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Sri Lanka: Letter of Intent and Technical Memorandum of Understanding

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SRI LANKA: LETTER OF INTENT

Colombo, September 14, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

This letter serves as a supplement to the July 16, 2009, Memorandum of Economic and Financial Policies and our June 19, 2010, Letter of Intent.

1. The macroeconomic environment in Sri Lanka continues to improve following the end of the conflict and the approval of the Stand-By Arrangement with the International Monetary Fund. Output growth rebounded to 7.1 percent in the first quarter of 2010 and inflation remains subdued in single digits. Rising capital inflows and an increase in remittances have allowed us to rebuild international reserves to comfortable levels.
2. Program performance through August 2010 is on track. All performance criteria for end-June 2010 have been met. On July 9, the parliament approved a budget covering the full-year 2010 spending envelope consistent with a deficit of 8 percent of GDP. Amendments to the Finance Business Act clarifying the legal authority of the Central Bank in enforcing its regulations on all deposit-taking finance companies was also submitted to the Legal Draftsman's Department for onward submission to Parliament, albeit with a delay.
3. The government continues to make progress on its ambitious reform agenda as per the *Mahinda Chintana* vision for the future. A high level committee headed by the Senior Advisor to the President, with technical support from the relevant agencies, is in the process of identifying laws and regulations obstructing investment to make recommendations before end 2010. The BOI investment incentive regime will be rationalized by reducing excessive concessions, and concentrating on large investment projects with a sizable component of foreign funds. The consultative process already started is moving forward for the new regime to be implemented from the beginning of 2011. Taking into consideration the Presidential Tax Commission's final recommendations submitted to the President recently, the government will formulate a new investment incentive regime to be implemented along with a rationalization of the tax system for trade taxes, VAT and income taxes as outlined in the LOI of June 19 and the 2010 budget speech. These reforms together with expected private sector investment and growth will sufficiently broaden the tax base and improve the revenue-to-GDP ratio to at least 15½ percent in 2011 and 16½ percent by 2012. This together with further reductions in recurrent spending of about ½ percent of GDP in 2011--driven in part

by savings in interest costs and IDP-related expenditures, as well as savings in other key recurrent spending categories--will help reduce the fiscal deficit to 6.8 percent in 2011 and about 5 percent in 2012, as articulated in the medium-term fiscal framework presented with the 2010 budget.

4. Improving the performance and efficiency of loss-making state enterprises will help free resources for the government's concerted infrastructure investment drive. The Ceylon Electricity Board has prepared its short-to-medium term plans aimed at ensuring electricity for all by 2012 while addressing the high cost structure by utilizing low-cost coal and alternative energy sources. Based on these submissions, our authorities will announce a rationalization of the electricity tariff regime in 2011 to move the Ceylon Electricity Board towards break even. The government is also committed to dealing with the non-performing debt of SOEs, and in particular the Ceylon Electricity Board will restructure its overdue obligations accumulated up to end-2009 to the Ceylon Petroleum Corporation by end-December 2010 (structural benchmark). We remain committed to move the joint operational balance of both state enterprises to break even in 2011.

5. The comprehensive financial sector regulatory reform will continue to be pursued. The implementation regulations for the proposed deposit insurance scheme under the Monetary Law Act covering all licensed banks and finance companies will be issued by end-September 2010 as envisaged under the program. We intend to obtain Cabinet approval of a regulatory framework for approved private-sector superannuation funds by empowering an existing regulatory body (Insurance Board of Sri Lanka) by end-December 2010 (structural benchmark). Amendments to the Banking Act will be submitted to Parliament by end-December 2010, incorporating comments already received by stakeholders.

6. Beyond these changes, our policy agenda remains as described in the July 16, 2009 Memorandum of Economic and Financial Policies. We propose setting program performance criteria for end-December 2010, in addition to the respective reviews (Table 1). As we have met all end-June 2010 performance criteria, and given our demonstrated strong commitment to the program to date, we request completion of the fourth review of the Stand-By Arrangement, following which we intend to draw one tranche amounting to SDR 137.8 million.

7. We believe that the policies set forth in the July 16, 2009 letter, the October 30, 2009 letter, and in this letter are adequate to achieve the objectives of our economic program, but the Government stands ready to take additional measures as appropriate to ensure achievement of its objectives. As is standard under all IMF arrangements, we will continue to liaise with the IMF when modifying measures contained in this letter, or adopting new measures that would deviate from the goals of the program, and provide the IMF with the necessary information for program monitoring.

8. In keeping with its policy of transparency, the Government has authorized the publication of this letter and the attached Technical Memorandum of Understanding.

Sincerely yours,

/s/

Sarath Amunugama
Deputy Minister of Finance and Planning
and Senior Advisor to His Excellency the President

/s/

Ajith Nivard Cabraal
Governor, Central Bank of Sri Lanka

Table 1. Sri Lanka: Quantitative Performance Criteria (PC) and Indicative Targets (IT)

	2009			2010						2011
	Prel.	End-March Performance Criteria		End-June Performance Criteria			End-Sept. Performance Criteria	End-Dec. Performance Criteria	End-Mar. Indicative Target	
		EBS/10/125	Adj.	Prel.	EBS/10/125	Adj.				Prel.
Quantitative performance criteria										
Net international Reserves (NIR) of the Central Bank of Sri Lanka (CBSL) (floor, cumulative change from the beginning of the year, in million US\$) 1/ 2/ 3/ 4/ 5/	2,725	35	96	136	-215	-61	-11	-165	-115	0
Reserve money of the CBSL (ceiling, eop stock, in million rupees)	303,500	331,308	...	330,900	340,134	...	326,476	349,297	360,000	387,957
Net domestic financing (NDF) of the central government from the banking system and the non-bank sector (ceiling, cumulative from the beginning of the year, in million rupees) 6/ 7/ 8/ 9/	392,476	102,500	106,561	106,441	198,242	206,919	192,633	279,600	349,149	98,539
Continuous performance criteria										
Contracting and guaranteeing of medium and long-term non-concessional external debt by the government (ceiling, cumulative from end-April 2009, in million US\$)	921	1,750	1,750	1,562	...	...	...	...	...	...
Accumulation of new external payment arrears (ceiling, eop, in million US\$)	0	0	...	0	0	0	0	0	0	0
Indicative targets										
Overall balance of the Ceylon Petroleum Corporation and the Ceylon Electricity Board (floor, cumulative from the beginning of the year, in million rupees)	-19,400	...	...	...	...	...	...	...	35,685	...
Memorandum items:										
External debt service assumed under the program (cumulative from the beginning of the year, in million rupees) 7/	141,914	24,040	...	28,101	46,092	...	54,769	72,618	96,555	12,641
Privatization proceeds to the central government in connection with the sale of central government assets (in million rupees) 8/	0	0	...	0	0	...	0	0	0	0
Outstanding claims by the Bank of Ceylon on the central government (item VIII (e, 1) on the balance sheet of the Bank of Ceylon, in million rupees) 9/	6,038	17,120	...	6,038	6,038	...	6,038	6,038	6,038	6,038
Foreign program financing assumed under the program (cumulative from the beginning of the year, in million US\$) 1/	0	0	...	0	0	...	0	0	50	0
External commercial loans (including Eurobonds and syndicated loans) assumed under the program (cumulative from the beginning of the year, in million US\$) 2/	500	0	...	0	0	...	0	0	0	0
Cumulative net inflows into the Treasury Bill and Treasury Bond market assumed under the program (cumulative from the beginning of the year, in million US\$) 1/	1,345	0	...	182	0	...	282	0	0	0
Official external debt service assumed under the program (cumulative from the beginning of the year, in million US\$) 3/	878	191	...	194	393	...	403	620	824	250
Settlement of syndicated loans assumed under the program (cumulative from the beginning of the year, in million US\$) 4/	225	0	...	0	25	...	25	25	25	0
Outstanding value (i.e., receivables) on swaps and forwards by CBSL (eop stock, in million US\$) 5/	245	...	...	...	...	...	...	200	200	200

1/ If the amount of program financing and the cumulative net inflows into the Treasury Bill market and Treasury Bond market is higher/lower in U.S. dollar terms than assumed under the program, the floor on NIR will be adjusted upward/downward by the cumulative differences on the test date.

2/ If the amount of commercial borrowing (including Eurobonds and syndicated loans) is higher/lower in U.S. dollar terms than assumed under the program, the floor on NIR will be adjusted upward/downward by the cumulative difference on the test date.

3/ If the amount of official external debt service by the central government in U.S. dollars is higher/lower than assumed under the program, the floor on NIR will be adjusted downward/upward by the cumulative differences on the test date.

4/ If the amount of debt service on syndicated loans by the central government in U.S. dollars is higher/lower than assumed under the program, the floor on NIR will be adjusted downward/upward by the cumulative differences on the test date. The adjustor is introduced from end-December 2009.

5/ The NIR target of the CBSL will be adjusted downward/upward by the amount of the increase/decrease in the outstanding value (i.e., receivables) on swaps and forwards compared to those defined under the program. The NIR target of the CBSL will be adjusted downward by the amount of the increase in the outstanding value (i.e., receivables) on swaps and forwards up to a maximum \$600 million. This adjustor is introduced from end-September 2010.

6/ If the amount of external loans is higher/lower in rupee terms than assumed under the program, the cumulative ceiling on net domestic financing of the central government will be adjusted downward/upward by the cumulative difference in external loans on the test date. From end-December, external loans will be defined as external program loans and external commercial loans (including Eurobonds and syndicated loans).

7/ If the amount of external debt service by the central government in rupee terms is higher/lower than assumed under the program, the ceiling on net domestic financing of the central government will be adjusted upward/downward by the cumulative difference in external debt service payments measured in

8/ If the amount of privatization proceeds to the central government in connection with the sale of central government assets is higher/lower than assumed under the program, the cumulative ceiling on NDF of the central government will be adjusted downward/upward by the cumulative receipt/reimbursement of any privatization proceeds.

9/ If the amount of outstanding claims by the Bank of Ceylon on the central government (item VIII (e, 1) on the balance sheet of the Bank of Ceylon) is lower in rupee terms than assumed under the program, the NDF of the central government will be adjusted upward by the difference on the test date.

Table 2. Sri Lanka: Structural Benchmarks (SB)

Structural Benchmarks	Date	Status
Recapitalization of Seylan Bank through a public share issuance.	9/30/2009	Implemented
A contingency plan for orderly workouts of problem banks and financial institutions will be developed by the CBSL.	9/30/2009	Implemented
Approval by the Monetary Board of a revised Banking Act and other pertinent laws and legislations that: (i) improve the bank resolution framework that more clearly defines the provisions for acquisition, and roles of the conservator and liquidator; and (ii) strengthens the definition of large exposures and related parties to better capture all material risks.	9/30/2009	Implemented
Submission by the tax review commission of an interim report, including on base broadening measures to be incorporated into the 2010 budget.	10/15/2009	Implemented with delays
Approval by Parliament of an interim budget for the first four months of 2010 consistent with program targets.	12/15/2009	Implemented
Develop a plan to address outstanding debts between the CEB, CPC and state-owned banks.	12/31/2009	Implemented
Issuance of prudential regulations and guidelines to credit card companies and payment service providers.	12/31/2009	Implemented
Submission to parliament of the 2010 budget consistent with program targets.	4/30/2010	Implemented with delays
Submission to the parliament of a revised Finance Business Act which includes clarifying the legal authority of the CBSL in enforcing its regulations on all deposit taking finance companies.	5/31/2010	[Not met]
Submission by the Presidential Tax Commission of a final report, including specific tax reform measures.	8/31/2010	Not met
Parliamentary approval of full-year 2010 budget consistent with program targets	8/31/2010	Implemented
Issuance of regulations to establish a deposit insurance scheme.	9/30/2010	
Submission to parliament of the 2011 budget consistent with program targets, including income tax and VAT reform measures.	11/30/2010	
Cabinet approval of a regulatory framework for private-sector superannuation funds.	12/31/2010	
Restructure the overdue obligations accumulated up to end-2009 by Ceylon Electricity Board to Ceylon Petroleum Corporation.	12/31/2010	

Technical Memorandum of Understanding

1. **This Technical Memorandum of Understanding sets out a framework for monitoring the performance of Sri Lanka under the program supported by the Stand-By Arrangement (SBA).** It specifies the performance criteria and indicative targets (including adjustors) under which Sri Lanka's performance will be assessed through quarterly reviews, starting with the performance criteria for end-September 2010. Monitoring procedures and reporting requirements are also specified. The fifth review will take place on or after November 15, 2010, the sixth review on or after February 15, 2010, 2010, and the seventh review on or after April 15, 2011.

I. FISCAL TARGETS

A. Performance Criterion on Net Domestic Financing of the Central Government

2. **Net domestic financing (NDF) is defined as the change in net credit to the central government by the domestic banking system and the net change in holdings of treasury bills and other government securities by the domestic non-bank sector.** For the purpose of program monitoring, the central government is defined to include line ministries, departments, and other public institutions. The Central Bank of Sri Lanka (CBSL), state-owned enterprise, parastatals and other agencies that do not receive subventions from the central government are excluded from the definition of central government. NDF of the central government is defined as the sum of (i) net borrowing from the CBSL (ways and means advances, loans, holdings of treasury bills, treasury bonds, and other central government bonds minus deposits); (ii) net borrowing from domestic commercial banks and the domestic non-bank sector (loans, advances, holdings of restructuring bonds, and holdings of treasury bills and other central government securities minus deposits); and foreign holdings of Treasury Bills and Treasury Bonds. In 2009, NDF of the central government defined in this manner amounted to Rs. 392.5 billion. Of this amount, Rs. 49.0 billion was net borrowing from the domestic banking system, Rs. 185.2 billion was net borrowing from the domestic non-bank sector, Rs. 146.9 billion was net foreign inflows into the Treasury Bill and Treasury Bond markets and Rs. 11.3 billion was net borrowing from other sources.

The following adjustment will apply:

3. If the amount of external program loans and external commercial loans (including Eurobonds and syndicated loans) to the central government—as set out in Table 1—is higher/lower in rupee terms than assumed under the program, the cumulative ceiling on NDF of the central government will be adjusted downward/upward by the cumulative difference on the test date.

4. If the amount of external debt service by the central government in rupee terms—as set out in Table 1—is higher/lower than assumed under the program, the cumulative ceiling

on NDF of the central government will be adjusted upward/downward by the cumulative difference in external debt service payments measured in rupees.

5. If the amount of privatization proceeds to the central government in connection with the sale of central government assets—as set out in Table 2—is higher/lower than assumed under the program, the cumulative ceiling on NDF of the central government will be adjusted downward/upward by the cumulative receipt/reimbursement of any privatization proceeds.

6. If the amount of outstanding claims by the Bank of Ceylon on the central government (item VIII (e, 1) on the balance sheet of the Bank of Ceylon)—as set out in Table 3—is lower in rupee terms than assumed under the program, the NDF of the central government will be adjusted upward by the difference on the test date.

B. Indicative Target on the Sum of the Overall Balance of the Ceylon Electricity Board and the Ceylon Petroleum Corporation.

7. The balance of the overall profit or loss position of the Ceylon Electricity Board (CEB) and the Ceylon Petroleum Corporation (CPC) from their operating income statements is measured from above the line on an accrual basis. At end-December 2009, the sum of that overall position of the CEB and CPC defined in this manner stood at Rs. -19.4 billion.

II. MONETARY TARGETS

A. Performance Criterion on Reserve Money of the CBSL

Reserve money of the CBSL consists of currency in circulation (with banks and with the rest of the public), financial institutions' domestic currency deposits at the CBSL, and the deposits of following government agencies: the National Defense Fund (General Ledger Acc. No. 4278), the Buddha Sasana Fund A/C (General Ledger Acc. No. 4279); and the Road Maintenance Trust Fund (General Ledger Acc. No. 4281). At end-December 2009, reserve money defined in this manner stood at Rs. 303.5 billion. For the purpose of program monitoring, reserve money on the test date shall be measured as average reserve money during the prevailing reserve week (Friday to Thursday).

The following adjustment will apply:

8. If any bank fails to meet its legal reserve requirement, the ceiling on reserve money will be adjusted downward to the extent of any shortfall in compliance with the requirement.

9. Changes in required reserve regulations will modify the reserve money ceiling according to the formula:

$$\Delta M = \Delta r B_0 + r_0 \Delta B + \Delta r \Delta B$$

where ΔM denotes the change in reserve money, r_0 denotes the reserve requirement ratio prior to any change; B_0 denotes the reservable base in the period prior to any change; Δr is the change in the reserve requirement ratio; and ΔB denotes the immediate change in the reservable base as a result of changes to its definition.

III. EXTERNAL SECTOR TARGETS

A. Performance Criterion on Net Official International Reserves

10. **Net official international reserves (NIR) is defined as (i) the difference between the gross foreign assets and liabilities of the CBSL and (ii) the balance of State Treasury's (DSTs) Special Dollar and Yen Revolving accounts, both expressed in terms of market values.** Gross foreign assets of the CBSL consists of monetary gold; foreign exchange balances held outside Sri Lanka; foreign securities (valued in market prices); foreign bills purchased and discounted; the reserve position at the IMF and SDR holdings; and the Crown Agent's credit balance. Excluded from gross foreign assets will be participation in international financial institutions; holdings of nonconvertible currencies; holdings of precious metals other than monetary gold; claims on residents (e.g., statutory reserves on foreign currency deposits of commercial banks and central bank foreign currency deposits with resident commercial banks) pledged, non-liquid, collateralized or otherwise encumbered foreign assets (such as the government's war risk insurance deposit with Lloyds during 2001/02); and claims in foreign exchange arising from derivative transactions (such as futures, forwards, swaps and options). Gross foreign liabilities are all foreign currency denominated liabilities of the CBSL to non-residents; the use of Fund credit; Asian Clearing Union debit balance and commitments to sell foreign exchange arising from derivatives such as futures, forwards, swaps, and options. In addition, NIR will include the balance of the DSTs' Special Dollar and Yen Revolving accounts. DST accounts are foreign currency accounts held by the Treasury and managed by the CBSL as an agent of the government. At end-December 2009, NIR defined in this manner stood at U.S. dollars 4,150 million.

The following adjustment will apply:

11. If the amount of foreign program financing and the cumulative net foreign inflows into the Treasury Bill or Treasury Bond market—as set out in Table 4—is higher/lower in U.S. dollar terms than assumed under the program, the floor on NIR will be adjusted upward/downward by the cumulative differences on the test date.

12. If the amount of commercial borrowing (including Eurobonds and syndicated loans)—as set out in Table 4—is higher/lower in U.S. dollar terms than assumed under the program, the floor on NIR will be adjusted upward/downward by the cumulative difference on the test date.

13. If the amount of official external debt service by the central government in U.S. dollar terms (including debt service on syndicated loans)—as defined in Table 4—is higher/lower

than assumed under the program, the floor on the NIR will be adjusted downward/upward by the cumulative difference in official external debt service payments.

14. An adjustor to the NIR target of the CBSL will be implemented to reflect changes in the CBSL's net position under foreign exchange forwards and swaps. Specifically, the NIR target of the CBSL will be adjusted downward/upward by the amount of the increase/decrease in the outstanding value (i.e., receivables) on swaps and forwards compared to those defined in Table 4. The CBSL's outstanding value (i.e., receivables) on swaps and forwards was \$245 million at end-December 2009 and \$248.5 at end-August 2010. The NIR target of the CBSL will be adjusted downward by the amount of the increase in the outstanding value (i.e., receivables) on swaps and forwards up to a maximum \$600 million.

15. The floor on NIR will be adjusted upward for any increase in Sri Lanka's allocation of Special Drawing Rights (SDR) from the IMF. Sri Lanka's SDR allocation at the time of approval of this arrangement amounted to SDR 70.868 million.

B. Performance Criterion on External Payment Arrears

16. **A continuous performance criterion applies to the nonaccumulation of external payments arrears on external debt contracted or guaranteed by the central government (as defined in ¶2) or the CBSL.** External payments arrears consist of external debt-service obligations (principal and interest) on debt as defined in ¶16 that have not been paid at the time they are due, as specified in the contractual agreements. However, overdue debt and debt service obligations that are in dispute will not be considered as external payments arrears for the purposes of program monitoring.

IV. DATA REPORTING REQUIREMENTS

17. Sri Lanka shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of Sri Lanka in achieving the objectives and policies set forth in the Memorandum of Economic and Financial Policies. All the program monitoring data will be provided by the Ministry of Finance and the Central Bank of Sri Lanka (CBSL). Data relating to the external and monetary targets will be furnished within no more than three weeks after the end of each month.¹ With regards to the fiscal targets, the data in table 5 will be furnished within no more than five weeks after the end of each month and the data in table 6 within no more than nine weeks after the end of each month. For the overall balance of the CEB and the CPC, estimates will be available within four weeks.

¹ The deadline for submitting monetary and external data for end-December 2010 will be five weeks due to the added time needed to close the books at the end of the year.

18. For the purpose of monitoring the fiscal performance under the program, data will be provided in the format as shown in Tables 5 and 6.
19. For the purpose of monitoring the monetary targets under the program, data will be provided in the format shown in Table 7.
20. For the purpose of monitoring the external sector performance under the program, data will be provided in the format shown in Tables 8 and 9.

Table 1. Sri Lanka: External Financing Assumptions
(cumulative from the beginning of the year, in millions of rupees)

	2010		2011
	Sep	Dec	Mar
External Program Loans	0	5,699	0
External Commercial Loans	0	0	0
External Debt Service	72,618	96,555	12,641

Table 2. Sri Lanka: Assumptions on Privatization Proceeds
(cumulative from the beginning of the year, in millions of rupees)

	2010		2011
	Sep	Dec	Mar
Privatization Proceeds	0	0	0

Table 3. Sri Lanka: Outstanding Claims by the Bank of Ceylon on the Central
Government
(item VIII (e, 1) on the balance sheet of the Bank of Ceylon, in millions of rupees)

	2010		2011
	Sep	Dec	Mar
Foreign Bills Inward	6,038	6,038	6,038

Table 4. Sri Lanka: External Financing for NIR Purposes
(cumulative from the beginning of the year unless otherwise stated, in millions of
U.S. dollars)

	2010		2011
	Sep	Dec	Mar
Program Loans	0	50	0
External Commercial Loans	0	0	0
Treasury Bills/Bonds	0	0	0
Official External debt service	620	824	250
Settlement of Syndicated Loans	25	25	0
Outstanding value (i.e., receivables) on swaps and forwards by CBSL 1/	200	200	200

1/ End of period stock.

Table 5. Sri Lanka: Summary of Central Government Operations 1/

(In millions of rupees)

Total revenue**Tax revenue**

Income taxes

Value added tax

Domestic

Imports

Excise taxes

Tax on liquor

Tax on cigarettes/tobacco

Petroleum

Motor vehicle

Other

Stamp duties

Port and airport development duty

Debit tax

Import duties

Cess levy

Special commodity levy

Nation Building Tax

Telephone subscriber levy

Licence taxes and other

Nontax revenue**Grants****Total expenditure and net lending***of which:* Interest payments

Foreign

Commercial

Domestic

Overall balance of central Government**Financing**

Net domestic financing

Net external financing

of which: Program loans*of which:* Project loans*of which:* Commercial borrowing*of which:* Amortization

Privatization

1/ As agreed for the purpose of monitoring the program

Table 6. Sri Lanka: Central Government Expenditure 1/
(In millions of rupees)
Total expenditure and net lending
Current expenditure
Civil service wages and salaries
Other civilian goods and services
Security related expenditure
Subsidies and transfers
Households
<i>Of which</i> : Samurdhi
Pensions
Fertilizer
Institutions, corporations, other government agencies
Interest payments
Foreign
Commercial
Domestic
Capital expenditure and net lending

1/ As agreed for the purpose of monitoring the program

Table 7. Sri Lanka: Balance Sheet of the Central Bank 1/
(In millions of rupees)
Net foreign assets
Foreign assets
Cash and balances abroad
Foreign securities
Claims on ACU
SDRs
IMF related assets
Receivables
Foreign currency reserve
Foreign liabilities
IMF and nonresident account
Liabilities to ACU
Net domestic assets
Claims on government
Advances
Treasury bills and bonds
Cash items in collection
Government deposits
Claims on commercial banks
Medium and long term
Short term
Other items net
Reserve money
Currency in circulation
Commercial bank deposits
Government agencies deposits

1/ As agreed for the purpose of monitoring the program

Table 8. Sri Lanka: Summary of Central Bank Foreign Exchange Operations 1/

(In millions of USD)

1. Total inflows

Loans
 Program
 IMF
 Project (cash component only)
Interest earnings, forex trading profits, cap gains
Purchases of foreign exchange
Change in balances in DST's A/Cs
Other inflows
 Borrowing from SLDBs
 Loans from FCBUs
 Syndicated Loans
 Commercial loans
Repayments of BOC and PB claims

2. Total outflows

Public Debt Service Payments
Amortization
 Principal (foreign loans)
 Settlement SLDBs
 Settlement FCBU
 Settlement of syndicated loans
Interest
 Foreign loans
 Domestic foreign currency loans
Payments to the IMF/ change in valuation of liabilities
Foreign exchange sales to commercial banks
Foreign exchange deposits at BOC and PB

3. Net flow at current rates (1-2)**Net International Reserves****Gross International Reserves****Cumulative net inflows into the Treasury Bill/Bond market**

1/ As agreed for the purpose of monitoring the program

Table 9. Sri Lanka: Estimated Gross Official Reserve Position (in US\$ million) 1/

Date	Central Bank		Reserve Position at I.M.F. & SDR hol. 3	Total {2}+{3} 4	Government			Total Gross Official Reserves		Liabilities				Net International Reserves	Overall balance		
	Reserves managed by IOD				Crown Agent's Credit Balance 5	D S T's Special Dollar Revolving Cr.balance 6	DST's Yen Accounts 7	Total (5)+(6) +(7) 8	(without ACU) {1}+{3}+{8} 9	(with ACU) (4)+(8) 10	Other Deposits	Asian Clearing Union	Drawings from the IMF			Currency Swap	Total
	(without ACU) 1	(with ACU) 2															

1/ As agreed for the purpose of monitoring the program