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Sri Lanka: Letter of Intent and Technical Memorandum of Understanding

October 30, 2009

The following item is a Letter of Intent of the government of Sri Lanka, which describes the policies that Sri Lanka intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Sri Lanka, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

Colombo, October 30, 2009

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

Dear Mr. Strauss-Kahn:

This letter serves as a supplement to our letter of July 16, 2009 and the associated Memorandum of Economic and Financial Policies.

The macroeconomic environment in Sri Lanka has improved significantly since the end of the war with the LTTE and the approval of the Stand-By Arrangement with the International Monetary Fund. Rising investor confidence and an increase in remittances have allowed us to rebuild international reserves, budget revenues are rising, and there are signs that an economic recovery is underway. We maintain our goals of restoring health to the country's public finances, strengthening external viability, addressing weaknesses in the financial system, and protecting the most vulnerable from the burden of the needed adjustment.

Our performance to-date indicates that we remain on track to meet our target of reducing the budget deficit for 2009 and increasing net reserves in line with our commitments under the program. We have met the end-September targets for net international reserves and reserve money. Based on available data, we have also met the end-September target for net domestic financing (NDF). However, a final assessment will be made once data on all the adjustors become available.

In order to ensure this strong fiscal performance continues in the run-up to Parliamentary elections due by April, we have opted to pursue a vote-on-account budget covering the first four months of 2010, limiting our spending during this period to about one-third of 2009 approved budgetary expenditures. We understand that this decision, while important for maintaining fiscal discipline, will delay our ability to implement planned structural fiscal reforms as previously scheduled under the program, including introducing base-broadening tax policy measures.

Nevertheless, we remain committed to achieving our original target of reducing the underlying budget deficit—excluding reconstruction spending—to 6 percent of GDP in 2010, and we believe that changes to the program can be made to maintain our good performance to date while at the same time allowing for structural fiscal reform measures once the new parliament is in place in April 2010. To this end, the cabinet has approved a vote-on-account budget consistent with achieving the 2010 budget deficit target. Parliamentary approval of this budget will be a new structural benchmark for mid-December, 2009. We will present a full year budget for 2010 to Parliament in line with our commitments in paragraph 6 of the July 16, 2009 Memorandum of Economic and Financial Policies, and this will be a new

structural benchmark for end-April, 2010. The presidential tax reform commission will submit its interim report by end-October, 2009, and we still intend the results of this commission's work—including suggestions for base-broadening tax policy measures—to provide an input into the full year 2010 budget.

It is central to our program that we protect the most vulnerable in society and address the urgent humanitarian needs of those adversely affected by the conflict. Our immediate priority is providing humanitarian assistance to remaining internally displaced persons (IDPs). We have proceeded vigorously to resettle the IDPs, and have already reduced the number from 288,000 to 196,000. We are on track to meeting our goal of resettling 70-80 percent of the IDPs by the end of the year, and aim to complete the resettlement by the first quarter of 2010. This has required a major effort, much of which has been carried out by military personnel, toward demining, restoring basic services such as water, health services, and education, and rebuilding basic infrastructure. We have already devoted significant budget resources to this effort by drawing on savings from existing budget provisions.

The broader reconstruction effort over the next three years will be considerable. Drawing on our experience gained following the Tsunami and the reconstruction of the Eastern Province since 2007, our Presidential task force has developed a comprehensive reconstruction plan for the Northern Province. The broad strategy includes rebuilding basic infrastructure, restoration of law and order, revitalization of the productive sectors, human settlement development, and conducting local and provincial council elections—the first of which took place in August. We are approaching our development partners for assistance in financing the plan's priority reconstruction projects, and have already received important commitments for grants, loans, hardware, and expertise.

The end of the conflict will allow us to divert resources previously used for military activities toward the significant resource needs of our reconstruction effort. Currently nearly 75 percent of the demining activities and most of the rebuilding of northern roads are being carried out by military personnel. These efforts will need to continue, and we intend to increasingly redeploy military resources to this purpose. We also aim to free up budget resources for reconstruction and resettlement by keeping 2010 defense-related spending at current rupee levels.

Beyond these changes, our policy agenda remains as described in the July Memorandum of Economic and Financial Policies. We have set the program performance criteria for end-December 2009 and end-March 2010, increasing the NIR target to reflect the faster than anticipated accumulation of international reserves. We have also made changes to the Technical Memorandum of Understanding (TMU) to clarify the measurement of NDF and reserve money for program monitoring purposes.

Given our demonstrated strong commitment to the program to date, we request completion of the first review of the Stand-By Arrangement, and a waiver of applicability for the end-September target on NDF.

In keeping with its policy of transparency, the Government has authorized the publication of this letter and the attached TMU.

Sincerely yours,

/s/

Ranjith Siyambalapitya
Actg. 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)

	2008		2009					2010			
	End-December	End-July Performance Criteria			End-Sept. Performance Criteria			End-Dec Performance Criteria	End-March Performance Criteria	End-June Indicative Target	End-Sept. Indicative Target
		Actual	EBS/09/115	Adj.	Prel.	EBS/09/115	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/	-1,385	-109	4	111	-13	1,681	2,131	360	35	85	135
Reserve money of the CBSL (ceiling, eop stock, in million rupees)	268,425	274,130	274,116	273,783	280,370	280,370	279,413	315,032	331,308	333,134	342,297
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/ 10/	296,710	282,004	279,187	281,332	305,001	...	...	342,210	102,500	153,636	192,626
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\$)	...	1,750	1,750	70	1,750	1,750	383	1,750	1,750	1,750	1,750
Accumulation of new external payment arrears (ceiling, eop, in million US\$)	0	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)	-49,847	...	...	-6,940	...	...	...	-35,387	...	...	...
Memorandum items:											
External loans assumed under the program (cumulative from the beginning of the year, in million rupees) 6/	80,415	55,928	...	62,963	75,238	...	...	...	...	...	...
External grants assumed under the program (cumulative from the beginning of the year, in million rupees) 7/	31,222	5,644	...	15,036	7,825	...	...	...	...	...	...
External debt service assumed under the program (cumulative from the beginning of the year, in million rupees) 8/	109,268	72,994	...	77,212	89,735	...	...	139,010	24,040	53,988	82,992
Privatization proceeds to the central government in connection with the sale of central government assets (in million rupees) 9/	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) 10/	10,897	...	...	...	...	...	...	17,120	17,120	17,120	17,120
Foreign program financing assumed under the program (cumulative from the beginning of the year, in million US\$) 1/	23	0	...	0	20	...	...	40	0	0	0
External commercial loans (including Eurobonds and syndicated loans) assumed under the program (cumulative from the beginning of the year, in million US\$) 2/	150	...	...	...	...	...	...	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/	-213	15	...	105	15	...	1,245	15	0	0	0
Official external debt service assumed under the program (cumulative from the beginning of the year, in million US\$) 3/	802	446	...	444	588	...	612	827	191	392	601
Settlement of syndicated loans assumed under the program (cumulative from the beginning of the year, in million US\$) 4/	104	...	...	...	...	...	...	225	0	25	25
Repayment of foreign currency loan from the CBSL by the Bank of Ceylon and the People's Bank (cumulative from the beginning of the year, in million US\$) 5/	40	261	...	283	283	...	283	283	...	...	...

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.

5/ The floor on NIR will be adjusted upwards by any repayments for the foreign currency loan from the CBSL by the Bank of Ceylon and the People's Bank in excess of the repayment schedule.

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 grants is lower in rupee terms than assumed under the program, the cumulative ceiling on net domestic financing of the central government will be adjusted upward by the cumulative difference in external grants on the test date.

8/ 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.

9/ 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.

10/ 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)

Actions	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	Delayed
Approval by Parliament of an interim budget for the first four months of 2010 consistent with program targets.	12/15/2009	
Develop a plan to address outstanding debts between the CEB, CPC and state-owned banks.	12/31/2009	
Issuance of prudential regulations and guidelines to credit card companies and payment service providers.	12/31/2009	
Submission to parliament of the 2010 budget consistent with program targets.	4/30/2010	
Submission to the parliament of a revised Finance Company Act which includes clarifying the legal authority of the CBSL in enforcing its regulations on all deposit taking finance companies.	5/31/2010	

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-December 2009. Monitoring procedures and reporting requirements are also specified. The third review will take place on or after December 31, 2009, the fourth review on or after March 31, 2010, and the fifth review on or after June 30, 2010.

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 2008, NDF of the central government defined in this manner amounted to Rs. 296.7 billion. Of this amount, Rs. 195.2 billion was net borrowing from the domestic banking system, Rs. 114.8 billion was net borrowing from the domestic non-bank sector, Rs. -17.6 billion was net foreign inflows into the Treasury Bill and Treasury Bond markets and Rs. 4.2 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 2008, the sum of that overall position of the CEB and CPC defined in this manner stood at Rs. -50 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 2008, reserve money defined in this manner stood at Rs. 268.4 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 2008, NIR defined in this manner stood at U.S. dollars 1,424.9 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. The floor on NIR will be adjusted upwards by any repayments for the foreign currency loan from the CBSL by the Bank of Ceylon's and the People's Bank in excess of the repayment schedule in Table 5.

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 Contracting and Guaranteeing of Medium and Long-Term Non-Concessional External Debt by the Government

16. **A continuous performance criterion applies to contracting and guaranteeing of medium and long-term non-concessional external debt by the Government.** For the purpose of this performance criterion, the Government is defined as the central government (as defined in ¶2) and the CBSL. The term “debt” will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

- a. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future;
- b. Suppliers credit, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and
- c. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this agreement, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

Under the definition of debt set forth above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt will not give rise to debt. Medium and long-term debt is debt with a maturity of one year or longer. Excluded from this performance criteria are purchases under the stand-by arrangement of the IMF.

17. **Non-concessional borrowing** is defined as borrowing with a grant element of less than 35 percent, following the methodology set out in SM/96/86. The discount rates used to calculate the grant element will be the six-month and ten-year Commercial Interest Reference Rates (CIRRs) averages, as computed by the Strategy and Policy Review Department of the IMF. Six-month CIRRs are updated mid-February and mid-August (covering the six-month period preceding the date of update) and the ten-year CIRRs averages are updated mid-December (covering a period of ten years preceding the date of the update). Six-month CIRRs averages are to be used for loans whose maturity is less than 15 years while 10-years CIRRs averages are to be used for loans whose maturity is equal or more than 15 years.

C. Performance Criterion on External Payment Arrears

18. **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

19. 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 6 will be furnished within no more than five weeks after the end of each month and the data in table 7 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 2009 will be five weeks due to the added time needed to close the books at the end of the year.

20. For the purpose of monitoring the fiscal performance under the program, data will be provided in the format as shown in Tables 6 and 7.
21. For the purpose of monitoring the monetary targets under the program, data will be provided in the format shown in Table 8.
22. For the purpose of monitoring the external sector performance under the program, data will be provided in the format shown in Tables 9 and 10.

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

	2009	2010		
	December	March	June	Sept
External Loans	0	0	0	0
External Commercial Loans	0	0	0	0
External Debt Service	139,010	24,040	53,988	82,992

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

	2009	2010		
	December	March	June	Sept
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)

	2009	2010		
	December	March	June	Sept
Foreign Bills Inward	17,120	17,120	17,120	17,120

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

	2009	2010		
	December	March	June	Sept
Program Loans	40	0	0	0
External Commercial Loans	0	0	0	0
Treasury Bills/Bonds	15	0	0	0
Official External debt service	827	191	392	601
Settlement of Syndicated Loans	225	0	25	25

Table 5. Repayment Schedule for the Foreign Currency Loan from the CBSL by the Bank
of Ceylon and the People's Bank
(cumulative from the beginning of the year, in millions of U.S. dollars)

	2009	2010		
	December	March	June	Sept
Repayments	283	...	...	...

Table 6. Sri Lanka: Summary of Central Government Operations 1/	
(In millions of rupees)	
Total revenue	
Tax revenue	
	Income taxes
	Value added tax
	Excise taxes
	Nation Building Tax
	Taxes on international trade
	Other
Nontax revenue	
Grants	
Total expenditure and net lending	
	<i>of which:</i> Interest payments
	Foreign
	Commercial
	Domestic
Overall balance of central Government (Excluding grants)	
Financing	
	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

Table 7 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 8. 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 9. 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 10. 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