

## International Monetary Fund

[Sri Lanka](#) and the  
IMF

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

**Press Release:**  
[IMF Executive Board  
Completes Sixth  
Review Under the  
Stand-By  
Arrangement for Sri  
Lanka and Approves  
US \\$218.3 Million  
Disbursement](#)  
April 4, 2011

March 15, 2011

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## SRI LANKA: LETTER OF INTENT

Colombo, March 15, 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 and the Letters of Intent dated October 30, 2009; June 19, 2010; September 14, 2010; and January 17, 2011.

1. Output growth in 2010 was strong, exceeding 8 percent in the second half of the year. While food prices have exerted pressure of late, inflation remains in single digits, and monetary conditions are appropriate for supporting the economic recovery. Imports have rebounded from their steep drop in 2009, but remittance flows continue at a high rate and gross reserves remain at a comfortable level.
2. Program performance is broadly on track. The end-December targets for net domestic financing of the budget and reserve money were met, while the target on net international reserves was missed by less than reported at the time of the Fifth Review. We request waivers of applicability for the end-March performance criteria as they appear to be within reach. Legislative changes supporting tax reforms as proposed in the 2011 budget will be implemented by end-March as expected. Amendments to the Banking Act and a regulatory framework for private-sector superannuation funds are expected to be approved by cabinet by end-April.
3. Recent flooding has significantly damaged Sri Lanka's harvest of various crops including rice and vegetables, as well as rural infrastructure. Any effect on food prices is likely to be temporary, and given the strength of the Sri Lankan economy the overall impact on output growth is likely to be limited. Addressing the damage may require some reallocation of budget resources, but it is premature at this stage to revisit the program's 2011 targeted deficit of 6<sup>3</sup>/<sub>4</sub> percent of GDP. Recent increases in oil prices have imposed some strain on our finances, but we are closely monitoring international market developments to mitigate the adverse implications on our economy.
4. We remain committed to bringing the combined budgets of the Ceylon Petroleum Corporation and the Ceylon Electricity Board to balance by end-2011, although we recognize that achieving this goal will be challenging given emerging developments in international oil prices. We will continue with our cost-cutting efforts while ensuring that the revenue structure for these enterprises remains sufficiently flexible to achieve this goal. We intend to amend the Petroleum Act to strengthen the regulatory framework to make it more comprehensive, and cabinet approval of these amendments is expected by end-September (a structural benchmark).

5. We remain committed to achieving the targets set out in the Medium Term Macro Fiscal Framework that has been approved by parliament, which envisages reducing the budget deficit to 5¼ percent of GDP in 2012, and will present to parliament a budget consistent with this in November (a structural benchmark).
6. We will continue to pursue reforms to strengthen the financial sector regulatory framework and foster development. The CBSL intends to issue integrated risk management guidelines by end-June. To reduce settlement risk and foster equity market development, we aim to establish a central counterparty clearinghouse for stock market trades by end-December.
7. Beyond these changes, our policy agenda remains as described in the program's Memorandum of Economic and Financial Policies and subsequent Letters of Intent. Given our successful implementation so far and continued commitment to strong implementation going forward, we expect Sri Lanka's balance of payments to remain in surplus and external financing requirement to diminish in 2012, although we are closely monitoring the possible impact of international commodity price increases, in particular the rise in crude oil prices, on the external sector.
8. We request modification of the arrangement period so that the arrangement will expire on May 23, 2012. Furthermore, given our strong record of implementation, we request to change the monitoring of the program from quarterly to semi-annual reviews. In light of this, we also request the corresponding re-phasing of undisbursed amounts committed under the current SBA, from quarterly to semi-annual purchases for the remainder of the modified arrangement period.
9. 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.
10. Against the background of our performance to date and our strong commitment going forward, we request completion of the Sixth Review of the Stand-By Arrangement, following which we intend to draw one tranche amounting to SDR 137.8 million.
11. 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				2011					
	Prel.	End-Mar. Performance Criteria	End-Jun. Performance Criteria	End-Sep. Performance Criteria	End-Dec. Performance Criteria			End-Mar. Performance Criteria			End-Jun. Performance Criteria	End-Dec. Performance Criteria	
		Prel.	Prel.	Prel.	Prel.	EBS/11/12	Adj.	Prel.	EBS/11/12	Adj.	Prel.		
<b>Quantitative performance criteria</b>													
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	-115	1,277	921	0				35	129
Reserve money of the CBSL (ceiling, eop stock, in million rupees)	303,500	330,900	326,476	349,297	360,000	...	358,869	390,408				402,199	416,167
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	349,149	254,974	242,259	101,342				188,602	358,650
<b>Continuous performance criteria</b>													
Accumulation of new external payment arrears (ceiling, eop, in million US\$)	0	0	0	0	0		0	0				0	0
<b>Indicative targets</b>													
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
<b>Memorandum items:</b>													
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				57,915	116,466
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	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	1,575
Foreign program financing assumed under the program (cumulative from the beginning of the year, in million US\$) 1/	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		1,000	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	182	282	0	0		467	0				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	824		874	250				531	1,070
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	0				0	0
Outstanding value (i.e., receivables) on swaps and forwards by CBSL (eop stock, in million US\$) 5/	245	...	...	200	200		97	0				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	Implemented with delays
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	3/31/2011	
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	
Cabinet approval of amendments to the Petroleum Act	9/30/2011	
Submission to parliament of the 2012 budget	11/30/2011	

## 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-December 2010. Monitoring procedures and reporting requirements are also specified. The seventh review is contemplated to be completed by September 15, 2011, and the eighth review is contemplated to be completed by March 15, 2012.

### 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  $\Delta M$  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;  $\Delta r$  is the change in the reserve requirement ratio; and  $\Delta B$  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.<sup>1</sup> 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.

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<sup>1</sup> The deadline for submitting monetary and external data for end-December 2010 and 2011 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 Dec	Mar	2011 Jun	Dec
External Program Loans	5,699	...	...	...
External Commercial Loans	0	0	0	0
External Debt Service	96,555	31,221	57,915	116,466

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

	2010 Dec	Mar	2011 Jun	Dec
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 Dec	Mar	2011 Jun	Dec
Foreign Bills Inward	6,038	1,575	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 Dec	Mar	2011 Jun	Dec
Program Loans	50	...	...	...
External Commercial Loans	0	0	0	0
Treasury Bills/Bonds	0	0	0	0
Official External debt service	824	250	531	1,070
Settlement of Syndicated Loans	25	0	0	0
Outstanding value (i.e., receivables) on swaps and forwards by CBSL 1/	200	0	0	0

1/ End of period stock.

<b>Table 5. Sri Lanka: Summary of Central Government Operations 1/</b>	
(In millions of rupees)	
<b>Total revenue</b>	
<b>Tax revenue</b>	
	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
<b>Nontax revenue</b>	
<b>Grants</b>	
<b>Total expenditure and net lending</b>	
	<i>of which:</i> Interest payments
	Foreign
	Commercial
	Domestic
<b>Overall balance of central Government</b>	
<b>Financing</b>	
	Net domestic financing
	Net external financing
	<i>of which:</i> Program loans
	<i>of which:</i> Project loans
	<i>of which:</i> Commercial borrowing
	<i>of which:</i> Amortization
	Privatization

1/ As agreed for the purpose of monitoring the program

<b>Table 6. Sri Lanka: Central Government Expenditure 1/</b>
(In millions of rupees)
<b>Total expenditure and net lending</b>
<b>Current expenditure</b>
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
<b>Capital expenditure and net lending</b>

1/ As agreed for the purpose of monitoring the program

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