



SRI LANKA

May 17, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND FOURTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY— INFORMATIONAL ANNEX

Prepared By

Asia and Pacific Department

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FUND RELATIONS

(As of April 30, 2018)

Membership Status

Joined 8/29/50; accepted Article VIII in March 1994.

General Resources Account	SDR Million	% Quota
Quota	578.80	100.00
Fund holdings of currency (Holding Rate)	1,068.42	184.59
Reserve Tranche Position	47.86	8.27

SDR Department	SDR Million	% Allocation
Net cumulative allocation	395.46	100.00
Holdings	3.66	0.93

Outstanding Purchases and Loans	SDR Million	% Quota
Extended Arrangements	537.46	92.86

Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	6/03/16	6/02/19	1,070.78	537.46
Stand-By	7/24/09	7/23/12	1,653.60	1,653.60
EFF	4/18/03	4/17/06	144.40	20.67

Projected Payments to Fund²

(SDR million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Principal			9.99	39.96	89.58
Charges/interest	10.06	13.60	13.60	13.26	12.21
Total	10.06	13.60	23.59	53.22	101.78

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Exchange Rate Arrangement

The *de jure* exchange rate arrangement is free floating since its introduction by the Central Bank of Sri Lanka (CBSL) on January 23, 2001. The *de facto* exchange rate arrangement was classified as a crawl-like arrangement as of March 31, 2017. The Sri Lankan rupee depreciated by 2.0 percent in 2017 and was Rs 156.3 per U.S. dollar as of April 20, 2018. The CBSL maintains restrictions on payments and transfers for current international transactions solely for the preservation of national or international security that have been notified to the Fund pursuant to Executive Board Decision 144 (52/51).

Safeguards Assessment

The 2016 update safeguards assessment found that the CBSL continued to strengthen its safeguards framework in a number of areas, including in its audit and financial reporting functions.

Transparency in financial reporting has been maintained and the external audit mechanism is sound. Progress has been made in modernizing the internal audit function. However, the assessment found that the CBSL Monetary Law Act (MLA) fell short of leading international practices, especially in the areas of the bank's autonomy and aspects of its governance arrangements (e.g., the government's voting representation in the Monetary Board, absence of recapitalization provisions, and inadequate limits on credit to government). Legal reforms planned to address these shortcomings would also provide an opportunity to review the CBSL's mandate in non-core operations that pose financial and reputational risks to the bank. Further, the assessment also noted a need to clarify the treatment of foreign currency swaps with domestic banks in the quantitative performance criterion on international reserves under the EFF-supported program. This was addressed at the time of the first program review by introducing a new "program NIR" that excludes foreign currency swaps with commercial banks from gross international reserves (see IMF Country Report No. 16/371).

Article IV Consultation

It is proposed that the next Article IV Consultation takes place in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

FSAP and ROSC Participation

- MCM: Both the FSSA and the FSAP reports were completed in 2002. An FSAP update took place in July 2012. A Financial System Stability Review is planned for FY2019.
- STA: A data ROSC was completed and the report published in 2002.
- FAD: A fiscal transparency ROSC was completed and the report published in 2002. A ROSC update was completed and the report published in July 2005.

Resident Representative

Mrs. Eteri Kvintradze has been the resident representative since March 2014.

Technical Assistance

- **FAD.** TA has been provided in a wide range of areas. TA missions on tax policy diagnosed Sri Lanka's income tax and VAT system (including VAT gap analysis) and presented reform options during 2015-17. On the revenue administration side, TA missions have assisted the Inland Revenue Department in improving VAT compliance and implementing the new Inland Revenue Act (IRA) since 2016. In addition, several TA missions took place during 2015-18 to strengthen public expenditure and financial management, including on improving spending commitment controls, assessing public investment management, reforming energy pricing, and drafting statements of corporate intent for major state-owned enterprises.
- **ICD.** Since August 2015, TA missions have provided the CBSL with assistance on macroeconomic forecasting, including developing a Forecasting and Policy Analysis System (FPAS) and a semi-structural Quarterly Projection Model (QPM). Phase I of the project, concentrating on developing medium- and short-term forecasting models and skills, was successfully completed in 2016. Under Phase II of the project, the focus will primarily be on integrating the FPAS into the decision-making processes of the CBSL.
- **LEG.** During 2016-18, TA missions assisted the authorities in drafting the new IRA and its tax manual as well as training IRD staff to implement the new law. An AML/CFT scoping mission took place in October 2016, followed by diagnostic missions during 2017-18. A TA mission in May 2017 addressed issues of monetary policy governance and the foreign exchange system.
- **MCM.** During 2016-18, TA missions addressed a wide range of areas, including transition to inflation targeting and a flexible exchange rate regime (May and September 2017), the government debt issuance process (December 2016, joint with the World Bank), financial sector stability (April 2016), resolution of deposit-taking, non-bank financial institutions (March 2017), and securities market enforcement by the Security and Exchange Commission (October 2017).
- **STA.** STA has been closely engaged with the authorities through TA in various areas, including national accounts, government finance statistics, and monetary accounts (see also the section on statistical issues below).
- **SARTTAC.** SARTTAC has provided extensive TA and training in a wide range of areas. In the fiscal sector, TA has focused on support for the new Inland Revenue Act which came into force on April 1, 2018. To support for better public investment management practices and associated systems in Sri Lanka, a Public Investment Management Assessment (PIMA) was conducted jointly with FAD and the World Bank. SARTTAC has supported Sri Lanka's effort to strengthen its internal audit function by developing an internal audit manual, pooling of internal audit resources and training existing staff. Sri Lanka also participated in a joint SARTTAC/TAOLAM seminar on managing fiscal risks in emerging markets. In the real sector, TA was provided in price statistics as well as benchmarking/rebasing national accounts statistics. In-country courses on national accounts methodology and a regional quarterly national accounts workshop were conducted. SARTTAC has also provided Sri Lanka with TA to improve its monetary modeling and

forecasting and FX operations. In coordination with ICD, a key SARTTAC customized training project has helped the CBSL to develop a forecasting and policy analysis system (FPAS) for forward-looking monetary policy formulation. In-country macro training courses also included macro-diagnostics.

RELATIONS WITH THE WORLD BANK GROUP

(As of May 8, 2018)

1. The Systematic Country Diagnostic (SCD) prepared in 2015 identified critical constraints and opportunities that Sri Lanka faced in accelerating progress toward the goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. The SCD concluded that the challenges of i) fiscal sustainability; (ii) enhancing competitiveness and promoting more and better jobs for the bottom 40 percent, iii) providing for social inclusion for disadvantaged segments of the population; and (iv) longer term sustainability (especially of the environment, political stability, and an aging population) were priority areas. Governance was identified as a cross-cutting challenge.

2. The Country Partnership Framework (2017- 2020, CPF) for the World Bank Group is anchored in the analysis of the SCD and consists of three major pillars. Interventions under pillar one will seek to improve macroeconomic stability and competitiveness, pillar two will tackle the promotion of inclusion and opportunities, while pillar three will seek to enhance resilience and management of natural assets. Strengthening governance and improving gender equality are two cross-cutting objectives that are also integral to the CPF. The CPF underpins WBG support for Sri Lanka's transition to a more competitive, inclusive, and resilient upper-middle income country. The CPF's policy reform emphasis mirrors the strong policy reform orientation of the government, particularly in the areas related to improving macro-fiscal stability, enhancing the enabling environment for private sector development, export competitiveness and global integration. Support for improving living standards in the lagging regions, including the conflict affected areas of the Northern and Eastern regions, and strengthening education and training systems are viewed as indispensable to promoting social inclusion. Additionally, there is a focus on balancing development with environmental conservation and enhancing resilience to climate change. The Bank continues to provide policy advice, analytical support and technical assistance, funded both through trust funds and its own budget, to assist government efforts on fiscal reform, governance, capital markets, pension reform, trade and competitiveness, and sustainable urban development.

3. The World Bank is supporting the Government of Sri Lanka (GoSL) in a number of macro-critical areas:

- **Financial sector development.** The Financial Sector Modernization Project (FSMP) is designed to address several of the key challenges confronting the development of the financial sector in Sri Lanka. The results-based financing component of the project (component 1) addresses several mid-level Financial Sector Assessment Program (FSAP) policy recommendations, thus, facilitating a platform of engagement that enables downstream progress on high-level reforms. This component targets developing more competitive markets by requiring a holistic supervisory approach; switching to a forward-looking supervisory perspective; and leveling of the playing field within and across financial subsectors. It also aims to improve the investment performance of the pension provident funds to secure adequate replacement income for retirees. In component 2, the project aims to improve the financial market infrastructure (FMI), legal and

regulatory framework for the financial system, and the institutional capacity of financial sector regulators, Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission of Sri Lanka (SEC) and Insurance Regulatory Commission of Sri Lanka (IRCSL) the all of which are essential actions for a stronger financial sector. This is complemented by close to around USD 2 million in trust funds (capital market development, legal reforms TA, insurance TA, financial inclusion strategy, agriculture insurance, financial literacy and secured transactions reform). A joint Bank-Fund mission took place in December 2016 to review the primary market for government securities.

- **Trade policy and trade facilitation.** Sri Lanka has embarked on a major reform of trade policy, with critical support from the WBG for this process. The engagement has seen important results, including the Cabinet's approval of the New Trade Policy in 2017 and the start of the tariff reform program in the November 2017 budget. This tariff reform is expected to continue, as part of unilateral trade reforms as well as through new free trade agreements that have been signed or are in the pipeline. These reforms are being supported by ongoing technical assistance, a new trade report in FY19, and a report and dialogue on trade adjustment that is necessary to address winners and losers in trade reform. The WBG is also supporting improvements in trade facilitation, specifically strengthening Sri Lanka's compliance with TFA commitments under the WTO, including a well-functioning institutional framework (the National Trade Facilitation Committee), Targeted advice and support for the implementation of selected reforms (reform of the Customs Ordinance, risk management), and implementation of larger initiatives to improve transparency (Trade Information Portal) and pave the way for major reforms to streamline border clearance (National Single Window Blueprint).
- **Regulatory simplification and promoting investment including FDI.** Sri Lanka undertook a coordinated effort on regulatory simplification over the past several years, which is starting to bring results in terms of improved user experience for both foreign and domestic investors. Superficially, the World Bank has been supporting the improvement of the Ease of Doing Business in Sri Lanka through regulatory, institutional and legal reforms, per the Investment Climate Roadmap (launched in July 2017). Positive results are expected in 2018-19 in business registration, construction permits, property registration, minority shareholder rights, local e-government, as well as e-documents and pre-processing procedure amendments of the customs ordinance. Further support to GoSL is being provided in the area of Enhancing Investment Promotion capacity, helping BOI improve its effectiveness, focusing on its ability to identify, attract, and retain efficiency-seeking FDI. The World bank is also working with the "One Stop Shop for FDI" to assist the GoSL in the design and implementation of a One-Stop Shop (OSS) with the mandate of reducing the time and transaction costs incurred by foreign investors seeking to establish their operations in Sri Lanka. Further, BOI and the World bank cooperate on strengthening the effectiveness of investment incentives as a mechanism to attract private investment and pursue other policy objectives to minimize the fiscal costs to the country. At sectoral level, the World Bank is supporting the National Tourism Strategy (Cabinet approval 2016) via a WBG lending operation to implement the National Tourism Strategic Plan for 2017-2020. Finally, a National Quality Infrastructure Strategy and an Innovation and Entrepreneurship

Strategy have been drafted and are being finalized for submission to Cabinet supported by a national quality infrastructure gap analysis and an Exporter Marketplace Pilot Program.

- Public financial management and transparency.** The Public Sector Efficiency Program (PSEP) will support the modernization of the core public financial management functions as well as the services affecting the private sector in order to strengthen public sector efficiency and, thereby contribute to the achievement of the Government's fiscal and economic policy objectives. It will also support the implementation of the government's transparency and accountability reforms. The project has three components focusing primarily on the Ministry of Finance: (i) strengthening allocative efficiency of public investments, programs and debt management, with a greater focus on performance. The Bank and Fund work and have worked together on various components, including a joint training of the Debt Sustainability Analysis for Market-Access Countries (MAC-DSA) in 2016, a joint Public Investment Management Assessment (PIMA) in December 2017 and prospective joint technical support on the Medium-Term Debt Management Strategy (MTDS) and a unified Debt Management Office (proposed structural benchmarks); (ii) improving the operational efficiency of budget execution and procurement; and (iii) strengthening the governance, transparency and efficiency of public services. The project is expected to be implement between the second half of 2018 and 2022.
- Social protection sector development.** The Social Safety Nets project (SSNP) is designed to address some of the key challenges confronted in the development of the social protection sector in Sri Lanka. The project mainly focuses on improving the equity, efficiency and transparency of Sri Lanka's social safety net programs for the benefit of the poor and vulnerable. The first two components follow a results-based financing modality with disbursements made upon achievement of specific results measured by Disbursement Linked Indicators (DLIs). The first component supports the establishment of the Welfare Benefits Board (WBB), development of the unified social registry for identification and collection of information on beneficiaries. The second component supports the collection of data on current beneficiaries and new applicants of programs under the Welfare Benefit Schemes, and develop an integrated Management Information System for the harmonized management of programs. The third component includes technical assistance to support the implementation of the Welfare Benefits Act, developing a National Social Protection Strategy and use of the new system for monitoring and longer-term strategic planning. These activities are complemented by smaller amounts of trust funds to support targeting, development of exit and graduation strategy and integrate adaptive safety nets assistance to safety nets delivery system.

4. The World Bank has been supporting Sri Lanka's development for close to six decades, having accompanied the country as it has grown to join the ranks of middle-income countries.

The current active IDA-IBRD portfolio consists of 15 projects with a total net commitment of nearly USD 1.9 billion (13 IDA, 1 IBRD and 1 Blend). Urban operations account for 21 percent of the overall portfolio, followed by water (16.5 percent) and resilience to climate and disaster risk (13 percent). The education (13 percent) and health (10 percent) sectors also continue to be core sectors for Bank

support. The World Bank has provided a mix of financing – investment project, development policy, and program-for-results – to support reforms.

Project Name	Board Approval	Closing Date	Net Commitment Amount (\$ million)
Dam Safety & Water Resources Planning Project	03/27/2008	05/15/2018	148.33
Transforming School Education Project	11/29/2011	06/30/2018	100.00
Second Health Sector Development Project	03/27/2013	09/30/2018	200.00
Metro Colombo Urban Development Project	03/15/2012	06/30/2020	213.00
Sri Lanka Strategic Cities Dev Project	05/05/2014	12/31/2021	202.00
Skills Development Project	06/20/2014	12/31/2019	101.50
Transport Sector Project	05/09/2016	06/30/2026	125.00
Improving Climate Resilience Project	04/22/2014	05/30/2019	152.00
Water and Sanitation Improvement Project	06/24/2015	12/31/2020	165.00
Early Childhood Development Project	06/24/2015	06/30/2021	50.00
Agriculture Sector Modernization Project	06/28/2016	12/31/2021	125.00
Ecosystem Conservation and Management Project	04/25/2016	06/30/2021	45.00
LK-Social Safety Nets Project	12/02/2016	06/30/2022	75.00
Sri Lanka Financial Sector Modernization Project	04/05/2017	12/31/2022	75.00
Accelerate Higher Education Development Project	05/12/2017	06/30/2023	100.00

Source: World Bank.

RELATIONS WITH THE ASIAN DEVELOPMENT BANK

(As of May 2, 2018)

Country Partnership Strategy: ADB's Country Partnership Strategy (CPS, 2018-2022) for Sri Lanka, approved in 2017, will support country's transition to upper-middle income status. The next five-year operations are focused on two pillars: (i) strengthening the drivers of growth by expanding provision of growth-oriented infrastructure and logistics; developing economic corridors; upgrading human capital; (ii) improving the quality of growth by promoting inclusiveness through strengthening agriculture infrastructure and commercialization; improving rural connectivity; improving public service delivery and expanding small- and medium-sized enterprise access to finance.

Indicative Resources: Sri Lanka will graduate from ADB's concessional resources, effective 1 January 2019. The allocation for 2019-2021 consists of \$1,895 million from regular ordinary capital resources (OCR). Co-financing and private sector operation opportunities will be actively explored.

Indicative Pipeline for 2018-20: Country Operations Business Plan for the period 2018-20 includes indicative projects to support the country's transition to an upper middle-income status. Having emphasized on human resource development, and completion of basic infrastructure development such as rural road connectivity and rural electrification in the previous country strategies, the future project pipeline shifts towards advanced infrastructure such as expressway, railways, ports and expansion into wind and solar power generation, integrated urban development, and higher education, while continuing support for inclusive growth. To the extent possible, thematic priorities such as private sector development, public-private partnership, gender, climate change, disaster risk management, and environment strengthening will be included in each project.

In the transport sector, the proposed Port Access Elevated Highway Project for 2018 will construct an elevated toll highway in Colombo between New Kelani Bridge and the city center of Galle Face, and support trade logistics facilitation. The proposed Colombo Suburban Railway Efficiency Improvement Project will improve telecom system, computerized ticketing system, equipment for railway training center, building for operation and train control center, workshop and equipment. The ongoing Transport Project Facility will prepare the detailed design required for the priority investment project in Kelani Valley Line for which physical investments will be done under the proposed Sri Lanka Railway Investment Program in 2020.

In the urban and water supply sector, ADB will continue to support secondary cities with growth potential, including those in the Colombo-Trincomalee economic corridor and the Western Megapolis. The strategy will support growth by boosting urban agglomerations to attract high-quality investments and improve urban governance. The proposed Urban Project Preparatory Facility technical assistance loan for approval in 2018 will strengthen project readiness by completing advanced feasibility studies, detailed designs, and procurement actions to meet

ADB's financing requirements, and build capacities of implementing agencies in the urban sector prior to project approval.

In the energy sector, interventions will focus on expanding nontraditional renewable energy using wind and solar and introducing innovation and advanced technology. The proposed Power System Reliability Strengthening Project for approval in 2019 will focus on system reliability, optimization of existing fault clearance system of the Ceylon Electricity Board network. A proposed TA loan for Preparing the Power Development and Interconnection Project will support connectivity and power trade between Sri Lanka and India.

Lending for education will further strengthen support for human capital development. In addition to continued support for secondary education and support for skills development, opportunity in higher education will be explored. The Skills Sector Enhancement Program (additional financing) will continue to support for the government's Skills Sector Development Program for 2017–2020, in improving quality, relevance and equitable access to TVET. The proposed Science and Technology Human Resource Development Project for approval in 2018 will support the government in establishing new technology degree programs and engineering degree programs with industry linkages and entrepreneurship in selected universities. Interventions in the higher education sector will support the government in strengthening innovation capacity through reorienting research and development in universities and research institutions.

ADB will support the health sector in 2018 with the proposed Health System Enhancement Project through which primary health care will be enhanced, focusing on improving equity and underserved communities' access to essential health services, and address gaps in core public health capacities in line with international health regulations.

In the finance sector, ADB approved an additional financing of \$75 million in January 2018 to support the small- and medium-sized enterprises operating outside Colombo District, led by women, or are first-time bank borrowers.

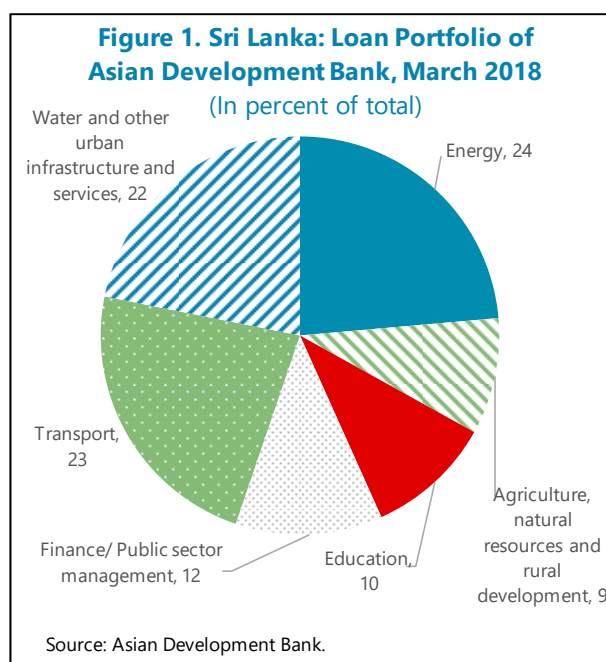
In agriculture and natural resources sector, the proposed Northern Province Sustainable Fisheries Development Project for approval in 2018 will support investments to revive the fisheries sector in four conflict-affected coastal districts of Jaffna, Mannar, Mullaitivu, and Killinochchi. The project will finance the development of two fishery harbors, 8 anchorages and 27 fisheries landing sites, sustainably develop aquaculture, and improve the livelihoods of fisher communities.

ADB's Private Sector Operations supports finance sector development by providing loans, equity investments, or guarantees for banks or nonbank institutions to enable them to expand activities in targeted areas including housing, small- and medium-sized enterprise finance, leasing, renewable energy, and infrastructure lending. Opportunities for local currency lending, which have been a key constraint to nonsovereign domestic borrowing, will be pursued.

Ongoing Projects:

- Projects approved in 2017:** During 2017, ADB approved 7 new sovereign projects for a total of \$881 million and 1 new non-sovereign loan facility of \$4 million as follows:
 - Wind Power Generation Project (\$200 million from OCR)
 - Solar Rooftop Power Generation Project (\$50 million from OCR)
 - Mahaweli Water Security Investment Program (tranche 2) (\$179 million from OCR and \$31 million from concessional OCR)
 - Second Integrated Road Investment Program (tranche 1) (\$90 million from OCR and \$60 million from concessional OCR)
 - Integrated Road Investment Program (tranche 4) (\$150 million from OCR)
 - Jaffna Kilinochchi Water Supply Project Additional Financing (\$95 million from OCR and \$25 million from concessional OCR)
 - Project Design Advance for Northern Province Sustainable Fisheries Project (\$1.3 million from concessional OCR)
 - Walkers Colombo Shipyard (private limited) for shipyard rehabilitation and infrastructure (\$4 million from OCR)
- Portfolio:** As of 31 March 2018, ADB has approved a total of 197 loans, with cumulative lending of \$8.6 billion to Sri Lanka. In addition, ADB has provided \$366 million grant assistance (including ADB-administered co-financed grants) for projects and \$146 million through 300 technical assistance grants.

The current portfolio includes 55 ongoing loans and grants for 33 projects with a net loan amount of \$ 3.8 billion. Cumulative contract awards reached \$1.9 billion, and disbursements \$1.4 billion. About 69% of the ongoing portfolio are in transport, urban and water, and energy sectors. The sector composition of the ongoing loan portfolio is in Figure 1.



STATISTICAL ISSUES

(As of May 7, 2018)

I. Assessment of Data Adequacy for Surveillance

General: Macroeconomic statistics are broadly adequate for surveillance, but weaknesses remain in the timeliness and coverage of certain statistical series.

National Accounts: In 2015, the Department of Census and Statistics (DCS) released a comprehensive revision of the national accounts. The revision included a change of base year from 2002 to 2010; an expanded coverage for the service sector; and several improvements in the compilation methods. An STA mission in November 2017 found that the DCS continues to make progress on technical preparations to update the base year and is developing supply and use tables for 2013, which will be used to benchmark the revised estimates. The DCS also updated its quarterly national accounts methodology and began publishing these estimates in 2015. The new quarterly estimates are now based on quarterly indicators for most economic activities. However, the data are presented relative to the same quarter of the previous year basis. GDP data by expenditure are only available on an annual basis and rely mostly on commodity flow methods.

Price Statistics: The DCS released a new national Consumer Price Index (CPI) and Producer Price Index (PPI) during 2015. The new indexes reflect international standards and best practices. The national CPI is based on weights from the 2012/13 Household Income and Expenditure Survey. The DCS continues to compile the Colombo Consumer Price Index (CCPI) and the national CPI (NCPI). A TA mission in 2017 recommended discontinuing publishing the separately compiled CCPI because: (1) multiple measures of inflation may confuse users; and (2) CCPI coverage is limited to urban households within the Colombo district only and is not appropriate for use as a headline inflation measure. The current PPI covers only agriculture, manufacturing, and utilities. Recently, the CBSL and national accounts staff expressed the need for expanding PPI coverage to include services and construction. In addition, the PPI weights (2010) are outdated and should be updated using data from a 2015 annual survey of industrial activity.

Government Finance Statistics: The Sri Lankan authorities report budgetary central government operations data in GFSM 2014 format on an annual basis and debt data to the World Bank's Public-Sector Debt Statistics database on a quarterly basis. The most recent STA mission took place in June 2016, in the context of the Japan-funded IMF project on implementing GFSM 2001 and its update (GFSM 2014), for compiling, analyzing and reporting fiscal data. As part of this effort, the authorities have incorporated the Chart of Accounts aligned with GFSM2014 into the new IFMIS system. Additional steps are underway to integrate fiscal data of the extra-budgetary central government, the local government and social security funds into the annual general government GFS reporting.

Monetary and Financial Statistics: The CBSL compiles and publishes monetary and financial statistics, with concepts, definitions, and classification that are broadly in line with the *Monetary and Financial Statistics Manual (MFSM) 2000*. Beginning in June 2011, data are based on a standardized report form (SRF) for the central bank and other depository corporations. Moving forward, monetary data should be expanded to include the financial accounts of other financial corporations (nonbank

financial institutions, such as pension funds, insurance corporations, investment funds, as well as leasing and finance companies) that account of about 34 percent of total financial sector assets.	
Financial sector surveillance: The CBSL regularly reports quarterly FSIs to the IMF for publication. Currently, the CBSL reports 11 core and 8 encouraged FSIs.	
External sector statistics (ESS): Since 2014, the CBSL is reporting to STA its International Investment Position (IIP) and balance of payments statistics (BOP) on a quarterly basis following the sixth edition of the <i>Balance of Payments Manual</i> (BPM6). The last TA mission on ESS conducted in May 2015 observed commendable progress in improving the quality of the data, including a better coverage of the balance of payments, IIP, CDIS and external debt. The CBSL has aligned their ESS framework and subscribed to the IMF's Special Data Dissemination Standards (SDDS) in November 2015.	
II. Data Standards and Quality	
Sri Lanka subscribed to the Special Data Dissemination Standards (SDDS) in November 2015.	A data ROSC mission visited Sri Lanka in 2001 and prepared a comprehensive report on the quality of its statistics.
III. Reporting to STA	
The authorities report key data to the Fund on a timely basis. On government finance, annual cash data are regularly reported for publication in the <i>GFS Yearbook</i> . These data cover only the budgetary accounts of central government; and no data on the extrabudgetary funds or the provincial and local governments are reported. At the same time, no sub-annual data are reported for publication in <i>IFS</i> . The authorities have been encouraged to reduce the time lag for data reporting and take steps to report data for the general government.	

Sri Lanka: Table of Common Indicators Required for Surveillance

As of May 7, 2018¹

	Date of Latest Observation	Date Received	Frequency of Data ⁸	Frequency of Reporting ⁸	Frequency of Publication ⁸
Exchange rates	Today	Today	D	D	D
International reserve assets and reserve liabilities of the Monetary Authorities ²	03/2018	03/2018	D	D	D
Reserve/base money	03/2018	04/2018	M	M	M
Broad money	03/2018	04/2018	M	M	M
Central bank balance sheet	03/2018	04/2018	M	M	M
Consolidated balance sheet of the banking system	03/2018	04/2018	M	M	M
Interest rates ³	Today	Today	D	D	D
Consumer price index (New Colombo CPI)	03/2018	04/2018	M	M	M
Revenue, expenditure, balance and composition of financing ⁴ —general government ⁵	N/A	N/A	N/A	N/A	N/A
Revenue, expenditure, balance and composition of financing ⁴ —central government ⁵	Q4/2017	03/2018	A	A	M
Stocks of central government and central government-guaranteed debt ⁶	Q4/2017	03/2018	A	A	M
External current account balance	2017 Q4	04/2018	Q	Q	Q
Exports and imports of goods and services	02/2018	04/2018	Q	Q	Q
GDP/GNP	2017 Q4	04/2018	Q	Q	Q
Gross external debt	2017 Q4	03/2018	A	A	A
International Investment Position ⁷	2017 Q4	04/2018	Q	Q	Q

¹ TCIRS latest updates based on National Summary Data Page.

² Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

³ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

⁴ Foreign, domestic bank, and domestic nonbank financing.

⁵ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁶ Including currency and maturity composition.

⁷ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁸ Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).