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Sri Lanka: Letter of Intent, and Technical Memorandum of
Understanding

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February 2, 2011

January 17, 2011

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SRI LANKA: LETTER OF INTENT

Colombo, January 17, 2011

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

Dear Mr. Strauss-Kahn:

This letter serves as a supplement to the July 16, 2009, Memorandum of Economic and Financial Policies (MEFP) and the Letters of Intent (LOIs) dated October 30, 2009; June 19, 2010; and September 14, 2010.

1. The macroeconomic environment in Sri Lanka continues to be strong. Output growth exceeded 8 percent in both the second and third quarters of 2010, and while food prices have exerted pressure of late, inflation remains in single digits. Interest rates have stabilized at a reasonable level after declining from very high levels that prevailed in the recent past, and private-sector credit growth has picked up. Imports are recovering fast from their steep drop in 2009, driven by increased economic activity as well as a major correction of distortions in the import duty structure, and though exports are growing and remittances remain strong, the current account deficit is widening. Nonetheless with substantial capital inflows, the overall balance of payments remains in surplus.

2. Program performance through December 2010 is broadly on track. All end-September 2010 performance criteria were met. End-December target on net domestic financing of the budget appears to be within reach while the target on reserve money was met. While the target on net international reserves was likely missed, the deviation was explained by a higher-than-anticipated paydown of certain public-sector foreign exchange liabilities; on this basis, we request a waiver of nonobservance for this performance criterion. Structural benchmarks on issuance of deposit insurance regulations and submission to Parliament of a budget that reduces the deficit and delivers structural reforms in line with the government's medium term policy strategies were observed on time, and Cabinet approval of a regulatory framework for private-sector superannuation funds will be observed soon and the setting up of a Contributory Pensions Fund for the non-pensionable private sector has been proposed for 2011. Also, a revised Finance Business Act has now been approved by the Cabinet to be submitted to Parliament, and the Presidential Tax Commission has delivered its final report. Given the expected improvement in financial performance at the two corporations, it has proven unnecessary for the time being to restructure the Ceylon Electricity Board's arrears to the Ceylon Petroleum Corporation.

3. In line with the *Sri Lanka - The Emerging Wonder of Asia; Mahinda Chintana - Vision for the Future: The Development Policy Framework of the Government*, the 2011

budget, approved by Parliament on December 10, 2010, outlines a path to fiscal sustainability and continued macroeconomic stability, while laying out a coherent set of policies that should foster economic growth of 8 percent or more over the medium term. The budget targets a reduction in the deficit to 6¾ percent of GDP in 2011, which we intend to reduce further to 5¼ percent of GDP in 2012, setting our public debt ratio on a declining trajectory. The deficit reduction is aided by a substantial tax reform that aims to increase revenues by 1¼ percent of GDP over the next two years. The reform also: (i) simplifies the tax system, by unifying VAT rates, eliminating nuisance taxes, and streamlining duties; (ii) reduces tax rates (from 35 percent to 28 percent for corporates; and from 35 percent to 24 percent for the top individual bracket); and (iii) broadens the tax base, especially by unifying Nation Building Tax with Provincial Turnover Tax for wholesale and retail trade.

4. The budget also outlines a new approach to investment promotion that shifts away from a focus on tax concessions. The Board of Investment (BOI) is being repurposed to focus on identification of potential foreign investors and facilitation of their activities and would offer any concessions only consistent with normal tax laws and strategic investment laws. The Inland Revenue Law now would permit five-year tax holidays for investments in the range of \$3 million to \$10 million, in activities specified by the Minister of Finance from time to time as being in the national interest, while lesser concessions would continue to be available for small projects. Flexibility would be retained under our Strategic Investment Law to offer concessions to strategic investment projects, but all projects would be subject to Nation Building Tax and Economic Service Charge. Projects benefiting from tax incentives under either the Inland Revenue Law or the Strategic Investment Law would continue to be gazetted. Enabling legislations to implement amendments proposed in the 2011 budget will be presented to Parliament before March 2011.

5. We will continue to pursue our comprehensive financial sector regulatory reform. A deposit insurance framework is now in place, the Finance Business Act has been approved by the Cabinet to be submitted to Parliament, and a new regulatory framework for pension funds will be in place shortly. Looking forward, Cabinet approval of amendments to the Banking Act is expected by end-March, and by end-June, the CBSL will issue integrated risk management guidelines.

6. Beyond these changes, our policy agenda remains as described in the program's MEFP and our subsequent LOIs. We are adjusting the Technical Memorandum of Understanding to remove the adjustor for program loans and modifying the adjustor on foreign exchange swaps to acknowledge their less frequent use for monetary policy purposes than originally envisaged. In line with these changes, we propose setting program performance criteria for end-March 2011 (Table 1). Against the background of our performance to date and our strong commitment going forward, we request completion of the Fifth 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 this and previous Letters of Intent 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 measures that would deviate from program goals, and provide the IMF with the information necessary 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/

Gitanjana Gunawardena
Deputy Minister of Finance and Planning

/s/

Ajith Nivard Cabraal
Governor, Central Bank of Sri Lanka

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

	2009			2010						End-Mar. Performance Criteria	2011 End-Jun. Indicative Target	End-Dec. Indicative Target
	Prel.	End-Mar. Performance Criteria	End-Jun. Performance Criteria	End-Sep. Performance Criteria			End-Dec. Performance Criteria					
		Prel.	Prel.	EBS/10/173	Adj.	Prel.	EBS/10/173	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	136	-11	-165	281	460	-115	1,311	915	0	35	
Reserve money of the CBSL (ceiling, eop stock, in million rupees)	303,500	330,900	326,476	349,297	...	343,132	360,000	...	358,869	390,408	402,199	
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	101,342	169,194	279,600	288,354	278,075	349,149	254,974	242,259	101,342	169,194	
Continuous performance criteria												
Accumulation of new external payment arrears (ceiling, eop, in million US\$)	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		-20,000	0
Memorandum items:												
External debt service assumed under the program (cumulative from the beginning of the year, in million rupees) 7/	141,914	28,101	54,769	72,618			96,555		108,607	31,221	56,404	
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	6,038	6,038	6,038			6,038		1,575	1,575	1,575	
Foreign program financing assumed under the program (cumulative from the beginning of the year, in million US\$) 1/	0	0	0	0		0	50		40	...	...
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		1,000	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	182	282	0		439	0		490	0	0	
Official external debt service assumed under the program (cumulative from the beginning of the year, in million US\$) 3/	878	194	403	620		635	824		874	250	449	
Settlement of syndicated loans assumed under the program (cumulative from the beginning of the year, in million US\$) 4/	225	0	25	25		25	25		25	0	0	
Outstanding value (i.e., receivables) on swaps and forwards by CBSL (eop stock, in million US\$) 5/	245	...	...	200		60	200		97	0	0

1/ If 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 by 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 rupees.

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	Implemented with delays
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	Implemented
Submission to parliament of the 2011 budget consistent with program targets, including income tax and VAT reform measures.	11/30/2010	Implemented
Cabinet approval of a regulatory framework for private-sector superannuation funds.	12/31/2010	Not met
Restructure the overdue obligations accumulated up to end-2009 by Ceylon Electricity Board to Ceylon Petroleum Corporation.	12/31/2010	Not met
Amend BOI regulations	3/31/3011	
Amend the Strategic Investment Law and issue supporting regulations on defining and contracting strategic projects	3/31/2011	
Cabinet approval of amendments to the Banking Act	3/31/2011	

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 sixth review is contemplated to be completed by February 15, 2011, and the seventh review is contemplated to be completed by 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:

$$\Delta M = \Delta rB_0 + r_0\Delta B + \Delta r\Delta B$$

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 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 by the outstanding value (i.e., receivables) on swaps and forwards. The CBSL's outstanding value (i.e., receivables) on swaps and forwards was \$97 million at end-December 2010. The NIR target of the CBSL will be adjusted downward by 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 ¶12) 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.

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.

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.

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	Jun
External Program Loans	0	5,699	...	...
External Commercial Loans	0	0	0	0
External Debt Service	72,618	96,555	31,221	56,404

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

	2010		2011	
	Sep	Dec	Mar	Jun
Privatization Proceeds	0	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	Jun
Foreign Bills Inward	6,038	6,038	1,575	1,575

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	Jun
Program Loans	0	50	...	...
External Commercial Loans	0	0	0	0
Treasury Bills/Bonds	0	0	0	0
Official External debt service	620	824	250	449
Settlement of Syndicated Loans	25	25	0	0
Outstanding value (i.e., receivables) on swaps and forwards by CBSL 1/	200	200	0	0

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
 - Of which* : 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		Government					Total Gross Official Reserves		Liabilities				Net International Reserves	Overall balance		
	Reserves managed by IOD		Reserve Position at I.M.F. & SDR hol. 3	Total {2}+{3} 4	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