



කාර්ය සාධන වාර්තාව  
சேயலாற்றுக்கை அறிக்கை  
Performance Report



2013

භාණ්ඩාගාර මෙහෙයුම් දෙපාර්තමේන්තුව  
திறைசேரி செயற்பாடுகள் திணைக்களம்  
Department of Treasury Operations

# Contents

	<b>Page No</b>
• Vision	02
• Mission	02
1. Introduction	03
2. Major Functions	03
3. Carder information	04
4. General Administration	05
5. Organizational Structure	06
6. Human Resource Development	07
7. Financial Performance	11
8. Physical Performance	13
8.1 Cash Management	13
8.2 Public Debt Management	23
8.3 Foreign Aid Management	27
8.4 Government Revenue	28
8.5 Progress on Treasury Single Accounts System and Electronic Payment System	34

- ***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, 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. Staff Information

Table 3 (a) Staff Strength as at 31.12.2013

Designation	Approved Cadre	Exciting Cadre
Director General	1	1
Additional Director General	2	2
S.L.A.S. - Class III	1	1
S.L. Ac. S - Class I	5	8
S. L. Ac. S - Class II/ III	11	3
Administrative Officer	1	1
Development Assistant	20	17
P.M.A. (Class I)	5	9
P.M.A. (Class II/III)	50	40
Information & Communication Technology Assistant	7	4
Driver	6	6
Office Employee Asst (Class I)	1	3
Office Employee Asst (Class II/III)	11	9
<b>Total</b>	<b>121</b>	<b>104</b>

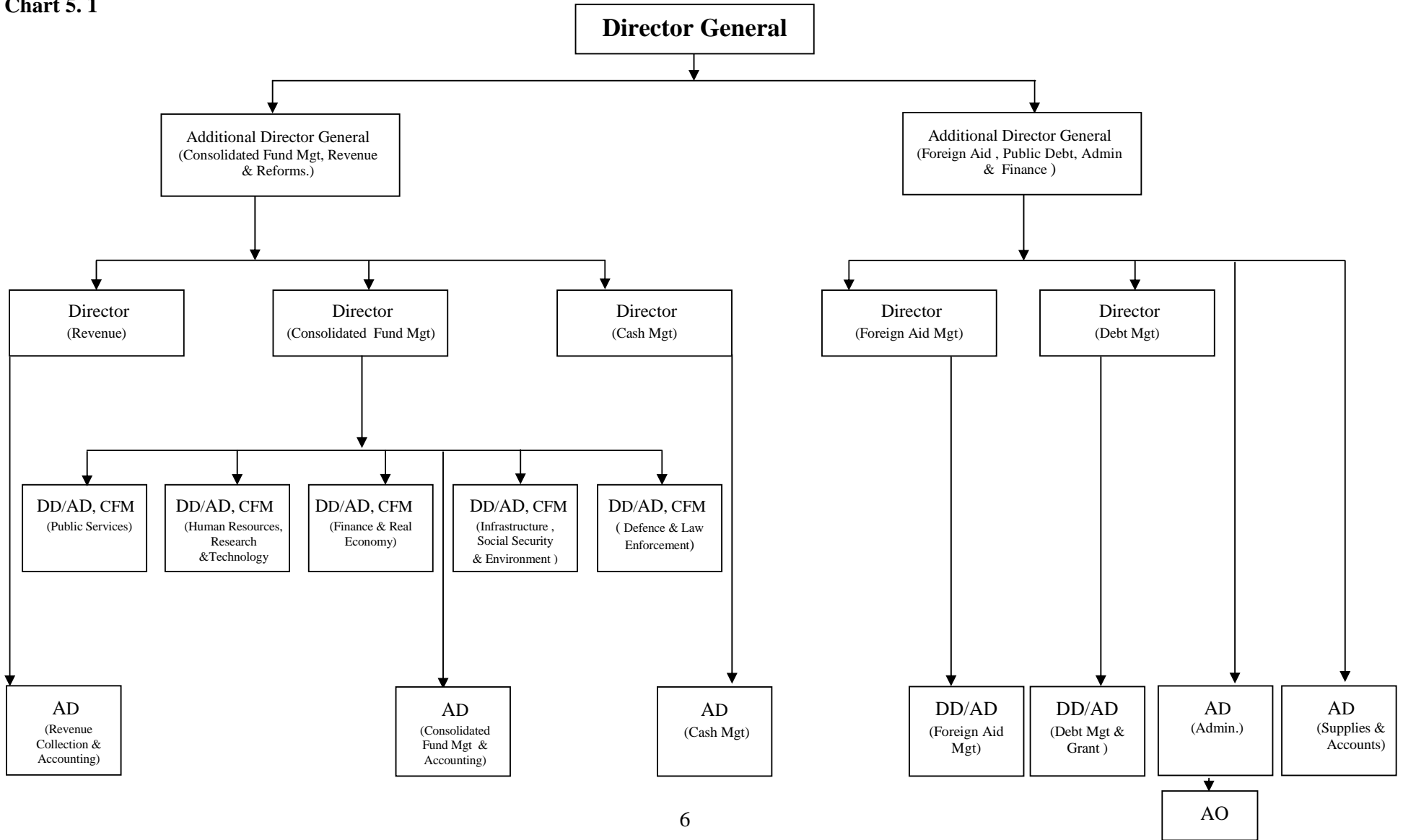
## **4. General Administration**

The following Organizational changes were made in the year 2013.

- The existed Organizational structure was restructured to enable the resources to be utilized more economically in order to strengthen the sections of the department which are contributed directly towards major functions of the department.
- Vacant Additional Director General posts filled on acting basis. The major functions are brought under the supervision of two Additional Director Generals with the guidance of the Director General.
- 02 Development Officer posts were created by suppressing 04 Public Management Assistant posts.
- 15 new Development Officers were attached to the department through a competitive interview.

5. Organization Structure here  
Chart 5.1

## Organization Structure



## 6. 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.

### Local Training 2013

Category of Staff	Number of Training Courses	Number of officers trained	Field of training	Location
Staff Officers	3	12	Treasury Financial Management System	Premises of the Department
		1	Certificate Course in Human Resource Management and Practices	National Institute of Labor Studies
		1	Diploma in Basic Tamil Language	Department of Official Languages
Development Assistant	1	17	Treasury Financial Management System	Premises of the Department
Public Management Assistant	6	35	Treasury Financial Management System	Premises of the Department
		1	Certificate Course in English	SLIDA
		2	Certificate Course in Leadership and Team Building	National Institute of labor Studies
		2	New CIGAS training	Department of State Accounts
		1	Secretarial Practices	SDFL
		1	Diploma in Basic Tamil Language	Department of Official Languages
All	1	16	Tamil Language for Government officers	Premises of the Department

In addition to the above, a residential training programme had been conducted during 26<sup>th</sup> – 27<sup>th</sup> October 2013 in Nuwaraeliya 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, 13 staff officers were given opportunities for foreign training/ participating in conferences during the year.

### Foreign Training and participation in conferences -2013

	Name	Designation	Country	Period	Course of Training
1	Mr.M.S.D. Ranasiri	Director General	Singapore	09.09.2013 to 13.09.2013	E-Governance change Management for Senior Staff Officers of Ministry of Finance& Planning
2	Mr.H.M. Ajith Chandra	Additional Director General	Nepal	23.04.2013 to 24.04.2013	Sixth Meeting of SAARC Inter Governmental Expert Group of Financial Issues
			Switzerland	06.11.2013 to 08.11.2013	30 <sup>th</sup> anniversary session of Inter-Governmental working Group of Experts on International Standard of Accounting & Reporting
3	Mr.R.M.A.Rathnayaka	Additional Director General	Singapore	25.02.2013 to 01.03.2013	E-Governance change Management for Senior Staff Officers of Ministry of Finance& Planning
			Indonesia	19.03.2013 to 21.03.2013	3 <sup>rd</sup> Asian Regional Public Debt Management Forum
			India	08.04.2013 to 12.04.2013	Subnational Fiscal & Debt Management Assessment Training
4	Mr.H.C.D.L Silva	Director	Singapore	29.07.2013 to 04.08.2013	Executive Training for Staff of Ministry of Finance& Planning & Public Finance
5	Mr.G.S.Kumara	Director	Japan	16.06.2013 to 29.06.2013	ODA Loan Seminar
			Singapore	29.07.2013 to 04.08.2013	Executive Training Programme for Executive Staff of Ministry of Finance & Planning
6	Mr.R.M.D.K. G.Namal Bandara	Director	Singapore	18.03.2013 to 22.03.2013	Executive Training for e Staff of Ministry of Finance & Planning Strategic Management
7	Ms.D.K.Rathnayaka	Director	South Africa	18.03.2013 to 27.03.2013	Horizon – launch workshop
			India	06.12.2013 to 07.12.2013	2 <sup>nd</sup> Meeting of SAARC Public Debt Manager's Forum

	Name	Designation	Country	Period	Course of Training
8	Mr.S.W. Madanayaka	Deputy Director	Singapore	22.04.2013 to 26.04.2013	E-Governance & Change Management for Senior Staff of Ministry of Finance & Planning
9	Ms.I.T.K. Illangamudali	Deputy Director	Singapore	29.07.2013 to 04.08.2013	Executive Training for Senior Staff of Ministry of Finance & Planning
10	Ms.N.P.A.R. Jayawardena	Deputy Director	Singapore	25.10.2013 to 29.10.2013	E-Governance & Change for Senior Staff of Ministry of Finance & Planning
11	Ms.M.D.N.S. Jayarathna	Assistant Director	Singapore	25.10.2013 to 29.10.2013	E-Governance Change for Senior Staff of Ministry of Finance & Planning
12	Ms.K. S. Dayarathna	Assistant Director	China	10.10.2013 to 30.10.2013	Seminar on ODA Exchanges
13	Ms.K.M.D.L.T. Peiris	Assistant Director	China	21.08.2013 to 10.09.2013	Seminar on Global E-Commerce & Economic Information Collection

## 6.1 Circulars and Instructions

Date	Circular No.	Subject
17.05.2013	TOD-04-2012(i)	Advance the Salary Date for Public Officers for the month of May, 2013
10.06.2013	TOD-01-2013	Revenue Estimates for Year 2014
12.06.2013	TOD-02-2013	Statement of Arrears of Revenue - 30.06.2013
01.07.2013	TOD-04-2012(ii)	Payment of 2013 August Salary in advance on account of Ramzan festival due on 09th August 2013
26.09.2013	TOD-03-2013	Payment of Salaries, Salary Advances and pensions for the year 2014
18.11.2013	TOD-04-2013	Closing of Cash Books for 2013 and Settlement of Imprest Accounts
04.12.2013	TOD-05-2013	Determination of Annual Imprest Limits for Expenditure to be incurred under the Provision made in the Budget Estimates 2014
31.12.2013	TOD-06-2013	Statement of Arrears of Revenue - 31. 12. 2013

## 7. Financial Performance – 2013

**Table 7.(a) Financial Performance of Recurrent Expenditure - 2013**

								Rs. '000
Item	Category/ Object/ Item/ Description	2012		2013		Increase / Decrease over 2012 Expenditure	Increase / Decrease % Based on Actual Expenditure 2012	
		Estimate	Actual	Estimate	Actual			
	<b>RECURRENT EXPENDITURE</b>	<b>998,010</b>	<b>725,380</b>	<b>955,300</b>	<b>955,279</b>	<b>229,899</b>	<b>31.69</b>	
	<b>Personal Emoluments</b>	<b>37,639</b>	<b>37,583</b>	<b>37,298</b>	<b>37,289</b>	<b>(294)</b>	<b>(0.78)</b>	
1001	Salaries and Wages	29,400	29,365	24,251	24,249	(5,116)	(17.42)	
1002	Overtime and Holyday Payments	600	597	501	500	(97)	(16.25)	
1003	Other Allowances	7,639	7,621	12,546	12,540	4,919	64.55	
	<b>Travelling Expenses</b>	<b>2,013</b>	<b>2,012</b>	<b>1,403</b>	<b>1,397</b>	<b>(615)</b>	<b>(30.57)</b>	
1101	Domestic	67	66	65	64	(2)	(3.03)	
1102	Foreign	1,946	1,946	1,338	1,333	(613)	(31.50)	
	<b>Supplies</b>	<b>3,720</b>	<b>3,679</b>	<b>3,474</b>	<b>3,473</b>	<b>(206)</b>	<b>(5.60)</b>	
1201	Stationery and Office Requisites	1,860	1,852	1,635	1,634	(218)	(11.77)	
1202	Fuel	1,800	1,767	1,771	1,771	4	0.23	
1203	Diets and Uniforms	60	60	68	68	8	13.33	
	<b>Maintenance Expenditure</b>	<b>1,368</b>	<b>1,363</b>	<b>1,527</b>	<b>1,525</b>	<b>162</b>	<b>11.89</b>	
1301	Vehicles	725	722	1,233	1,232	510	70.64	
1302	Plant, Machinery and Equipment	593	593	273	272	(321)	(54.13)	
1303	Buildings & Structure	50	48	21	21	(27)	(56.25)	
	<b>Services</b>	<b>2,421</b>	<b>2,328</b>	<b>2,352</b>	<b>2,350</b>	<b>22</b>	<b>0.95</b>	
1401	Transport	860	860	1,012	1,011	151	17.56	
1402	Postal and Communication	1,501	1,408	1,294	1,294	(114)	(8.10)	
1405	Other	60	60	46	45	(15)	(25.00)	
	<b>Transfers</b>	<b>950,849</b>	<b>678,415</b>	<b>909,246</b>	<b>909,245</b>	<b>230,830</b>	<b>34.02</b>	
1503-01	Refund of Proceeds Lotteries Development Subsidies	450,000	402,567	498,374	498,373	95,806	23.80	
1505-01	Gov. Contribution of Public servant's Insurance Scheme	500,000	275,000	410,000	410,000	135,000	49.09	
1506	Property Loan Interest to Public Servants	849	848	872	872	24	2.83	

**Table 7.(b) Financial Performance of Capital Expenditure - 2013**

Rs. '000							
Item	Category/ Object/ Item/ Description	2012		2013		Increase / Decrease over 2012 Expenditure	Increase / Decrease % Based on Actual Expenditure 2012
		Estimate	Actual	Estimate	Actual		
	<b>Capital Expenditure</b>	<b>755,300</b>	<b>754,032</b>	<b>506,800</b>	<b>502,334</b>	<b>(251,698)</b>	<b>(33.38)</b>
	<b>Rehabilitation and Improvement of Capital Assets</b>	<b>3,700</b>	<b>3,198</b>	<b>3,000</b>	<b>1,491</b>	<b>(1,707)</b>	<b>(53.38)</b>
2001	Building Rehabilitation & Improvement	100	100	1,100	209	109	109.00
2002	Plant, Machinery and Equipment						
2002-1	Implementation of Treasury Single Accounts system	3,000	2,512	1,000	981	(1,531)	(60.95)
2002-2	Other	-	-	100	98	98	100.00
2003	Vehicles	600	586	800	203	(383)	(65.36)
	<b>Acquisition of Capital Assets</b>	<b>600</b>	<b>571</b>	<b>3,200</b>	<b>271</b>	<b>(300)</b>	<b>(52.54)</b>
2102	Furniture & Office Equipment	600	571	3,200	271	(300)	(52.54)
	<b>Acquisition of Financial Assets</b>	<b>750,000</b>	<b>750,000</b>	<b>500,000</b>	<b>500,000</b>	<b>(250,000)</b>	<b>(33.33)</b>
2302-05	Revolving fund to be utilized in purchasing the Farmer Products	750,000	750,000	500,000	500,000	(250,000)	(33.33)
	<b>Humen Resource Development</b>	<b>1,000</b>	<b>263</b>	<b>600</b>	<b>572</b>	<b>309</b>	<b>117.49</b>
2401	Training & Capacity Building	1,000	263	600	572	309	117.49

## **8. *Physical Performance***

### **8.1 *Cash Management***

#### **8.1.1 *Treasury Cash Flow Management***

Treasury Operations Department (TOD) adopted an effective cash planning and management strategy in 2013 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. It was the experience of TOD that the demand for cash was always higher than the available funds. Therefore, it is the responsibility of the TOD 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 2013 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 operational monthly 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, prepared in line with the Appropriation Act approved by Parliament, setting out projected cash inflows, cash outflows and planned borrowings.

To prepare monthly and annual cash plans, TOD uses revenue forecasts submitted by Departments of Inland Revenue, Customs and Excise and past monthly patterns to establish likely monthly inflow of tax and non tax revenue receipts and expenditures. The continuous updating of the operational cash flow in 2013 helped TOD to manage/streamline expenditure and Government revenue.

In order to obtain necessary guidance on cash flow management and achieving budgetary targets of 2013 and reviewing revenue targets, 11 cash flow meetings were held during the year under the chairmanship of the Secretary to the Treasury. The heads of revenue departments i.e. Inland Revenue, Sri Lanka Customs, Excise and relevant heads of the departments and officers of the Treasury participated in these meetings.

Similar to the previous years, the filling of the gap between revenue and expenditure during the year was made through borrowings. However, the year 2013 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 2013 with the assistance of the Public Debt Department of the Central Bank of Sri Lanka. Among those challenges, following were the most notable.

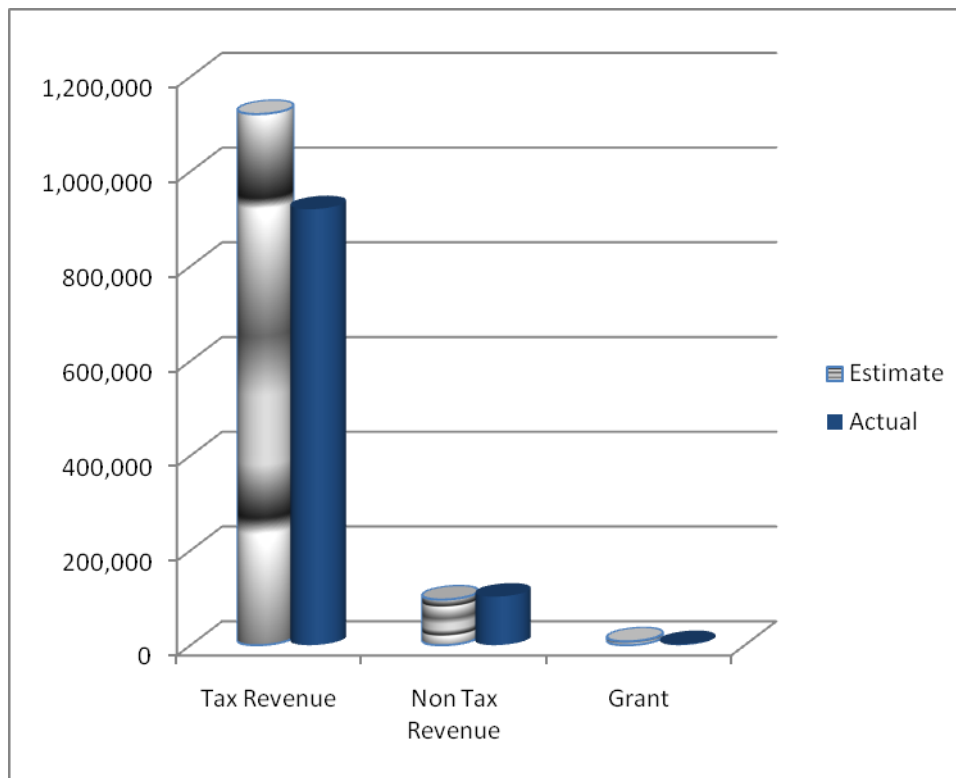
1. To ensure the treasury cash management is not contradicted with the quarterly economic targets to be achieved by the Central Bank of Sri Lanka.
2. To implement the public investment programme as planned.
3. To utilize the domestic financial resources without adversely affecting the credit needs of 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.

### 8.1.2 Treasury Cash inflow

**Table 8.1 (a) Collection of Revenue - 2013**

	(Rs.Million)		
	Estimate	Actual	%
Tax Revenue	1,121,091	920,225	82
Non Tax Revenue	96,164	102,447	107
Grant	7,852	2,307	29
<b>Total Revenue</b>	<b>1,225,107</b>	<b>1,024,979</b>	<b>84</b>

**Chart 8.1 (a) Estimated and Actual Revenue 2013**

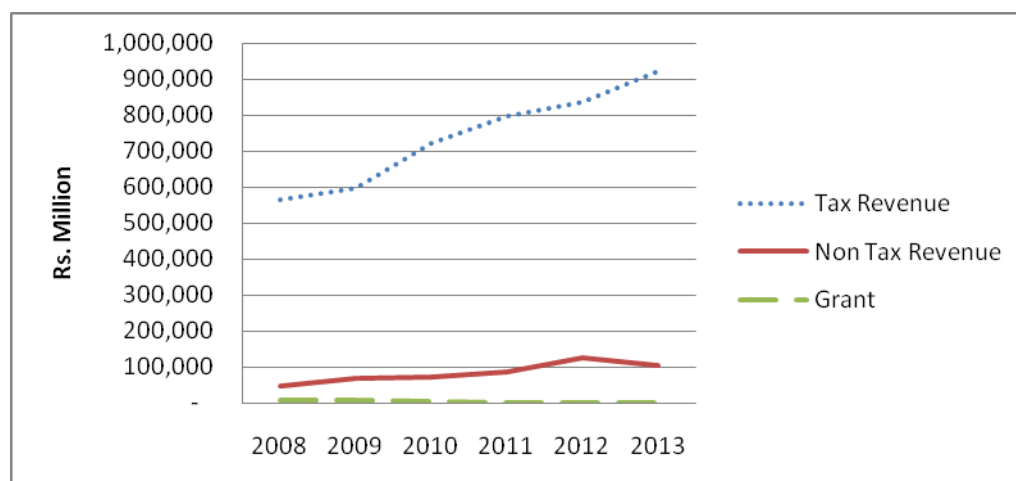




**Table 8.1 (b) Collection of Revenue - 2008 to 2013**

	2008	2009	2010	2011	2012	2013
<b>Tax Revenue</b>	564,676	596,762	721,818	795,696	833,520	920,225
<b>Non Tax Revenue</b>	47,566	68,142	72,122	86,586	124,359	102,447
<b>Grant</b>	7,594	8,054	5,319	3,267	3,171	2,307

**Chart 8.1 (b) Trend in Government Revenue 2008-2013**



As shown in the Table 8.1(a) and the Chart 8.1(a) revenue collected in the year 2013 was 84% of the estimated revenue. This progress consists of 82% from the tax revenue, 107% from the non tax revenue and 29% of the foreign grants.

The decline in some imports such as vehicles had a negative impact on government revenue collection. However, with the strengthening of monitoring on revenue collection the General Treasury was able to collect tax revenue of Rs. 920,225 million in 2013 which is an increase of 10% with compared to the tax revenue collection of Rs. 833,520 million in 2012. The increase of the revenue from income based taxes, excise duties and other taxes were the main contributory factors for the increase in the tax revenue. Accordingly, 90% of the total revenue in 2013 was received from the tax revenue while the balance 10% consists of non tax revenue and grants.

Cash inflow from foreign grants was marginally decreased by 27% to Rs. 2,307 million as a result of lowering the share of grants received from multilateral sources.

The gross borrowings limit approved by the parliament for 2013 amounted Rs. 1,057 Bn. Complying with the borrowings limit set by the parliament, a sum of Rs. 1,111,208 Million was raised from the domestic sources including Treasury Bills and Treasury Bonds. The issuance of Treasury Bills, Treasury Bonds and Sri Lanka Development Bonds increased by 110%, 25% and 315% respectively compared to 2012.

### **8.1.3 Treasury Cash Outflow**

Department of Treasury Operations has fully 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 the expenditure. The Table 8.1 (C) shows the distribution of the imprest for the each category.

**Table :-8.1 (c) Distribution of imprest under spending categories**

	Rs.million	
	<b>2012</b>	<b>2013</b>
<b>Personal Emoluments</b>	379,780	425,448
<b>Pension</b>	107,819	116,591
<b>Samurdhi / Fertilizer</b>	47,567	28,091
<b>Recurrent</b>	124,761	159,896
<b>Interest payments</b>	410,452	469,928
<b>Debt. Repayment</b>	603,403	709,956
<b>Capital</b>	301,169	267,039

The total releases for recurrent expenditure amounted to Rs. 1,199,954 Million in 2013 which is 12% increase over the previous year. The increase was largely due to higher interest payment and the growth in salaries and pension payments.

The interest cost contributed to 39% of the total imprest releases for recurrent expenditure in 2013. The imprest releases for salaries and wages to public servants increased by 12% and pension payments grew by 8% in 2013 compared to year 2012.

In 2013, imprest releases for capital expenditure amounted to Rs. 267,039 Million. The imprest releases for capital expenditure was directed towards improving the country's national infrastructure development such as roads, human resources , transportation, power generation, water supply, ports and air ports , irrigation and upgrading the rural economy.

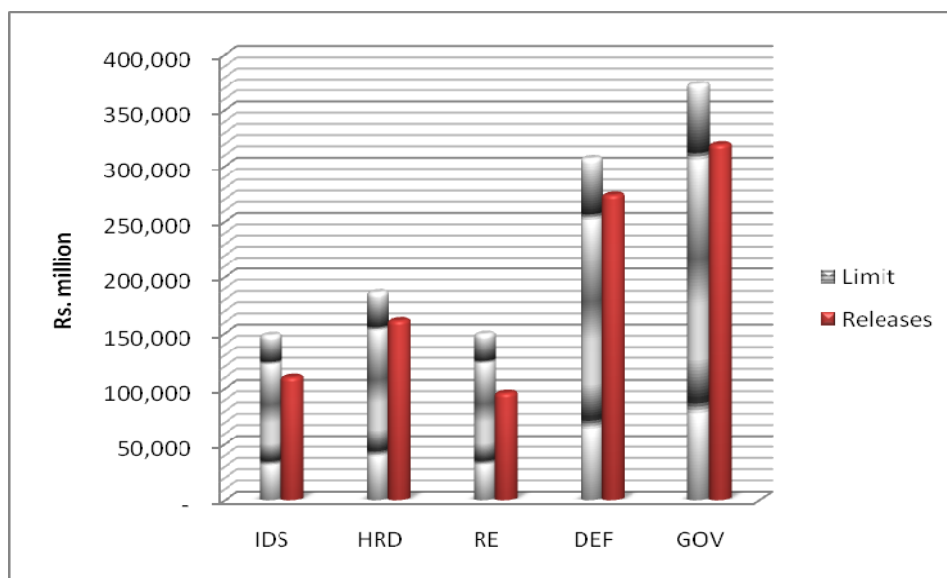
#### **8.1.4 Composition of Cash Limits and Releases**

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)

During 2013, Department of Treasury Operations made every effort to release cash without delay for capital expenditure in order to expedite infrastructure development projects. Accordingly, Department of Treasury Operations released Rs.238,416 Million in 2013 [Table 8.1(e)] for the implementation of the public investment programme to Ministries, Departments and institutions under the above five sectors.

**Chart 8.1 (C) Annual Cash Limit and Cash Releases - 2013**



**Table 8.1(d) Annual Cash Limit and Cash Releases - 2013**

Rs.(Mn)					
	IDS	HRD	REF	DEF	GOV
Limit	148,147	186,089	149,172	306,830	372,957
Releases	110,017	161,196	95,901	273,541	319,215
Percentage of Releases	74%	87%	64%	89%	86%

As shown in the Table 8.1 (d), in 2013 Department of Treasury Operations has released cash for each sector to meet its requirement. During this period, the Treasury had released funds amounting to more than 86% of the limits for Defence, Human Resources Development and Governance Sector. Real Economy Sector and Infrastructure Development Sector were also given 64% and 74% respectively.

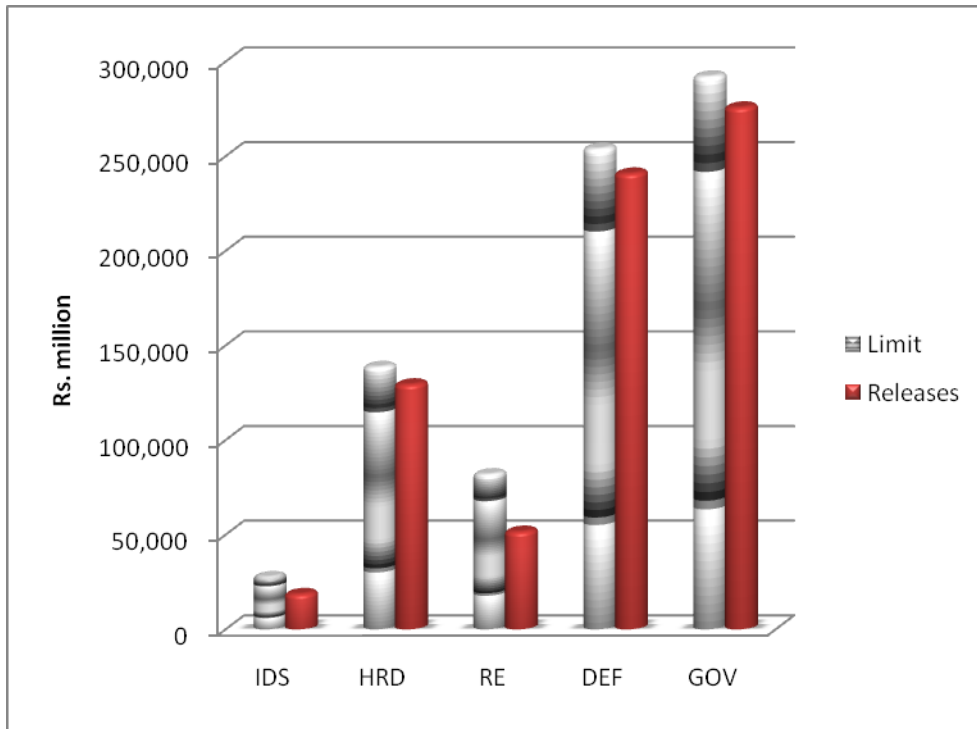
**Table 8.1 (e) Sector-wise Breakdown of Recurrent and Capital Expenditure and Imprest Limits**

(Rs. Million)

Sectors	Recurrent			Capital(without Public officers Advance)		
	Limit	Releases	%	Limit	Releases	%
IDS	27,534	18,625	68	119,070	91,105	77
HRD	138,589	129,399	93	45,229	30,440	67
REF	81,869	51,551	63	65,856	43,942	67
DEF	253,967	240,817	95	46,789	29,877	64
GOV	292,080	275,751	94	79,335	43,052	54
<b>Total</b>	<b>794,039</b>	<b>716,143</b>	90	<b>356,279</b>	<b>238,416</b>	67

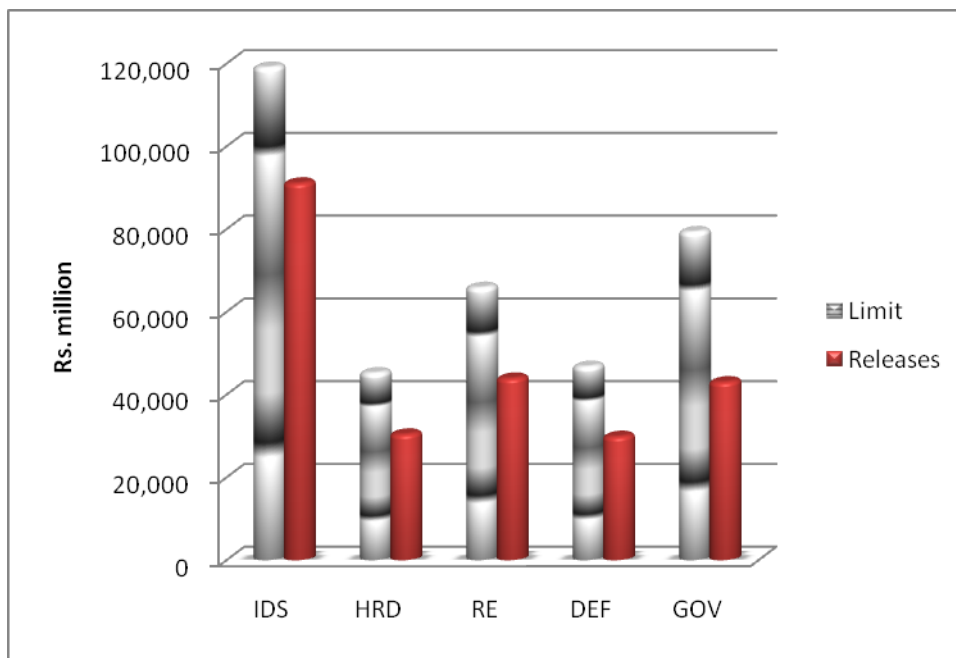
**Chart 8.1(d)**

**Limits and Cash Releases for recurrent Expenditure - 2013**



**Chart 8.1(e)**

**Limits and Cash Releases for Capital Expenditure - 2013**



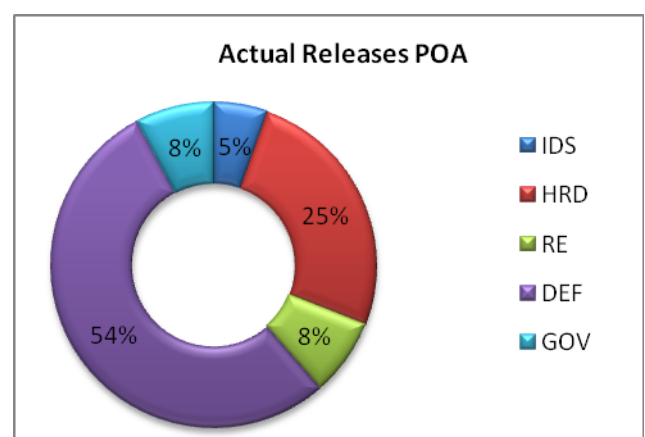
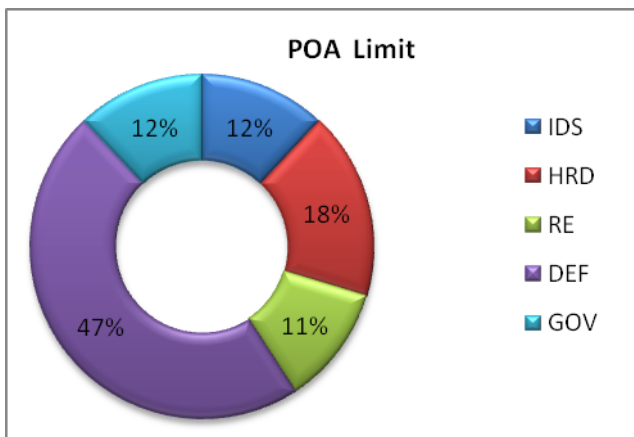
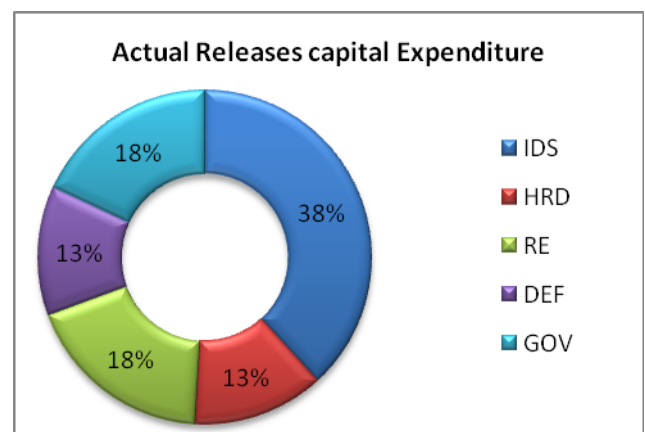
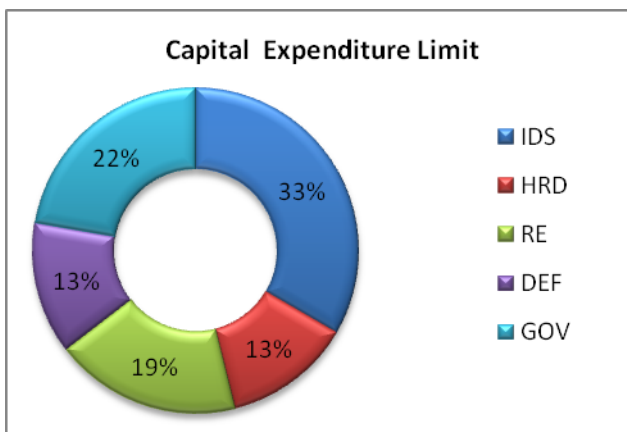
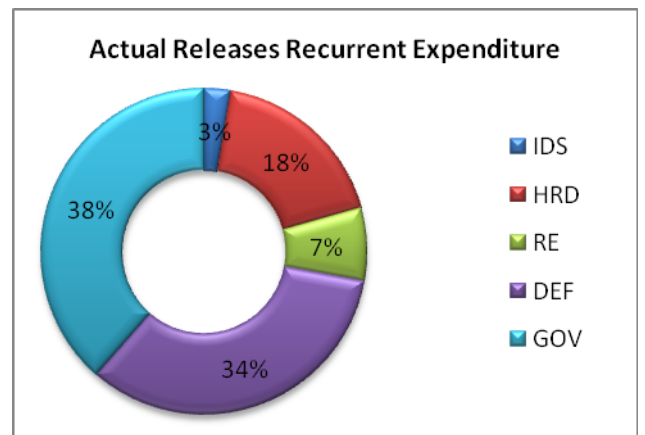
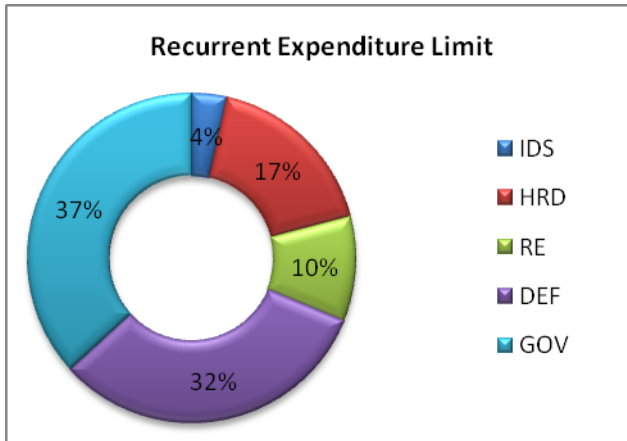
As shown in the Table 8.1(e) and chart 8.1(d) cash requirement of spending agencies for recurrent expenditure had almost been fulfilled. In other words that was about 90 % of the total cash limit determined for the year based on the annual budget. For Human Resources Development, Defence and Governance sectors, cash releases for recurrent expenditure had been more than 93%.

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, 77 % of its limit was made for the Infrastructure Development sector which is mainly utilized for the development of highways.

#### ***8.1.5 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 8.1(f) TOD released cash for Recurrent Expenditure, Capital Expenditure and Advances to Public Officers (POA), endorsing the said priorities.

***Chart 8.1 (f) Sectorial Composition of Cash Limits and Releases - 2013***



## 8.2 Public Debt Management

### 8.2.1 Government Borrowing Programme – 2013

The Parliament of Sri Lanka annually decides the gross limit of borrowing for the year through the provisions of the annual Appropriation Act. Accordingly, under the Appropriation Act No. 23 of 2012 a gross borrowing limit of Rs 1,303 billion has been provided to meet the finance gap for the year 2013.

To finance the resources gap during the year government heavily relied upon the domestic sources resulting reduced borrowing from foreign sources. Accordingly, total gross borrowing from domestic sources recorded as Rs.1,102.7 billion, including rupee denominated Treasury bills and Treasury bonds issued to foreign investors representing an 49.11 percent increase from the 66.91 percent share of domestic borrowing in 2012 to 85.75 percent share in 2013, while the amount raised from foreign sources amounted to Rs. 183.3 billion, representing 14.25 percent share of total gross borrowing. The actual total gross domestic borrowings of Rs.1, 102.7 billion in 2013 reflected a 49.11 percent increase over Rs.739.5 billion raised in 2012.

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.802.403 billion in gross terms increased by 25 percent over the year 2012 from Rs. 639.7 Billion.

Sri Lanka Development Bonds (SLDBs) denominated in foreign currencies recoded a remarkable increase from Rs 60.4 billion in 2012 to Rs 237.9 billion in 2013 reflecting an increase of 294 percent while issuance of Treasury bills increased by 105 percent to Rs.46.8 billion in the year 2013.

Table 8.2 (a) **Government Borrowing Limits and Usage (Rs.Million)**

Item	2012		2013	
	Approved Limit	Usage	Approved Limit	Usage
<b>Gross Borrowing</b>	<b>1,139,000</b>	<b>1,105,205</b>	<b>1,303,000</b>	<b>1,286,013</b>
Domestic	832,277	739,507	1,069,000	1,102,696
Foreign	306,723	365,698	234,000	183,317
<b>Total Financing</b>	<b>1,139,000</b>	<b>1,105,205</b>	<b>1,303,000</b>	<b>1,286,013</b>



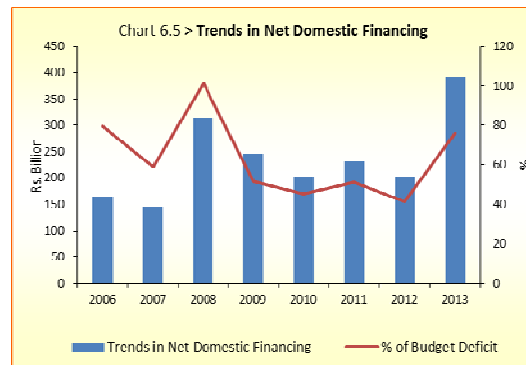
## 8.2.2 Net Domestic Financing

The overall resources gap of the 2013 amounted to Rs.516 billion. This was mainly financed through the total net domestic financing (NDF) of Rs.392.4 billion, which accounted for 76 percent of the overall resource gap of Rs. 516 billion in the budget deficit.

Net Domestic Financing comprised mainly from marketable debt instruments such as Treasury Bonds,

Treasury Bills and Sri Lanka Development Bonds in line with government strategy of using marketable instruments and the improvement of government securities market.

Reflecting an 19 percent or Rs.600 billion increase over the previous year total domestic debt, excluding the rupee denominated Treasury bills and bonds issued to the foreigners, was recorded as Rs. 3,832.8 billion by end 2013. The ratio of domestic debt to total debt increased from 53.9 percent in 2012 to 56.4 percent in the previous year reflecting a high weight in borrowings from the domestic sources. As a percentage of GDP, total domestic debt increased to 44.19 from 42.6 percent in 2012.



### 8.2.3.1 Outstanding Domestic Debt

Of the total domestic debt by end 2013, the share of Treasury bonds and Treasury bills accounted for 64 percent and 18.3 percent, respectively. The balance accounted for SLDBs (9.6 percent), provisional advances from the Central Bank (2.8 percent), Rupee loans (1.4 percent) and other borrowings (3.9 percent).

The stock of Treasury bonds increased by 17.1 percent to Rs. 2,452 billion in 2013 over 2012 while the stock of Treasury bills amounted to Rs.700.1 billion, an increase of 11.3 percent over 2012. Total SLDBs issued increased by 65.6 percent to Rs. 369.2 billion as at end 2013.

### 8.2.3.2 Maturity Structure of Domestic Debt

The medium and long term debt, which has a maturity period in excess of one year, accounted to Rs. 2,923.7 billion by the end of 2013, which is an increase of Rs. 504.1 billion compared to Rs. 2,419.5 billion recorded in 2012. Share of medium and long term debt to the total domestic debt amounted to 76.3 percent, reflecting a 1.46 percent increase over the previous year. Total Treasury bonds of Rs. 2,452.4 billion constituted 83.9 percent of the total medium to long term debt. The concentration of the government borrowings towards medium to long term instruments facilitated the government to extend its yield curve during the year 2013 and debt repayments at maturity to prevent bunching.

Of the total domestic debt, the short term debt, which has a maturity period of less than one year, amounted to Rs.909.2 billion by end 2013. This was an increase of Rs. 95.88 billion from Rs. 813.2 billion in 2012. Treasury bills continued to dominate by accounting for 77 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 from 3.25 years in 2012 to 4.8 years.

Table 8.2.2 Maturity Structure of Domestic Debt for the year ended 2013

( Rs. Million )

Year of Maturity	Instrument				Total	Maturity as a % of Total
	Treasury bills	Treasury bonds	Rupee Loans	SLDBs		
2014	774,052	464,777		68,122	1,306,951	32.2
2015		452,390	31,430	77,219	561,038	13.8
2016		269,063		68,923	337,985	8.3
2017		206,092		154,951	361,044	8.9
2018		460,184			460,184	11.3
2019		144,903			144,903	3.6
2020		82,303			82,303	2.0
2021		73,994			73,994	1.8
2022		59,418			59,418	1.5
2023		74,494	24,088		98,582	2.4
2025		11,044			11,044	0.3
2026		111,636			111,636	2.8
2028		187,355			187,355	4.6
2032		102,920			102,920	2.5
2033		121,465			121,465	3.0
2043		33,809			33,809	0.8
<b>Total</b>	<b>774,052</b>	<b>2,855,846</b>	<b>55,518</b>	<b>369,215</b>	<b>4,054,631</b>	<b>100.0</b>

### 8.2.3.3 Domestic Debt Service Payments

Total domestic debt service payments of the year 2013 amounted to Rs. 850.7 billion in comparison to Rs. 733.1 billion recorded in 2012. This comprise from total, amortization payments amounted to Rs. 496 billion (58.3 percent), and the interest payments amounted to Rs. 354.7 billion (41.7 percent). Both the amortization payments and the interest payments on domestic debt increased by Rs. 80.7 billion and Rs. 37 billion respectively in 2013 over the previous year.

Total domestic debt service payments as a percentage of GDP marginally increased to 9.8 percent in 2013 from 9.7 percent in 2012 reflecting the marginal increase in both the domestic amortization payments and interest payments over the previous year. Domestic interest payments further declined to 4.1 percent of GDP from 4.2 percent in the previous year. Domestic debt service payments to the total government revenue reflect further increase of 7.3 percent from 69.7 percent in the previous to 74.8 percent in the year 2013.

Table 8.1(c) **Domestic Debt Service Payments**  
(Rs. Million )

<b>Year</b>	<b>Principal payments</b>	<b>Interest payments</b>	<b>Total</b>
2003	185,083	113,540	298,623
2004	147,740	105,878	253,618
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

### **8.3 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 to the project through the relevant Ministry. During the period of January -December 2013, Rs. 1.650 Million has been released to the projects under RFA method. During the year 2013, Foreign Aid grants amounting to Rs.13,766 Million has been received in cash in addition to Rs.2.092 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 2013, TOD facilitated to open 12 new such accounts, making the total number of accounts in operation 120 by the end of December 2013. During the year, funds amounting to Rs. 40.450 Million have been received to these accounts from donor agencies.

## 8. 4. Government Revenue

### 8.4.1 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. 157.6 Billion of the Government for the year under review, a sum of Rs 47.4 Billion or 30% was expected to be earned from the following Non Tax Revenue Heads and Rs 26.8 Billion was expected to be earned from the Tax - Revenue of Telephone Subscribers' Levy . During the year under review the department was able to earn a sum of Rs.50.1 Billion as Non Tax - Revenue and Rs.24.4 Billion as Tax Revenue. The details of the above 12 Revenue Heads in respect of year 2012-2013 are shown in table 8.4. (a)

**Table 8.4. (a) : Collection of Tax and Non Tax Revenue 2012 – 2013**

Revenue Description	Revenue Collections Rs: 000			
	2012		2013	
	Estimate	Collection	Estimate	Collection
<b>Non Tax Revenue</b>				
Rent on Govt. Building	650,000	582,264	612,000	620,890
Other Rental	62,000	50,139	80,000	62,139
On Lending Interest	7,704,000	8,100,516	8,167,000	8,178,888
Other Interest	1,325,000	1,387,711	1,610,000	1,485,088
Departmental Sales	130,000	143,436	125,000	108,144
Sundries	7,114,582	2,941,497	7,000,000	7,497,293
Fines & Forfeits	3,000,000	5,137,117	6,000,000	2,274,461
Other Receipts	9,042,000	3,238,911	4,000,000	11,430,262
Other Current Transfers	1,800,000	2,222,737	2,200,000	2,172,621
Sale of Capital Assets	500,000	831,152	800,000	280,283
Recovery of Sub Loans	16,470,000	16,409,105	16,825,000	15,968,527
<b>Sub Total</b>	<b>47,797,582</b>	<b>41,044,585</b>	<b>47,419,000</b>	<b>50,078,596</b>
<b>Tax Revenue</b>				
Telephone Subscribers' Levy	22,900,000	22,289,141	26,795,000	24,445,220
<b>Sub Total</b>	<b>22,900,000</b>	<b>22,289,141</b>	<b>26,795,000</b>	<b>24,445,220</b>
<b>Total Revenue</b>	<b>70,697,582</b>	<b>63,333,726</b>	<b>74,214,000</b>	<b>74,523,816</b>

As per the above table, it is observed that a 106 % achievement is recorded against the estimated revenue under Non-Tax component in the year 2013. Furthermore, total revenue of the above Non Tax items in 2013 increased by 22% to Rs.50 billion compared to Rs. 41 Billion in 2012. This was supported by the increase in revenue generated through Sundries and other Receipts which have inherent characteristics of receiving of higher income in some years while recording an average income in the other years. Meanwhile a 91% performance has been achieved against the target of Rs. 26.8 billion under the Telephone Subscriber's Levy in 2013. It is 10% increase compared to Rs. 22 billion in 2012.

Further, the Director General of Treasury Operations functions as the Revenue Accounting Officer for Foreign Aid Grants.

**Table 8.4. (b) : Collection of Foreign Grants**

Revenue Description	Revenue Collections		Rs:000	
	2012		2013	
	Estimate	Collection	Estimate	Collection
Foreign Grants	20,000,000	16,070,772	20,000,000	15,858,996
<b>Total</b>	20,000,000	16,070,772	20,000,000	15,858,996

Although the estimated revenue under Foreign Aid Grants was Rs.20 billion, the total grant received during the year under review was Rs.15.9 billion. In addition, the performance of revenue collection under the Foreign Grants was 79 % against the estimated amount. There is a downward trend of receiving grants to Sri Lanka due to it has become middle income country.

#### **8.4.2 Recovery of Sub Loan Capital and Interest:**

The Department maintains information system on Sub Loans which is updated monthly. Out of the eleven Non Tax Revenue Heads, Director General of Treasury Operations is responsible for the recovering both capital and the interest of sub loans. Assessment, Collection and Acceptance of revenue under the above two Non Tax Revenue Heads are performed by this Department.

During the year 2013, an amount of Rs. 20.5 billion has been released as sub loans and Rs. 16.0 billion has been recovered as the loan capital. In addition, Rs. 8.2 Billion has been collected as interest on sub loans granted.

As a result of strengthening the monitoring of loan recovery process, the Treasury Operations Department has been able to achieve 95% against the target set for loan recoveries and 100% achievement against the set target for the Sub Loans interest in year 2013. The outstanding balance of the sub loans at the end of year 2013 was Rs. 371 Billion granted to 63 different institutions including Commercial Banks, Development Banks and Rural Development Banks.

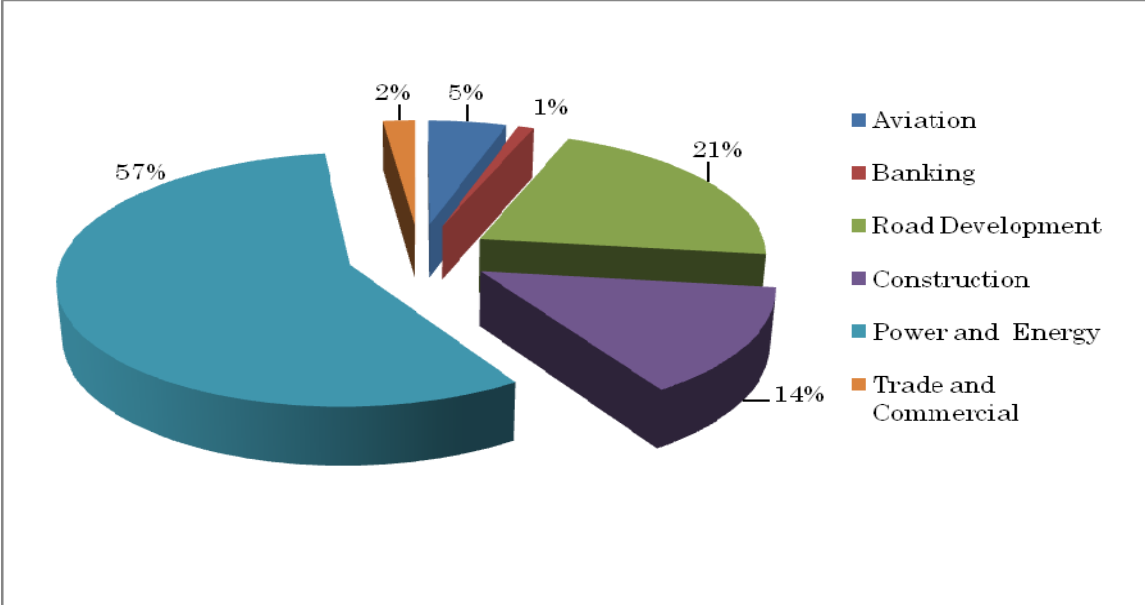
**8.4.3 Contingent Liabilities on Guarantees and Letters of Comfort**

**8.4.3.1 Treasury Guarantees**

State Institutions when seeking financial assistance from domestic or external sources to meet their capital and commercial requirements, request Treasury indemnities and the Department of Treasury Operations in turn issues the required guarantees subject to the provision made in the Fiscal Management (Responsibility) Act No.3 of 2003.

The total value of the treasury guarantees issued, at the end of the year 2013 was Rs.462,059 Million with an increase of 74% with compared to the previous year amount of Rs.266,074 Million. Out of the total guarantees so far issued, about 57% of the guarantees have been issued for the Power and Energy sector. The sector composition of the Treasury Guarantees is shown in Chart 8.4.(a). and Table 8.4.(b)

**Chart 8.4.(a) : Sector composition of Treasury Guarantees - 2013**



**Table 8.4.(b) : Sector Composition of the Treasury Guarantees 2012 and 2013**

Sector	Value in Rs. Million		Percentage %	
	2012	2013	2012	2013
Aviation	22,544	23,521	8	5
Banking	5,000	5,000	2	1
Road Development	27,442	98,024	10	21
Construction	20,405	65,375	8	14
Power and Energy	189,294	262,138	71	57
Trade and Commercial	1,389	8,025	1	2
<b>Total</b>	<b>266,074</b>	<b>462,089</b>	<b>100</b>	<b>100</b>

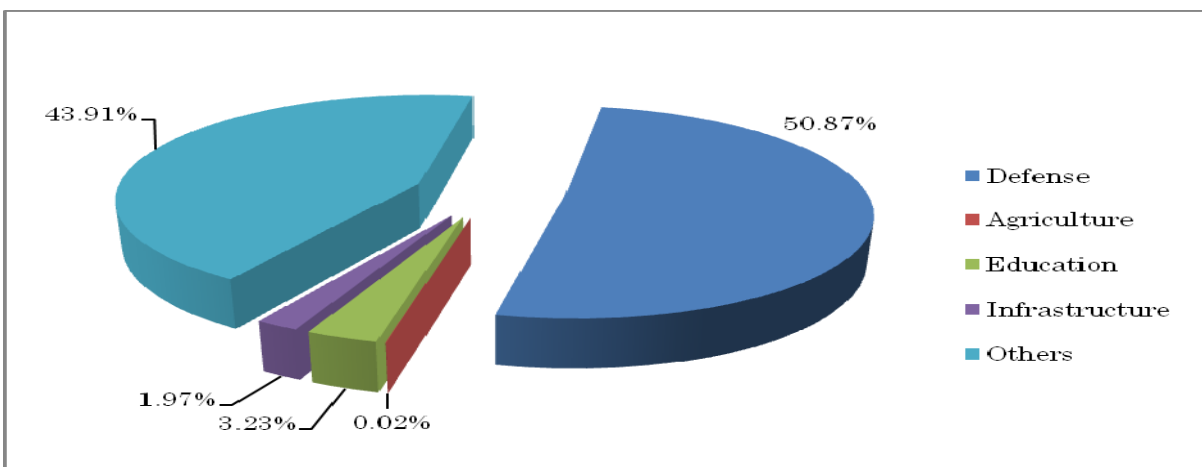
### 8.4.3.2 Letters of Comfort

Letters of comfort are issued by the department to facilitate the opening of the Letters of Credit in favor of Government Ministries and Departments. The total value of such letters of comfort issued at the end of the year 2013 was Rs.36,098 Million registering an increase of 30% with compared to the previous year amount of Rs.27,743 Million. The sector composition of the Letters of Credit is shown in table 8.4.(d) and chart 8.4.(b).

**Table 8.4.(d) : Sector Composition of Letters of Comfort**

Sector	value in Rs. Million		Percentage %	
	2012	2013	2012	2013
Defence	12,627	18,364	45.51	50.87
Agriculture	872	8	3.14	0.02
Education	3	1,165	0.01	3.23
Infrastructure	10,072	710	36.30	1.97
Others	4,169	15,851	15.04	43.91
<b>Total</b>	<b>27,743</b>	<b>36,098</b>	<b>100</b>	<b>100</b>

**Chart 8.4.(b): Sector composition of letters of Comfort 2013**





#### **8.4.4 Property Loan Guarantee Fund:**

The government, with the view of ensuring all the public officers to have the opportunity to acquire valuable assets, 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 the event the officers who obtained loans through this scheme are died, totally disabled or retired on medical grounds (Qualifying category). For this purpose, the above Guarantee Fund was established on 5<sup>th</sup> August 2005 with the initial investment of Rs. 916,231,000 in the Treasury Bonds.

In terms of Budget Circular No.122 of 26.04.2005, the execution of the fund, investment from the fund, recovery of earnings on investment and settlement of loans on behalf of public officers referred to above was entrusted to the Department of Treasury Operations.

Settlement of loan balances under this fund, during the year 2011- 2013 is shown in table 8.4 (e)

**Table 8. 4 (e): Settlement of loan balances**

Year	2011	2012	2013
No. of Officers	46	63	78
Value of the loan settled (Rs)	31,605,785.00	47,144,445.00	59,703,991.55

The total loan settlements made under this scheme from the inception of the fund was Rs.225,268,958.55 for 316 public officers who qualified under the above categories and the balance of the loan Guarantee Fund lying at the end of the year 2013 was Rs.1,349,027,651.55.

The operation of the fund during the year 2013 in summarized form is shown under Table 8.4.(f).

**Table 8.4 (f): Operation of Property Loan Guarantee Fund - 2013**

			<b>Rs.</b>
Balance as at 01.01.2013			
	Treasury Bonds	916,231,000	<b>1,326,328,081</b>
	General Deposit	410,097,081	
<b><u>Add: Income</u></b>			
	Interest income		82,250,050
	Other Receipts		153,512
			<b>82,403,562</b>
			<b>1,408,731,643</b>
<b><u>Less : Payments</u></b>			
	Settlement of loan balances		59,703,992
Balance as at 31.12.2013			
	Treasury Bonds	916,231,000	
	General Deposit	432,796,652	<b>1,349,027,652</b>

The above table further indicates that settlements of loan balances so far were able to be met from the interest income without disturbing the initial investment of Rs.916 Million.

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

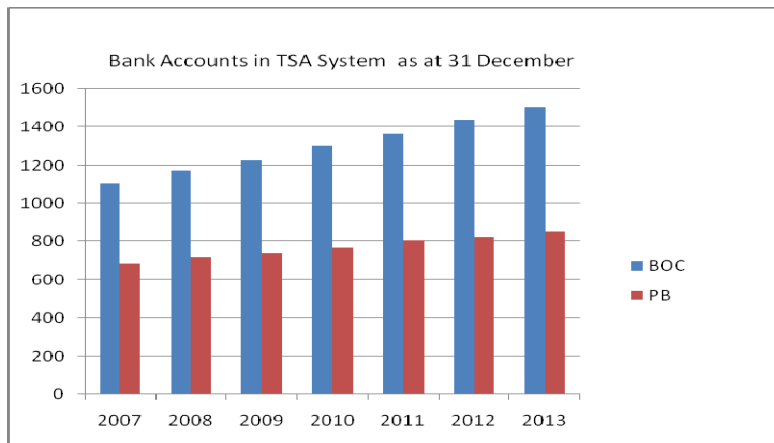
Treasury Single Accounts System (TSA) can be identified as a unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources. So the Department of Treasury Operations being become a pioneer in the Financial Management in South Asia region has achieved the major targets during the year 2013 while improving its Financial Management System.

TSA system is covered all government bank accounts which belongs to the spending units (Ministries, Departments, District & Divisional Secretariats). TOD has managed this process efficiently & effectively. At the end of the year 2013 there were 2,355 of bank accounts operates under the TSA System while this amount were 2,263 at the end of the year 2012. Chart 8.5(a) shows the operating bank accounts by the Bank of Ceylon (BOC) & the People's Bank (PB) under TSA system from the year 2007 to 2013. Further it shows bank accounts under TSA system has been increased dramatically. During the year, 92 new bank accounts were added to the TSA system. Progress of TSA system is given below( Table 8.5(a))

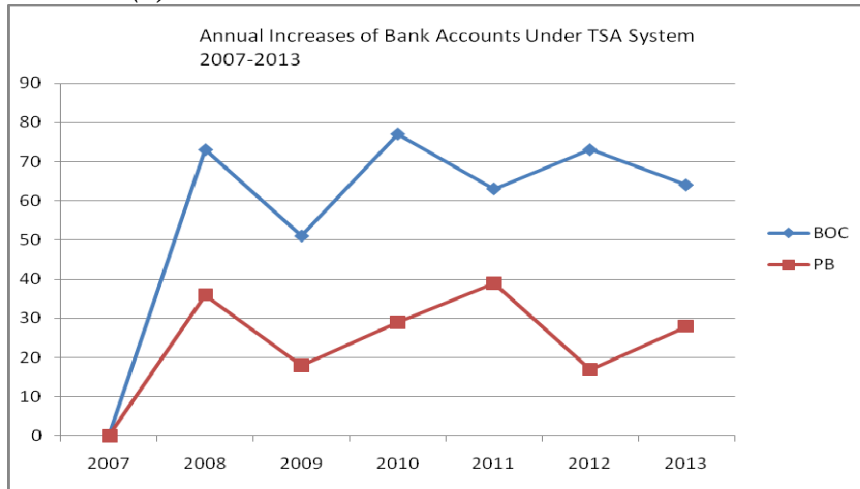
**Table 8.5(a) New Bank Accounts add to TSA System from 2007 -2013**

Year	No. of Accounts	
	BOC	PB
2007	0	0
2008	73	36
2009	51	18
2010	77	29
2011	63	39
2012	73	17
2013	64	28

**Chart 8.5(a)**



**Chart 8.5(b)**

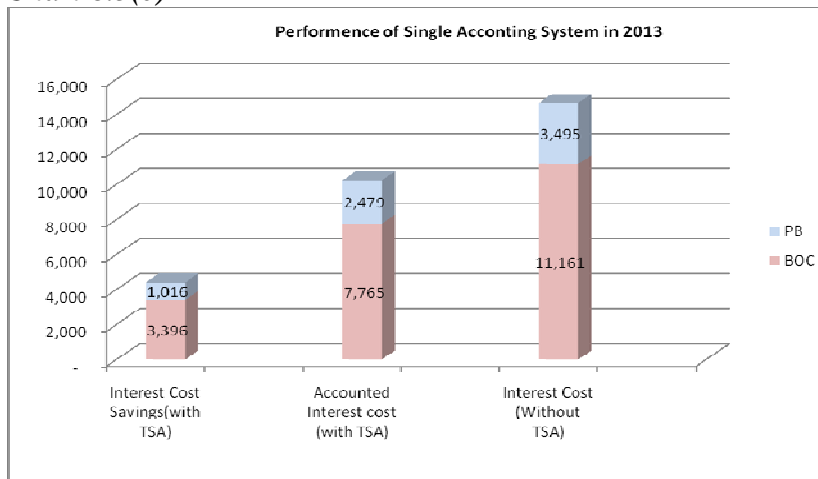


Implementing of the TSA system contributed to enhance the operations of the Deputy Secretary’s bank accounts (DST’s Accounts) efficiently and effectively and as a result overdrawn interest cost of the government were reduced.

Accordingly, end of the day idle cash balances of the bank accounts of every Ministries, Departments, District and Divisional Secretaries were effectively used to reduce the overdrawn of DST’s accounts.

At any time average idle cash balances of Government at Ministries, Department, District and Divisional Secretaries were approximately Rs. 43 Billion in 2013. This was Rs. 43,040,010,862. Thus, it was saved about Rs. 4,411,601,113 of interest expenditure since these idle cash balances could be getting back to DST’s Accounts through the TSA system. The total interest cost on overdrawn fund would have been increased by 30.1% if the TSA system was not in place. The following graph shows this situation.

**Chart 8.5(c)**



TOD has improved the account system which was very user friendly known as Treasury Financial Management System (TFMS). TFMS is a complete financial management system designed to meet all the financial management needs of the TOD. The transactions, all its receipts & payments made via the TFMS. Further, it facilitates to get the consolidated view of its cash position at the end of each day.

TOD was able to record total receipts of Rs. 3,189.1 Billion and total payment of Rs. 3,208.2 Billion, excluding inter-bank transactions in 2013. All these receipts and payments have been made under the 9,444 pay- in – vouchers and 19,930 payment vouchers respectively. To ensure the efficiency, convenience and safety in financial transaction process in Sri Lanka, all these 19,930 payment vouchers had been made through 19,591 transactions. Out of these, 18,331 transactions have been made through electronic fund transfer system via Central Bank of Sri Lanka, Bank of Ceylon and People’s Bank. It represents 92% of the transactions. In addition, 339 inter-bank transactions have been made through the Real Time Gross Settlement (RTGS). And also, out of 9,444 receipt entries recorded in 2013, 73.7% was made through fund transfers without using cheques.

Being an influential partner in the financial market of Sri Lanka, TOD could able to reduce the circulation of high value cheques in 2013. Thereby, efficiency, safety and effectiveness of the financial transactions in Sri Lanka were enhanced.

At the same time, to facilitate the e-government policy of the government, TOD could able to inform the details of total no of 19,591 transactions to the spending agencies through electronic media. This was significantly contributed to reduce the postal cost while avoiding the postal delays and also it facilitates paperless transactions.