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## ➤ **VISION**

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

## ➤ **MISSION**

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

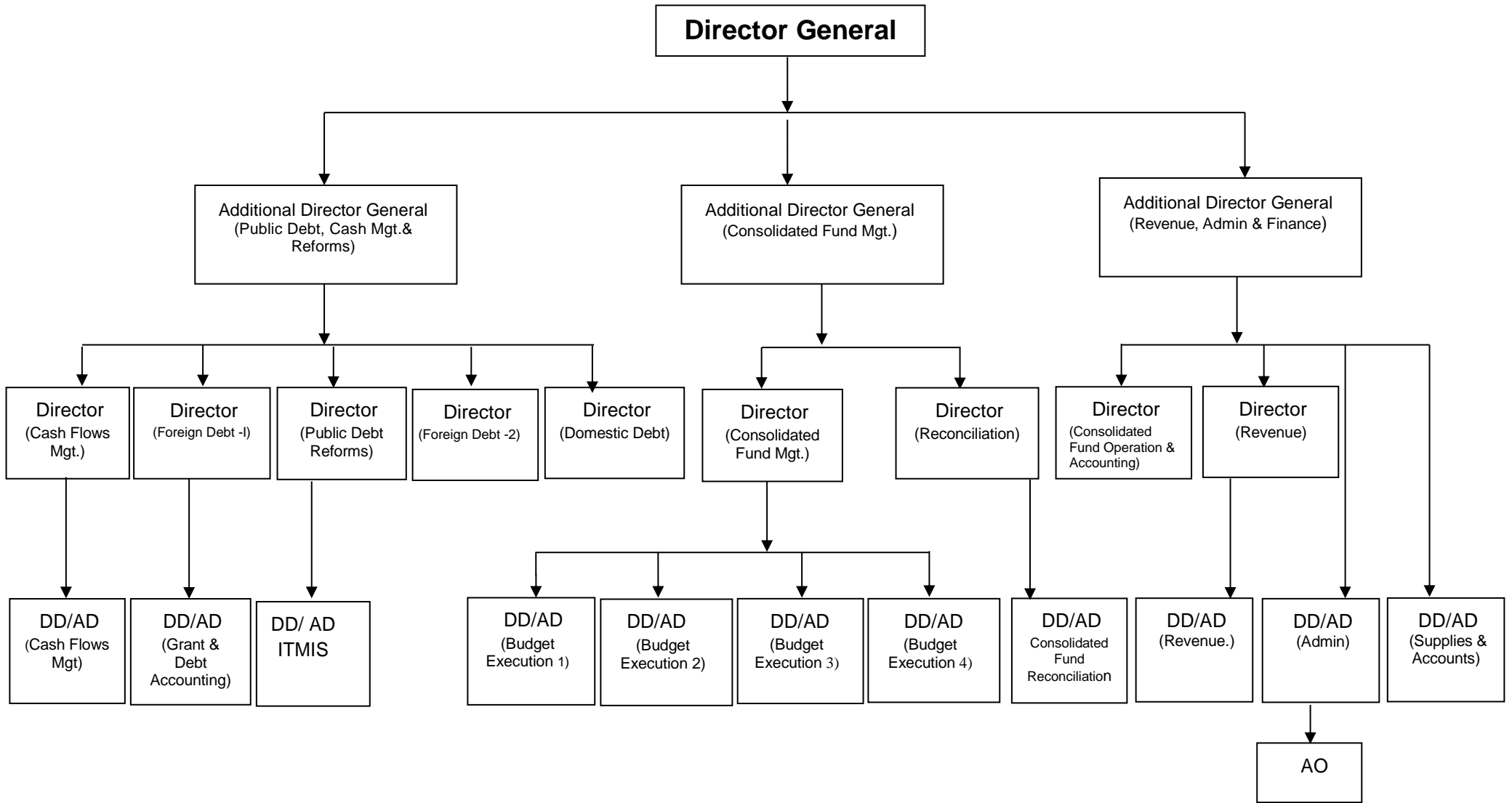
# 1. INTRODUCTION

The Department of Treasury Operations (TOD) was established on 28<sup>th</sup> July 2004 with the objectives of creating an efficient Organization within the Treasury to cater matters relating to the management of the Consolidated Fund and facilitate the public debt management function. In this endeavor, TOD translates estimated revenue and expenditure given in the National Budget into an operational cash inflow and outflow while identifying the deficit to be financed through the annual borrowing program. Public Debt Management Function of the department also includes debt servicing and reporting on behalf of the government.

## 2. MAJOR FUNCTIONS

- Management of Treasury Cash Flows
- Disbursement of Treasury Funds through the payment system.
- Assessment, prioritization and release of funds to spending agencies.
- Issuance of Treasury Guarantees.
- Receive of sub loan & Monetary relevant record in the Treasury Books.
- Estimation, Collection and Accounting for 12 Nos. Non-Tax Revenue heads assigned to the department.
- Facilitation for disbursement of funds under Foreign Aid Loans and Grants.
- Facilitation of Accounting for Foreign-Aid.
- Accounting for Government borrowings and debt servicing.
- Authorization and Supervision of Government bank accounts and imprest accounts.
- Operations of Public Officers Property Loan Guaranty Scheme.

### 3. ORGANIZATION STRUCTURE



#### 4. CADRE INFORMATION

**Table 4 .1:** Staff Strength as at 31.12.2017

Designation	Approved Cadre	Exciting Cadre
Director General	01	01
Additional Director General	03	01*
S.L. Ac. S - Class I	09	08
S. L. Ac. S - Class II / III	10	08
S.L.A.S. - Class II / III	01	-
Administrative Officer	01	01
Development Officer	20	17
P.M.A. -Class I/II/III	55	51
Information & Communication Technology Assistant	07	01
Driver	08	08
Office Employee Asst-Class I/II/III	12	12
<b>Total</b>	<b>127</b>	<b>108</b>

\* One Class I officer of SLAcS is Acting full time basis in the Additional Director General post.

## 5. HUMAN RESOURCE DEVELOPMENT

As a part of continuous effort of enhancing the knowledge, skills and attitudes, of employees the Department, provided several capacity development programmes opportunities which are given in the following table.

### Local and Foreign Training 2017

**Table 5.1 : Local Training**

Category of Staff	Number of Training Courses	Number of officers trained	Field of training	Institute/ Location
Staff Officers	06	04	Diploma in Public Procurement & Contract Administration	Miloda
		01	Workshop on Overview & Updates on Visual Studio	Miloda
		01	Diploma in English for Junior Executives	Miloda
		01	Financial Regulations in the Public Sector	Miloda
		03	Assets Management	Miloda
		01	Public Finance & Accounting Skills	Miloda
Public Management Assistant	05	01	Formal letter writing skills	Miloda
		01	Diploma in English for Junior Executives	Miloda
		04	File Management, General Office & Administration, E-Code	Miloda
		01	CIGAS	Miloda
		01	Payroll	Miloda
Development Officer	04	01	Payroll	Miloda
		01	Diploma in English for Junior Executives	Miloda
		01	CIGAS	Miloda
		01	Financial Regulations in the Public Sector	Miloda
K K S	01	01	Training for Office Employee Service to create a Qualitative working environment on Development of the Profession.	Miloda
All Staff	01	100	Awareness Programme for the Department officials.	TOD

In addition to the above, one day training programme was conducted on 23<sup>rd</sup> September, 2017 in "Vijaya Holiday Resort - Kiriella" with the objective of attitudes and skills development of the staff. It was helpful to improve the self-development as well as mutual relationships among the staff members of the department. Hundred (100) employees of the Department actively participated in the programme.

**Table 5.2 : Foreign Training and participation in conferences -2017**

	<b>Training / Seminar or Forum</b>	<b>Service Category</b>	<b>Country</b>	<b>Period</b>	<b>Number of Officers</b>
1	Executive Training Programme on Public Sector Leadership and Decision Making	Staff Officer	Singapore	23.01.2017 27.01.2017	01
2	Executive Training Programme on Negotiations and Conflict Resolution	Staff Officer	Singapore	20.02.2017 24.02.2017	01
3	International Sovereign Bond Issuance by the Government of Sri Lanka	Staff Officer	Hong Kong Singapore USA	08.03.2017 18.03.2017	02
4	Training Programme on Strengthening Public Policy Making Process	Staff Officer	Australia	20.03.2017 24.03.2017	03
5	Course on Fiscal Analysis & Forecasting	Staff Officer	India	20.03.2017 31.03.2017	01
6	Seminar on Capacity Building of Small & Medium Sized Enterprises for Developing Countries	Staff Officer	China	16.03.2017 05.04.2017	01
7	Asian Regional Public Debt Management Forum	Staff Officer	Cambodia	04.04.2017 06.04.2017	01
8	Course on Monetary Policy	Staff Officer	India	16.04.2017 29.04.2017	01
9	Seminar on Service Trade for Developing Countries	Staff Officer	China	21.04.2017 11.05.2017	01
10	Seminar on Economic Cooperation for Southern Asian Countries	Staff Officer	China	16.05.2017 25.05.2017	01
11	2017 Seminar on Alcohol Distribution Management and Promotion for Countries along the Silk Road Economic Belt	Development Officer	China	16.05.2017 05.06.2017	01
12	Public Financial Management	Development Officer	India	05.06.2017 09.06.2017	01
13	Debt Management and Fiscal Issues	Staff Officer	Thailand	19.06.2017 23.06.2017	01
14	2017 Seminar on Financial Service for China' s Development Assistance Project for Asian Countries	Staff Officer	China	16.08.2017 25.08.2017	02

15	Capital Markets and Investment Banking	Development Officer	India	04.09.2017 13.09.2017	01
16	Financial Sector Surveillance	Development Officer	India	18.09.2017 26.09.2017	01
17	Government Finance and Public Sector Debt Statistics	Staff Officer	India	18.09.2017 22.09.2017	01
18	Policy Dialogue on Determinants and Impacts of Financial Literacy in Asia	Staff Officer	Philippines	22.09.2017	01
19	Macroeconomic Management for effective governance and sustainable inclusive economic growth	Staff Officer	Australia	20.11.2017 15.12.2017	02
20	ADB Regional forum on Investment Management	Staff Officer	Singapore	29.11.2017 30.11.2017	01

## 6. Circulars and Instructions

The Department issued following circular instructions which are given below during the year 2017 with a view to improving fund management of the government.

**Table 6.1**

<b>Date</b>	<b>Circular No.</b>	<b>Title</b>
23-05-2017	01/ 2017	Revenue Estimates for year 2018
29-05-2017	02/2017	Statement of Arrears of Revenue -30/06/2017
22-09-2017	03/2017	Payment of Salaries, Salary Advances and Pensions for the Year 2018
02-11-2017	04/2017	Closing of Cash Books for 2017 and Settlement of Imprest Accounts
28-11-2017	06/2017	Statement of Arrears of Revenue -31.12.2017
30-11-2017	05/2017	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 2018



## 7. FINANCIAL PERFORMANCE – 2017

Table 7.1

Rs.'000

Item	Category/ Object/ Item/ Description	2016		2017		Based on Actual Expenditure 2016	
		Estimate	Actual	Estimate	Actual	Increase/ (Decrease) of 2017 Expenditure	Percentage of Expenditure Difference (%)
	<b>RECURRENT EXPENDITURE</b>	<b>1,120,500</b>	<b>1,048,233</b>	<b>963,736</b>	<b>926,838</b>	<b>(121,395)</b>	<b>(11.58)</b>
	<b>Personal Emoluments</b>	<b>67,650</b>	<b>64,704</b>	<b>75,650</b>	<b>67,104</b>	<b>2,400</b>	<b>3.71</b>
1001	Salaries & Wages	33,200	32,878	41,000	38,593	5,715	17.38
1002	Overtime and Holiday Payments	600	519	650	640	121	23.31
1003	Other Allowances	33,850	31,307	34,000	27,871	(3,436)	(10.98)
	<b>Travelling Expenses</b>	<b>1,615</b>	<b>1,606</b>	<b>3,330</b>	<b>3,089</b>	<b>1,483</b>	<b>92.34</b>
1101	Domestic	115	109	130	129	20	18.35
1102	Foreign	1,500	1,497	3,200	2,960	1,463	97.73
	<b>Supplies</b>	<b>4,550</b>	<b>4,456</b>	<b>4,250</b>	<b>4,172</b>	<b>(284)</b>	<b>(6.37)</b>
1201	Stationery and Office Requisites	2,500	2,423	2,200	2,174	(249)	(10.28)
1202	Fuel	1,975	1,961	1,970	1,919	(42)	(2.14)
1203	Diets and Uniforms	75	72	80	79	7	9.72
	<b>Maintenance Expenditure</b>	<b>2,323</b>	<b>1,802</b>	<b>3,220</b>	<b>2,285</b>	<b>483</b>	<b>26.80</b>
1301	Vehicles	1,650	1,545	2,400	1,926	381	24.66
1302	Plant and Machinery	500	205	500	285	80	39.02
1303	Buildings & Structures	173	52	320	74	22	42.31
	<b>Services</b>	<b>3,792</b>	<b>3,769</b>	<b>4,790</b>	<b>3,671</b>	<b>(98)</b>	<b>(2.60)</b>
1401	Transport	1,805	1,802	2,400	1,863	61	3.39
1402	Postal and Communication	1,850	1,833	2,200	1,626	(207)	(11.29)
1409	Other	137	134	190	182	48	35.82
	<b>Transfers</b>	<b>1,040,570</b>	<b>971,896</b>	<b>866,676</b>	<b>840,697</b>	<b>(131,199)</b>	<b>(13.50)</b>
1503-01	Refund of Lottery Proceeds	539,420	470,992	365,676	339,747	(131,245)	(27.87)
1505-01	Gov. Contribution of Public servant's Insurance Fund	500,000	500,000	500,000	500,000	-	-
1506	Property Loan Interest to Public Servants`	1,150	904	1,000	950	46	5.09
	<b>Other Recurrent Expenditure</b>	<b>-</b>	<b>-</b>	<b>5,820</b>	<b>5,820</b>	<b>5,820</b>	<b>-</b>
1701	Losses and Write off	-	-	5,820	5,820	5,820	-

Item	Category/ Object/ Item/ Description	2016		2017		Based on Actual Expenditure 2016	
		Estimate	Actual	Estimate	Actual	Increase/ (Decrease) of 2017 Expenditure	Percentage of Expenditure Difference (%)
	<b>CAPITAL EXPENDITURE</b>	<b>9,140</b>	<b>8,929</b>	<b>9,500</b>	<b>3,598</b>	<b>(5,331)</b>	<b>(59.70)</b>
	<b>Rehabilitation and Improvement of Capital Assets</b>	<b>1,700</b>	<b>1,521</b>	<b>2,700</b>	<b>1,456</b>	<b>(65)</b>	<b>(4.27)</b>
2001	Buildings and Structures	100	21	100	-	(21)	(100.00)
2002	Plant, Machinery and Equipment	-	-	-	-	-	-
2002-1	Implementation of treasury Single Accounts System	1,000	981	1,500	981	-	-
2002-2	Other	100	34	100	41	7	20.59
2003	Vehicles	500	485	1,000	434	(51)	(10.52)
	<b>Acquisition of Capital Assets</b>	<b>6,440</b>	<b>6,415</b>	<b>5,000</b>	<b>377</b>	<b>(6,038)</b>	<b>(94.12)</b>
2102	Furniture & Office Equipment	6,440	6,415	5,000	377	(6,038)	(94.12)
	<b>Capacity Building</b>	<b>1,000</b>	<b>993</b>	<b>1,800</b>	<b>1,765</b>	<b>772</b>	<b>77.74</b>
2401	Staff Training	1,000	993	1,800	1,765	772	77.74

## **8. Physical Performance**

### **8.1 Cash Management**

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

Annual Budget is the concrete expression of policies and strategies of the Government. It allocates resource for expenditure programmes both in recurrent nature to maintain services to the public as well as in capital nature for the public investments in order to implement government policies and strategies. In this endeavor, Department of Treasury Operations (TOD) ensures the release of funds for each spending agencies such as Ministries, Departments and other Institutions in timely manner as a part of its cash management process.

In order to achieve the budgetary targets in timely manner & priority basis, TOD performed government cash flow management activities focusing on minimizing the cost of finance, in the year under review. Department also experienced practical difficulties in meeting the financing requirements of the budget executing agencies as they required since some of the key revenue streams had not been realized as expected during the year and also due to some fluctuations occurred in the collection pattern.

Based on the Appropriation Act No 24 of 2016, as approved by the parliament and other variables gathered from the main revenue collection agencies as well as spending agencies, TOD prepared projected annual Cash Flow statements for 2017 with monthly break ups. Projected borrowing programme was also prepared based on these information in order to borrow at a minimal cost to the government as appropriately. Further, Department started to prepare Borrowing Calendar for a quarter ahead by fulfilling the requirement of Public Debt Department, Central Bank of Sri Lanka to publish the Borrowing Calendar as a measure of improving transparency on the issuances of borrowing instruments by the Government.

**Table 8.1 : Government Treasury Cash Flow Operations – 2017**

Rs. Billion

Description	2016	2017	
	Actual	Estimate	Actual
Opening Cash balance as at 1st January	(196.8)	(160.3)	(160.3)
Total cash inflow from revenue and other receipts	1,616.2	1,911.4	1,765.3
Total cash outflow for recurrent payments	(1,704.3)	(1,900.3)	(1,853.6)
Total cash outflow for capital payments	(464.1)	(810.0)	(646.1)
Net cash surplus / (deficit)	(552.2)	(798.9)	(734.4)
Gross borrowing	1,318.1	1,614.7	1,564.5
Debt repayment	(741.5)	(815.8)	(868.9)
Net borrowing	576.6	798.9	695.6
Adjustment account balance (TEB, net deposits, etc.)	12.1	-	12.9
Closing Cash balance as at 31 <sup>ST</sup> December	(160.3)	(160.3)	(186.2)

Source: Department of Treasury Operations

Department of External Resources- CS-DRMS Report

Treasury cash inflows from revenue and other receipts during the year under review were Rs.1,765.3 Billion while cash deficit after outflows for the recurrent and capital payments amounted to Rs.734.4 Billion. This was an increase in net cash deficit by Rs.182.2 Billion in the period under review, compared to the same period of 2016. This increase in net cash deficit was mainly due to the increase in cash outflows for the capital expenditure by 39 percent which was more than the increase in cash inflows to the Treasury by 9 percent during the year 2017 compared to the same period of 2016. Overall closing cash bank balance (deficit) as at 31st December 2017 was increased up to Rs.186.2 Billion when compared to the same for 2016. This was mainly due to the increase of the repayment of debt, operational and investment expenses.

### 8.1.1.1 Treasury Cash inflows

The General Treasury has recorded Rs.1,765.3 Billion as its inflows for 2017 through Tax revenue, non-tax revenue and foreign grants being the three main sources of collections of the Treasury cash inflows. These collections indicated 9 percent increase when compared with the previous year. Total revenue collection during the year reached to the level of 92 percent of the annual estimate while 93 percent of the total revenue has been raised through the taxes. The tax revenue collection during the past five years from 2013-2017 as illustrated in the table 8.2, has shown an increasing trend by 79 percent from Rs.920.2 Billion to Rs.1,645.3 Billion. Grant receipt of the total revenue has shown continuous decreasing trend after 2015 mainly due to the upgrading of the position of the Sri Lanka as the state of middle income country. However during year 2016 to 2017 the receipt of grant has shown an increase due to the receipt of disaster relieves since the country has faced several natural disasters during this period.

**Table 8.2** : Revenue collection from 2013 - 2017

Rs. Billion

	2013	2014	2015	2016	2017
Tax Revenue	920.2	987.7	1,270.1	1,446.4	1,645.3
Non Tax Revenue	102.4	97.2	63.0	168.3	117.4
Grant	2.3	2.5	1.5	1.5	2.5
Total	1,024.9	1,087.5	1,334.6	1,616.2	1,765.3

### 8.1.1.2 Treasury Cash Outflows

Total Cash out flows of the year 2017 as illustrated in the table 8.3, the releases to various expending agencies for the recurrent and capital expenditure has reported 3.6 percent and 17.1 percent increase respectively compared with the same period in 2016. When the total composition of the cash outflows of the year under review were considered, It reveals that 58 percent of the total releases have contributed to bare the public sector salary bills and other social welfare programmers such as Samurdhi, Pension, and assistance for kidney patients etc., Accordingly, fund releases for the public investment of the government has shown an continuous increase, by 3.7 percent from 2015 to 2016 and by 17 percent from 2016 to 2017.

**Table 8.3 : Cash Releases - Capital & Recurrent/ Agency wise - 2015 to 2017**

Rs.Billion

Institution	2015		2016		2017	
	Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
Special Spending Units	10.15	1.74	7.20	2.64	9.25	3.27
Ministries	234.73	173.44	224.05	185.71	239.28	230.46
Department	579.30	71.97	594.81	64.49	611.69	80.96
District Secretaries	40.17	43.98	44.52	49.69	50.13	47.25
Provincial Council	167.48	21.68	169.03	15.65	165.49	23.77
Universities	26.75	9.55	29.13	21.96	31.07	17.47
Other Board & Corporation	21.06	19.46	23.33	14.28	24.42	11.79
	<b>1,079.64</b>	<b>341.82</b>	<b>1,092.07</b>	<b>354.42</b>	<b>1,131.33</b>	<b>414.97</b>

## 8.2 Public Debt Management

### 8.2.1 Government Borrowing Programme - 2017

The approval of the Parliament was granted for the borrowing limit as Rs.1,579 Billion of the Appropriation Act No. 24 of 2016 for financing the resource gap under budget 2017. Subsequently, the borrowing limit for the year 2017 was enhanced to Rs.1,629 Billion by the Appropriation (Amendment) Act No 32 of 2017.

Actual borrowing recorded during the year was Rs:1,620 Billion. This was contributed by domestic sources amounting to Rs.1,018 Billion while foreign sources amounting to Rs.601 billion. Borrowings from foreign sources were comprised with the International Sovereign bond of Rs.228 Billion issued at the foreign market, Foreign Term Financing Facilities of Rs.153 Billion and Development Policy, Project and Program loans of Rs.220 Billion. Total borrowing of Rs1,620 Billion in 2017 has indicated 6.6 percent increase compared to that of Rs.1,519 Billion in 2016.

The actual total domestic borrowing of Rs. 1,018 Billion in 2017 was a 7.7 percent increase over that of Rs.945 Billion in 2016. This is mainly attributed the issuance of Sri Lanka Development Bonds in order to facilitate foreign currency financings requirements by utilizing the favorable market conditions and the increase in the Central Bank Advance and the Bank overdraft from time to time.

**Table 8.4** Government Borrowing Limits and Usage (Rs. Billion)

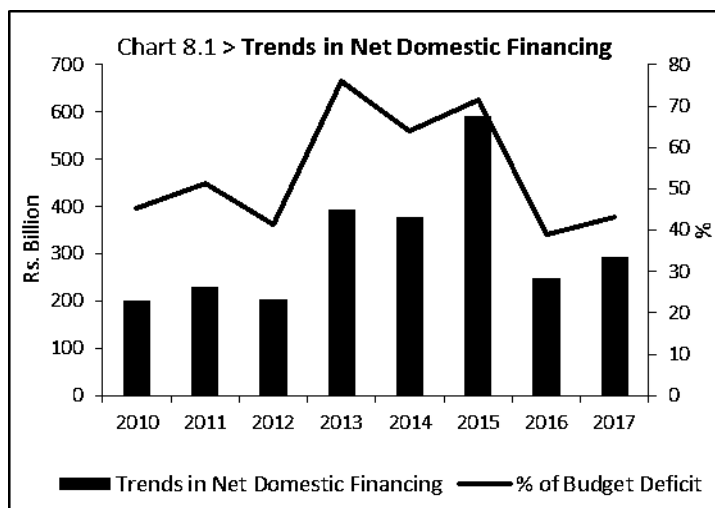
Item	2016		2017	
	Approved Limit	Usage	Approved Limit	Usage
<b>Gross Borrowing</b>	<b>1,699.00</b>	<b>1,519.48</b>	<b>1,629.00</b>	<b>1,619.62</b>
Domestic	1,180.00	945.24	1,179.00	1,018.32
Foreign	519.00	574.24	450.00	601.30
<b>Total Financing</b>	<b>1,699.00</b>	<b>1,519.48</b>	<b>1,629.00</b>	<b>1,619.62</b>

Source : Department of Treasury Operations

## 8.2.2 Domestic Financing

### 8.2.2.1 Net Domestic Financing (NDF)

Total net borrowings from domestic sources to finance the budget deficit increased by 18 percent in 2017 to Rs.294 billion. The total net borrowing to finance the deficit in 2017 through marketable debt instruments amounted to Rs.81 billion and while non-marketable debt instruments of Rs.213 billion. In 2017, contribution to the NDF through the marketable debt instruments of Rs.81 billion indicates a significant decrease compared to Rs.328 billion in 2016.



During the year, borrowings from Treasury bills reflected a net outflow of Rs.82 billion since the repayments exceeded the issuances due to the retirement of the treasury bills as converting short term bills in to medium and long term instruments.

**Table 8.5 : Net Domestic Financing of the Government Budget: 2016 and 2017**

Item	Amount (Rs.Billion)		As a percentage of Total	
	2016	2017	2016	2017
<b>By Type</b>	<b>248.4</b>	<b>294.3</b>	<b>100.0</b>	<b>100.0</b>
Borrowing from Instruments	327.8	80.8	132.0	27.4
Treasury Bonds*	349.8	109.1	140.8	37.1
Treasury Bills*	98.5	-81.7	39.6	-27.8
Rupee Loans	0.0	0.0	0.0	0.0
Sri Lanka Development Bonds	-120.5	53.3	-48.5	18.1
Non Instrument Borrowings	-79.4	213.5	-32.0	72.6
Provisional Advances from the Central Bank	-67.8	116.5	-27.3	39.6
Other <sup>(a)</sup>	-11.5	97.0	-4.6	33.0
<b>By Maturity</b>	<b>248.4</b>	<b>294.3</b>	<b>100.0</b>	<b>100.0</b>
Medium to Long Term	229.3	162.4	92.3	55.2
Treasury Bonds*	349.8	109.1	140.8	37.1
Rupee Loans	0.0	0.0	0.0	0.0
Sri Lanka Development Bonds	-120.5	53.3	-48.5	18.1
Short term	19.1	131.8	7.7	44.8
Treasury Bills*	98.5	-81.7	39.6	-27.8
Provisional Advances from the Central Bank	-67.8	116.5	-27.3	39.6
Other <sup>(a)</sup>	-11.5	97.0	-4.6	33.0
<b>By Marketability</b>	<b>248.4</b>	<b>294.3</b>	<b>100.0</b>	<b>100.0</b>
Marketable	327.8	80.8	132.0	27.4
Treasury Bills*	98.5	-81.7	39.6	-27.8
Treasury Bonds*	349.8	109.1	140.8	37.1
Sri Lanka Development Bonds	-120.5	53.3	-48.5	18.1
Non – Marketable <sup>(a)</sup>	-79.4	213.5	-32.0	72.6
<b>By Ownership</b>	<b>248.4</b>	<b>294.3</b>	<b>100.0</b>	<b>100.0</b>
Banks	139.9	187.7	56.3	63.8
Central Bank	183.0	-187.9	73.7	-63.9
Commercial Banks	-43.1	375.7	-17.4	127.7
Non Bank Sector <sup>(a)</sup>	108.5	106.5	43.7	36.2

**Sources :** Central Bank of Sri Lanka

\*Excluding investment by non residents

<sup>(a)</sup> Includes Rs. 44,676.98 million of Divestiture Proceeds

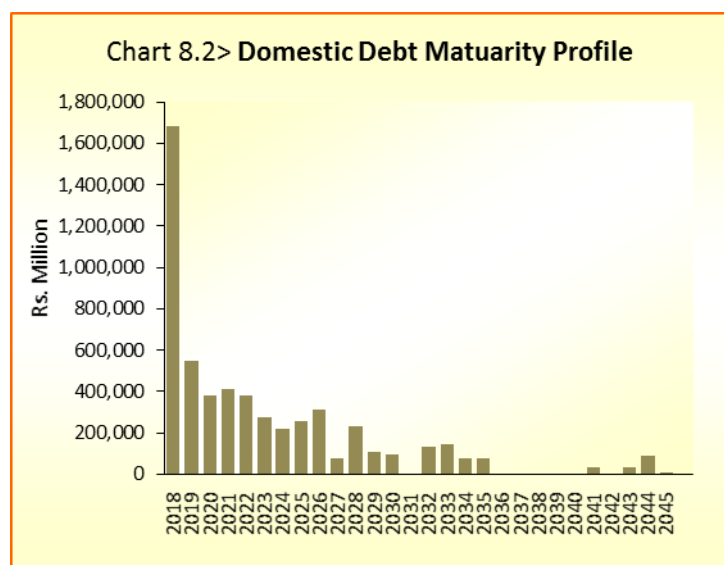


### 8.2.2.2 Outstanding Domestic Debt

Total outstanding domestic debt as at end of 2017 was comprised with Treasury bonds, Treasury bills and SLDBs accounted for 68.3 percent, 12.5 percent and 11.4 percent respectively. The balance represented the provisional advances from the Central Bank of Sri Lanka (3.6 percent), Rupee loans (0.4 percent) and other borrowings (3.8 percent). Treasury bond holding has increased by 2.0 percent over the previous year while the share of Treasury bills decreased from 14.6 percent as of end 2016 to 12.5 percent as at end 2017 since the government is focusing on deviating to longer term financing rather than short term high cost borrowings. Outstanding SLDBs stock increased over the previous year marginally by 0.7percent. The share of provisional advances obtained from the Central Bank of Sri Lanka has increased from 1.6 percent in 2016 to 3.6 percent in 2017 denoting the increase of the budgeted revenue by the appropriation act passed by the parliament and increasing the zero cost financing to the government.

### 8.2.2.3 Maturity Structure of Domestic Debt

Maturity structure of domestic debt depicts a 18 percent of total outstanding debt as at end of 2017 which have to be repaid within short term or during the year 2018. The balance 82 percent is considered as medium to longer term debt which are to be matured beyond 2018. The total of medium to long term debt portfolio included 84 percent of treasury bonds and remaining 16 percent consisted 14 percent SLDBs, 0.4 percent of Rupee Loans and 1.6 percent of other borrowings.



#### 8.2.2.4 Domestic Debt Service Payments

Total government domestic debt service payments in 2017 increased by 13 percent to Rs. 1,245 billion in comparison to Rs. 1,106 billion recorded in 2016. Out of the total debt service payments, Debt repayments amounted to Rs. 648 billion (52 percent) while the balance Rs. 597 billion (48 percent) represented the interest payment. Both the loan repayments and the interest payments on domestic debt increased by Rs.52 billion and Rs.87 billion respectively in 2017 over the previous year.

**Table 8.6 :** Domestic Debt Service Payments

Year	Principal payments	Interest payments	Rs.Billion
			Total
2016	596.43	509.82	1,106.25
2017	648.13	597.02	1,245.15

*Sources : Department of Treasury Operations, Department of State Accounts*

#### 8.2.3 Foreign Financing

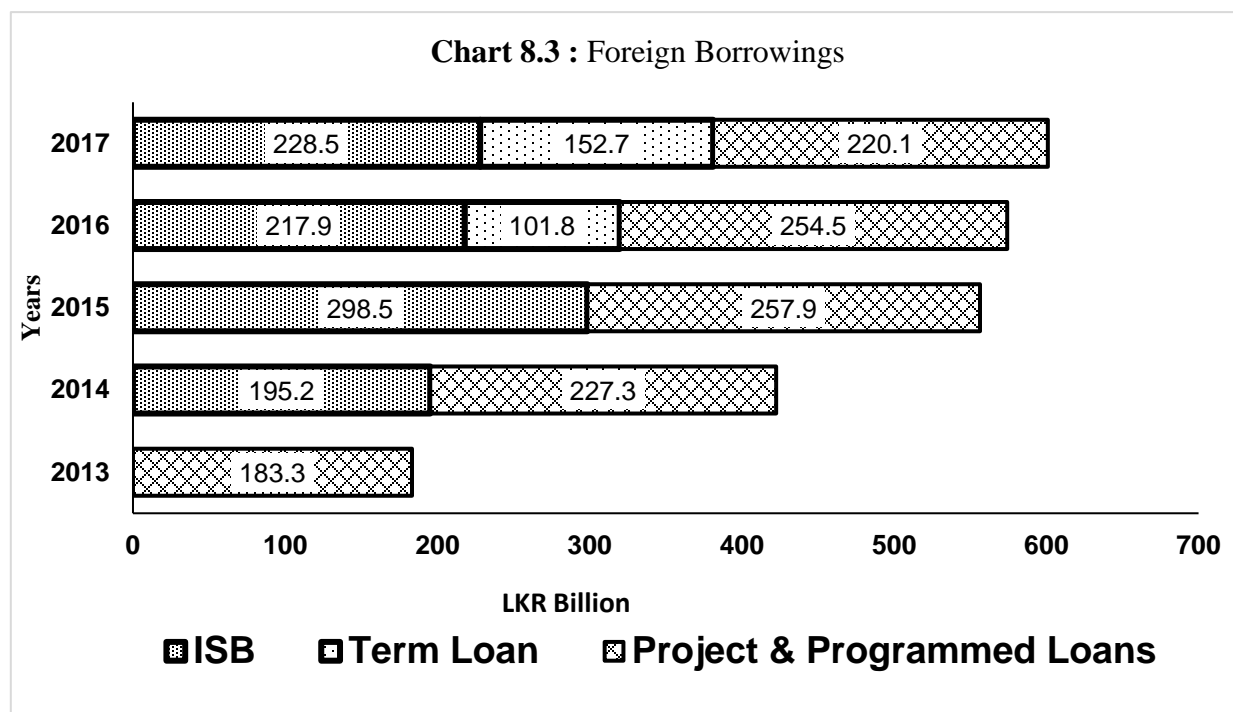
The external financing plays a significant role as a source of deficit financing of the Budget by providing funds to bridge domestic savings-investment gap in order to meet the required investment levels to support the targeted growth of the economy. External financing is mainly received under two categories such of foreign loans and foreign grants. Accordingly, foreign financing during the year comprise from foreign loans amounted to Rs.601.3 Bn. and foreign grants amounted to Rs.8.0 Bn. Comparing to the previous year, foreign loans and grants have increased by 4.7 percent and 7.1 percent respectively in the year 2017.

##### 8.2.3.1 Foreign Loan

Total foreign loan in 2017 was also comprised with Sovereign Bond of Rs.228 billion, Foreign Currency Term Financing Facility (FCTFF) of Rs.153 billion and Development Policy Project and Program loans of Rs.220 billion .The impotency of the FCTFFs was increased periodically due to favorable terms of the loan compared to the other Medium to Long term financing instruments.

**Table 8.7 : Composition of Foreign Borrowings 2013 - 2017 by Instruments**

	Rs.Billion				
Source of Loan	2013	2014	2015	2016	2017
International Sovereign Bond	-	195.2	298.5	217.9	228.5
Term Loan Financing Facility	-	-	-	101.8	152.7
Dev. Policy Project & Programme Loans	183.3	227.3	257.9	254.5	220.1
<b>Total</b>	<b>183.3</b>	<b>422.5</b>	<b>556.4</b>	<b>574.2</b>	<b>601.3</b>



Source : Financial Statements of MOF MM

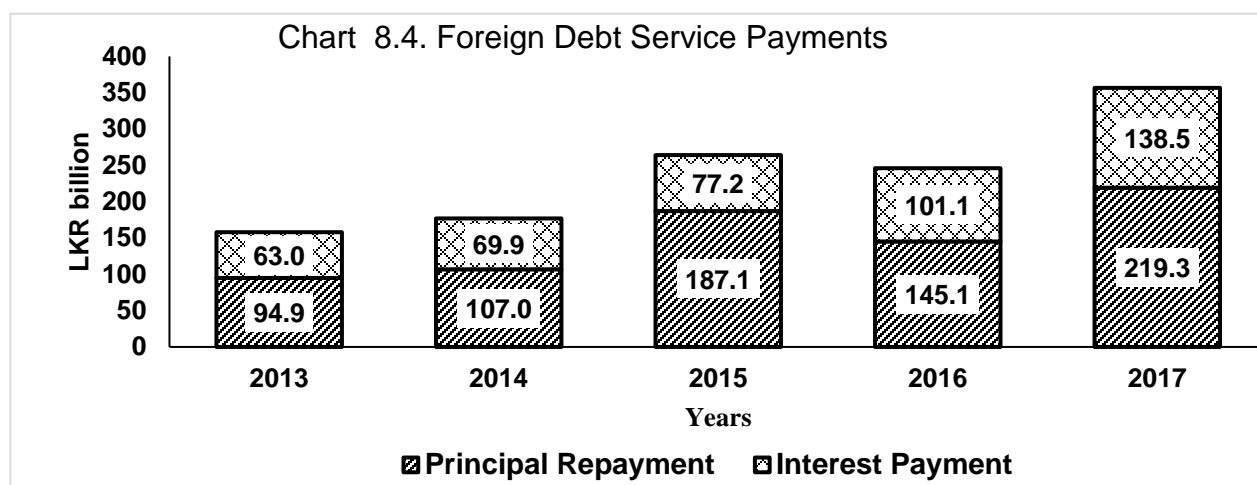
### 8.2.3.1.1 Foreign Debt Services Payments

Total government foreign debt services payment increased by 45 percent per cent to Rs, 357.8 billion in 2017 from Rs.246.2 billion in 2016. Out of the total foreign debt services payments, principal repayment amounted to Rs.219.3 billion while the balance Rs.138.5 billion represented the interest payment. Both the principal repayment and the interest payment on foreign debt increased by Rs.74.2 billion and Rs.37.4 billion respectively in 2017 over the previous Year.

**Table 8.8 : Foreign Debt Service Payments 2013 – 2017**

Rs. Billion

Year	Principal Repayment	Interest Payment	Total
2013	94.9	63.0	157.9
2014	107.0	69.9	176.9
2015	187.1	77.2	264.3
2016	145.1	101.1	246.2
2017	219.3	138.5	357.8



Sources: Financial statements of MOF & MM

### 8.2.3.1.2 Outstanding Foreign Debt Stock

The total outstanding external debt stock recorded as Rs.4,356.3 Billion at the end of 2017, which is an increase of Rs.575.6 Billion when compared to Rs.3,780.7 Billion of 2016. Majority of the external debt stock consisted project and program loans at the end of 2017.

**Table 8.9 : Outstanding Foreign Debt Stock during 2013 -2017**

Rs. Billion

Year	2013	2014	2015	2016	2017
Outstanding Debt Stock	2,491.1	2,615.0	3,200.4	3,780.7	4,356.3

Sources : Financial Statements of MOF & MM

### 8.2.3.1.3 Foreign Grants

Foreign grants received from various multilateral and bilateral sources and Development partners were also continued to be received during the year under review. Total Foreign Grants recorded by the Treasury during the year increased by 7.1 percent to Rs.8.0 Billion in 2017.

**Table 8.10 :** Total Foreign Grants recorded 2013-2017.

	Rs. Billion				
Year	2013	2014	2015	2016	2017
Total Foreign Grants recorded	15.90	9.40	6.01	7.50	8.03

## 8. 3 Collection of Non-tax Revenue assigned to TOD

Director General of Treasury Operations oversees 12 Revenue Heads as the Revenue Accounting Officer. Two revenue heads out of these 12, under the Department of Treasury Operations were set for accounting both loan repayments and interest collections of sub-loans while other two revenue heads were allocated to record foreign grants and the premium of the Treasury Bonds issued if any. Balance 8 Revenue heads have been created to collect revenues those could not be directly allocated to a single Ministry or a Department. The Department was able to collect a sum of Rs.47.1 Billion as Non Tax revenue under the following 10 non tax revenue heads which was equal to 26.1 percent of the total estimated Non-Tax Revenue of Rs.180.3 Billion for the year under review.

**Table 8.11 : Non Tax Revenue Collected by DG/ TOD - 2016 - 2017**

Rs.Mn

Revenue Description	2016		2017	
	Revenue Estimate	Collected Revenue	Revenue Estimate	Collected Revenue
<b>Non Tax Revenue</b>				
Other Rental	250.0	7,188.0	278.0	358.7
On Lending Interest	4,250.0	3,954.0	4,300.0	4,648.6
Other Interest	1,000.0	872.3	1,650.0	2,746.8
Departmental Sales	120.0	139.0	110.0	120.7
Sundries	6,000.0	16,073.6	5,000.0	6,143.4
Fines & Forfeits				
Other	1,000.0	1,967.7	2,600.0	1,507.0
Other Receipts	10,000.0	16,824.3	11,000.0	12,894.8
Other Current Transfers	2,000.0	2,230.9	1,750.0	2,078.8
Sale of Capital Assets	300.0	407.2	100.0	144.1
Recovery of Sub Loans	14,000.0	18,619.4	16,250.0	16,418.1
<b>Non Tax Revenue Sub Total</b>	<b>38,920.0</b>	<b>68,276.4</b>	<b>43,038.0</b>	<b>47,061.0</b>

In addition to the Revenue collection under 10 Non-Tax revenue heads, Department was able to collect Rs.8.0 billion under foreign grant and recorded Rs.7.2 million under Treasury Bonds Premium during the year 2017. Accordingly, the Department has recorded Rs.55.1 Billion as revenue during the year under review through 12 Revenue Heads.

## **8.4 On-lending**

Government provides sub loans to Public Enterprises which are actively contribute to improve the essential infrastructure for the development of the country. The department also involves in collection of the sub loan installments which include both capital recovery & interest components. For this purpose TOD maintains a monthly updated data base.

The Department was able to release Rs.20.3 billion as new sub loans while a sum of Rs.16.4 billion was recovered as sub loan recoveries from Public Enterprises. In addition, Rs.4.6 billion was collected as interest income on sub loans.

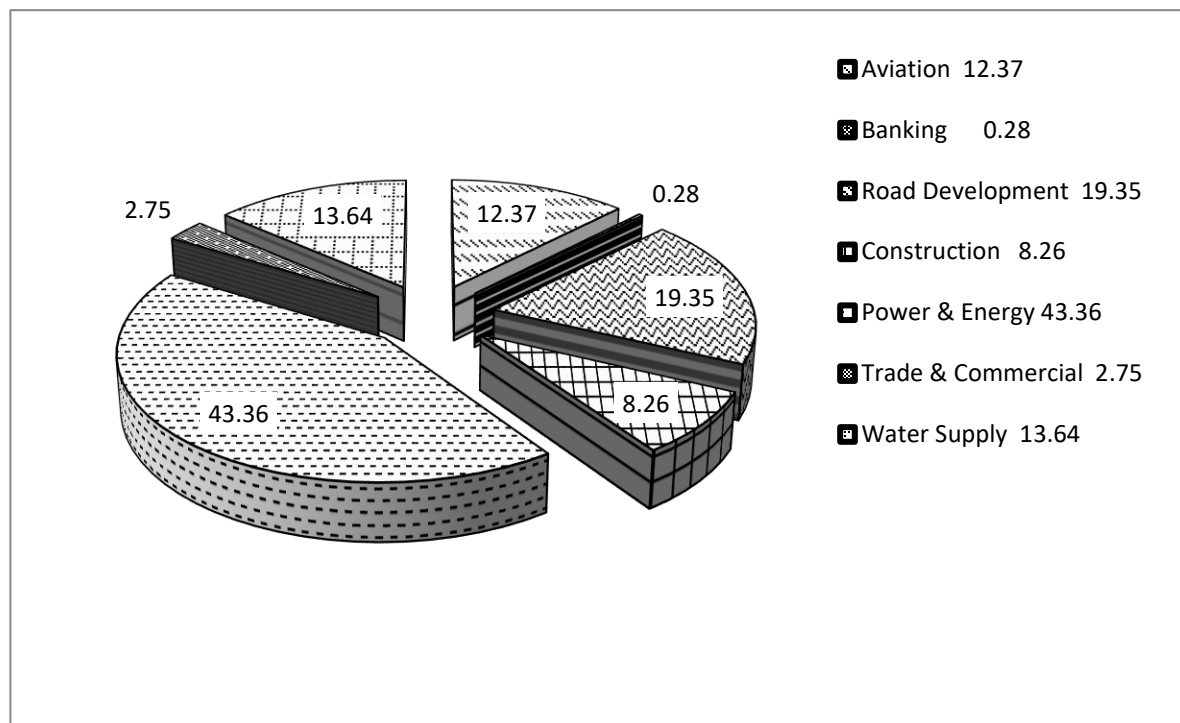
The total sub loan balance at the end of 2017 was Rs.181.4 billion comprised with 50 number of borrowing Institutions including Public Enterprises, Commercial Banks, Development Banks and Regional Development Banks. These sub loans were granted based on the main loans received by the government from the major donors such as World Bank, ADB & JICA on the concessional basis.

## **8.5 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 to fulfill commercial and working capital issues from financial institutions with the approval of the Cabinet of the Ministers 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.889.45 billion at the end of the 2017. Of which, 43.36 percent guarantees have been issued to the power & energy sector.

**Chart 8.5** Sectoral composition of the Treasury Guarantees - 2017



## 8.6 Utilization of the Treasury Single Accounting System

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

Total number of official bank accounts in the name of Deputy Secretary to the Treasury as at 31.12.2017 were 2,187 under TSA system. Following table illustrates the distribution of those accounts among the banks.



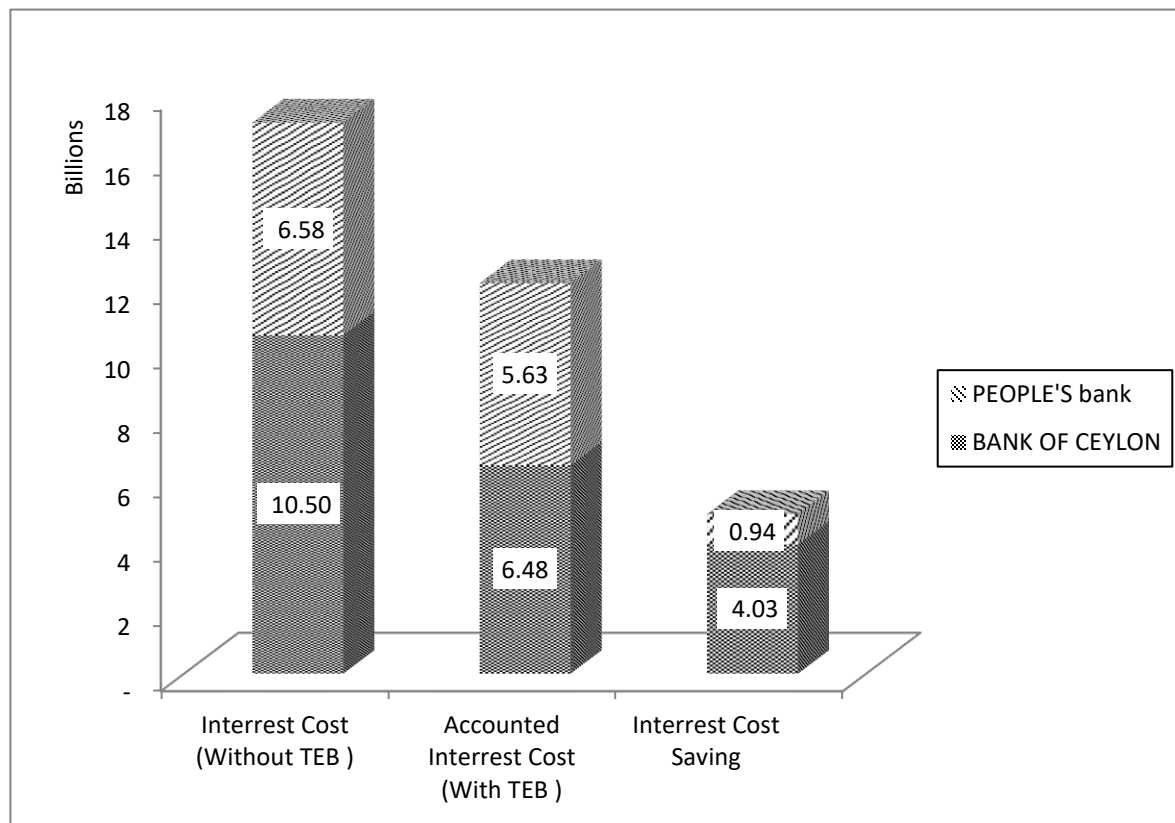
**Table 8.12 : Official Bank Accounts under TSA System**

	<b>Bank of Ceylon</b>	<b>Peoples Bank</b>	<b>Central Bank of Sri Lanka</b>	<b>Total</b>
Official Bank Accounts under TSA	1,450	705	0	2,155
Main Official Bank Accounts maintained in the name of DST	01	01	07	09
Collection Bank Accounts maintained by the Dept. of Inland Revenue, out of the TSA system	17	06	0	23
<b>Total</b>	<b>1,468</b>	<b>712</b>	<b>07</b>	<b>2,187</b>

As a result of introducing TSA system, the General Treasury was able to reduce the value of overdrafts of 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.48.82 Billion in 2017. Thus, it was saved about Rupees 4.97 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 41.04 percent if the TSA system had not been in place. The following graph illustrates this scenario.

**Chart 8.6** Performance of Single Accounting System in 2017



## 8.7 Property Loan Guaranty Scheme

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 their own valuable asset as a housing property. Loan Guaranty Scheme 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.1,250 Mn. by 31.12.2017.

**Table 8.13 :** Progress of the settlement of the loans from Property Loan Guaranty Scheme 2005-2017

<b>Year</b>	<b>2005 –2015</b>	<b>2016</b>	<b>2017</b>	<b>Total</b>
No. of officers died	411	98	72	581
No. of officers Permanent disable and retired on medical ground	28	08	06	42
Total settlement in Rs. Mn.	333	90.5	59	482.5

As illustrated in the above table, 623 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.482.5 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.

## **8.8 Treasury Financial Management System (TFMS)**

Treasury Financial Management System (TFMS) was introduced in 2008 with the intention of fulfilling the requirement of financial management information to be used more effectively 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 2017. 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.5036.7 Billion and total payment of Rs.5018.2 Billion, excluding inter-bank transactions in 2017. Out of the total receipts of Rs.5,036.7 Billion, 99.24 percent, (Rs.4998.0 Bn) were received electronically to the DST'S Account. Further, out of the total payments of Rs.5,018.2 Billion 97.2 percent (Rs.4880.2 Bn) were done without using the cheques through the Central Bank of Sri Lanka, Bank of Ceylon and People's Bank. These receipts and payments were made out of 5852 pay-in-vouchers and a payment voucher of 17790. In addition, the value of Rs.908.2 Billion in which 354 inter-bank transactions have been made through the Real Time Gross entry Settlement (RTGS).