executive officers of the principal revenue collection Departments such as Inland Revenue , Sri Lanka Customs, Department of Excise and Department of Motor Traffic and including Deputy Secretaries to Treasury, Heads and Deputies of related Treasury Departments.

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 - 2016

	Revised Cash Flow Estimate	Cash Flow Actual	(Rs. Million) %
Tax Revenue	1,457,000	1,446,375	99
Non Tax Revenue	172,301	168,294	98
Grant	588	1,536	261
Total Revenue	1,629,889	1,616,205	99

Chart 7.1 (a) Estimated and Actual Revenue 2016

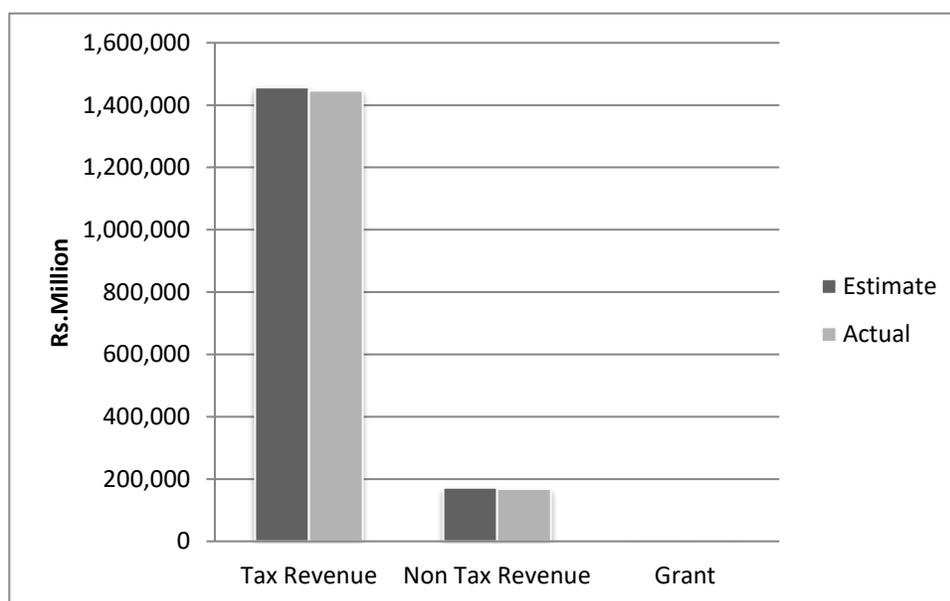
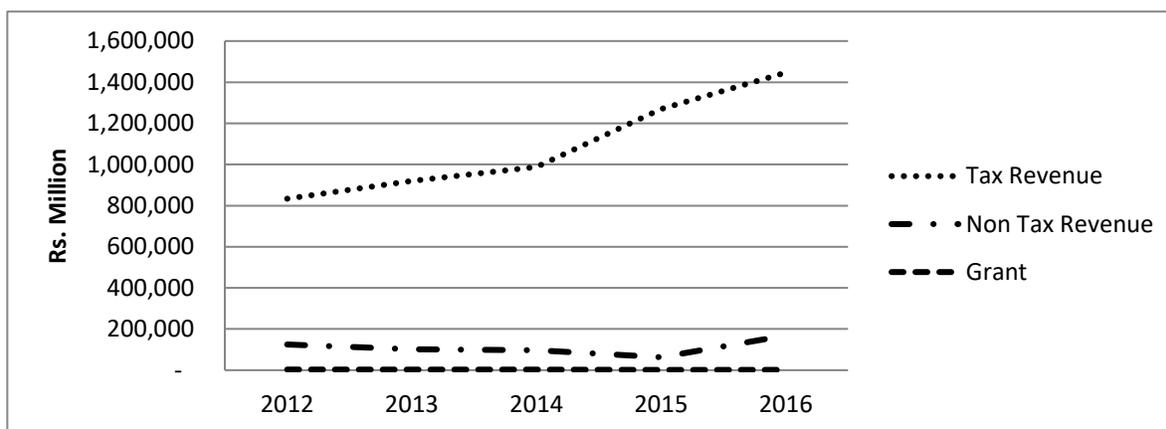


Table 7.1 (b) Collection of Revenue - 2012 to 2016

(Rs. million)

	2012	2013	2014	2015	2016
Tax Revenue	833,520	920,225	987,712	1,270,065	1,446,375
Non Tax Revenue	124,359	102,447	97,237	63,046	168,294
Grant	3,171	2,307	2,495	1,540	1,536

Chart 7.1 (b) Trend in Government Revenue 2012-2016

As shown in the Table 7.1(a) revenue collected in the year 2016 was 99% of the total estimated revenue. This consists 99% of the tax revenue, 98% of the non tax revenue and 261% of the foreign grants from the total estimate.

As a result of further strengthening of monitoring on revenue collection by the General Treasury, collection of tax revenue was Rs. 1,446,375 million in 2016 which was an increase of 14% with compared to the tax revenue collection of Rs. 1,270,065 million in 2015. Revision of Value Added Tax was mainly contributed for the increase in the tax revenue. As a result of lowering the share of grants received from multilateral sources. Cash inflow from foreign grants was Rs.1,536 million. Accordingly, 90% of the total revenue in 2016 was received from the tax revenue while the balance 10% consists of non tax revenue and grant receipts.

7.1.3 Treasury Cash Outflows

Department of Treasury Operations had also contributed for government effort of maintaining capital expenditure at the expected economic growth to facilitate the investment program of the government.

One of the challenging tasks of the Department was to manage revenue to government recurrent expenditure including interest on borrowings with the government revenue.

Table :-7.1 (c) Release of imprest under spending categories

	Rs.million	
	2015	2016
Personal Emoluments	604,861	633,019
Pension	151,957	165,118
Samurdhi and Fertilizer subsidies	90,106	67,064
Other Recurrent	243,324	236,579
Interest payments	530,869	602,765
Debt. Repayment	832,765	742,442
Capital	390,588	360,226

There was no significant increase in personal emoluments and Pension imprest releases comparing 2015. Although Rs. 1,345,207 Mn was utilized for debt services which was 14% higher than 2015. Upward trend in the interest rate as well as the depreciation of Sri Lanka Rupee against US dollar also contributed to the increase in debt services. Imprest releases for capital expenditure was also decreased by 8% comparing with 2015.

7.2 Public Debt Management

7.2.1 Government Borrowing Programme – 2016

The draft Appropriation bill submitted to the Parliament relating to the year 2016 budget was determined the borrowing limit as Rs.1,699 billion for financing the resource gap. Approval of the Parliament of Sri Lanka was granted for this limit under the Appropriation Act No. 16 of 2015.

Out of the above borrowing limit of Rs.1,699 billion, the actual total borrowing was Rs.1,519 billion which contributed from domestic sources amounting to Rs.945 billion while foreign sources amounting to Rs. 574 billion .Borrowings from foreign sources includes the sovereign bond of Rs. 218 billion issued at the foreign market, Foreign Financing Syndicated Term Loan of Rs.102 billion and Development Policy, Project and Program loans of Rs.254 billion. Total borrowing of Rs.1,519 billion in 2016 is a 13 percent decrease compared to that of Rs .1,745 billion in 2015.

The actual total domestic borrowing of Rs.945 billion in 2016 is a 20 percent decrease over that of Rs. 1,188 billion in 2015. Mainly this decrease was due to settlement of part of Bank Overdrafts obtained from the state banks and settlement of a part of Provisional Advances to the Central Bank of Sri Lanka in 2016.

Table 7.2.1 **Government Borrowing Limits and Usage** (Rs.Million)

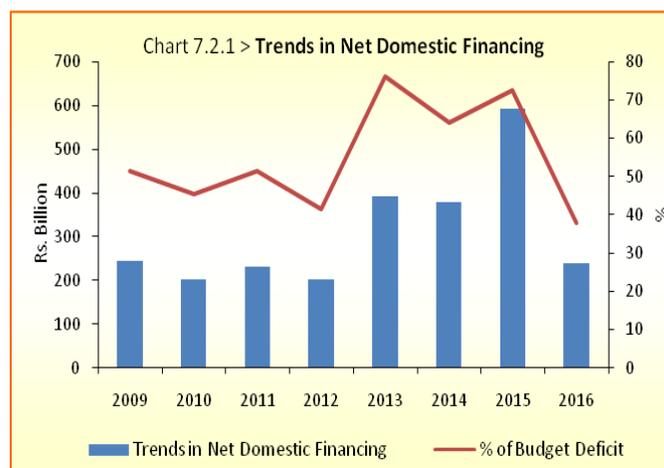
Item	2015		2016	
	Approved Limit	Usage	Approved Limit	Usage
Gross Borrowing	1,780,000	1,744,524	1,699,000	1,519,485
Domestic	1,222,000	1,188,154	1,180,000	945,236
Foreign	558,000	556,370	519,000	574,249
Total Financing	1,780,000	1,744,524	1,699,000	1,519,485

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 decreased by 58 percent in 2016 to Rs. 248 billion. This accounted for 38 percent of budget deficit. The total net borrowing to finance the deficit in 2016 through marketable debt instruments amounted to Rs. 328 billion while there was a repayment of non-marketable debt of Rs. 79.4 billion.



In 2016, contribution to the NDF through the marketable debt instruments of Rs.328 billion indicates a significant reduction compared to Rs.639 billion in 2015.

During the year, borrowings from Treasury bills reflected a net inflow of Rs.98.5 billion since the issuances exceeded the repayments. Compared to the net outflow of Rs.26.4 in 2015 resulting an increase in NDF by 39.6 percent in 2016. There was a repayment of Rs. 79.4 billion of non-marketable borrowings in 2016 which mainly consisted settlement of Rs.67.8 billion of provisional advance to the Central Bank of Sri Lanka.

Table 7.2.2 : Net Domestic Financing of the Government Budget: 2015 and 2016

Item	Amount (Rs.Billion)		As a % of Total	
	2015	2016	2015	2016
By Type	592.7	248.4	100.0	100.0
Borrowing from Instruments	607.7	327.8	102.5	132.0
Treasury Bonds*	442.6	349.8	74.7	140.8
Treasury Bills*	-26.4	98.5	-4.4	39.6
Rupee Loans	-31.4	0.0	-5.3	0.0
Sri Lanka Development Bonds	223.0	-120.5	37.6	-48.5
Non Instrument Borrowings	-15.0	-79.4	-2.5	-32.0
Provisional Advances from the Central Bank	7.2	-67.8	1.2	-27.3
Other	-22.3	-11.5	-3.8	-4.6

By Maturity	592.7	248.4	100.0	100.0
Medium to Long Term	634.1	229.3	107.0	92.3
Treasury Bonds*	442.6	349.8	74.7	140.8
Rupee Loans	-31.4	0.0	-5.3	0.0
Sri Lanka Development Bonds	223.0	-120.5	37.6	-48.5
Short term	-41.4	19.1	-7.0	7.7
Treasury Bills*	-26.4	98.5	-4.4	39.6
Provisional Advances from the Central Bank	7.2	-67.8	1.2	-27.3
Other	-22.3	-11.5	-3.8	-4.6
By Marketability	592.7	248.4	100.0	100.0
Marketable	639.2	327.8	107.8	132.0
Treasury Bills*	-26.4	98.5	-4.4	39.6
Treasury Bonds*	442.6	349.8	74.7	140.8
Sri Lanka Development Bonds	223.0	-120.5	37.6	-48.5
Non - Marketable	-46.5	-79.4	-7.8	-32.0
By Ownership	592.7	248.4	100.0	100.0
Banks	291.8	139.9	49.2	56.3
Central Bank	80.3	183.0	13.5	73.7
Commercial Banks	211.6	-43.1	35.7	-17.4
Non Bank Sector	300.9	108.5	50.8	43.7

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 of 2016, the share of Treasury bonds, Treasury bills and SLDBs accounted for 69.5 percent and 14.6 percent and 10.7 percent respectively while the share of Treasury bills increased from 13.3 percent as of end 2015 to 14.6 percent as at end 2016. The balance accounted for provisional advances from the Central Bank of Sri Lanka (1.6 percent), Rupee loans (0.5 percent) and other borrowings (3.1 percent). The share of provisional advances obtained from the Central Bank of Sri Lanka reduced from 3 percent in 2015 to 1.6 percent in 2016 since the government settled a part of advance.

The stock of Treasury bonds increased by 8 percent to Rs.3,715 billion in 2016 while stock of Treasury bills increased by 2 percent to Rs.780 billion in comparison to 2015. The stock of SLDBs decreased slightly by 2 percent to Rs. 572 billion as at end 2016.

7.2.3.1 Maturity Structure of Domestic Debt

Out of the total domestic debt by the end of 2016, medium and long term debt accounted to 82 percent while short term debt accounted 18 percent.

The total of medium to long term debt portfolio included Treasury bonds worth of Rs. 3,715 billion or 85 percent while remaining 15 percent constituted the SLDBs (13percent), Rupee Loans (0.6 percent) and other(1.4 percent).

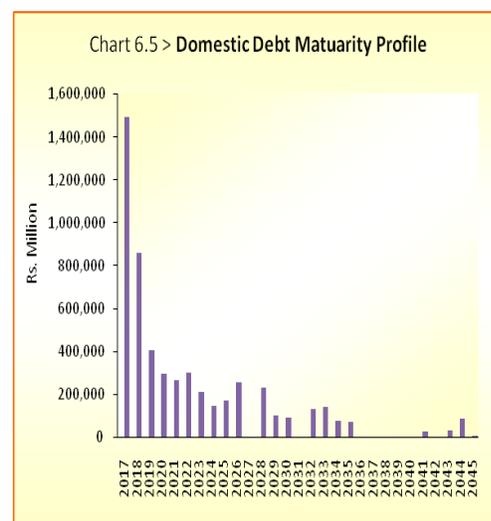


Table 7.2.3 :Maturity Structure of Domestic Debt - as at end 2016 (Rs.million)

Year of Maturity	Instrument				Total	Maturity as a % of Total
	Treasury bills	Treasury bonds	Rupee Loans	SLDBs		
2017	792,396.36	414,923.21	-	281,328.89	1,488,648.46	27.35%
2018	-	606,249.04	-	254,992.56	861,241.60	15.83%
2019	-	397,232.91	-	7,864.50	405,097.41	7.44%
2020	-	271,090.95	-	28,012.60	299,103.55	5.50%
2021	-	266,167.15	-	-	266,167.15	4.89%
2022	-	300,914.75	-	-	300,914.75	5.53%
2023	-	189,675.32	24,088.00	-	213,763.32	3.93%
2024	-	148,655.83	-	-	148,655.83	2.73%
2025	-	174,610.90	-	-	174,610.90	3.21%
2026	-	256,291.45	-	-	256,291.45	4.71%
2027	-	-	-	-	-	-
2028	-	232,438.92	-	-	232,438.92	4.27%
2029	-	104,872.88	-	-	104,872.88	1.93%
2030	-	96,102.00	-	-	96,102.00	1.77%
2031	-	-	-	-	-	-
2032	-	134,365.35	-	-	134,365.35	2.47%
2033	-	144,976.50	-	-	144,976.50	2.66%
2034	-	77,858.98	-	-	77,858.98	1.43%
2035	-	74,565.00	-	-	74,565.00	1.37%
2036	-	-	-	-	-	-

2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
2040	-	-	-	-	-	-
2041	-	29,885.00	-	-	29,885.00	0.55%
2042	-	-	-	-	-	-
2043	-	33,809.25	-	-	33,809.25	0.62%
2044	-	88,831.61	-	-	88,831.61	1.63%
2045	-	10,058.00	-	-	10,058.00	0.18%
Total	792,396.36	4,053,574.99	24,088.00	572,198.55	5,442,257.90	100.00%

7.2.3.2 Domestic Debt Service Payments

Total government domestic debt service payments in 2016 increased by 15 percent to Rs. 1,057 billion in comparison to Rs. 918 billion recorded in 2015. Out of the total debt service payments, amortisation amounted to Rs. 572 billion (54 percent) while the balance Rs.484 billion (46 percent) was on interest payment. Both the amortization payments and the interest payments on domestic debt increased by Rs. 49 billion and Rs. 90 billion respectively in 2016 over the previous year.

Total domestic debt service payments as a percentage of GDP increased to 8.9 percent in 2016 from 8.2 percent in 2015. Domestic interest payments as a percentage of GDP also increased to 4.1 percent from 3.6 percent in 2015 while indicating the domestic amortization payment as 4.8 percent in both 2015 and 2016. Domestic debt service payments to the total government revenue decreased to 62.7 percent from 63.1 percent in 2015 since the increase of revenue in 2016 was higher than the increase in debt service payments. In comparison to the increase in debt service payment of 15.1 percent, against the increase in revenue of 15.9 percent, resulted indicating a decrease in the domestic debt service payments to the total government revenue from 63.1 percent to 62.7 percent in 2016.

Table : **Domestic Debt Service Payments**

(Rs.Million)

Year	Principal payments	Interest payments	Total
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	523,824	394,289	918,113
2016	572,442	484,182	1,056,624

*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 to December 2016, Rs.6486 million had been released to the projects under RFA method. Rs. 3363 million out of total RFA released is reimbursable base and balance part of Rs. 3123 million is released as domestic financing for RFA projects. Summary of reimbursement is as below.

	Rs. Million
Outstanding reimbursement as at 01.01.2016	1473
<u>Add</u>	
Expenditure made in 2016 base on RFA reimbursed by the funding agencies	2917
<u>Deduct</u>	
Reimbursed by the Funding Agency in 2016	(2348)
Outstanding reimbursement as at 31.12.2016	2042

During the year 2016, total foreign aid amount is Rs. 7496 million, of which Rs.679 million received as materials and equipment and balance amount of Rs. 6817 million received in cash.

Central Bank maintains Imprest Fund Accounts (IFA's) for the purpose of channeling funds which were received from the donor agencies to the various projects. From January to December 2016, TOD facilitated to open 13 new IFA's resulted to increase the total number of accounts up to a level of 100 at by the end of year 2016. During the year 2016, funds amounting to Rs. 26,623 million have been received to these IFA's from the donor agencies. Out of the funds available at these IFA's an amount of Rs. 31,885 million had been released to the development projects in 2016.

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. 68.2 Billion as Non Tax revenue under the following 10 non tax revenue heads which was equal to 32.7% of the total estimated Non-Tax Revenue of Rs. 208 Billion for the year under review.

Table 7.4. (a) : Non Tax Revenue Collected by Director General of Treasury Operations as Revenue Accounting Officer - 2015 – 2016

(Rs. Mn)

Revenue Description	2015		2016	
	Revenue Estimate	Collected Revenue	Revenue Estimate	Collected Revenue
Non Tax Revenue				
Other Rental	200.0	95.0	250.0	7,188.0
On Lending Interest	3,850.0	3,544.8	4,250.0	3,954.0
Other Interest	1,400.0	953.5	1,000.0	872.3
Departmental Sales	110.0	143.1	120.0	139.0
Sundries	5,500.0	4,710.4	6,000.0	16,073.6
Fines & Forfeits - Other	1,000.0	962.0	1,000.0	1,967.7
Other Receipts	18,800.0	9,342.8	10,000.0	16,824.3
Other Current Transfers	2,000.0	1,935.5	2,000.0	2,230.9
Sale of Capital Assets	350.0	97.9	300.0	407.2
Recovery of Sub Loans	14,000.0	12,960.8	14,000.0	18,619.4
Non Tax Revenue Sub Total	47,210	34,745.8	38,920.0	68,276.4

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. 7.4 billion under foreign grant during the year 2016. Accordingly, the Department has collected & accounted for Rs.75.7 Billion as revenue during the year under review through 11 Revenue Heads.

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 function of the Department of Treasury Operations. Department maintains a monthly updated data base in this regard.

The Department was able to release Rs. 9.18 billion as new sub loans while a sum of Rs.18.62 billion was recovered as sub loans installments from Public Enterprises. In addition, Rs. 3.95 billion was collected as interest on sub loans.

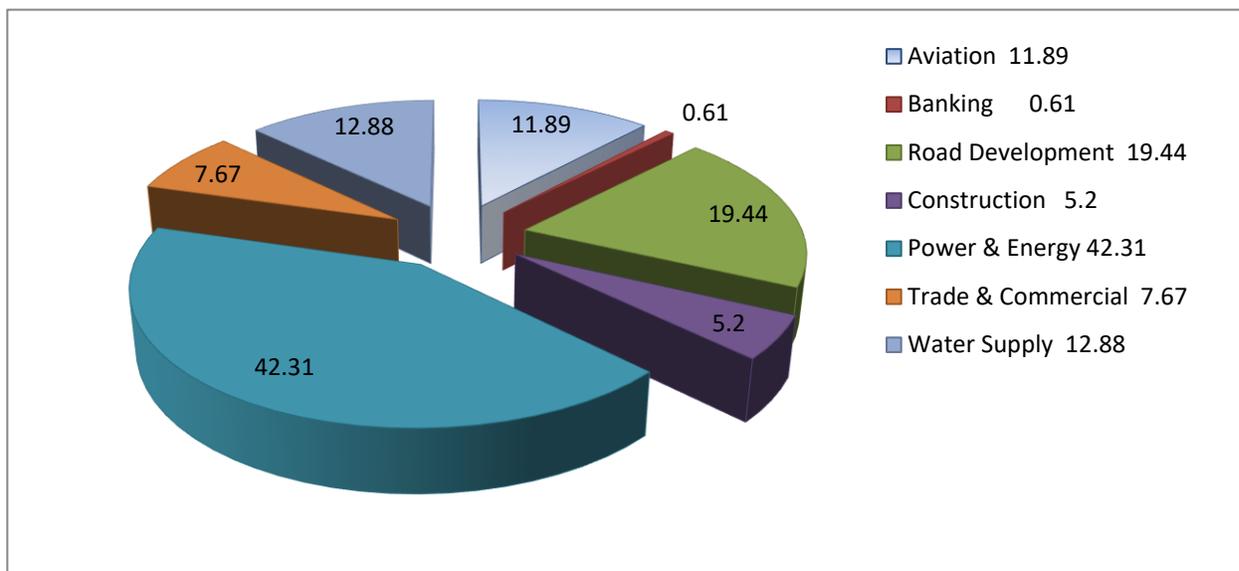
The total sub loan balance as at 31.12.2016 was Rs. 169.55 billion which mainly distributed through 53 Public Institutions including Public Enterprises, Commercial Banks, Development Banks and Regional Development Bank. These sub loans were granted by utilizing the main loans received by the government from the major donors such as World Bank, ADB and JICA on the concessional basis.

7.4.3. Treasury Guarantees

TOD issues Treasury Guarantees & Sovereign 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 & Sovereign Guarantees for a sum of Rs.824.73 billion at the end of the 2016. Out of that, 42.31% guarantees have been issued to the power & energy sector.

Chart 7.4.(b): Sectoral composition of the Treasury Guarantees 2016



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 2374 official bank accounts under TSA system and in the name of Deputy Secretary to the Treasury as at 31.12.2016, and the following table illustrates the distribution of those accounts among the banks;

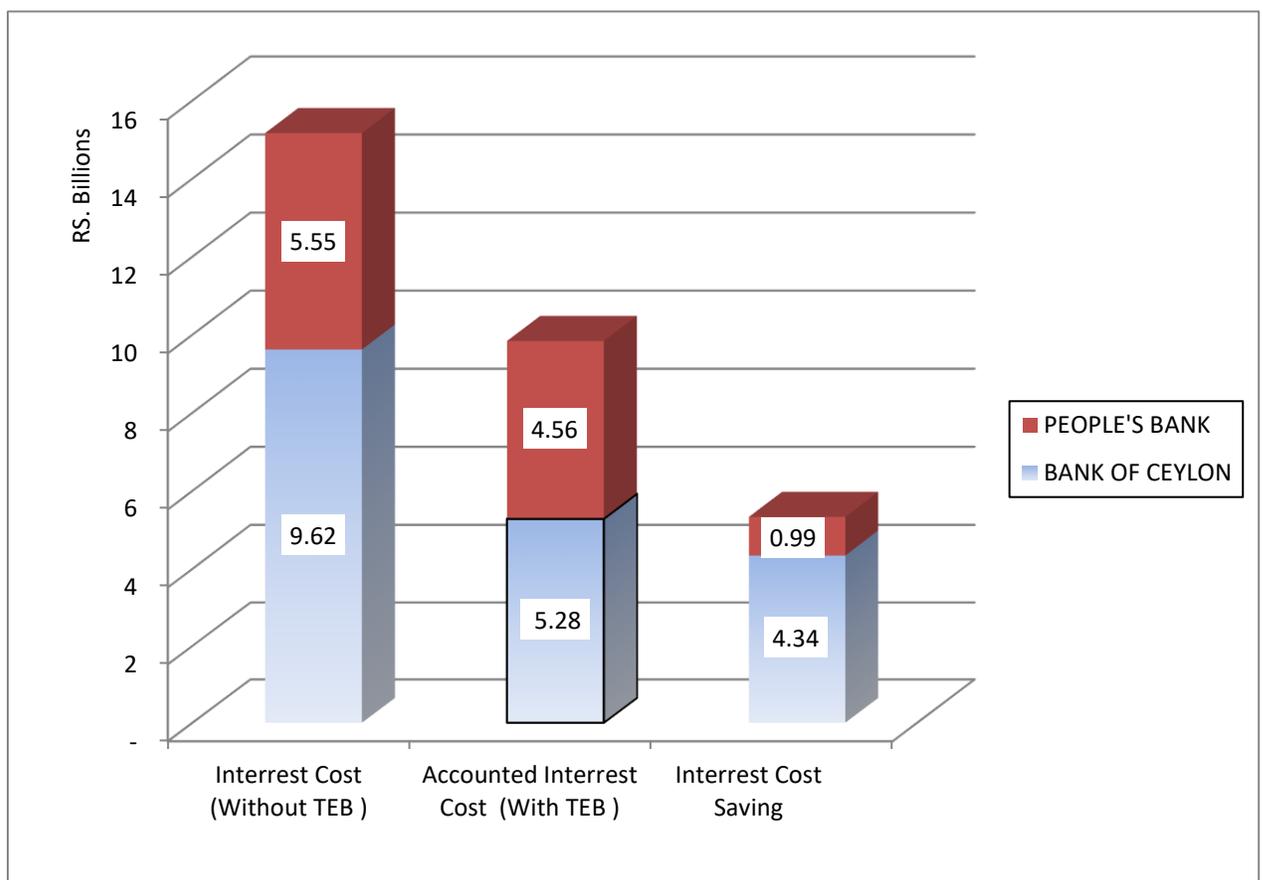
Table 7.5(a): Official Bank Accounts under TSA System

	Bank of Ceylon	Peoples Bank	Central Bank of Sri Lanka	Total
Official Bank Accounts under TSA	1,580	766	0	2,346
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	1,597	773	4	2,374

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. 55 Billion in 2016. Thus, it was saved about Rupees 5.33 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 54 % if the TSA system had not been in place. The following graph is illustrated this scenario.

Chart 7.5(b):-Performance of Single Accounting System in 2016



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 2016. 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. 4,385.5 Billion and total payment of Rs. 4,417.3 Billion, excluding inter-bank transactions in 2016. All these receipts and payments have been made under the 9,683 pay-in-vouchers and 19,127 number of payment vouchers respectively. Out of these payment vouchers, 17,382 number of transaction vouchers have been made through electronic fund transfer system via Central bank of Sri Lanka, Bank of Ceylon and People's Bank which representing 90.88 % of the total payments transactions. And also, out of 9683 pay-in-vouchers 7422 transactions which representing 76.65 % of the total vouchers of receipt entries recorded in 2016, was made through electronic fund transfer without using the cheques. In addition, the value of Rs.964.8 Billion in which 339 inter-bank transactions have been made through the Real Time Gross entry Settlement (RTGS).

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 initial investment of Rs. 916 Mn. on 05.08.2005 in the Treasury bond as the seed Capital. This investment has progressively increased up to Rs. 1,134 Mn. by 31.12.2016.

**Table 7.6(a):Progress of the settlement of the loans from Property
Loan Guaranty Fund 2005-2016**

Year	2005 –2014	2015	2016	Total
No. of officers died/Permanent disable / retired on medical ground	362	77	106	545
Total settlement in Rs. Mn.	267.7	65.3	90.5	423.5

As illustrated in the above table, 545 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. 423.5 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.