

# Overview of the General Treasury/ Ministry of Finance, Planning and Economic Development: Mandate and Strategic Role

by

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at the “*Roundtable Dialogue on the Strategic Role of the Ministry of Finance, Planning and Economic Development*”

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# Purview and Functions of General Treasury/Ministry of Finance (MOF), Planning and Economic Development....(1)

## Purview:

- Responsibilities in relation to
  - macro-economic policies
  - annual budget and Appropriation Acts
  - public financial management
  - local and foreign savings and investments
  - public debt
  - banking, finance and insurance activities
  - international financial cooperation, and
  - directing social security and economic development activities

## Functions:

- Providing policy guidance to relevant Ministries, and formulating policies in relation to the subject of Finance, in conformity with the prescribed Laws, Acts and Ordinances
- Implementing projects under the National Budget and other National Development Programmes, and
- Formulating, implementing, monitoring and evaluating policies, programmes and projects, related to subjects and functions under the Treasury Departments, State Corporations and Statutory Institutions, to achieve the objectives of the National Policy Framework “*A Thriving Nation – A Beautiful Life*”, which has identified key focus areas for development, along with strategic directions and a number of activities to be implemented within the medium-term budgetary framework

# Purview and Functions of General Treasury/Ministry of Finance (MOF), Planning and Economic Development....(2)

## Special Priorities:

- **Creating a stable macroeconomic environment and conducive policy structure to facilitate** a sustainable and high economic growth rate that distributes benefits to all, covers all provinces, and minimizes income disparities
- This inclusive economic growth should help reduce unemployment, whilst giving priority to low-income earners and increasing per capita income
- **Complementing efforts of the monetary authority** to ensure price stability by maintaining annual average inflation rate at a low level, **thereby contributing to low and stable interest rates.**
- **Reducing public debt** by increasing government revenue and reducing budget deficit, maintaining a balanced fiscal policy that ensures fiscal stability without impeding growth
- **Creating a conducive macroeconomic environment to facilitate non-debt creating inflows** to ensure a **favourable external current account balance**, which in turn would enable a stable market driven exchange rate
- Introducing measures to promote productivity and competitiveness of domestic production, to **improve job creation** and thereby empower low-income earners and facilitate investments
- **Strengthening public enterprises** to ensure financial viability and social impact
- **Strengthening the institutional structure**, required particularly for the efficient management of state revenue, expenditure and public debt

# Subjects and Functions of the Departments, Statutory Institutions and Public Corporations & Staff Strength

- Subjects and functions – 39
- Departments, Statutory Institutions and Public Corporations - 62
- Laws, Acts and Ordinance to be implemented – 19 (& Other Related Legislations)

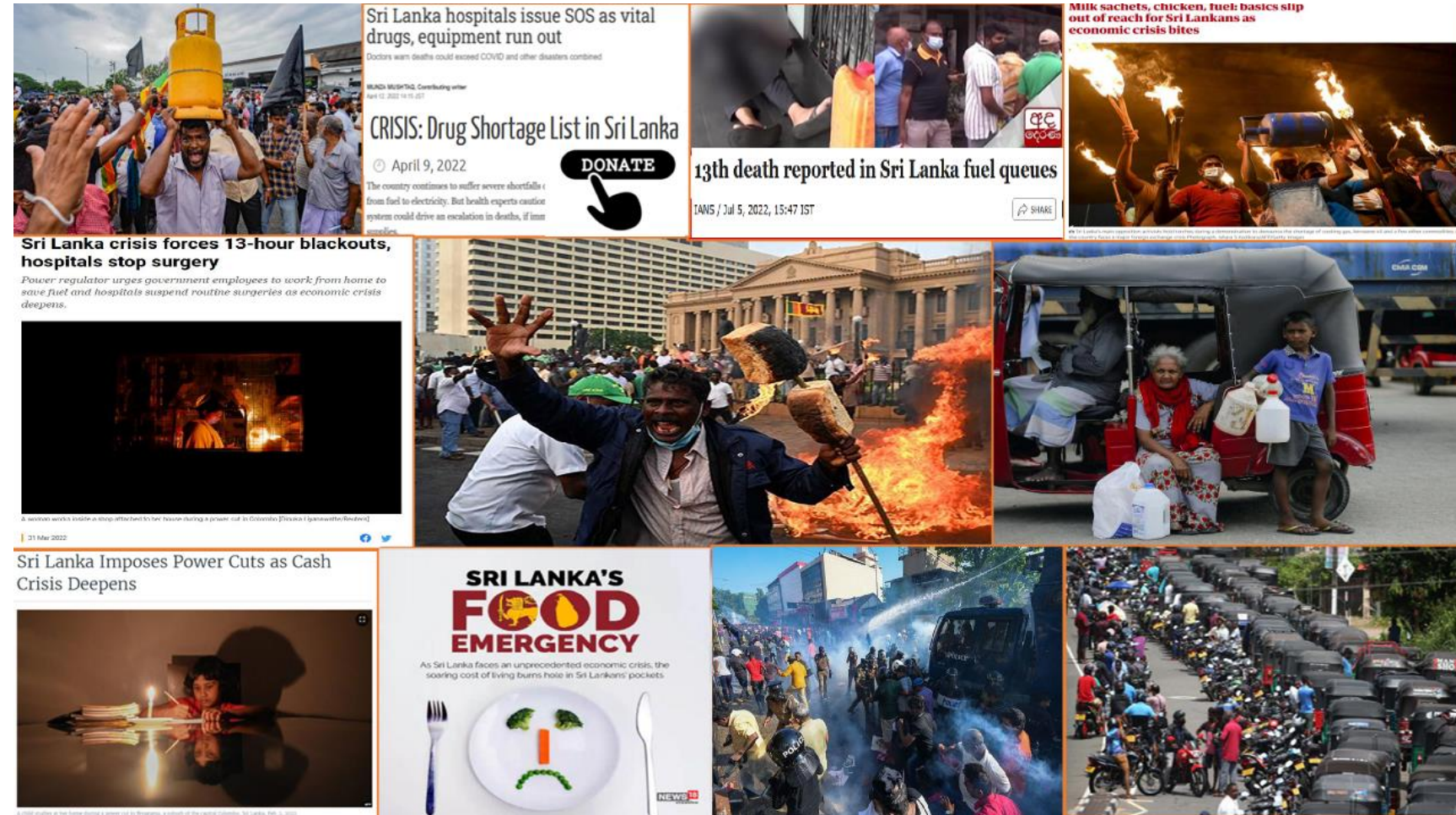
**Over the years, the General Treasury/MOF has delivered its responsibilities with the view of achieving its objectives and developing the country with improvements in many areas....**

Approved Cadre Details of Ministry of Finance (as at 31.03.2025)				
Position	Approved Cadre of Ministry of Finance	Existing Cadre as at 31.12.2024	Approved Cadre of Treasury Departments	Existing Cadre as at 31.12.2024
Secretary	1	1	0	0
Deputy Secretary to the Treasury	4	3	0	0
Additional Secretary	1	1	0	0
Director General	2	2	17	16
Addl. Director General	6	3	56	33
Director	9	6	131	94
Senior Assistant Secretary	3	2	0	0
Deputy Director*	0	0	1	0
Assist/Dy. Directors	2	1	213	112
Assistant Directors	6	4	4	0
Assistant Secretary	4	4	0	0
<b>Total of Senior Level Officers</b>	<b>38</b>	<b>27</b>	<b>422</b>	<b>255</b>
Other Staff	319	278	1059	831
<b>Total Cadre of MOF</b>	<b>357</b>	<b>305</b>	<b>1481</b>	<b>1086</b>



However, the most difficult period of the Sri Lankan economy started since mid-2021....

- In particular, 2022 was a disastrous year; not only for the General Treasury/MOF, but for the entire country and its people
- This is because the entire country faced the unprecedented, deep and most complex economic crisis since gaining independence in 1948



# We all are well aware of the unprecedented, deep and most complex economic crisis faced by Sri Lanka in 2022....

It has deep roots: the country has long lived beyond its means – borrowing too much and taxing too little – and produced below its potential

It is also a result of several years of populist and shortsighted policy making, policy mis-steps & mis-management, corruption vulnerabilities, political instability, and an overall lack of good governance.

Coupled with the impacts of external shocks such as the COVID-19 pandemic and the Russia – Ukraine conflict, the country plunged into its worst-ever crisis in 2022

**People's standards of living were devastated**, with the heaviest blow to the poorest and most vulnerable and jeopardizing Sri Lanka's decades-long human capital gains with multiple challenges, including severe threats to nutrition, food security, healthcare, and education

Widespread protests, mainly as a result of the above factors, were continuing with no clear path or hope for the future of the country

**Sri Lanka was on the brink of economic and social collapse**

**Above developments warranted serious economic reforms....**

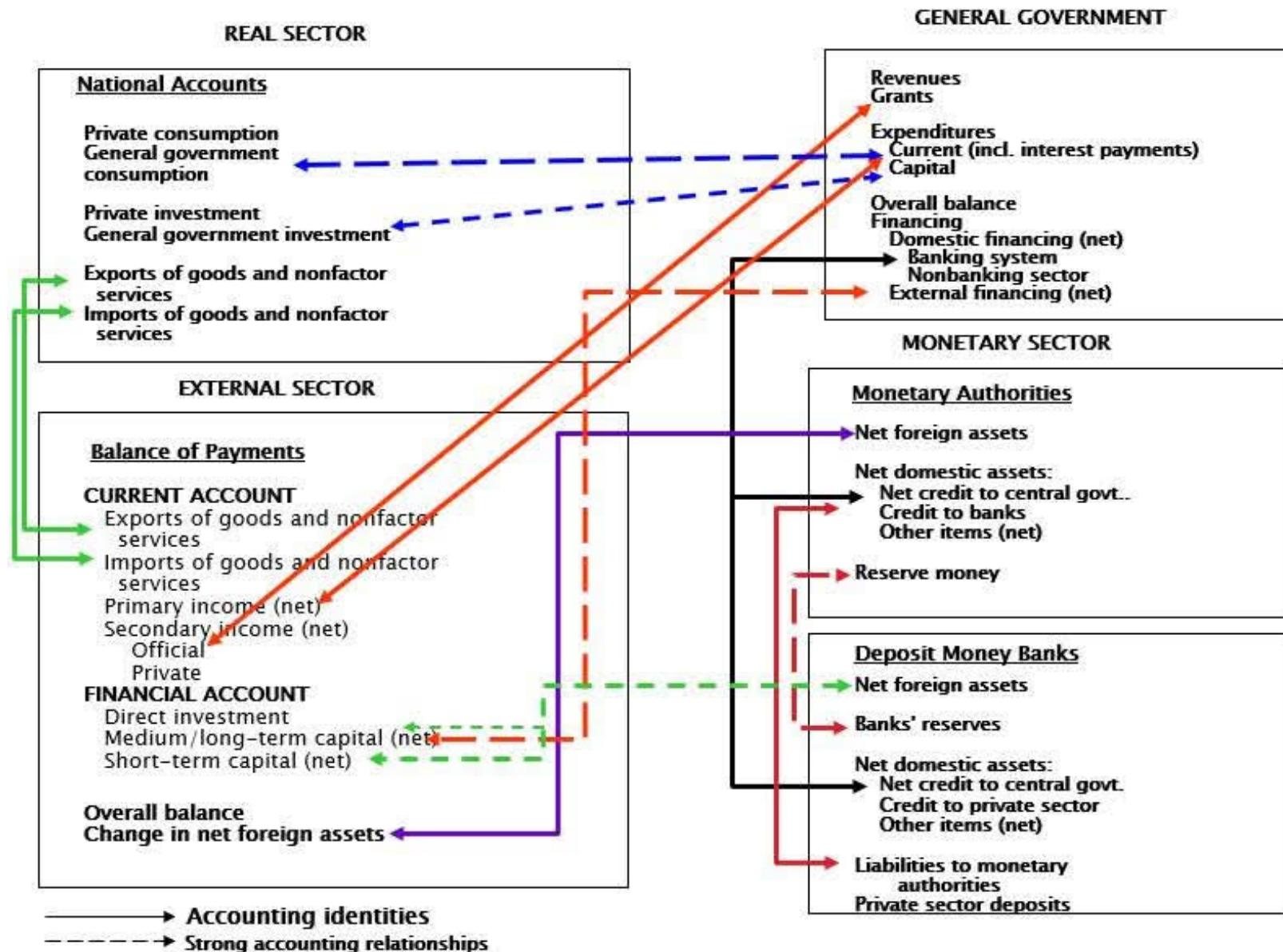
# The government implemented an Extended Fund Facility (EFF) programme, supported by the IMF since March 2023

## The EFF programme sets on 7 pillars

Revenue based fiscal consolidation	A stronger social safety net	Restoring debt sustainability	Restoring price stability/ rebuild external buffers	Safeguarding financial stability	Reducing corruption vulnerabilities	Growth enhancing reforms
<ul style="list-style-type: none"> <li>- Progressive Tax policy and revenue administration reforms</li> <li>- Expenditure rationalization</li> <li>- Improve timeliness, accuracy, and coverage of fiscal data</li> <li>- Strengthening Governance and Financial Viability of SOEs</li> <li>- Strengthen core PFM with PFM act</li> </ul>	<ul style="list-style-type: none"> <li>- Protect vulnerable through SSN Programme (Aswesuma/ Samurdhi)</li> <li>-Strengthening SSN institutional framework</li> </ul>	<ul style="list-style-type: none"> <li>- <b>A debt resolution in consistent with IMF program parameters in a fair and equitable manner to the creditors</b></li> <li>- Establishment of Public Debt Management Office</li> <li>- Publication of debt information quarterly</li> </ul>	<ul style="list-style-type: none"> <li>- Multi-pronged disinflation strategy</li> <li>- Greater Exchange Rate Flexibility</li> <li>- Strengthening the institutional framework to monetary and external sector reforms</li> <li>-Administrative measures to support BOP</li> </ul>	<ul style="list-style-type: none"> <li>- Healthy and adequately capitalized banking system</li> <li>- Strengthening financial sector supervision</li> <li>- Strengthening the resilience and governance of state-owned banks.</li> </ul>	<ul style="list-style-type: none"> <li>- Conducting a Governance diagnosis and publication of the outcomes.</li> <li>- Enacting the Anti-Corruption Act</li> <li>- Improving fiscal transparency</li> </ul>	<ul style="list-style-type: none"> <li>- Rationalizing para-tariffs</li> <li>- Implementation of a Single Window for trade</li> <li>- Comprehensive labor market reforms</li> </ul>



# Sectoral inter-linkages are important in implementing reforms and in managing the macro-economy....





# Key stabilization measures implemented since April 2022

Restoring the supply of essential items and eliminating power cuts

Initial Significant Tightening of Monetary Policy, which was Loosened Later

Import restrictions/margin deposit requirements

Strengthening Social Safety Net (SSN)

Continuous Financial sector oversight

Energy & Electricity Price Revisions and SOE Reforms, including CPC & CEB

Substantial Fiscal Tightening

Forex and Rupee liquidity management

Stabilizing the exchange rate gradually

Announcement of the debt standstill and commencing debt restructuring, which has largely been completed by now

Negotiating an IMF-EFF Arrangement, which is being implemented

Credible and Transparent Policy Measures prevented further Worsening of the Crisis and Restored Socioeconomic Stability

**Many of these measures were painful, but essential.**

**The resilience of the people in the face of the painful reforms and extraordinary challenges is incredible.**

## Summary of the key reforms implemented....

- **Fiscal Sector:** Tax policy reforms (VAT, income tax), tax administration improvements, rationalisation and strict management of expenditure, Public Financial Management Act (disciplined fiscal management with stricter fiscal rule(s) and strong checks and balances), Parliamentary Budget Office Act
- **Monetary and Financial Sector:** Central Bank of Sri Lanka Act (inflation targeting framework, terminating monetary financing (money printing) of the budget), Banking (Special Provisions) Act
- **State Owned Enterprises (SOE) Sector:** Cost reflective pricing, balance sheet restructuring
- **Public Debt Management:** Public Debt Management Act, Public Debt Management Office, Public Debt Restructuring
- **Governance:** Governance Diagnostic Report (GDR), Governance Action Plan, Anti Corruption Act, Proceeds of Crimes Act
- **Structural Reforms:**
  - Economic Transformation Act
- **Other Key Legal Reforms:**
  - Secured Transaction Act

After three years, the Sri Lankan economy has broadly stabilised and growth has resumed....

# Results of the reform measures have been positive....

Indicator	2022	2024/2025
Primary Budget Balance (% GDP)	-5.7% of GDP (2021)	+2.2% of GDP (2024)
Government Revenue (% GDP)	8.3% of GDP (2022)	13.7% of GDP (2024)
State Owned Enterprises (52) Earnings	<u>Loss</u> of LKR 775 Billion (2022)	LKR 535 billion <u>profit</u> (2024)
Treasury Cash Balance	LKR 832 Billion <u>overdraft</u> (end 2021)	LKR 647 billion <u>surplus</u> (June 2024)
Registered Tax Payers	437,547 (2022)	1 million (end 2023)
Inflation	70% (September 2022)	-0.7% (May 2025)
Foreign Exchange Reserves	USD 1.9 Billion (of which less than USD 500 mn usable reserves) end 2022	USD 6.3 billion (of which usable reserves over USD 4.8 billion) May 2025
LKR/USD Exchange Rate	LKR 363/USD (end 2022)	LKR 295/USD
Interest Rate (1 year Treasury bills)	29.3% (end 2022)	7.98% (May 2025)
GDP Growth	-7.8% (2022)	+5% (2024)
Poverty Rate (World Bank LMI \$3.65/day PPP)	25% (2022)	23.4% (2024)

## Recovery of the Sri Lankan Economy – Key Indicators

**Government Revenue and Grants**  
(% of GDP)



**Overall Fiscal Balance**  
(% of GDP)



**Central Government Debt\*\***  
(end year, % of GDP)



\*\*Please refer to footnotes of table 1.21 of AER 2024

**Inflation**  
(CCPI, annual average, %)



**Gross Official Reserves**  
(end year, USD bn)



**Real GDP Growth**  
(y-o-y, %)



**Exchange Rate**  
(end year, Rs./USD)



**Interest Rate**  
(end year, AWPR, %)



*Source: Annual Economic Review 2024, p.3, Central Bank of Sri Lanka*



## **Next Steps: Acceleration of economic growth and meeting development objectives are subject to effective implementation of second-generation reforms....**

- **The second-generation reforms mainly include;**
  - **Measures to integrate Sri Lanka with global and regional markets (including FTAs) and diversify the exports basket,** thereby enhancing trade and investment flows which are crucial sources of non-debt creating inflows which are needed to support Sri Lanka's external debt sustainability
  - Reforms are also needed to **address rigidities in land, labour, and capital markets; the key factors of production for economic activity**
  - Legislation, such as the Economic Transformation Act (which is to be revised), have already set the foundation for the key reforms, are required with regard to **enhance trade and investment**
  - **Growth must be driven by productivity enhancement** as opposed to short term fiscal and monetary stimulus.
  - **It must be inclusive, job-rich, green, and digitally empowered**
- **Completion of the other reforms/measures is also crucial to promote growth**
  - Ensuring the **clarity in the tax incentive regime** (Port City Act, Strategic Development Project (SDP) Act)
  - National Tariff Policy, Trade National Single Window Project, Trade Facilitation etc.
  - Public Business Management Law (SOE Law), SOE Unit, and SOE governance reforms etc.
  - Public Private Partnership Law (PPP Law) and PPP Unit
  - SME, Agriculture, Industry, Education, Vocational Training sector related reforms
  - Other legal reforms

**Failing to execute much-needed reforms would weaken the economy, leading to perpetual bailouts, endless cycles of external borrowing and recurring debt restructuring alongside unsustainable and highly volatile business cycles, which would cause undue pressure on citizenry, preventing the country from achieving longstanding economic progress and prosperity.**

# Medium Term Priorities....

## Medium term Macro-Fiscal Framework....

*As a percentage of GDP*

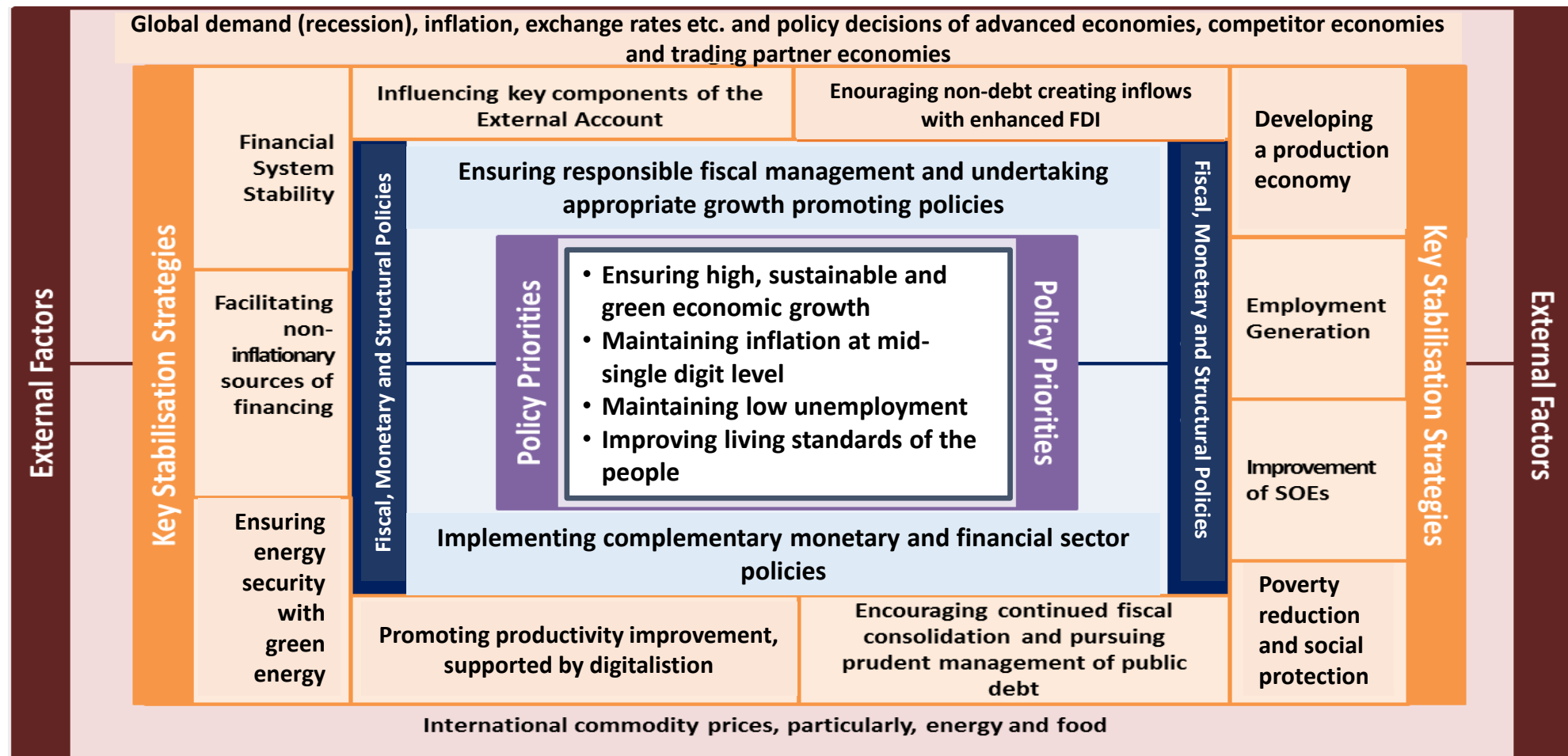
Indicator	2024	2025	2026	2027	2028	2029
	Provisional	Budget		Projection		
<b>Total Revenue &amp; Grants</b>	<b>13.7</b>	<b>15.1</b>	<b>15.1</b>	<b>15.2</b>	<b>15.3</b>	<b>15.3</b>
<b>Total Revenue</b>	<b>13.5</b>	<b>15.0</b>	<b>15.0</b>	<b>15.1</b>	<b>15.2</b>	<b>15.2</b>
<b>Tax Revenue</b>	<b>12.4</b>	<b>13.9</b>	<b>13.9</b>	<b>13.9</b>	<b>14.2</b>	<b>14.2</b>
Income Tax	3.4	3.5	3.6	3.6	3.7	3.8
Taxes on Goods & Services	7.4	8.4	8.7	8.7	8.7	8.7
Taxes on External Trade	1.6	2.0	1.6	1.6	1.7	1.7
<b>Non-Tax Revenue</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
<b>Grants</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Total Expenditure</b>	<b>20.5</b>	<b>21.8</b>	<b>19.6</b>	<b>19.1</b>	<b>19.0</b>	<b>18.8</b>
<b>Recurrent</b>	<b>17.9</b>	<b>17.8</b>	<b>15.5</b>	<b>15.0</b>	<b>14.8</b>	<b>14.7</b>
Salaries & Wages	3.6	3.7	3.7	3.8	3.8	3.8
Goods & Services	1.2	1.3	1.1	1.1	1.1	1.1
Interest	9.0	8.9	6.8	6.2	6.1	5.9
Subsidies & Transfers	4.1	3.9	3.9	3.8	3.8	3.8
-	-	-	-	-	-	-
<b>Capital and net lending</b>	<b>2.6</b>	<b>4.0</b>	<b>4.1</b>	<b>4.1</b>	<b>4.2</b>	<b>4.2</b>
o/w Public Investments	2.7	4.0	4.1	4.1	4.2	4.2
Other	(0.1)	(0.0)	-	-	-	-
<b>Current Account Balance</b>	<b>(4.4)</b>	<b>(2.8)</b>	<b>(0.5)</b>	<b>0.1</b>	<b>0.4</b>	<b>0.6</b>
<b>Primary Balance</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>
<b>Budget deficit</b>	<b>(6.8)</b>	<b>(6.7)</b>	<b>(4.5)</b>	<b>(4.0)</b>	<b>(3.7)</b>	<b>(3.5)</b>

**Preparation of a Medium Term Economic Policy Document, with specific targets for better policy implementation and outcomes....**

**Restructuring of the General Treasury and Overhauling the Public Service, to transform Sri Lanka's public service into an efficient state mechanism....**

# In the process, broader context of macroeconomic management needs to be considered....

- Achievement of medium-term targets needs cautious and effective policy coordination and implementation
- A multi-dimensional approach to policymaking and implementation seems to be the optimum



## Concluding Remarks....

- Whilst the initiatives taken over the last 3 years have helped broadly establish initial economic stability, **there is no room for complacency. We must complete this IMF-EFF programme successfully and that should be Sri Lanka's final EFF programme.**
- It is because, there is a long way to go for the above stability to be fully entrenched and for the economy to resume a path of strong recovery and growth
- The **next reform steps are crucial** to further strengthen economic stability and ensure strong recovery
- The aim is to create a competitive economy with specific attention to digitalization, promotion of production, exports and investments, creating strong institutions, fighting corruption and improving governance, while protecting the poor and vulnerable
- There is no margin for error to deviate from the envisaged reform path by reverting to unsustainable policies and practices of the past. **WE MUST LEARN FROM PAST MISTAKES**
- **Shortsighted, populist and politically motivated moves to derail the progress so far achieved will certainly lead to serious detrimental consequences, which would even be worse than the difficulties experienced in 2022. Such a situation cannot be afforded again.**
- It is only through a concerted effort we can **REGAIN THE COMPLETE SOVERIGNTY**

The journey is **very tough**, but **ESSENTIAL**  
for the country to achieve ambitious development objectives....

Hence, the General Treasury/MOF should be committed to ensuring responsible macro-fiscal management with strong discipline, integrity and transparency, which are paramount in managing the economy **TO ACHIEVE DESIRED GOALS....**







Thank you.