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To: Members of the Executive Board

From: The Secretary

Subject: **Sri Lanka—Detailed Assessments Using the Data Quality Assessment Framework**

Attached for the information of the Executive Directors are the detailed assessments using the data quality assessment framework for Sri Lanka. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of Sri Lanka indicating whether or not they consent to the Fund's publication of this paper.

Questions may be referred to Mr. Enoch (ext. 35372) and Mr. Kumah (ext. 36003).

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INTERNATIONAL MONETARY FUND

SRI LANKA

**Detail Assessments Using the Data Quality Assessment Framework**

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This document contains a detailed assessment by dataset of the elements and indicators that underlie the data quality dimensions discussed in Section III of the data module; the generic framework used for the assessment of the quality of Sri Lanka's data (Appendix I), a letter from the Senior Resident Representative in Sri Lanka to Survey Participants (Appendix II), and a short questionnaire for Users of Sri Lanka's Economic Data (Appendix III).

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## **Detailed Assessments Using the Data Quality Assessment Framework**

### **I. NATIONAL ACCOUNTS ESTIMATES (ANNUAL AND QUARTERLY)**

#### **0. Pre-requisites of quality**

##### ***0.1 Legal and institutional environment—The environment is supportive of statistics.***

###### ***0.1.1 The responsibility for collecting, processing, and disseminating statistics is clearly specified.***

The CBSL and DCS independently prepare annual national accounts estimates. The quarterly GDP estimates are prepared by the CBSL only. The DCS's compilation includes GDP by activities and by expenditure categories at current and constant(1990) prices, consolidated accounts for the nation, partial accounts for the government and households, and components of gross value added. The CBSL compiles annual GDP by activity and expenditure categories at current and constant (1996) prices and quarterly GDP by activity at current and constant (1996) prices.

The CBSL operates under the Monetary Law Act (MLA), last amended in 1998. Sections 24A and 26 of the MLA respectively give authority to the Deputy Governor and to the Director of the Department of Economic Research to require any person (defined to include individuals, government departments, and corporate and unincorporated entities) to furnish information as necessary for the purpose of the proper discharge of the functions and responsibilities of the Central Bank.

The DCS produces and disseminates data under the Statistical Ordinance, last amended in 1955, and the Census Ordinance (1981). Section 2 of the Statistics Ordinance states that the Minister may, by Order published in the Gazette, apply the provisions of this Ordinance to any matter relating to the economic conditions of Sri Lanka. Section 5 gives authority to the Director to require information relating to any matter to which the Ordinance applies.

However, neither the MLA nor the Statistics Ordinance specifies the responsibility for producing national accounts. The DCS started compiling the national accounts in the early 1950s while the CBSL started to compile them in 1959 mainly due to the lack of the timeliness of the DCS estimates. The CBSL is required to produce its annual report within four months (Section 35 of the MLA). The CBSL has also been involved in primary data collection partly in the course of improving the national accounts and also to produce short-term indicators.

As a result, there are significant duplications in primary data collections and compilation of annual national accounts. The CBSL and DCS coordinate to reconcile the results of the two independent annual estimates. However, efforts to harmonize sources and methods seems to be minimal.

*0.1.2 Data sharing and coordination among data producing agencies are adequate.*

The CBSL and DCS both have arrangements with suppliers of data and maintain close contacts. As mentioned above, however, there are duplications of efforts as many similar data are obtained by both of the agencies independently.

*0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only.*

Confidentiality of reporting to the CBSL is ensured under the MLA (section 45), and there have never been any known infringements of this responsibility. The CBSL “Handbook/Manual” (Section 36) covers imposition of penalties for non-compliance with staff conduct (including for disclosure of confidential data) up to the dismissal of employment. Computer systems are also tightly controlled with individual passwords only allowing access to relevant data.

Confidentiality of data reported to the DCS is guaranteed under the Statistical Ordinance. It requires that every person engaged in the collection and preparation of statistics must make a declaration in the prescribed form that he/she will not disclose or make use of any information supplied under this Ordinance. Staff of the DCS is subject to a maximum penalty of one year in jail and/or a 1,000 rupee fine if they disclose confidential data. Anyway, the DCS are not aware of any such breaches having taken place. Only authorized staff is allowed access to the computer installations and systems.

*0.1.4 Statistical reporting is ensured through legal mandate and/or measures implemented to encourage voluntary response.*

The MLA and Statistical Ordinance both require respondents to supply data on request. Section 122 (2A) of the MLA mentions imposition of a fine not exceeding 3000 rupees, or imprisonment for a term not exceeding two years, or both fines and imprisonment for non-compliance with the provisions of the MLA. Unfortunately, the Ordinance only imposes a fine for non-response of 50 rupees. However, both the CBSL and the DCS prefer to use persuasion rather than prosecution against non-respondents.

***0.2 Resources—Resources are commensurate with needs of statistical programs.***

*0.2.1 Staff, financial, and computing resources are commensurate with institutional programs.*

The CBSL has adequate, and well qualified, staff to undertake the existing national accounts program and believes that it could obtain additional resources, if required. A comprehensive internal training program has recently been created. Staff is also encouraged to attend international training courses and seminars. The incentive structure is very good compared to that of the civil service.

The DCS has no problem in recruiting the qualified staff it needs, but has difficulty in retaining staff because of the low rates of pay in the civil service. This means that there is a risk of not having sufficient staff with a real depth of knowledge of the national accounts system. Furthermore, the DCS recruitment policy is biased toward recruiting mathematicians rather than economists; this problem is now being addressed. The DCS national accounts staff have hardly attended international courses and seminars.

The resource allocation for both organizations is sufficient for current needs and could be increased if a justifiable expansion in the work program was made. However, the DCS's accommodation in Colombo is of particularly poor quality and widely dispersed, but it is expected to move into a new building in a few years time.

Both organizations have sufficient computer resources to meet their current needs. However, in the DCS they are centralized with few PCs in individual work areas.

*0.2.2 Measures to ensure efficient use of resources are implemented.*

Both agencies make efforts to harmonize data collections within their institutions. However, there are duplication in the data collection which is clearly not cost-effective.

***0.3 Quality awareness— Quality is recognized as a cornerstone of statistical work.***

*0.3.1 Processes are in place to focus on quality, to monitor the quality of the collection, processing, and dissemination of statistics, to acknowledge and deal with tradeoffs within quality, and to guide planning for existing and emerging needs.*

All managers in the CBSL are expected to take into account quality considerations in their activities. The newly implemented management training program addresses the need for quality awareness. In the DCS, quality awareness is encouraged by increasing the motivation of staff. This is achieved by making staff feel important and valued by giving them as much responsibility as possible. Also, some posts are being re-graded to improve the esteem of the staff.

There is no independent user or advisory council for either organization. The CBSL makes occasional requests for feedback to specific users while the DCS undertook a user survey two years ago.

New requirements were identified through the requests for feedback from users. However, for the CBSL, the policy departments are the main source of new requirements.

## **1. Integrity**

*The principle of objectivity in the collection, processing, and dissemination of statistics is firmly adhered to.*

### ***1.1 Professionalism—Professionalism in statistical policies and practices is a guiding principle.***

#### ***1.1.1 Statistics are compiled on an impartial basis.***

The CBSL and DCS are not subject to any interference from outside in the compilation of national accounts statistics. Neither the MLA nor the Statistical Ordinance explicitly guarantees the professional independence of the statistical activities of the CBSL or the DCS. However, in practice, both institutions compile national accounts independently without external influences.

#### ***1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations.***

The compilers of the national accounts in both organizations are free to choose the most appropriate data sources and methods.

#### ***1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics.***

Both organizations comment on erroneous interpretation and misuse of the statistics whenever necessary.

### ***1.2 Transparency—Statistical policies and practices are transparent.***

#### ***1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public.***

The terms and conditions under which data are produced and disseminated are contained in the MLA and the Statistical Ordinance, both of which have been published.

#### ***1.2.2 Internal governmental access to statistics prior to their release is publicly identified.***

There is no pre-release access to the CBSL data by any other government agency. The DCS does not issue press releases, so there can be a delay between the finalization of data and its eventual publication. The DCS provides data to government users as soon as they are finalized, but will make them also available to non-government users on request. The public is not made aware of this fact.

*1.2.3 Products of statistical agencies/units are clearly identified as such.*

The CBSL and DCS are clearly identified on all of their own products. They also acknowledge when data come from other sources, but only as a footnote to the tables, but not for the specific series.

*1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques.*

The CBSL and the DCS do not give advance notice of major changes in methodology as they cannot be precise about when the change will be implemented. Such changes are explained when data are released.

**1.3 Ethical standards—Policies and practices are guided by ethical standards.**

*1.3.1 Guidelines for staff behavior are clear and publicized.*

All of the CBSL's staff are governed by the code of conduct contained in the "Handbook/Manual". The DCS's training program for new staff covers the required ethical standards.

**2. Methodological soundness**

*The methodological basis for the statistics follows international standards, guidelines, or agreed practices*

**2.1 Concepts and definitions—Concepts and definitions used are in accord with standard statistical frameworks**

*2.1.1 The overall structure in terms of concepts and definitions follows international standards, guidelines, or agreed practices: see data set specific framework*

The national accounts compiled by both the CBSL and DCS are, in general, based on the *System of National Accounts 1968 (1968 SNA)*.

**2.2 Scope—The scope is in accord with internationally accepted standards.**

*2.2.1 The scope is broadly consistent with international standards, guidelines, or agreed practices.*

In principle, the delimitation of the constituent units is in accordance with the *1993 SNA*. In particular, the national accounts cover territorial enclaves and activities in the free zones.

The production boundary is generally based on the *1968 SNA*. Own-account production of agricultural goods for own final consumption is included. Output of goods for own-account fixed capital formation, particularly construction, is included to the extent they are captured through indirect methods. Expenses related to mineral exploration and production of literary

and artistic originals are not treated as output as these are 1993 SNA concepts. Expenses on mineral exploration are in principle considered as intermediate consumption. Explicit calculation for illegal output is not made. In few cases, indirect methods might capture some illegal transactions. Informal activities are included in principle. However, their coverage is poor due to data problems. Non-profit institutions serving households are not covered.

The asset boundary follows the 1968 SNA principles. Therefore, all defense related expenditures are treated as intermediate consumption, and hence government final consumption expenditure. Intangible assets are not identified. The CBSL uses work-in-progress concept for measuring crop production in the quarterly GDP estimates. However, crops are recorded at the time of harvest in the annual accounts.

### ***2.3 Classification/sectorization—Classification and sectorization systems are in accord with internationally accepted standards***

*2.3.1 Classification/sectorization systems used are broadly consistent with international standards, guidelines, or agreed practices: see dataset-specific framework.*

**CBSL:** A national classification of industrial activity, which is close to the International Standard Industrial Classification of all Activities, Rev. 2 (ISIC, Rev.2), is used. Other standard classifications, such as Classification of Individual Consumption by Purpose (COICOP) and Classification of the Functions of Government (COFOG) are not used. A different classification than the COICOP is used for compiling and publishing household consumption expenditures.

**DCS:** The transactions in the national accounts are in accordance with the classifications of the 1968 SNA. The ISIC, Rev. 2 is followed for industrial classification. A classification of consumer goods and services of the 1968 SNA is used for household consumption expenditures.

### ***2.4 Basis for recording—Flows and stocks are valued and recorded according to internationally accepted standards***

*2.4.1 Market prices are used to value flows and stocks.*

**CBSL:** No clear conceptual approach for valuation is followed and the basis for valuation in different activities differs. The published series on gross value added is denoted as factor cost values. Agricultural output, including production for own-use, is valued at producer prices. Manufacturing output is valued at ex-factory prices (excluding all taxes). Gross value added in many cases is derived from income approach based on business accounting data on wages and salaries, depreciation, and profits before taxes. The value added estimates for government services include only wages and salaries. Intermediate consumption, where calculated, is derived at purchasers' prices. Final uses follow purchasers' prices, and when needed, transport and trade margins are added to derive values at purchasers prices particularly when commodity flow techniques are used. No information is available on transfer prices. Imports are valued at c.i.f. and exports are valued at f.o.b. basis. International

trade denominated in foreign currencies is converted to the national currency by the Custom Authorities using weekly average selling exchange rates for the previous week (Monday – Friday) provided by the CBSL.

**DCS:** The gross value added series is derived at producer prices. Output estimates are prepared for all activities. Agricultural output is valued at producer prices. However, in other industries, it is not always clear whether GST (VAT) is excluded from the output values and deductible GST is excluded from intermediate consumption. For example, it is not clear whether the industrial surveys exclude GST from output and whether deductible GST is excluded from intermediate consumption, as the survey instructions that were prepared before the GST was introduced had not been revised. Inter- establishments transactions are valued at prices charged for similar products for sale outside the enterprise. Output for government services does not include consumption of fixed capital. Final uses follow purchaser prices. For international trade, same data as those used by the CBSL are used.

#### *2.4.2 Recording is done on an accrual basis.*

Government-related transactions are recorded on a cash basis. All other transactions are in principle recorded on an accrual basis. In some cases output estimates are based on export data, in which case output might not be recorded on an accrual basis. Annual estimates of both the CBSL and the DCS record crop production in the period of harvest. However, the CBSL's quarterly national accounts follow work-in-progress concept for crop production.

#### *2.4.3 Grossing/netting procedures are broadly consistent with international standards, guidelines, or agreed practices.*

Grossing/netting procedures are broadly consistent with the 1993 SNA.

### **3. Accuracy and reliability**

*Source data and statistical techniques are sound, and output data sufficiently portray reality.*

#### **3.1 Source data—Source data available provide an adequate basis to compile statistics.**

*3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions.*

- i. Are reliable sample frames used for conducting surveys of statistical units?

Sri Lanka does not have a statistical business register. Comprehensive benchmarks and a system for conducting regular annual establishment surveys are not in place.

**CBSL:** The sample frame for the industrial survey covering large and medium factory establishments is based on registration information and yellow pages. The CBSL also collects data for many services activities, for which no reliable sample frames exist. The sample frame for the CBSL's consumer finances and socio-economic survey is based on

population census (the latest being 1981 and the current census is being conducted) together with “village list” compiled by the DCS.

**DCS:** The DCS conducts industrial surveys (from 1978), for which the sample frame was obtained from the population census (1981) list of activities updated for large establishments. The updating procedure is not satisfactory. A construction survey was introduced in 1993, for which the sample frame is derived from the list of contractors registered with the Institute for Construction Training and Development (ICTAD) and Provincial Councils. Population censuses and demographic survey of 1994 are used as sample frame for the five yearly household income and expenditure surveys, and quarterly household labor force survey respectively.

ii. Are annual business statistics collected through a regular establishment/enterprise survey program?

A regular system for collecting comprehensive annual business statistics does not exist.

Both CBSL and DCS use mostly similar sources for agriculture. For export crops and export processing, comprehensive data are available from relevant authorities. The DCS has a good annual survey for paddy production. The DCS also collects data on other crop and livestock production; however, they are based on outdated frames (1992 agricultural census, next census being planned for 2002) and on subjective estimates on changes on areas under cultivation and yield rates provided by DCS field workers. Cost of production surveys for agricultural products are conducted by the Ministry of Agriculture, but are not available on a timely basis.

The wholesale and retail trade and construction are covered through commodity flow techniques in both the CBSL and DCS estimates. In transportation, the organized sector is well covered by obtaining data directly from enterprises or regulatory authorities. Comprehensive data on organized mining and export processing industries (tea, rubber, coconut) are available from relevant authorities.

**CBSL:** The CBSL has an annual survey of factory manufacturing (defined to include establishments with 15 or more employees), for which an attempt is made to obtain a complete coverage. The CBSL also collects enterprise data for several business and personal services. These surveys focus mainly on large units, and samples are usually fixed. As there are no appropriate sample frames, the approach is to cover as many establishments as can be identified. These surveys are mostly used to measure changes rather than the levels of economic activities.

The CBSL and the DCS have their own data collection system for some activities as described below.

Mostly the CBSL surveys do not collect data on intermediate consumption. The industrial survey collects the quantity and value of production, which is recorded at ex-factory prices. Most other CBSL data collection obtains business accounting data on wages and salaries,



depreciation, and profit before taxes, and thus can lead to a highly biased measure of gross value added.

**DCS:** The industrial and construction surveys of the DCS collect information on output as well as inputs. The DCS industrial survey data are often not used due to coverage problems. In such cases, the CBSL survey data are used. The construction survey data can only be used to derive ratios rather than the estimates. While obtaining data from enterprises directly or from regulatory authorities, the DCS requests information on both production/revenues and inputs.

iii. Are household surveys conducted on regular basis?

**CBSL:** The consumer finances and socio-economic survey conducted every five years (except for 1986/87) has a comprehensive coverage of geographic regions and socio-income groups. The latest survey was conducted for 1996/97, which excluded Northern and Eastern provinces due to security concerns. The survey uses proper sampling and estimation techniques. Data are collected on employment, incomes (including agricultural production for own consumption), consumption (both from purchases and own production), consumer durable goods, and valuables.

**DCS:** Both the household income and expenditure and labor force surveys use appropriate sampling methods. The Northern and Eastern provinces are excluded. The income and expenditure surveys include all variables similar to those covered in the CBSL's survey.

iv. Are periodic (two or more years) surveys/censuses conducted on a regular basis?<sup>1</sup>

Except for the household surveys mentioned above and agricultural censuses of the DCS (conducted every ten years – latest being 1981/82), no other periodic censuses/surveys are conducted.

v. Are sub-annual (monthly/quarterly) data collected?

**CBSL:** The sources of quarterly indicators used for compiling quarterly value added estimates are described below. Except for crop production, industrial survey, and in cases of activities where a few large enterprises dominate, the data collection procedure is essentially ad hoc.

**Agriculture:** Quarterly data on quantity of production for tea, rubber, and coconut available from relevant authorities are considered to be comprehensive. The DCS agricultural surveys provide good data on paddy production, which are allocated to quarters on the basis of cost incurred. This source is also used for other food crops (see also

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<sup>1</sup> This question is applicable to situations where annual censuses/surveys are not available and annual estimates are made by extrapolating benchmark data using indicators.

3.1.1). For sugarcane and tobacco, information on their purchases by processing factories is collected. Comprehensive quarterly data on livestock production are not available. Milk collection by large milk processing factories, number of chicks sold by breeders, production of eggs from Ministry of Livestock and Rural Development, animal slaughter statistics obtained from large scale firms are used for covering animal husbandry. The Ministry of Fisheries collects data on fish production. Producer prices collected by the CBSL are mostly used for the valuation of production.

**Mining and quarrying:** Value of exports for gems and production values for other minerals obtained from large mining companies are used. No information is available on quarrying activity.

**Manufacturing:** Export processing industries are covered by obtaining information from large processing establishments. The CBSL conducts a monthly survey of factory manufacturing for compiling industrial production index. However, this index does not conform to international standards. Electricity sales to small industry is used for small scale manufacturing.

**Electricity and water:** Quarterly data (revenues and quantity) obtained from electricity companies and National Water Supply and Water Board are used.

**Construction:** Sales of main construction materials obtained from major producers of construction materials and imports of construction materials are used.

**Wholesale and retail trade:** Imports and exports values and volume indices and agricultural and industrial production are used as indicators.

**Transport and communication:** Information on physical indicators and wages and salaries, depreciation, and profits before taxes are collected from major enterprises providing these services.

**Financial services:** Information on wages and salaries, depreciation, and profits before taxes are collected from banking and insurance companies.

**Government services:** Base year value added estimates are based on wages and salaries of central and local government; government employment and CCPI are used as extrapolators for other years.

**Private services:** (including hotels and business services): For certain type of services (hotels, private schools, private health, etc.), quarterly data on wages and salaries, depreciation, and profits before taxes are collected from a sample of enterprises. In other cases, data on GST (VAT) are used.

vi. Are there provisions to conduct ad-hoc surveys?

The CBSL undertakes ad hoc surveys/studies occasionally. For example, it plans to conduct a survey of small businesses. The DCS focuses on regular programs and usually does not conduct ad hoc surveys.

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required.*

The surveys that have established procedures (such as household surveys, industrial surveys) use concepts generally consistent with the requirements of national accounts. Some problems in valuation were noted earlier.

Most of the CBSL's data collections that are used solely for national accounts compilation (particularly in air, railway, and port transports, communication, hotels, and services) ask for business accounting information on wages and salaries, depreciation, and profits to estimate gross value added. These data do not conform to the national accounts definition of value added.

The reference period for national accounts (calendar year), and fiscal year used by most businesses differ. Efforts are made to collect data according to the calendar year. Collection of calendar year-based information may be feasible for data on production or certain costs, but would be difficult for profits.

*3.1.3 Source data are timely.*

The CBSL's annual and sub-annual data used for national accounts are timely. The DCS's annual data are usually timely. Periodic surveys are usually available with a significant lag.

Price statistics, international trade statistics, balance of payments, and data for central government are available on a timely basis and in sufficient detail.

***3.2 Statistical techniques—Statistical techniques employed conform to sound statistical procedures.***

*3.2.1 Data compilation employs sound statistical techniques*

### **Production approach**

i. Are the output estimates compiled at a sufficient level of industrial detail?

**CBSL:** Output estimates for agriculture are prepared at a detailed product level by obtaining quantity of production from DCS and other sources and producer prices collected by the CBSL. For factory manufacturing, output is compiled at the total level. In other activities, estimates of output are not prepared for regular annual compilation.

For deriving GVA in the non-agricultural sector in the base year, and regular annual and quarterly compilation, about 45 activity groups are distinguished (mining and quarrying - 3, export manufacturing - 3, factory manufacturing - 1, small manufacturing -1, construction - 1, electricity and water - 2, transport and communication - 10, trade - 3, financial services - 3, dwelling services - 1, government services - 1, and about 16 other private services).

**DCS:** The output estimates for agriculture are prepared at a detailed product level by obtaining quantity of production from DCS and other sources; producer prices are collected by the DCS.

For deriving output estimates in the non-agricultural sector in the base year and regular annual compilation, about 63 activity groups are distinguished (mining and quarrying - 3, export manufacturing - 3, factory manufacturing – 9 two-digit ISIC, Rev. 2, small manufacturing -1, construction - 1, electricity and water - 2, transport and communication - 10, wholesale and retail trade and hotels - 7, financial services - 3, dwelling services - 1, government services - 8, and about 15 other private services).

ii. Are the estimates of intermediate consumption compiled at a sufficient level of detail?

**CBSL:** Estimates of intermediate consumption were calculated only for the base year (1996). For other years, separate estimates for intermediate consumption are not derived.

**DCS:** Similar breakdowns of activities like those used for output estimates are followed for derivation of intermediate consumption.

iii. In compiling GDP by activities like those used for output estimates are followed for derivation of intermediate consumption.

**CBSL:** The annual value added estimates for 1996 for most activities were derived using input/output ratios for that year (such as for agriculture based on cost of production surveys) or from studies conducted earlier. In several service activities, information on wages, depreciation, and profits are collected regularly (see also 2.4.1 and 3.1.1 on the appropriateness of valuation). In general, about 80 percent of total value added estimates at current prices are derived using fixed ratios from 1996 or earlier. The value added estimates for 1996 are carried forward using changes in values of output or related value indicators (or volume times price indicators) to derive value added at current prices.

The quarterly GDP estimates for 1996 were derived by distributing the 1996 gross value added, using indicators at a detailed level of classification used in the annual compilation (see 3.2.1.i for classification). Preliminary quarterly value added estimates at current prices are obtained by extrapolating the quarterly value added at current prices in the same quarter of the previous year, using changes in values of output or related value indicators (or volume times price indicators). These procedures assumes fixed ratios implied in the base year estimates (1996).

**DCS:** The annual compilation system makes explicit calculation for output, intermediate consumption, and gross value added. The DCS explained that, where possible, it uses current information on inputs or latest available cost structure to derive value added estimates. In agriculture, organized mining, export processing, and factory manufacturing, the value added estimates are derived either by using current information or fixed ratios from the most recent period (usually less than five years). For construction, annual surveys are used to obtain input-output ratios. In activities where few producers dominate (such as electricity, water, organized transport and communication), current information is collected. The estimates for wholesale and retail trade and most private services are based on fixed ratios that are older than five years. On average, about 50 percent of total value added may have been estimated on the basis of current information or fixed ratios that are less than 5 years old.

iv. Are proper techniques used to address specific issues of GDP compilation?

### **CBSL**

**Owner-occupied dwellings:** Output for 1996 is valued on the basis of the CBSL's consumer finances and socio-economic survey (1996/97), which uses market rent for imputing rent for owner-occupied dwellings. The estimates for other years are extrapolated using population growth rates and overall CCPI.

**Work-in progress:** Annual estimates record crop production at the time of harvest. However, work-in-progress is calculated for crop production in the quarterly estimates.

**Inventory valuation adjustment:** Data on inventories are not used. Output values used to extrapolate base year GVA at current prices are based on data on quantity of production and prices.

**Consumption of fixed capital:** For several service activities, information on business accounting depreciation is used.

**Cash versus accrual:** Government operations data compiled on a cash basis are used.

### **DCS**

**Owner-occupied dwellings:** DCS income and expenditure surveys, which use market rent for imputing rent for owner-occupied dwellings are the basis for output estimates. Household growth rates and rental component of the CCPI are used for other years.

**Work-in progress:** Work-in-progress is not calculated.

**Inventory valuation adjustment:** The output from the DCS's industrial survey is based on sales and changes in inventories, but are not adjusted for holding gains/losses.

**Consumption of fixed capital:** Information from business accounting depreciation is used.

**Cash versus accrual:** Government operations data compiled on a cash basis are used.

v. Are proper procedures followed for compiling volume measures of GDP according to the production approach?

## **CBSL**

The volume measures for GDP are calculated using a fixed base year (currently 1996). There are no policy for changing the base year (the previous base years being 1959, 1970, and 1982). A single indicator method, involving either extrapolation by a volume index/data or deflation of value added by producer or consumer prices, is followed to calculate GVA at constant prices. The GDP at constant market prices is not calculated. Only total GVA at constant prices is calculated. Taxes less subsidies at constant prices are not estimated. The procedures used in the compilation of GVA at constant prices are as follows:

**Agriculture:** Changes in quantities of production for each type of product are used to extrapolate the GVA of base year. For export crops, export volume index for minor export crops is used, while for forestry the population growth rate is applied. In the quarterly estimates, similar procedures are followed except that the GVA for paddy and other food crops are deflated by producer prices for each crop collected by the CBSL. The same quantities data are used for deriving current and constant measures.

**Mining and quarrying:** Export volume index for gems and quantity of production obtained from large companies for other minerals are used. Growth rates in the construction value added at constant prices are used to extrapolate GVA of quarrying.

**Manufacturing:** GVA by export processing, factory manufacturing, and small industry is extrapolated by production of plantation crops, production index for factory manufacturing compiled by the CBSL, and units of electricity sold to the small industry respectively. Similar approach is used for quarterly estimates. The data for export processing is considered comprehensive.

**Electricity and water:** In both annual and quarterly estimates, GVA is deflated by price indices of electricity and water constructed specifically for this purpose, based on rates for different uses.

**Construction:** Current GVA is deflated by a price index for major construction materials collected by the CBSL both in the annual and quarterly compilation.

**Wholesale and retail trade:** Three categories are distinguished: imports, exports, and domestic trade in locally produced goods. Import volume index and export volume index respectively are used to extrapolate GVA originating from trades serving imports and exports. The GVA in the domestic trade of local goods is deflated by the overall CCPI. A similar approach is followed in the quarterly estimates.

**Transport and communication:** For most transport activities, volume indicators (passenger kilometers and cargo handled) are obtained annually and quarterly. Annual and quarterly GVA for telecommunication and postal services are deflated by the overall CDCPI.

**Financial services:** Current GVA is deflated by the overall CCPI in both annual and quarterly compilation.

**Government services:** The GVA for 1996 is extrapolated by the employment in government sector in both annual and quarterly estimates.

**Private services (including hotels and business services):** Current GVA is deflated by the overall CDCPI.

## **DCS**

The volume measures for GDP are calculated using a fixed base year (currently 1990). There is no policy for changing the base year. A single indicator method, involving either extrapolation by a volume index/data or deflation of value added, is follow to calculate GVA at constant prices. The procedures used in the compilation of GVA at constant prices are as follows:

**Agriculture:** Changes in quantities of production for each type of product are used to extrapolate the GVA of base year. For export crops, the export volume index for minor export crops is used.

**Mining and quarrying:** Export volume index and quantity of production obtained from large companies for other minerals are used.

**Manufacturing:** GVA of the export processing manufacturing is extrapolated by the quantity of production. The GVA in factory manufacturing and small industry are deflated by relevant components of CCPI.

**Electricity and water:** Quantity of electricity supplied through national grid and volume of water supplied are used as extrapolators.

**Construction:** Current GVA is deflated by a cost of construction index compiled by the ICTAD.

**Wholesale and retail trade and hotels:** For trade in exports, exports of volume indices of relevant major items, such as tea and rubber are used to extrapolate the base year GVA. GVA in trade for all other goods are deflated using components of wholesale prices. GVA in hotels is deflated by a sub-component of the CCPI.

**Transport and communication:** In some cases, quantity indicators are used to extrapolate GVA of the base year. GVA in private bus transport is deflated by wholesale prices for

petroleum products. In telecommunication and postal services, GVA is deflated by the minimum wage rate index for government employees.

**Financial services:** Current GVA is deflated by the overall CCPI.

**Government services:** The GVA for the base year is extrapolated by the employment in government sector.

**Private services:** Current GVA is deflated by the overall CCPI.

**Import duties:** Base year values are extrapolated by the import volume index.

### **Expenditure approach**

i. Are the GDP estimates by expenditure components derived independently?

**CBSL:** GDP estimates by expenditure categories at current prices are compiled independently.

**DCS:** The total household consumption expenditures are determined as a residual. Estimates for household consumption by a detailed product breakdown are also compiled using commodity flow techniques.

ii. What is the level of detail for which the GDP estimates are compiled?

**CBSL:** Household consumption expenditures are calculated through a commodity flow approach for imported consumer goods and domestic supply of consumer goods. Consumption of services are calculated for the base year on the basis of the CBSL's consumer finances and socio-economic surveys; for other years the base year values are extrapolated using population growth rates and overall CCPI.

Government consumption is prepared at the total level only as the sum of current expenditure on goods and services and wages and salaries.

Gross fixed capital formation is estimated by broad type of assets using commodity flow methods. Government gross fixed capital formation is obtained from government budgets. The gross fixed capital formation for the rest of the economy is derived as a residual. The breakdown by type of assets for the rest of economy is based on ad hoc assumptions. Changes in inventories include only a few agricultural and mineral products.

**DCS:** Although household consumption is calculated by about 40 groups of products using commodity flow methods, the total is determined as a residual.

Government consumption expenditures are calculated by 8 broad groups of COFOG, as a sum of current expenses on goods and services and wages and salaries.



Gross fixed capital formation is estimated by broad type of assets using commodity flow methods. These estimates are classified also by government and other sectors, using available data on government purchases and building permits and deriving some items as a residual. Changes in inventories include manufacturing industry and agricultural products.

iii. In compiling GDP by expenditure components, what is the degree of reliance on fixed ratios derived from benchmarks or other sources that are more than 5 years old?

Household consumption and gross fixed capital formation estimated by both the CBSL and DCS are derived using commodity flow techniques. The input data for these estimates in many cases are also derived using commodity flow techniques and outdated fixed ratios. No explicit estimates are made for consumption of non-profit institutions serving households.

iv. Are proper techniques used to address specific issues of GDP compilation?

The derivation of government final expenditure does not exclude receipts from the incidental sales of government non-market services. Expenses of residents abroad are included in household final consumption expenditure. Expenditures on jewelry are included in the estimates of household consumption.

v. Are adequate procedures followed to compile volume measures of the expenditure components of GDP?

**CBSL:** The GDP by expenditures at constant prices is not calculated independently, but by applying growth rates of total value added at constant prices. Household consumption expenditures at constant prices are derived as a residual.

**DCS:** Detailed components of household consumption expenditures (the total is determined as a residual) are deflated by relevant components of the CCPI. Gross fixed capital formation is deflated by type, using cost of construction index and wholesale prices. Number of employment is used to extrapolate base-year government consumption. Export and import volume indices are used for exports and imports. Changes in inventories are deflated by overall CCPI.

*3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques.*

There is no official information on the size of the economy not covered by the national accounts compilation. However, the national accounts are believed to exclude small scale activities. Indirect compilation techniques are used to capture many activities. The indirect indicators are mostly derived from ad hoc sample frames. There are no proper benchmarks for most of the activities.

The DCS is conducting a population census in 2001, which collects information on production units. This information can and should be used to create a statistical business register, and an appropriate procedure should be developed for updating it. Based on the

business register, a comprehensive census or survey of business establishments should be conducted to provide a benchmark estimate for national accounts. At the same time, a regular annual survey of business establishments should be institutionalized. Quarterly surveys should be linked to the annual surveys. Coverage for small businesses and informal activities can be achieved using labor force surveys, data from the population census, household income and expenditure surveys, and small ad hoc studies to fill data gaps.

### ***3.3 Assessment and validation—Source data are regularly assessed and results validated.<sup>2</sup>***

*3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and non-sampling error; the results of the assessments are monitored and made available to guide planning.*

i. Is information available for sampling errors, non-sampling errors and non-response of the surveys/censuses?<sup>3</sup>

Household income and expenditure surveys, particularly the CBSL's consumer finances and socio-economic surveys, provide detailed analysis of errors and response rates. Other surveys do not include such information.

ii. In compiling GDP estimates by activities, what is the degree of reliance on the source data obtained from surveys/censuses or appropriate administrative records?

Data obtained from appropriate administrative sources and surveys cover less than 50 percent of output estimates. The CBSL's national accounts do not calculate intermediate consumption. In the DCS's national accounts, although intermediate consumption are calculated, very few sources are adequate (mainly information obtained from large producers). In other cases, ratios are used, and wherever possible, attempts are made to use the latest available data.

iii. In compiling GDP estimates by expenditure components, what is the degree of reliance on the source data obtained from surveys/censuses or appropriate administrative records?

As mentioned above, both household consumption and fixed capital formation are derived using commodity flow techniques. The capital formation in construction is particularly weak. Even when commodity supply data are reasonably good (such as imported consumer items), the adjustments for trade and transport margins are not satisfactory, which may cause biases in the consumption estimates or capital formation (such as machineries).

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<sup>2</sup> As footnote 25.

<sup>3</sup> Ideally, this would apply to surveys mentioned in 3.1.1.ii.

- iv. Are appropriate measures taken to validate the source data and make them consistent with national accounts?

Source data are cross-checked with other indicators. In general, source data are adjusted to make them consistent with national accounts (such as adjustments for trade and transport margins to calculate consumption expenditures from imports).

*3.3.2 Main intermediate results are validated against other information where applicable*

Wherever possible, estimates are validated and checked with other sources. Particularly, plausibility of growth rates are routinely checked.

*3.3.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated and made available to guide users*

The CBSL does not derive GDP at market prices from the production approach (only at factor cost). However, independent estimates are shown for GDP by production and expenditure approaches and a statistical discrepancy is shown in a table comparing resources and uses of GDP. Potential discrepancies are analyzed to improve the estimates as a part of the compilation process.

The DCS does not show statistical discrepancy, but adjusts household consumption expenditure.

**3.4 Revisions—as a gauge of reliability, are tracked and mined for the information they may provide.**

*3.4.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes.*

Data are usually revised once after they have been released as preliminary estimates. If required, further revisions may be introduced. The revision cycle is reasonably consistent over time.

The CBSL's national accounts data release and revisions dates are coordinated with the availability of major data sources, and guided by the requirement of producing its annual reports.

The DCS also compiles the preliminary estimates at the same time as the preliminary estimates of the CBSL, so that both estimates can be discussed and reconciled with each other, particularly with regard to overall growth rates.

*3.4.2 Revision studies and analyses are made public and used to guide data users.*

Analysis of revisions is not available. Usually, such analysis is made as a part of the compilation process only.

## **4. Serviceability**

*Statistics are relevant, timely, consistent, and follow a predictable revisions policy.*

### **4.1 Relevance—Statistics cover relevant information on the subject field.<sup>4</sup>**

*4.1.1 Processes to monitor the relevance and practical utility of existing statistics in meeting users' needs are in place.*

There is a public meeting open to all users at the time of the CBSL annual publication in April. Users are free to ask questions at this meeting, but these are invariably focused on the actual numbers rather than users' needs from the statistics.

The DCS organized a users' meeting in 1990, but only informal contacts have taken place since then.

### **4.2 Timeliness and periodicity—Timeliness and periodicity follow internationally accepted dissemination standards.**

*4.2.1 Periodicity follows dissemination standards.*

The CBSL publishes annual estimates of GDP from both the production and expenditure approaches; quarterly estimates are also released, but only for the production approach.

The DCS publishes annual estimates from production and expenditure approaches, and figures for the first half of the year. A breakdown of the components of GVA is also prepared.

*4.2.2 Timeliness follows dissemination standards*

The CBSL's quarterly GDP estimates are published within three months of the end of the reference quarter – conforming to SDDS standards. The annual GDP estimates are first published within four months after the end of the year.

The DCS publishes its annual estimates at the end of April, or early in May of the following year. The figures for the first half of the year are released at the end of August of that year, to fit in with the budget preparation by the MOFP.

### **4.3 Consistency—Statistics are consistent over time, internally, and with major data systems.**

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<sup>4</sup> Relevance reflects the degree to which the program addresses the issues of most concern to the users.

*4.3.1 Statistics are consistent or reconcilable over a reasonable period of time.*

For the CBSL the time series are usually consistent over time, but occasional breaks are introduced when major changes in methodology cannot be easily carried back. The latest such break took place between 1995 and 1996, but prior to that the figures are consistent back to 1982. Such breaks are clearly identified in the publications; in fact the latest annual publication only shows the estimates from 1996. A commentary is provided with the quarterly figures which would explain any unusual movements. Analyzing structural ratios is not really possible given the limited datasets produced by the CBSL. As both output and intermediate consumption are not estimated, input/output ratios and value added/output ratios can not be evaluated for accuracy. Many of structural ratios are fixed.

The DCS occasionally have breaks in their time series, the last being in 1976. However, they supply linking factors which allow users to adjust the previous figures onto the new basis. As far as possible, ratios are monitored over time to maintain consistency.

*4.3.2 Statistics are internally consistent (e.g., accounting identities observed).*

i. Are the annual accounts internally consistent?

For the CBSL, there is a statistical discrepancy between GDP from the production and expenditure approaches, which is published. Supply and use tables are not produced, but the CBSL does review the differences between the production and expenditure figures. They resolve any large differences to get the statistical discrepancy down to 2-3 percent of GDP. No other reconciliation is possible due to the limited data available to the CBSL.

The DCS does not have a statistical discrepancy since total GDP from the expenditure approach is made equal to that from the production figures. The total for household consumption expenditures are constrained to the GDP derived from the production approach.

ii. Are the quarterly estimates of GDP consistent with the annual estimates?

The quarterly estimates produced by the CBSL are made consistent with their annual estimates by simple prorating of the differences between the sum of quarters and annual estimates.

The DCS does not produce quarterly estimates; figures for the second half of the year are derived by subtracting the values for the first half from the annual total.

*4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.*

The CBSL and the DCS use the data on trade and services from the balance of payments.

***4.4 Revision policy and practice—Data revisions follow a regular and publicized procedure.***

*4.4.1 Revisions follow a regular, well-established and transparent schedule.*

For both the CBSL and the DCS, the revision practice is reasonably consistent from year to year. However, no advance information is given of expected release dates.

The CBSL produces the quarterly estimates as soon as possible after receipt of the source data. Normally revisions to the figure for a particular quarter takes place at the time of publication of the same quarter of the following year, and when annual estimates are prepared. The annual GDP figures have to be produced in time for inclusion in the CBSL annual publication published in April of the following year.

The DCS produces its annual estimates as soon as possible after the end of the year. Revisions to the production figures are only made in the following year when revised data are collected through the industry survey. The only other possible revisions are to the international trade data which are incorporated into the accounts whenever they occur, leading to counter-adjustments to other expenditure components.

*4.4.2 Preliminary data are clearly identified.*

Preliminary data are identified in the publications of both the CBSL and DCS, by flagging the set of figures for the relevant time period. Revised figures are not identified.

*4.4.3 Studies and analyses of revisions are carried out routinely and made public.*

Changes in the estimates due to revisions are routinely examined as a internal process of compilation. Neither the CBSL nor the DCS publish any general documentation on revisions, but major changes are explained.

## **5. Accessibility**

*Data and metadata are easily available and assistance to users is adequate.*

***5.1 Data accessibility—Statistics are presented in a clear and understandable manner, forms of dissemination are adequate, and statistics are made available on an impartial basis.***

*5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts).*

For the CBSL, the annual GDP figures are published at the most detailed level appropriate to the quality of the data. However, the quarterly GDP estimates are published only by five major industrial activities.

The DCS publishes fairly detailed breakdowns as time series.

*5.1.2 Dissemination media and formats are adequate.*

The CBSL produces a dedicated quarterly press release for the GDP estimates and these figures are also included on its website. The figures are also incorporated in the CBSL's annual and half-yearly economic publications.

The DCS publishes its annual estimates in a dedicated national accounts publication, and no press releases are produced.

*5.1.3 Statistics are released on a pre-announced schedule.*

Neither the CBSL nor the DCS publish an advance release calendar, but release dates do not vary much from year to year.

*5.1.4 Statistics are made available to all users at the same time.*

The CBSL releases all data simultaneously to all users. The DCS provides the finalized data to government users as soon as they are ready. It also supplies the data to other users on request. However, the publication on national accounts comes out with some delay.

*5.1.5 Non-published (but non-confidential) sub-aggregates are made available upon request.*

The CBSL never supplies unpublished data to users because of concerns about the quality of such figures. The DCS will supply additional non-confidential breakdowns on request.

**5.2 Metadata accessibility—Up-to-date and pertinent metadata are made available.**

*5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from international standards are annotated.*

Both the CBSL and DCS do not publish documentation on sources and methods.

*5.2.2 Different levels of detail are provided depending on intended audience and type of collection.*

Both the CBSL and DCS do not publish documentation on sources and methods.

**5.3 Assistance to users—Prompt and knowledgeable support service is available**

*5.3.1 Contact person for each subject field is publicized.*

The CBSL has a central contact point. A specific contact point for national accounts is not actively publicized, but regular users get to know the phone number. The DCS does not publicize any contact phone numbers; users are left to obtain their number from the telephone directory.

*5.3.2 Catalogues of publications, documents, and other services, including information on any charges, are widely available.*

The CBSL publishes a catalog of their publications, including prices. The DCS includes such a catalog in its publications.

## **II. CONSUMER PRICE INDEX**

### **0. Pre-requisites of quality**

#### ***0.1 Legal and institutional environment—The environment is supportive of statistics.***

##### ***0.1.1 The responsibility for collecting, processing, and disseminating statistics is clearly specified.***

The DCS produces and disseminates data under the Statistical Ordinance (Ordinance), last amended in 1955. An Order was issued under this Ordinance specifically requiring the DCS to produce both the CCPI and the GCPI. The Monetary Law Act (MLA), Section 35, requires the CBSL to present (but not necessarily produce), as a minimum, a monthly index of the cost of living. So, the DCS clearly has the primary role in compiling CPI estimates. However, the CBSL feels that the Act also gives it the right to produce its own CPI.

##### ***0.1.2 Data sharing and coordination among data producing agencies are adequate.***

This is not relevant since both the DCS and the CBSL are totally self-sufficient when it comes to the compilation of the various versions of the CPI. This means that each agency not only collects its own data on price movements, but also the expenditure data used to construct the weights.

##### ***0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only.***

Confidentiality of data reported to the DCS is guaranteed under the Ordinance. It requires that every person engaged in the collection and preparation of statistics must make a declaration in the prescribed form that he will not disclose or make use of any information supplied under this Ordinance. Staff of the DCS is subject to a maximum penalty of one year in jail and/or a 1,000 rupee fine if they disclose confidential data. Anyway, the DCS is not aware of any such breaches having taken place. Only authorized staff is allowed access to the computer installation and systems.

Confidentiality of reporting to the CBSL is ensured under the MLA and there have never been any known infringements of this responsibility. Computer systems are also tightly controlled with individual passwords only allowing access to relevant data.

Both the DCS and the CBSL make clear statements on all survey forms that the data will only be used for statistical purposes and will be kept confidential.



Both the DCS and CBSL have established rules to ensure that none of their disseminated data is disclosed. The DCS accommodation is not very secure, but completed forms are kept as safe as possible and no losses have ever been reported. Documents due for destruction are shredded before they leave the DCS's control. The CBSL has a very secure site and completed forms are tightly controlled with access restricted to authorized personnel. There are also strict rules for the disposal of documents.

*0.1.4 Statistical reporting is ensured through legal mandate and/or measures implemented to encourage voluntary response.*

The Ordinance and the MLA both require respondents to supply data on request. Unfortunately, the Ordinance only imposes a fine for non-response of 50 rupees. However, both the DCS and the CBSL prefer to use persuasion rather than prosecution against non-respondents.

***0.2 Resources—Resources are commensurate with needs of statistical programs.***

*0.2.1 Staff, financial, and computing resources are commensurate with institutional programs.*

The DCS has no problem in recruiting the qualified staff it needs, but has difficulty in retaining staff because of the low rates of pay in the civil service. This means that there is a risk of not having sufficient staff with a real depth of knowledge of the CPI system, but this is not a problem at present. The DCS undertakes basic internal training of its staff, including those engaged in data collection. Staff is encouraged to attend international courses and seminars, but the CBSL seems to be more successful in gaining places.

The CBSL has adequate, and well qualified, staff to undertake the existing PPI program and believes that it could obtain additional resources, if required. A comprehensive internal training program has recently been created. Staff is also encouraged to attend international training courses and seminars. The incentive structure is very good compared to that of the civil service. On the other hand, there is concern that the expanding commercial sector may be prepared to offer better remuneration packages to experienced staff.

The resource allocation for both organizations is sufficient for current needs and could be increased if a justifiable expansion in the work program was made. However, the DCS's accommodation in Colombo is of particularly poor quality and widely disbursed, but it is hoped to move into a new building in a few years time.

Both organizations have sufficient computer resources to meet their current needs. However, in the DCS they are centralized with few PCs in individual work areas, restricting analysis.

*0.2.2 Measures to ensure efficient use of resources are implemented.*

In the DCS, each work area is given a specific budget within which it must work. In the CBSL, self-contained systems such as the PPI are given their own budgets, allowing close

monitoring of costs. The fact that both agencies produce different versions of the CPI, and each is planning additional versions, is clearly not cost-effective. Additionally, they both operate separate household expenditure surveys to generate the weights for their CPIs.

***0.3 Quality awareness—Quality is recognized as a cornerstone of statistical work.***

*0.3.1 Processes are in place to focus on quality, to monitor the quality of the collection, processing, and dissemination of statistics, to acknowledge and deal with tradeoffs within quality, and to guide planning for existing and emerging needs.*

In the DCS quality awareness is encouraged by increasing the motivation of staff. This is achieved by making staff feel important and valued by giving them as much responsibility as possible. Also, some posts are being re-graded to improve the esteem of the staff. All managers in the CBSL are expected to apply quality considerations to the activities of their workgroups. The newly implemented management training program addresses the need for quality awareness.

There is no independent user or advisory council for either organization. The DCS undertook a user survey two years ago while the CBSL makes occasional requests for feedback to specific users.

New requirements were identified through the requests for feedback from users. However, for the CBSL the policy departments are the main source of new requirements.

**1. Integrity—The principle of objectivity in the collection, processing, and dissemination of statistics is firmly adhered to.**

***1.1 Professionalism—Professionalism in statistical policies and practices is a guiding principle.***

*1.1.1 Statistics are compiled on an impartial basis.*

The DCS is not free to compile the official CCPI on an impartial basis because all attempts to update the weights for the CCPI have been overruled by other agencies. The CBSL is not subject to any interference from outside in the compilation of price statistics.

Neither the Ordinance nor the MLA guarantees the professional independence of the statistical activities of the DCS or the CBSL.

The DCS encourages staff to attend conferences and meetings. The management of the CBSL encourages the publication of methodological papers, but this rarely happens because of other commitments.

*1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations.*

The compilers of the CPI in both organizations are free to choose the most appropriate data sources.

*1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics.*

Both organizations comment on erroneous interpretation and misuse of the statistics whenever necessary.

***1.2 Transparency—Statistical policies and practices are transparent.***

*1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public.*

The terms and conditions under which data are produced and disseminated are contained in the Ordinance and the MLA, which have both been published.

*1.2.2 Internal governmental access to statistics prior to their release is publicly identified.*

There is no pre-release access to other government agencies for the CPIs produced by the DCS or the CBSL.

*1.2.3 Products of statistical agencies/units are clearly identified as such.*

The DCS and CBSL are clearly identified on all of their own products. The CBSL also acknowledges when data comes from other sources, but only as a footnote to the tables, not for the specific series.

*1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques.*

The DCS will discuss forthcoming methodological changes with government users, but not those in the private sector. The CBSL does not give advance notice of major changes in methodology as it cannot be precise about when the change will be implemented. However, when introducing such a change, it publishes the old and new versions to allow users to see its impact.

***1.3 Ethical standards—Policies and practices are guided by ethical standards.***

*1.3.1 Guidelines for staff behavior are clear and publicized.*

The DCS's training program for new staff covers the required ethical standards. All of the CBSL's staff is governed by the code of conduct contained in the "Handbook".

The staff of both organizations is aware of their responsibilities and no breaches are known to have occurred.

## **2. Methodological soundness—The methodological basis for the statistics follows international standards, guidelines, or agreed practices**

### ***2.1 Concepts and definitions—Concepts and definitions used are in accord with standard statistical frameworks***

#### *2.1.1 The overall structure in terms of concepts and definitions follows international standards, guidelines, or agreed practices: see dataset-specific framework*

The CCPI produced by the DCS incorporates weights derived from the DCS's Family Budget Survey (FBS) conducted in 1949/50. Clearly, the concepts and definitions underlying the FBS do not conform to current international standards. However, the FBS did collect data on purchases for consumption and production for own final use, but excluding purchases for production. The concepts and definitions of the 1985/86 Labor Force and Socio-Economic Survey (LFSES), used to derive the weights for the Greater Colombo CPI (GCPI), followed those of the 1949/50 FBS.

The staff of the CBSL followed the concepts and definitions of the DSC's CCPI when setting up the CD-CPI.

### ***2.2 Scope —The scope is in accord with internationally accepted standards.***

#### *2.2.1 The scope is broadly consistent with international standards, guidelines, or agreed practices.*

- i. Is the delimitation of the constituent units of the economy in accordance with the 1993 SNA?

The CCPI only covers the city of Colombo while the GCPI additionally covers the suburbs of Colombo. All sizes and types of household are covered in the DCS's FBS and LFSES, on which the weights for the two CPIs are based, including the personal consumption of household producers. Only households whose income is in the lowest 52 and 40 percent of the reference population are covered in the CCPI and GCPI, respectively. The DCS is working on the design of a new CPI covering the whole of Sri Lanka. Additionally, they will produce a sub-index conforming to the coverage of the GCPI.

The CD-CPI covers the district of Colombo, which includes Colombo city and some surrounding rural areas. All sizes and types of household are covered in the CBSL's Consumer Finance Survey, on which the weights for the CD-CPI are based, including the personal consumption of household producers. Only households whose income is in the lowest 40 percent of the reference population are covered. The CBSL regional offices in Matara, Anuradhapura and Matale have also developed CPIs for those regions, but these have not been published because of concerns over quality.

- ii. Are there differences in the scope of coverage between the CPI and the household sector in the 1993 SNA and are the differences known by users?

The weights used for each of the CPI's produced by the DCS and the CBSL are basically the same. They represent all consumption purchases of market goods, and also incorporate own-account production of marketable goods for own final consumption. This includes, as far as possible, marketable goods produced illegally, such as alcoholic beverages, but not those for which free market prices are not available, e.g. narcotics. Services are also covered, but only those used by the lower income families. So, for instance, hairdressing and laundry services are included, but bank charges are excluded or, more correctly, are not covered because they have a negligible weight.

***2.3 Classification/sectorization—Classification and sectorization systems are in accord with internationally accepted standards***

*2.3.1 Classification/sectorization systems used are broadly consistent with international standards, guidelines, or agreed practices: see dataset-specific framework.*

The product classification used for the CCPI is a national classification in use in the 1950s. That used for the GCPI is the UN product classification. The DSC is planning to use COICOP, adapted to national needs, as the basic classification for the new national CPI.

***2.4 Basis for recording—Flows and stocks are valued and recorded according to internationally accepted standards***

*2.4.1 Market prices are used to value flows and stocks.*

Both the consumption expenditure used for the weights in each of the CPIs, including production for own final use, and the prices used in the index are actual purchaser prices paid at markets. In fact, the DCS, but not the CBSL, provides some money to their price collectors to enable them to actually purchase goods. This improves the quality of the price quotations used by the DCS.

*2.4.2 Recording is done on an accrual basis.*

The prices used in each of the CPIs are the actual purchaser prices on the day of collection.

*2.4.3 Grossing/netting procedures are broadly consistent with international standards, guidelines, or agreed practices.*

Not applicable as used goods are not covered by any of the CPIs.

***3. Accuracy and reliability—Source data and statistical techniques are sound, and output data sufficiently portray reality.***

***3.1 Source data—Source data available provide an adequate basis to compile statistics.***

*3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions.*

i. Are reliable frames used for conducting surveys of statistical units?

The household surveys, used to derive the weights for each of the CPIs, are sample surveys selected using household lists obtained from the population census. They are not updated during intervening years except that a special census was undertaken in 1994 as it was not possible to run the normal census in 1991. Prices are only collected from a limited number of markets and fairs by each organization. However, these are the main retail outlets used by the lower income households covered by the CPIs. Both organizations are aware that their planned expansion to cover households with the lowest 80 percent by income will require a wider selection of retail outlets. The intention is to build up lists of retailers from the business register and retailer organizations.

ii. Are consumer expenditure statistics collected through a regular household budget survey program for compiling CPI expenditure weights?

The LFSES is run by the DCS every five years; currently the CFC is run by the CBSL every ten years, following the population census, but there are plans to run it every five years. The DCS select households from the census lists, while the CBSL selects families. If a household/family is no longer resident at a particular location, a replacement is selected. The surveys cover all households in Sri Lanka, except for those in the strife-torn regions.

Proper random sampling techniques are used to select the households to be surveyed. Both the DCS and the CBSL firstly randomly selects a number of census blocks (groups of villages). Then a number of villages are randomly selected from each census block. Finally, an interval sample is taken from a fixed number of families in each village, starting from a randomly selected point on each list. Expenditure on marketed goods and services at purchaser prices is collected – purchases for production purposes are separately identified. The value of goods produced for own final consumption is also collected at estimated market prices. In the past expenditure was only collected for 187 product groups, but the DCS and the CBSL are planning to increase the number in their next survey. Consumption is built up for each month of the chosen year from regular (three a week) visits by the interviewer. Non-response is negligible and is ignored. The rental value of owner occupied dwellings was obtained by asking households what they thought it would be or, if this was not possible, the rent in the surrounding area.

iii. Is a regular price survey conducted to collect consumer prices?

For the CCPI, prices for food and energy products are collected weekly; clothing twice a month; household goods and health expenditure monthly; education, transport and communications twice a year; and recreation annually. Approximately 9,000 individual price observations are taken per month from 7 markets. Items are subject to purposive selection depending in importance in household expenditure, representatively of the price movement of the basic class and availability for a reasonable length of time. The same price collection

system is used for the GCPI. In fact, the DCS collect prices throughout the country using their regional and local staff. This means that they already collect most of the prices required for the new national CPI. However, some of the items in the basket for the new index are not currently collected.

Prices for foods are collected once a week for the CD-CPI. Prices for non-food commodities are collected once a month, during the third week. The frequency of collection of prices for services varies depending on their changeability, e.g. tuition fees are only collected once a year when they are fixed for the year ahead. Price collectors are given detailed specifications of the products to be priced, covering characteristics such as brand, model, etc. When replacement products are needed they are selected centrally by CBSL staff. Around 1,800 price quotations are collected each month – 27 for each food item and 5 for each non-food items. The number of price quotations for each non-food item may not be sufficient to produce a reliable average price for every item. Prices for consumer durables are not collected because such items are not often purchased by low income households. For the same reason, prices for certain services are not collected, e.g. financial and communication services.

iv. Are there provisions to conduct ad-hoc surveys?

There is no requirement to run ad-hoc surveys.

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required.*

The household surveys provide the data required to derive proper weights for each of the CPIs. The coverage, valuation and timing of price collection completely conform to the needs of the CPIs.

*3.1.3 Source data are timely.*

The full set of results of the 1995/96 LFSES did not become available until early in 1999 though they are normally available within one to two years. The results of the CBSL's CFS also become available within one to two years. The price quotations used in the existing CPIs are all available on a timely basis, even though the CCPI and the CD-CPI are published on the last day of the month of collection. However, the proposed extension to cover the whole country could create problems in that, some of the data already collected by the DCS is not available in time to meet this tight schedule. For this reason, the DCS is considering only publishing the new CPI quarterly on a more relaxed timetable.

***3.2 Statistical techniques—Statistical techniques employed conform to sound statistical procedures.***

*3.2.1 Data compilation employs sound statistical techniques*

- i. Are the consumption expenditure estimates compiled at a sufficient level of commodity and service detail?

The existing CPIs are only compiled for 187 items. However, the DCS and the CBSL will collect more detailed product breakdowns in their upcoming household expenditure surveys, which will allow the development of a more detailed CPI in the future.

- ii. Are proper techniques used to address specific issues of consumption measurement for CPI weights?

The weights used in the various CPIs conform to the *1993 SNA* in that they cover own account production for final consumption as well as purchases. The weights for owner-occupied housing are estimated as the market rental value of the dwelling. Price quotations are the actual purchaser prices on the day, regardless of the method of payment. Own-account production for final use is included indistinguishably in the weights, and is valued using the prices of equivalent products on the market.

- iii. What statistical techniques are used to compile the CPI estimates?

In all three CPIs, the lowest level indices are constructed by taking the ratio of the average price over that of the previous month. The resulting short-term price relative is then applied to the long-term change for the previous month. These elementary indices are then aggregated to higher levels using the Laspeyres formula. The weights for the CCPI relate to 1949/50 and these were adjusted for price changes to align them with the price reference period of 1952. Numerous attempts have been made to update these weights, but these have all been turned down under pressure from those with a vested interest in overstating inflation, e.g. trades unions. The weights for the GCPI cover the year 1985/1986; they were not updated following the 1995/96 LFSES because of resource constraints. The weights were revalued to match the price reference period of January-June 1989. The weights and price reference period for the CD-CPI are both October 1996-September 1997. New weights have not so far been introduced for any of the CPIs.

- iv. What statistical methods are used to handle missing prices and the introduction of new products that are within the scope of the CPI?

In all cases, temporary missing prices are dealt with by carrying forward the last reported price. If an item becomes permanently unavailable, a suitable replacement is selected by specialist staff. The DCS do not make any adjustments for quality changes but if there is a significant price difference between the old and new items, this is phased in over several months. If possible, the CBSL does make adjustments for significant quality changes by overlap linking. New products will usually only be introduced when the weights are updated. However, the DCS has occasionally introduced new items into the CCPI, but only by adjusting the weights within a group.

*3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques.*



No comparison between movements in the CPIs and that for the household final consumption implicit deflator has yet been made, but it is now planned to do so.

***3.3 Assessment and validation—Source data are regularly assessed and results validated.***

*3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and non-sampling error; the results of the assessments are monitored and made available to guide planning.*

- i. Is information available for sampling errors, non-sampling errors and non-response of the surveys/censuses?

Sampling errors for the household expenditure surveys are available, but are not published. Non-sampling errors are known to apply to the household expenditure surveys, particularly for consumption of alcohol and tobacco, but no adjustments are made to the weights. The results of the household expenditure surveys are adjusted for non-response. Price collectors have to justify significant monthly changes reported for any items. Supervisors verify a random selection of price quotations.

- ii. In compiling CPI estimates, what is the degree of reliance on the source data obtained from surveys/censuses or appropriate administrative records?

The weights used in the existing CPIs account for over 90 percent of the household consumption of the reference population.

- iii. Are appropriate measures taken to validate the source data and make them consistent with CPI?

Consumption expenditure collected through the household surveys is compared between household types and across areas. Imputations are made for non-responding households. Repeated visits by interviewers are believed to reduce misreporting, but it is known that certain products such as alcohol and tobacco are under-reported. There is close alignment between the household expenditure surveys and the requirements of the CPIs. Price quotations are checked with each other and significant differences are followed-up.

***3.3.2 Main intermediate results are validated against other information where applicable***

The CBSL makes checks between its sub-indices and the comparable ones independently produced by the DCS.

***3.3.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated and available to guide users.***

None of the CPIs are revised once published.

**3.4 Revision studies —revision, as a gauge of reliability, are tracked and mined for the information they may provide.**

*3.4.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes.*

No revisions are made to any of the CPIs.

**4. Serviceability—Statistics are relevant, timely, consistent, and follow a predictable revisions policy.**

**4.1 Relevance—Statistics cover relevant information on the subject field.<sup>5</sup>**

*4.1.1 Processes to monitor the relevance and practical utility of existing statistics in meeting users' needs are in place.*

The DCS meets with users, but only when it wishes to discuss a particular issue, e.g. in its attempts to persuade users of the need to update the weights for the CCPI. The CBSL has no formal contact with users; it just responds to queries as they are made. Both organizations take every opportunity to attend international meetings and seminars.

**4.2 Timeliness and periodicity —Timeliness and periodicity follow internationally accepted dissemination standards.**

*4.2.1 Periodicity follows dissemination standards.*

Each of the existing CPIs is published monthly in line with the SDDS. However, the new national CPI being developed by the DCS may only be published quarterly, since many price quotations arrive too late for the proposed publication date of the end of the reference month.

*4.2.2 Timeliness follows dissemination standards*

The CCPI and the CD-CPI are published on the last day of the reference month, while the GCPI is published in the middle of the following month. The new national CPI being developed by the DCS could be published monthly, if this was allowed to happen in the middle of the following month rather than at the end of the reference month.

**4.3 Consistency —Statistics are consistent over time, internally, and with major data systems.**

*4.3.1 Statistics are consistent or reconcilable over a reasonable period of time.*

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<sup>5</sup> Relevance reflects the degree to which the program addresses the issues of most concern to the users.

All of the CPIs are consistent over time. Erratic changes are explained when they occur; in particular, significant changes in growth between the various CPIs are explained in terms of the different weights being used. No changes in methodology or data sources have been made to any of the CPIs.

*4.3.2 Statistics are internally consistent.*

Not applicable since each of the existing CPIs only covers a single geographic area.

*4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.*

There can be significant differences in growth between the various versions of the CPI, particularly between the CCPI and the other two. The problem of the outdated weights in the CCPI has even resulted in it moving in the opposite direction to the other two.

The PPI is of such poor quality that there is no point in making any comparisons with it.

***4.4 Revision policy and practice —Data revisions follow a regular and publicized procedure.***

*4.4.1 Revisions follow a regular, well-established and transparent schedule.*

- i. Do revisions (of provisional estimates, weight updates, and methodology) follow a regular, well-established and transparent schedule?

There is no established revisions policy for any of the CPIs.

- ii. Are the release and revision dates coordinated with the arrival of major data sources and the timing of preparation of important official economic policy documents?

Not applicable to prices since no revised figures are received. On the other hand, the suppression of revised weights for the CCPI has seriously distorted growth in this index.

*4.4.2 Preliminary data are clearly identified.*

Not applicable as the indices are never revised.

*4.4.3 Studies and analyses of revisions are carried out routinely and made public.  
(See also 3.4)*

Not applicable since the CPIs are not revised.

**5. Accessibility—Data and metadata are easily available and assistance to users is adequate.**

***5.1 Data accessibility—Statistics are presented in a clear and understandable manner, forms of dissemination are adequate, and statistics are made available on an impartial basis.***

***5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts).***

All of the CPIs are published as a time-series – the CCPI for 5 sub-groups, the GCPI for 8 sub-groups and the CD-CPI for 9. All of the versions are published with an analysis of current developments and a comparison between them. The data are well laid out and indexed.

***5.1.2 Dissemination media and formats are adequate.***

Both the DCS and CBSL release their CPI figures in press releases, their websites, monthly and annual publications.

***5.1.3 Statistics are released on a pre-announced schedule.***

No advance release schedules are published because the release dates are on the same day every month, which is well known to users.

***5.1.4 Statistics are made available to all users at the same time.***

Both organizations release their data to all users at the same time.

***5.1.5 Non-published (but non-confidential) sub-aggregates are made available upon request.***

The DCS supply non-published, but non-confidential data, on request. The CBSL will not supply any non-published sub-indices because of concerns about the quality of the data.

***5.2 Metadata accessibility—Up-to-date and pertinent metadata are made available.***

***5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from international standards are annotated.***

The DCS publishes a fairly detailed methodological guide whenever a new version of the CPI is first published. When a guide goes out of print they will still provide a photocopy on request – this is stated on their website. The CBSL has only produced a short guide for the CD-CPI. Some commentary on differences from international standards is included – in particular, the DCS discuss the issue of the outdated weights in the CCPI. The GDDS metadata was last updated in June 2000.

*5.2.2 Different levels of detail are provided depending on intended audience and type of collection.*

Both the DCS and CBSL provide summary methodologies in their publications and on their websites.

***5.3 Assistance to users—Prompt and knowledgeable support service is available***

*5.3.1 Contact person for each subject field is publicized.*

Contact points are provided in both organizations publications and website, as well as on the DSBB.

*5.3.2 Catalogues of publications, documents, and other services, including information on any charges, are widely available.*

The CBSL publishes a catalogue of publications quoting prices. The DCS publishes such details in each of its publications.

**III. PRODUCE PRICE INDEX (PPI)**

**0. Pre-requisites of quality**

***0.1 Legal and institutional environment—The environment is supportive of statistics.***

*0.1.1 The responsibility for collecting, processing, and disseminating statistics is clearly specified.*

The Monetary Law Act (MLA) gives the CBSL the right to collect and disseminate any data it feels necessary for setting economic policy. It does not specifically mention a PPI, but no other institution (including the DCS) produces a PPI.

*0.1.2 Data sharing and coordination among data producing agencies are adequate.*

No data is collected from other agencies to produce the PPI. The CBSL also produces a related index on import prices using data from Customs, but this is not required specifically for the PPI.

*0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only.*

Confidentiality of reporting to the CBSL is ensured under the MLA and there have never been any known infringements of this responsibility. Computer systems are also tightly controlled with individual passwords only allowing access to relevant data.

The CBSL make clear statements on all survey forms that the data will only be used for statistical purposes and will be kept confidential.

The CBSL has established rules to ensure that none of its disseminated data are disclosed. The CBSL has a very secure site and completed forms are tightly controlled with access restricted to authorized personnel. There are also strict rules for the disposal of documents.

*0.1.4 Statistical reporting is ensured through legal mandate and/or measures implemented to encourage voluntary response.*

The MLA requires respondents to supply data to the CBSL on request. However, the CBSL prefers to use persuasion rather than prosecution against non-respondents.

***0.2 Resources—Resources are commensurate with needs of statistical programs.***

*0.2.1 Staff, financial, and computing resources are commensurate with institutional programs.*

The CBSL has adequate, and well qualified, staff to undertake the existing PPI program and believes that it could obtain additional resources, if required. A comprehensive internal training program has recently been created. Staff is also encouraged to attend international training courses and seminars. The incentive structure is very good compared to that of the civil service. On the other hand, there is concern that the expanding commercial sector may be prepared to offer better remuneration packages to experienced staff.

The resource allocation is sufficient for current needs and could be increased if a justifiable expansion in the work program was made.

Computer resources are good, fully meeting the needs of the PPI program.

*0.2.2 Measures to ensure efficient use of resources are implemented.*

Self-contained systems such as the PPI are given their own budgets, allowing close monitoring of costs.

***0.3 Quality awareness—Quality is recognized as a cornerstone of statistical work.***

*0.3.1 Processes are in place to focus on quality, to monitor the quality of the collection, processing, and dissemination of statistics, to acknowledge and deal with tradeoffs within quality, and to guide planning for existing and emerging needs.*

All managers are expected to apply quality considerations to the activities of their workgroups. The newly implemented management training program addresses the need for quality awareness. However, no attempt has been made to update the PPI system even though there is no information on how the existing system was constructed.

There is no independent user or advisory council. Occasional requests for feedback are made to specific users.

New requirements will be identified through the occasional requests for feedback. However, the policy departments of the CBSL are the main source of new requirements.

**1. Integrity—The principle of objectivity in the collection, processing, and dissemination of statistics is firmly adhered to.**

***1.1 Professionalism—Professionalism in statistical policies and practices is a guiding principle.***

***1.1.1 Statistics are compiled on an impartial basis.***

There is no interference from outside in the compilation of the PPI. However, the staff is continuing to use the old methodology even though its details have been destroyed.

The MLA does not guarantee the professional independence of the statistical activities of the CBSL.

The management of the CBSL encourages the publication of methodological papers, but this rarely happens because of other commitments.

***1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations.***

The compilers of the PPI are free to choose the most appropriate data sources.

***1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics.***

The PPI staff is encouraged to comment on erroneous interpretation and misuse of the statistics, and do so whenever necessary.

**1.2 Transparency—Statistical policies and practices are transparent.**

***1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public.***

The terms and conditions under which data are produced and disseminated are contained in the MLA which has been published.

***1.2.2 Internal governmental access to statistics prior to their release is publicly identified.***

There is no pre-release access to the CBSL data by any other government agency.

*1.2.3 Products of statistical agencies/units are clearly identified as such.*

The CBSL is clearly identified on all of its products.

*1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques.*

Advance notice is not given of major changes in methodology as the CBSL cannot be precise about when the change will be implemented. However, when introducing such a change it publishes the old and new versions to allow users to see its impact.

***1.3 Ethical standards—Policies and practices are guided by ethical standards.***

*1.3.1 Guidelines for staff behavior are clear and publicized.*

All of the CBSL's staff is governed by the code of conduct contained in the "Handbook".

All staff complies with the "Handbook".

**2. Methodological soundness—The methodological basis for the statistics follows international standards, guidelines, or agreed practices**

***2.1 Concepts and definitions—Concepts and definitions used are in accord with standard statistical frameworks***

*2.1.1 The overall structure in terms of concepts and definitions follows international standards, guidelines, or agreed practices: see dataset-specific framework*

The concepts and definitions for price quotations conform to international standards, but those underlying the constructions of the weights are unknown as the documentation was destroyed by a bomb explosion. However, it is believed that some details were published when the index was created.

***2.2 Scope—The scope is in accord with internationally accepted standards.***

*2.2.1 The scope is broadly consistent with international standards, guidelines, or agreed practices.*

i. Is the delimitation of the constituent units of the economy in accordance with the 1993 SNA?

The list of enterprises from which producer prices are collected is that created when the PPI was set up in 1974. When enterprises cease to operate they are simply removed from the list, no replacements are included. It is known that free zones and bonded warehouses are not covered in the PPI.



- ii. Are there differences in the scope of coverage between the PPI and the 1993 SNA and are the differences known to users?

The PPI only records the prices of market goods. Services are not covered and neither is output for own use or illegal activities.

***2.3 Classification/sectorization—Classification and sectorization systems are in accord with internationally accepted standards***

***2.3.1 Classification/sectorization systems used are broadly consistent with international standards, guidelines, or agreed practices: see dataset-specific framework.***

The classifications used are national ones created when the index was developed.

***2.4 Basis for recording—Flows and stocks are valued and recorded according to internationally accepted standards***

***2.4.1 Market prices are used to value flows and stocks.***

The prices collected are producer prices obtainable on the market. No information is available on the valuations used to derive the weights for the PPI.

***2.4.2 Recording is done on an accrual basis.***

It is not known if the weights are based on output or sales. Prices are actual sale prices during the period.

***2.4.3 Grossing/netting procedures are broadly consistent with international standards, guidelines, or agreed practices.***

Stage of processing indices are produced, but the derivation of the weights is not known.

***3. Accuracy and reliability—Source data and statistical techniques are sound, and output data sufficiently portray reality.***

***3.1 Source data—Source data available provide an adequate basis to compile statistics.***

***3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions.***

- i. Are reliable frames used for conducting surveys of statistical units?

The list of enterprises surveyed for the PPI is that developed in 1974. Enterprises which cease activity are simply removed from the list and no new enterprises are added.

- ii. Are annual business statistics collected through a regular establishment/enterprise survey program for compiling output weights (PPI), intermediate input weights (input price and stage of processing output price indices), and product prices?

The weights relate to 1974 and the basis for their derivation is not known. There are regular enterprise surveys, but the results have not been used to update the weights for the PPI. A very detailed number of prices are collected for agricultural goods. However, for manufacturing, only 20 establishments are covered providing around 200 price quotations in total.

- iii. Are surveys of household unincorporated enterprises conducted on regular basis for

The PPI does not cover unincorporated enterprises.

- iv. Are periodic (two or more years) surveys/censuses of output and intermediate consumption conducted on a regular basis?<sup>6</sup>

Not relevant since the PPI weights have never been updated.

- v. Are there provisions to conduct ad-hoc surveys?

Not relevant since the PPI weights have never been updated.

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required.*

The collected price data conform to the requirements of the PPI, but it is not known if this applies to the weights.

*3.1.3 Source data are timely.*

The prices for the fishing industry and foreign trade are late in arriving. This means that the PPI cannot be published until two months after the reference period.

***3.2 Statistical techniques—Statistical techniques employed conform to sound statistical procedures.<sup>7</sup>***

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<sup>6</sup> This question is applicable to situations where annual censuses/surveys are not available and annual estimates are developed by extrapolating benchmark data using appropriate indicators.

<sup>7</sup> This section concerns the source data for the annual PPI as defined in the IMF SDDS.

### *3.2.1 Data compilation employs sound statistical techniques*

- i. Are the output estimates compiled at a sufficient level of industrial and commodity detail?

Prices are collected for 136 products and these are aggregated into 13 industry groups for publication. The classifications used are nationally produced and do not conform to any international standards.

- ii. Are proper techniques used to address specific issues of Output measurement for PPI weights?

The concepts, coverage or valuation principals for the PPI weights are not known.

- iii. What statistical techniques are used to compile the PPI estimates?

Basic price observations are combined as weighted averages of short-term price relatives. Aggregation is undertaken using the Laspeyres formula. Both the weight and price references periods are 1974. New weights have never been introduced for the PPI.

- iv. What statistical methods are used to handle missing prices and the introduction of new products that are within the scope of the PPI?

Prices for temporarily missing products are dealt with by carrying forward the last reported price. If a product becomes permanently unavailable it is replaced by a similar product. If there is a significant quality difference between the old and new products, overlap linking is performed, if possible. New products can only be incorporated when the weights are updating, so none have been introduced.

### *3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques.*

It is not known how well the 1974 weights covered the economy.

## ***3.3 Assessment and validation—Source data are regularly assessed and results validated.***

*3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and non-sampling error; the results of the assessments are monitored and made available to guide planning.*

- i. Is information available for sampling errors, non-sampling errors and non-response of the surveys/censuses?<sup>8</sup>

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<sup>8</sup> Ideally, this would apply to surveys mentioned in 3.1.1.ii.

Given the outdated enterprise list, it is not possible to work out sampling errors. Neither is there any information on non-response. No checks are undertaken on the reported data.

- ii. In compiling PPI estimates by activities, what is the degree of reliance on the source data obtained from surveys/censuses or appropriate administrative records?

It is not known how well the weights cover output in the base period.

- iii. Are appropriate measures taken to validate the source data and make them consistent with PPI?

No checks are applied to the source data.

### *3.3.2 Main intermediate results are validated against other information where applicable*

No such checks are undertaken.

### *3.3.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated and available to guide users.*

No discrepancies exist between PPI for economic activities and the PPI for products.

## ***3.4 Revision studies—revision, as a gauge of reliability, are tracked and mined for the information they may provide.***

### *3.4.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes.*

The PPI is never revised even when data are reported late.

## **4. Serviceability—Statistics are relevant, timely, consistent, and follow a predictable revisions policy.**

### ***4.1 Relevance—Statistics cover relevant information on the subject field.<sup>9</sup>***

#### *4.1.1 Processes to monitor the relevance and practical utility of existing statistics in meeting users' needs are in place.*

There is no formal contact with users of the PPI; queries from users are dealt with when they occur. In particular, no attempt has been made to raise with users the serious weaknesses in the PPI.

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<sup>9</sup> Relevance reflects the degree to which the program addresses the issues of most concern to the users.

***4.2 Timeliness and periodicity—Timeliness and periodicity follow internationally accepted dissemination standards.***

*4.2.1 Periodicity follows dissemination standards.*

The PPI is produced monthly.

*4.2.2 Timeliness follows dissemination standards*

The PPI is only published two months after the end of the reference period – this does not conform to the SDDS standard.

***4.3 Consistency—Statistics are consistent over time, internally, and with major data systems.***

*4.3.1 Statistics are consistent or reconcilable over a reasonable period of time.*

Enterprises which have ceased operating are simply excluded from the PPI when this occurs, and new enterprises are never added. So, the PPI cannot be considered to measure real changes in producer prices over time. No adjustments are made to back series for any reason.

*4.3.2 Statistics are internally consistent.*

There is no discrepancy between the total PPI and its components.

*4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.*

No comparisons are made between the PPI and any other price indices.

***4.4 Revision policy and practice—Data revisions follow a regular and publicized procedure.***

*4.4.1 Revisions follow a regular, well-established and transparent schedule.*

The PPI is never revised; the weights have not been revised since 1974.

*4.4.2 Preliminary data are clearly identified.*

The PPI is never revised.

*4.4.3 Studies and analyses of revisions are carried out routinely and made public.  
(See also 3.4)*

The PPI is never revised.

**5. Accessibility—Data and metadata are easily available and assistance to users is adequate.**

***5.1 Data accessibility—Statistics are presented in a clear and understandable manner, forms of dissemination are adequate, and statistics are made available on an impartial basis.***

*5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts).*

The PPI is published as time-series, but only 13 sub-indices are included.

*5.1.2 Dissemination media and formats are adequate.*

The PPI is not published as a press release, but is included in the CBSL's monthly publication. However, the data is supplied on demand prior to the monthly publication.

*5.1.3 Statistics are released on a pre-announced schedule.*

There is no advance release calendar, but the CBSL's monthly publication is released at the same time every month.

*5.1.4 Statistics are made available to all users at the same time.*

*5.1.5 Non-published (but non-confidential) sub-aggregates are made available upon request.*

The CBSL never releases unpublished details because of concerns about the quality of the data.

***5.2 Metadata accessibility—Up-to-date and pertinent metadata are made available.***

*5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from international standards are annotated.*

No detailed documentation is available because the basic methodology is not known.

***5.2.2 Different levels of detail are provided depending on intended audience and type of collection.***

Not relevant.

***5.3 Assistance to users—Prompt and knowledgeable support service is available***

*5.3.1 Contact person for each subject field is publicized.*

A contact person is identified.

*5.3.2 Catalogues of publications, documents, and other services, including information on any charges, are widely available.*

The CBSL publishes a catalogue of publications quoting price

#### **IV. GOVERNMENT FINANCE STATISTICS**

##### **0. Pre-requisites of quality**

*0.1 Legal and institutional environment—The environment is supportive of statistics.*

*0.1.1 The responsibility for collecting, processing, and disseminating statistics is the Ministry of Finance and Planning (MOFP) and the Central Bank of Sri Lanka (CBSL).*

The **MOFP** and the **CBSL** work closely to collect, compile and disseminate government finance statistics (GFS). The CBSL, mandated with a debt management responsibility for central government, is required by law to collect and disseminate GFS and has significant authority to collect data needed to match this responsibility. Legislation does not assign primary responsibility for the compilation of fiscal statistics to a single agency.

Comprehensive detailed annual GFS is published by the CBSL in its *Annual Report* in accordance with the only national law mandating the collection and reporting of fiscal data,<sup>10</sup> and consistent summary and selected annual fiscal data are published in the MOFP *Trends in Public Finance*.

*0.1.2 Data sharing and coordination among data producing agencies are adequate.*

Fiscal information published in the CBSL *Annual Report* has broadly the same scope as GFS, and can be reconciled to GFS.

There are strong arrangements for cooperation between the agency responsible for collecting and compiling most GFS financing data (CBSL) and the agency responsible for compiling other transactions of covered government units (MOFP). These two agencies also cooperate in the purpose of making consistent fiscal, monetary, and balance of payments data.

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<sup>10</sup> The CBSL, under section 35 of the Monetary Law Act (chapter 422), requires the Monetary Board of CBSL to submit an annual report on the state of the economy, mandated to include data on government receipts and payments and public debt. Also, the CBSL, under section 26 of the Monetary Law Act, is authorized to collect any relevant financial data from any public authority.

There is close cooperation between the agencies responsible for compiling GFS (MOFP and CBSL) and the agencies that use the same data sources to compile national accounts data (Census and Statistics Department as well as the CBSL Statistics Department).<sup>11</sup>

Opportunities are in place to maintain close liaison between GFS compilers and important users of the statistics (e.g., through EUREKA.LK/FPEA for analytical groups and institutions, etc.).

*0.1.3 Respondents' data are not kept confidential (upon release) as data on public entities are appropriately and freely made available to the public.*

*0.1.4 Statistical reporting for all levels of government is authorized through legal mandate.*

There are legal provisions for the CBSL that authorize access to all data required for reporting GFS. The mandate does not specify that audited fiscal data must be reported. Legal (Monetary Law Act) or regulatory provisions mandate that data are reported by April after the financial year (calendar year). However, actual annual data on local governments are not collected for routine use in compiling fiscal data.

***0.2 Resources—Resources are not yet commensurate with needs of statistical programs and associated accounting programs.***

*0.2.1 Staff, financial, and computing resources are not yet commensurate with institutional programs.*

The staff and other resources dedicated to compiling GFS according to the 1986 methodology in the MOFP and the CBSL is adequate. In view of an inadequate accounting system for recording (cash or accrual) data, compilation is manual and not adequate for ensuring accurate and timely data.

Internal and external training is not adequate in accrual accounting, in balance sheet valuation procedures, or in the new GFS methodology, elements needed for the new GFS.

The accounting system is not automated and does not make the best use of modern technology for compiling cash or accrual data, due mainly to resource constraints. It is not able to assist in automatically compiling GFS and is not adequate for accurate and timely reporting. The extent to which efforts are being made to make the best use of modern technology, which could automatically provide a variety of reports on government activities and balances, is unclear.

*0.2.2 Measures to ensure efficient use of resources are largely not implemented.*

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<sup>11</sup> Reported fiscal data (in the CBSL *Annual Report*) cover budgetary central government and provincial councils. Annual national accounts data represent a wider coverage of general government activities.



The costs associated with compiling GFS are not yet measured.

The existing limited but adequate resources assigned to compilation of GFS, given the accounting system, seem to be cost effective.

### ***0.3 Quality awareness—Quality is recognized as a cornerstone of statistical work.***

*0.3.1 Processes are not fully in place to focus adequately on quality, to monitor the quality of the collection, processing, and dissemination of statistics, to acknowledge and deal with tradeoffs within quality, and to guide planning for existing and emerging needs.*

Quality is recognized as the cornerstone of statistical work.

Processes are not fully in place to monitor and improve adequately the quality of compiled and disseminated GFS.

Trade-offs between quality and other considerations (e.g., timeliness), where relevant, are acknowledged. (Monthly customs data represent an example of where source data are not provided in the required framework or made available in a timely manner.)

Quality is taken into account in statistical planning.

Fiscal data are not compiled and audited against published accounting standards (or in an adequately timely manner), although auditing by the Accountant General is based on general accounting and auditing principles. The audit report for 1999, as of June 2001, has not yet been published.

## **1. Integrity—The principle of objectivity is firmly embedded in the collection, processing, and dissemination of statistics.**

### ***1.1 Professionalism—Professionalism in statistical policies and practices is a guiding principle.***

#### ***1.1.1 Statistics are compiled on an impartial basis.***

Data collection, compilation, and dissemination of consistent GFS by the MOFP and the CBSL are supported by specific laws and guidelines.

MOFP guidelines call for the proper use of data sources in compiling GFS (see *Guidelines in Estimation, Collection, Monitoring, and Reporting of Government Revenue*). The MOFP collects revenue and expenditure data and grant and external financing data.

The CBSL is an independent agency that impartially compiles GFS that is consistent with the summary fiscal data reported by MOFP.

#### ***1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations.***

There is no evidence that statisticians are subject to political influence in choosing the most appropriate sources and methods for compiling GFS.

There is no evidence that changes to statistical processes are subject to political considerations.

The CBSL compiles government financing and debt data, based in part on MOFP records data on the non-cash exchange of equipment or other goods for government liabilities for external liabilities (typically on concessional terms).

*1.1.3 The appropriate entities that compile statistics (the MOFP and the CBSL) are entitled to comment on erroneous interpretation and misuse of statistics.*

GFS compilers can provide advice on technical (not policy) aspects of GFS.  
Public response to mis-interpretation of GFS is permitted.

## ***1.2 Transparency—Statistical policies and practices are largely transparent.***

*1.2.1 The main terms under which statistics are collected and disseminated are available to the public.*

Laws (specifically the Monetary Law Act) and regulations (*Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka*) broadly governing the collection of source data and dissemination of the comprehensive annual GFS are freely disseminated to the public.

There is no restriction to public access to GFS.

*1.2.2 Data are released simultaneously to all interested parties.*

The government has access to the fiscal data that the MOFP and the CBSL compile.

Unless otherwise indicated, data are released simultaneously, e.g., through the MOFP website, to all interested parties.

Approval by Secretary of Finance for MOFP is required before MOFP publication of fiscal data, although this clearance is not explicitly made public.

*1.2.3 Products of statistical agencies/units are clearly identified as such.*

The CBSL lists its publications in its monthly *Bulletin*.

*1.2.4 Notice is given of major changes in methodology, source data, and statistical techniques.*

Explanation (but not advance notice) is given in GFS publications, and/or in special publications directed to the same audience as the GFS publications, of methodological or other changes (such as introduction of accrual accounting) that materially affect the published data. Prominence is given in the publication of GFS to any changes which cause a break in the time series. There is no evidence that major changes have been preceded by advance notice.

### ***1.3 Ethical standards—Policies and practices are guided by ethical standards.***

#### ***1.3.1 Guidelines for staff behavior are publicized.***

Clear and publicized guidelines on code of conduct and conflicts of interest (*CBSL Manual*) cover the independent CBSL. The CBSL staff terms of employment, stated in the *CBSL Manual*, includes prescribed code of conduct for conflicts of interest and use of confidential information and data. Also, section 46 of the Monetary Law Act states that any officer or auditor who knowingly certifies or verifies any false statement or account to the Minister shall be guilty of offence.

While the compilation and dissemination of GFS by MOFP are not governed by a published 'code of conduct' that ensures that data are compiled and the results presented according to strictly professional considerations, the summary MOFP fiscal data are consistent with the comprehensive GFS that is compiled by CBSL.

Reasonable and systematic efforts are made to promote professionalism—through analytical work, training,<sup>12</sup> publication of methodological papers,<sup>13</sup> holding of lectures/seminars/conferences<sup>14</sup>—and to benefit from methodological and organizational developments elsewhere.

## **2. Methodological soundness—The methodological basis for statistics during the ongoing transition phase to prospective GFS methodology follows for the most part international standards, guidelines, and agreed practices for other countries in transition.<sup>15</sup>**

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<sup>12</sup> Two Sri Lankan officials have attended the GFS course at the IMF Institute. Additional training in the new GFS methodology is appropriate.

<sup>13</sup> See, for example, "Incidence of Indirect Taxes in Sri Lanka—An Empirical Analysis of Tax Incidence," Yuthika Indraratne, *CBSL Staff Studies*, Vol. 22 and "An Analysis of Fiscal Sustainability in Sri Lanka, K. M. Mahinda Siriwardana, *CBSL Staff Studies*, Vol. 23.

<sup>14</sup> The CBSL sponsored a financial programming course in May 2001.

<sup>15</sup> This framework is based on the existing GFS methodology as well as the new accrual GFS system that is being finalized. The draft *GFS Manual* (IMF, December 2000) for the new system is available on the Fund website

(continued)

**2.1 Concepts and definitions—Concepts and definitions used are in accord with the GFS methodology (1986), and considerations are underway, following a reasoned migration path—to be documented—for an automated management and accounting system, for compiling complete stock and flow fiscal data on an accrual basis in accordance with the new GFS methodology.**

*2.1.1 The overall structure in terms of concepts and definitions follows in large part international standards, guidelines, and agreed practices.*

GFS compilation and dissemination of GFS in the CBSL *Annual Report* are based on the 1986 methodology of the International Monetary Fund as promulgated in *A Manual on Government Finance Statistics* (1986), and plans are underway for compiling and reporting fiscal data on the basis of the revised *Manual on Government Finance Statistics* (GFS *Manual* 2001).

An appropriate ‘migration path’ from the GFS framework based on the 1986 *GFS Manual* to the revised GFS system is tentatively being planned. The first steps envisioned are the reporting of modified cash (or modified accrual basis) accounting transactions and financial balance sheets. There are no documented plans for a migration path establishing in 2002, for example, a reporting system (not necessarily an accrual recording system) consistent with the new GFS methodology.

**2.2 Scope—The scope for government transactions and debt is broadly in accord with internationally accepted standards, and plans are underway for reviewing the prospects for compiling data more completely on general government in accordance with the new GFS methodology.**

*2.2.1 The scope is consistent with international standards, guidelines, and agreed practices.*

The scope for compiling GFS is consistent with the 1986 GFS methodology, and the sectorization is consistent with the 1993 *SNA*. Data routinely available on general government, (for which unconsolidated data only cover consolidated data on budgetary central government and provincial governments) do not cover local government operations, which are relatively small (See Section 3.1.1).

Provisional GFS data, based on full coverage of the budgetary central government sector, is replaced by data based on final accounting data as soon as they become available.

GFS as reported in the CBSL *Annual Report* and the *GFS Yearbook* covers all transactions and debt within its scope—to the standard specified under the 1986 methodology (tables A through F).

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(<http://www.imf.org/external/pubs/ft/gfs/manual/index.htm>), and a final manual is to be released in 2001.

As in other countries, reported stock and flow data do not yet conform to the following tables referenced for the new GFS methodology:

- a) *Classification of Revenue (Table 1, draft GFS Manual)*
- b) *Economic Classification of Expense (Table 2)*<sup>16</sup>
- c) *Classification of Transactions in Assets and Liabilities (Table 3)*
- d) *Classification of Holding Gains in Assets and Liabilities (Table 4)*
- e) *Volume Changes in Assets and Liabilities (Table 5)*
- f) *Classification of Assets and Liabilities (Table 6)*
- g) *Classification of Outlays by Functions of Government (Table 7)*
- h) *Classification of Transactions in Financial Assets and Liabilities by Sector (Table 8)*

**2.3 Classification/sectorization—Classification and sectorization systems are in accord with internationally accepted standards, and active considerations are being given to compiling completely integrated stock and flow data, where stocks are valued at market prices, in accordance with the new GFS methodology.**<sup>17</sup>

*2.3.1 Classification/sectorization systems used are broadly consistent with international standards, guidelines, and agreed practices.*

Institutional sectors are defined consistently with the *SNA 1993*. While sectorization in principle is appropriate, actual GFS covers the budgetary central government sector and provincial government sector, sectors accounting for 97 percent of general government transactions. This coverage does not include annual data on extrabudgetary central government and local governments; the annual compilation of GFS on consolidated general government operations, including operations of provincial councils, could include data on local governments (although a consolidation of general government operations on an annual basis would not currently cover expenditure by function as provincial and local government data are not classified by function).<sup>18</sup>

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<sup>16</sup> The ideal for the new GFS methodology is for transaction data to be provided for a cross classification of functional (COFOG) and economic classifications of expense.

<sup>17</sup> The mission ensured that the authorities had the latest version of the classification system to be included in the 2001 *GFS Manual* to ensure that any revisions to the national classification system could take into account the new GFS classification system.

<sup>18</sup> Local government operations represent about 2 percent of general government operations according to a 2000 CBSL survey of all local government activities in 1999. The revenue of extrabudgetary units (Tea Board and Rubber Research Board) and local governments account for about 3 percent of general government revenue according to a CBSL survey of local governments in 2000 and data on extrabudgetary funds.

Revenue, expenditure, and financing stocks and flows are broadly classified using the methodology set out in the 1986 *GFS Manual*. (Considerations are underway to classify stocks and flows in accordance with the new GFS methodology.) Data are collected for compiling and reporting data on contingent government liabilities (although not contingent liabilities of the CBSL) for annual publications, and data on government contingent liabilities are included as a memorandum item in the government balance sheets that are made public through gazettes.

No public corporations or other non-government entities are covered in reported GFS.

***2.4 Basis of recording—Transaction and debt data are valued and recorded according to internationally accepted standards (1986 GFS methodology), and work has begun on an accounting framework for compiling complete stock and flow data on an accrual as well as cash basis, consistent with the new GFS methodology.***

*2.4.1 Market prices are used to value flows.*

All transactions are valued on a current market basis. Transactions in foreign currency are converted to local currency using the mid-point exchange rate prevailing in the market at the moment they take place.

Stocks of financial instruments outstanding are valued at values at maturity (par values), and those denominated in foreign currency are converted to local currency basis using the mid-point exchange rates in the market at the end of the reporting period. This valuation procedure conforms with the 1986 GFS methodology.

*2.4.2 Recording of transactions of budgetary central government and provincial councils is done on a cash basis.*

- i. Transactions of budgetary central government and provincial councils, consistent with the 1986 GFS methodology and with some aspects of the new GFS methodology, are recorded on a cash basis (rather than an accrual basis, defined as when economic value is created, transformed, exchanged, transferred, or extinguished).
- ii. A move to an accrual accounting/budgeting basis (with supplementary cash based data) and a migration path to the new GFS methodology have not been documented.

*2.4.3 Grossing/netting procedures are broadly consistent with international standards, guidelines, and agreed practices.*

All transactions are shown on a gross basis, except for revenue (where refunds have been netted in reported data).

**3. Accuracy and reliability—Available source data and statistical techniques are sound, and compiled fiscal data adequately portray reality in conformity with the existing GFS methodology.**

**3.1 Source data—Source data made available to compilers provide a basis to compile useful fiscal statistics.**

*3.1.1 Source data are collected from customary data collection programs that take into account country-specific conditions and take advantage of existing data sources.*

- i. Data covering the full range of economic stocks and flows are provided from administrative systems for budgetary central and provincial governments. No fiscal data are yet made available routinely to fiscal compilers on local governments. Data on these three types of units cover over 99 percent of entities of the general government.<sup>19</sup>
- ii. Data for the central government sector comprise data on budgetary central government, which represent 99 percent of central government operations.
- iii. Data are not yet consolidated for the general government sector, but available information of budgetary central government and provincial governments allow such consolidation for these two subsectors.
- iv. No concrete plans are in place to routinely collect annual fiscal data on local governments.

*3.1.2 Source data acceptably approximate the definitions, scope, classifications, valuation, and time of recording required.*

- i. Charts of accounts for budgetary central government and provincial governments align with GFS categories except for grants, borrowing, and changes in cash balances. These time series are identified in transaction data even though no formal national

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<sup>19</sup> Extrabudgetary funds (Tea Board and Rubber Control Board) are also part of general government, but their activity represents less than 1 percent of general government operations. The Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) are public financial corporations, in accordance with the GFS methodology (1986). These funds are government controlled schemes that receive mandatory contributions (EPF contributions totaled 17 billion rupees in 2000) from the bulk of the non-government sector, have their own set of separate accounts for the individual contributors, represent defined contribution schemes (the terms of which are set by the central government), and invest nearly all their resources in government securities. The Employees' Provident Fund, managed by the Monetary Board of the CBSL for non-government sector employees, mandates contributions of 12 percent of wages from employers and 8 percent of wages from employees (and 97 percent of financial assets at the end of 2000 were in government securities). The much smaller Employees' Trust Fund, administered for non-government sector employees, mandate a contribution of 3 percent of wages (and the bulk of financial assets were in government securities). Reports on these funds, scheduled to be merged, should be routinely made available for fiscal analysis.

classifications for them are existent. The definitions and scope of documented source data should be more comprehensive.

- ii. Budget management and accounting systems do not include provision for automatic derivation of GFS items from budget items.
- iii. The timing of recording, and valuation, of operational source data being sent to compilers are consistent with GFS (1986) concepts.

*3.1.3 Source data are not as timely as preferred.*

- i. Budget management and accounting systems provide comprehensive and up-to-date records of monthly budgetary central government transactions and debt which are available in two months, while data collection for these series within one month is preferred in the SDDS context.
- ii. Data for provincial governments are available in sufficient detail and timeliness for inclusion in GFS annual compilation cycles.

***3.2 Statistical technique—Statistical techniques employed where needed conform with sound statistical procedures. No sample surveys or data estimates occur in GFS.***

*3.2.1 Data compilation employs needed statistical techniques*

A comprehensive CBSL survey (in 2000) for local government data (based on accrual recording) covered operations of all local governments. Such data collection for aggregate series on a routine annual basis is feasible.

*3.2.2 Other statistical procedures (e.g., data adjustments) employ sound statistical techniques.*

No sample surveys or data estimates occur in GFS.

***3.3 Assessment and validation—Source data are assessed and results validated as needed.***

*3.3.1 Source data—including administrative records—are assessed, e.g., for coverage; the results of the assessments as needed are monitored and made available to guide planning. These actions occur as needed although not on a routine basis.*

- i. Problems with gaps in coverage and/or completeness of data collection are identified and addressed.
- ii. There is a recognized balance between accuracy and timeliness. In any event, the cause of some delays in source data do not seem to be related to accuracy.



- iii. There are internal (MOFP) audits of budgetary central government operations and external audits by the Auditor General on all central government and public enterprises to assess the accuracy of the data.
- iv. GFS published annual data follow for each period a regular cycle, where provisional data are subsequently replaced by final audited data.
- v. The most timely data that are sufficiently accurate for fiscal policy development and analysis are used for provisional GFS.
- vi. The data sources used are indicated in CBSL *Annual Reports*.
- vii. All fiscal data are corrected as soon as later source data become available, and this policy is not documented.

*3.3.2 Main intermediate results are largely validated against other information where applicable.*

GFS major aggregates are similar to but not always consistent with those for series published in other macroeconomic statistics areas. The annual 1999 data on budgetary central government operations were found not to have been verified for the consistency of macroeconomic statistics in the case of money and banking balance sheet data.

*3.3.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated and made available to guide users as needed.*

- i. Material differences between GFS financing data and corresponding monetary data are addressed, and the importance of routine reviews and the adoption of procedures to help ensure consistency in reporting macroeconomic statistics is not adequately emphasized.
- ii. Where financing flows differ from changes in stocks, the data are identified and investigated. See, for example, Table 8.7 on the effect of exchange rate variation on the value of foreign loans in the CBSL *Annual Report 2000*.

**3.4 Revision studies—Revisions, as a gauge of reliability, are tracked.**

*3.4.1 Studies and analysis of revisions are carried out largely as needed and used to inform statistical processes.*

Revision studies and analyses have been made, but there is no evidence that they were made public and used to guide data users.

**4. Serviceability—Statistics are relevant and, in most cases, timely and consistent, and are revised when source data are revised.**

#### ***4.1 Relevance—Statistics Cover Relevant Information On The Subject Field.***

*4.1.1 Processes to monitor the relevance and practical utility of existing statistics in meeting users' needs are not routine, although some review of users take place.*

- i. Annual GFS (transactions and debt) covering budgetary central government is compiled within the same time frame as budget preparation and monitoring, and is used in the process of determining/evaluating fiscal policy.
- ii. Monthly GFS for the budgetary central government is available with a timeliness of two months, to allow users to assess the degree to which government is achieving its stated overall fiscal policies.

#### ***4.2 Periodicity and timeliness—Periodicity and timeliness for reported data on selected government sectors follow in part internationally accepted dissemination standards.***

*4.2.1 Periodicity for available data follows part of SDDS dissemination standards.*

- i. Budgetary central government operations data in a summary format are published monthly and, in significant detail, annually.
- ii. General government operations data, while not consolidated, are published annually. Annual consolidated data covering the bulk of general government operations—budgetary central government and provincial councils—on the basis of the classification system could be compiled (within two quarters of the fiscal year with minimal difficulty), although the data would not include functional data as functional data on provincial councils are not made available in the current reporting system.<sup>20</sup>
- iii. Central government debt is published in a summary format at least monthly, and the reporting in the *Annual Report* covers contingent liabilities.

*4.2.2 Timeliness largely follows part of SDDS dissemination standards.*

- i. Timeliness of monthly budgetary central government operations data is within two months (rather than within the preferred one month) after the reference period.
- ii. General government operations data on an annual unconsolidated basis, separately covering two government subsectors, are published within two quarters of the fiscal year.
- iii. Timeliness of quarterly central government debt data is within 2 months (rather than the longer 1 quarter) after the reference period.

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<sup>20</sup> Provincial council expenditure by function is scheduled to be collected in 2002.

**4.3 Consistency—Statistics are consistent in part over time, internally, and with major data systems.**

**4.3.1 Available statistics are consistent in several regards over time.**

- i. Divergences from the expected trend in the revenue and/or expenditure monthly time series seem to be related to the underlying fiscal policy and/or economic developments.
- ii. Previous data in time series are adjusted to account for discontinuities arising from methodological developments, changes in the statistical system, etc.
- iii. Where the previous data in the series have not been adjusted as in (ii) above, the breaks in time series are clearly identified and the reasons fully explained.

**4.3.2 Statistics are internally consistent.**

Statistics on consolidated fund cash-based transactions, in accordance with 1986 methodology, are questionably consistent--while accounting identities for data are observed, data for other expenditure is a calculated residual.<sup>21</sup> Fiscal data on the budgetary central government are based on transactions of the consolidated fund, including its transactions with budgetary units, rather than only the transactions of all budgetary units with units outside of the budgetary central government.

In any event, the authorities, subsequent to the prospective implementation of compiling data in line with the new GFS methodology, plan to ensure the following:

The difference between the opening and closing balance sheets, for each asset/liability category, equals the sum of transactions, net holding gains and losses, and other changes to the volume of assets for that category.

- i. Consistency as defined above is achieved by deriving any component residually, and an annotation to this effect or, preferably, an adjustment line comprising the calculated residual, is published.
- ii. Net operating balance less net acquisition of nonfinancial assets equals net lending/borrowing.
- iii. Net lending/borrowing, derived from revenue less expenses less net acquisition of nonfinancial assets, equals financing.

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<sup>21</sup> Any time series reflecting adjustments or residual calculations should be separately identified to ensure transparency. Preferably, an adjustment line comprising the residual calculation would be separately reported to conform with transparency goals.

- iv. Components of revenue, expenditure, net acquisition of nonfinancial assets, and financing add to aggregates.
- v. Detailed revenue, expenditure, net acquisition of nonfinancial assets, and financing table data agree with the aggregates in the government operations table.
- vi. Procedures are in place to benchmark monthly and quarterly data to annual data.
- vii. Revisions due to annual benchmarking are within acceptable limits.
- viii. Information on revisions due to benchmarking is provided to users.
- ix. The sum of GFS aggregates for component levels of government, or other sub-sectors of GFS, equal aggregates for the consolidated combination of those subsectors, less consolidation adjustments. The net operating balance, net lending/borrowing, change in net worth, and net worth, should add across all sub-sectors of GFS.

*4.3.3 Statistics are in part consistent with those obtained through other data sources and/or statistical frameworks in view of available accrual data.*

- i. GFS data, representing a data source for national accounts, are consistent with related national accounts aggregates, such as net lending/borrowing, government consumption, and net acquisition of non-financial assets.
- ii. Data for one time series (other expenditure) on budgetary central government is a calculated residual. The calculated residual is not annotated and the option, a published line with that residual series, is not published. The approach in current reporting is consistent with transparency.
- iii. Annual fiscal data on the central government is based on transactions of the consolidated fund of the budgetary central government rather than transactions of all budgetary as well as extrabudgetary units. The basis for reporting in other related statistical areas such as monetary data cover all budgetary and extrabudgetary units of central government.
- iv. GFS financing data in 1999 according to fiscal and monetary statistics are not consistent.
- v. GFS foreign debt, and foreign grants and financing transactions, elements used in compiling BOP data, are consistent with BOP data.

***4.4 Revision policy and practice—data revisions do not follow a regular and publicized procedure.***

*4.4.1 Revisions do not follow a regular, well-established, and transparent schedule.*

- i. The release of revised data does not follow a well established schedule.

- ii. The revisions are provided when revised source data become available.

*4.4.2 Provisional annual data are clearly identified.*

- i. Provisional and revised annual data are identified in the CBSL *Annual Reports*.
- ii. The revised data are disseminated in the same way, and at the same level of detail, as the original data.
- iii. The coherence between provisional and final annual data is sufficient to allow provisional data to be used with confidence for policy determination and analysis.

*4.4.3 Studies and analyses of revisions, as they may be needed, are expected to be carried out and made public.*

- i. Revisions (typically comprising minor changes) incorporate all material data changes resulting from available up-to-date data.
- ii. No time series of the extent to which data are revised are made available.
- iii. The reasons for revisions are not documented.

**5. Accessibility—Data and metadata are available and assistance to users is not fully adequate.**

***5.1 Data Accessibility—Statistics in the CBSL Annual Report are presented in a comprehensive manner; forms of dissemination in the CBSL Annual Report are largely adequate, and statistics are made available on an impartial basis.***

*5.1.1 Statistics are presented in a way that for the most part facilitates proper interpretation and meaningful comparisons (layout and clarity of text and tables).*

- i. The annual GFS in the CBSL *Annual Report* are presented in a way which broadly allows major aggregates/balancing items to be identified, and related to detailed underlying data.
- ii. The information presented in the CBSL *Annual Report* is suitable for use in the budget development and monitoring process, and other government economic and fiscal policy development.

- iii. The CBSL *Annual Report* provides detail broadly equivalent to that set out in the *GFS Manual* tables and does not provide consolidated data on the general government.<sup>22</sup> Presentations and details in reporting lending minus repayments are not fully in accordance with GFS.

*5.1.2 Dissemination media and formats are adequate.*

- i. The dissemination policy relating to GFS (the CBSL *Annual Report* fills a reporting requirement of the Monetary Law Act) and is clearly publicized.
- ii. There is a dedicated annual government finance publication (MOFP *Trends in Public Finance*). (It has been agreed that data on provincial governments will be included in future submissions for the *GFS Yearbook*.)
- iii. Monthly/quarterly government finance statistics are published in a sub-annual statistical publication (CBSL monthly statistical *Bulletin*). (All monthly data on the budgetary central government, as agreed, will be submitted in the future for publication in *IFS*.)
- iv. There is provision for disseminating annual fiscal data at the CBSL website and selected and limited monthly/quarterly GFS data at the MOFP website.

*5.1.3 Statistics in publications with GFS are not released by a pre-announced schedule.*

The CBSL *Annual Report*, in accordance with the Monetary Law Act, is published by April 30 of each year.

The actual date of official publications with GFS is not pre-announced.

*5.1.4 Statistics are made available to all users at the same time.*

Statistical publications are made available to all users simultaneously, and without preferential treatment of selected users.

*5.1.5 Non-published sub-aggregates are not made available upon request.*

***5.2 Metadata accessibility—Up-to-date, comprehensive, and pertinent metadata are not made available.***

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<sup>22</sup> There is separate reporting of central government and provincial governments. Reporting on general government do not include data on local governments, which have relatively small operations.

*5.2.1 Documentation on concepts, definitions, classifications, basis of recording, data sources, and compilation procedures is not adequately available, and differences from international standards often are not annotated.*

- i. Concepts, sources, and methods (C, S, & M) are in part documented, and revisions to C, S, & M are in part published at the same time as the data they affect.
- ii. C, S, & M documentation in part identifies differences from internationally accepted standards and provides some description of coverage.
- iii. Bridge tables showing the links between national source data and GFS, while not available, can be made available as needed according to MOFP officials.
- iv. Documentation on concepts, definitions, compilation procedures, including the bridge table between the similar national and GFS classification systems, and differences between national reporting and GFS reporting is not complete and available. The main data sources for fiscal data are identified in the *CBSL Annual Report*. The terms used by the MOFP for revenue compilation are described in the *MOFP Guidelines on Estimation, Collection, Monitoring, and Reporting of Government Revenue* are not made available to the public. Full descriptions of concepts, data sources, compilation procedures, and disseminations arrangements and timing are not available for data users. A separate document outlining concepts, definitions and compilation procedures, after progress is made on reporting according to the new methodology, would be helpful.

*5.2.2 Different levels of metadata detail depending on intended audience and type of collection are not typically provided.*

- i. Detailed technical descriptions of C, S, & M, which are sufficient to allow expert users to assess the strengths and weaknesses of GFS, are not published.
- ii. Less detailed C, S, & M information is provided to general users in the *CBSL Annual Report*, to allow them to understand largely the basic framework under which the statistics are produced.

**5.3 Assistance to users—Prompt and knowledgeable support service is available.**

*5.3.1 Contact person for subject fields of budgetary central government operations and debt is not publicized.*

- i. Contact directly through phone or fax numbers is available. See, e.g., MOFP website (EUREKA.LK/FPEA). No contact person through an email address at this site is identified. The email address at this site is not publicly usable.
- ii. Prompt and knowledgeable service and support when contact is made by phone is available.

- iii. The contact person for GFS in the General Data Dissemination System (GDDS) of the Dissemination Standards Bulletin Board (DSBB) is publicized.
- iv. There are policies to allow responding promptly to the misuse of government finance data, and to educate the GFS users.

*5.3.2 Catalogues of publications, documents, and other services, including information on any charges, are widely available.*

## **V. MONETARY STATISTICS**

### **0. Prerequisites of quality**

#### ***0.1 Legal and institutional environment.***

##### ***0.1.1 The responsibility for processing, and disseminating statistics is clearly specified.***

Section 35 of Monetary Law Act<sup>23</sup> states that Central Bank of Sri Lanka (CBSL) submit to the Minister of Finance and Planning and publish in its annual report a range of economic statistics. In the area of monetary statistics, the CBSL *Annual Report* must present, as a minimum, the monthly movements in money supply, distinguishing between movements in currency and in demand deposits and the monthly movements in purchases and sales of the international reserves of the bank. Compilation of monthly monetary statistics is implicit in these requirements. The CBSL is fully compliant with the statutory requirements concerning compilation and dissemination of monetary statistics. The CBSL's Department of Economic and Research is the unit within CBSL that is the designated compiler of monetary statistics.

##### ***0.1.2 Data sharing and coordination among other data producing agencies are adequate.***

Source data for monetary statistics are reported by responding institutions directly to DER. At present, data are reported in hard copy (but plans are underway for reporting on computer diskettes).<sup>24</sup>

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<sup>23</sup> The Monetary Law Act (1949, with amendments through December 31, 1998) governs activities and operations of the Central Bank of Sri Lanka.

<sup>24</sup> Since 1996, reported data are entered into electronic database by DER staff, while prior to 1996, it was done by the Data Processing Department. This procedure achieves several aims, among them, data entry is expedited and quality control is began at a data entry stage (*viz.* DER staff are familiar with the particular institutions, their activities and data, so that large movements in the data can be identified at the data entry stage, and inquiries are promptly made to the reporting institution).



Cross-checks between monetary data and data on government operations are conducted on a weekly and monthly basis during meetings between CBSL and the Ministry of Finance's General Treasury staff. Data reconciliations are conducted on a monthly as well as weekly basis during the meetings of CBSL's Domestic Debt Management Committee which includes staff of the General Treasury. Verifications of specific data relating to government positions with the CBSL and the two state-owned banks<sup>25</sup> are also carried out on a daily basis. Since DER is also responsible for compiling balance of payments statistics, consistency checks between BOP and monetary data are conducted on a regular basis, including for end-of-month data.

*0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only.*

Section 45 of the Monetary Law Act states that every officer and servant of the Central Bank shall preserve and aid in preserving secrecy with regard to all matters (books, papers or other records) relating to the affairs of any data provider or of their clients. Infractions are considered an offence punishable by law.

Internal rules of conduct for CBSL staff and management, including preservation of confidentiality of data, are contained in the *CBSL Manual*. All CBSL staff sign a declaration to maintain secrecy with regard to any information or data that they will be in contact with during performance of their duties. The general guideline is that only CBSL senior management can, subject to disclosure rules in the *CBSL Manual*, sanction provisions of any unpublished information.

CBSL maintains secure computer-based communication with external networks connecting the central bank with commercial banks. Within the central bank, there are secured local area networks and password-protected stand-alone personal computers.

*0.1.4 Statistical reporting is ensured either through legal mandate and/or measures implemented to encourage voluntary reporting.*

Section 26 of the Monetary Law Act empowers the Director of DER to request information or data from any legal, physical, or public entity or person that is considered necessary, for the purposes of proper discharge of the functions and responsibilities of the central bank. These requests are in the form of CBSL directives to the relevant entity or person.

Section 34 of the Banking Act No. 30 of 1988, obligates all banking institutions to provide data to CBSL. Although legislation does not explicitly specify the format, periodicity, and timeliness for data reporting, all banking institutions have complied fully with CBSL data reporting directives. In this regard, the working relationship between CBSL and the banking

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<sup>25</sup> Government accounts are concentrated at the CBSL and at the two state-owned commercial banks.

institutions is considered to be entirely cooperative. Sections 79, 79a, 80, and 81 of the Banking Act specify penalties for non-compliance with CBSL directives.

Section 12 of the Finance Companies Act No. 77 of 1988 (with amendments through 1991) obligates finance companies to provide data to CBSL. Section 38 of that Act specifies penalties for noncompliance.

## **0.2 Resources.**

### *0.2.1 Staff, financial, and computing resources are commensurate with institutional programs.*

The Money and Banking Statistics division of DER is responsible for compiling monetary statistics. Currently, this division has 6 Staff Officers (including 2 division chiefs) and 8 support staff. All Staff Officers have had at least 4 years of work experience in the area of monetary statistics. Five Staff Officers have post-graduate degrees.

New staff are exposed to work practices and trained in methodology in the course of their mentoring period. Training in monetary statistics is available and is perused from the IMF's Institute in Washington and in Singapore (several staff attended courses there), as well as at foreign central banks (*viz.* U.S. Federal Reserve, Bank of England, Swiss National Bank). The CBSL's Center for Banking Studies conducts courses on the various aspects of financial sector, including monetary statistics. These courses are attended by CBSL staff, staff of other banking institutions, and some members of the public.

The South-East Asian Central Banks' Research and Training Center (SEACEN) in Kuala Lumpur offers seminars, organizes conferences and research/discussion workshops that are regularly attended by CBSL staff. CBSL also maintains professional/consultative links with a number of central banks (*viz.* Swedish Riksbank and the Bank of England). Conferences and professional visits to other institutions are a venue for exchanging ideas and comparing statistical methodologies. They also establish grounds for future professional contacts.

DER's computer software and hardware resources for compilation of monetary statistics are deemed sufficient: each Staff Officer has a computer (some are linked by a local-area network) and there is a pool of desk-top computers for the support staff. Developmental work on wider local area networks is in progress.

### *0.2.2 Measures to ensure efficient use of resources are implemented.*

An internal budgeting process is in place. An annual budget is prepared at a departmental level, and it is discussed in the CBSL-wide Budget Review Committee prior to submission to the governing board (the Monetary Board) for approval. The budget is monitored and reviewed on a monthly and quarterly basis. Resources allocated for compilation of monetary statistics are used efficiently and are deemed adequate.

## **0.3 Quality awareness.**

*0.3.1 Processes are in place to focus on quality, to monitor the quality of the collection, processing, and dissemination of statistics, to acknowledge and deal with tradeoffs within quality, and to guide planning for existing and emerging needs.*

Quality is recognized as a cornerstone of statistical work. DER staff strongly view that preservation of user's trust in monetary statistics is central for any decision leading to changes in proven compilation practices. Accordingly, changes in statistical methodologies (viz. classification, coverage) are undertaken after a thorough review and an adequate trial/development period. These attitudes are implicitly communicated by senior DER staff in the course of their daily interaction with the subordinates and during departmental/divisional meetings. New staff internalize good working habits by observing the management/peer behavior and their work practices.

Weekly CBSL department directors' meeting provides a formal opportunity for establishing efficient information flows and for avoiding duplication of effort within the central bank. It should be noted that in the case of monetary statistics, the same balance sheet data as reported to DER are also reported to the Bank Supervision Department (with additional details needed for prudential analysis) and processed there. But this duplication is considered as providing an opportunity to cross-check the data.

There is no body outside the central bank that reviews the accuracy, timeliness, and comprehensiveness of monetary statistics. However, a series of monthly Bank Managers' Meetings are held between the CBSL management and senior management of banking institutions (as well as with financial auxiliaries). These meetings provide a forum for the banks to express their views on the various aspects of the CBSL's publication policy for monetary and financial statistics. Contacts with data users, and in response to their requests, have led CBSL to the expand publication and revise methodology for some financial statistics (e.g., Sri Lanka Interbank Offer Rate). Processes are generally in place to foster quality, however, routine reviews of quality or a use of an outside body to evaluate quality indicators may strengthen these processes.

**1. Integrity—The principle of objectivity in the collection, processing, and dissemination of statistics is firmly adhered to.**

***1.1 Professionalism.***

***1.1.1 Statistics are compiled on an impartial basis.***

Specific authority vested in Director of DER by Monetary Law Act (see section 0.1.4) underpins integrity in data collection and compilation. Internal regulations (*CBSL Manual*) ensure that staff in each department are responsible for professional conduct to the head of their department. Appointments for technical positions are made after applications are considered by the intra-department review committee. Appointments of department directors are made by the CBSL Governor and the Deputy Governor. Specific authority vested in DER

Director by Monetary Law Act (see section 0.1.4) underpins integrity in data collection and compilation.

To promote professionalism, CBSL organizes public lectures and seminars at the Center for Banking Studies on a range of issues, including in monetary policy. Moreover, several times a month, CBSL staff are invited to make presentation at private fora (the Chamber of Commerce, Bankers' Association) and at the universities. (Commentary by CBSL staff on CBSL policies, however, are subject to approval by the CBSL senior management.)

As part of staff development, DER staff are encouraged to conduct research and publish research studies, which are attributed to the authors (staff studies and research paper series are available from CBSL for a nominal fee).

*1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations.*

Only accounting/balance sheet records are used for compiling monetary statistics. Statistical methods and definitions are based solely on methodological considerations (see Section 3.4), and are based on internationally-accepted statistical methodologies. Staff are encouraged to defend choice of methodologies through published revision studies, and contacts with the media and the public (see sections 0.3.1 and 1.1.3).

*1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics.*

The media are surveyed on a routine basis by the CBSL Information Department (ID), which is responsible for external relations. ID staff identify instances of misinterpretation in the media of the data that had been compiled and disseminated by the CBSL, and these are either handled by the ID staff or forwarded for a reply to the relevant CBSL department. Even without requests from the ID staff, department directors, including DER Director, reply to the media, either directly or through ID, on the observed instances of data misinterpretation.

The DER seeks to prevent misinterpretation or misuse of monetary statistics by providing explanatory materials. Extensive methodological/explanatory notes are appended to the tables in the CBSL monthly bulletins and the annual reports. As applicable, data are identified as provisional or revised in all CBSL publications. Major changes in methodology are usually introduced in the CBSL *Annual Report* and these changes are accompanied by detailed commentary.

A CBSL publication *Notes on Statistical Tables in the Monthly Bulletin (1980)* provides a detailed description of the data published in CBSL monthly bulletins. An update, containing all revisions since its publication, is planned for release in the near term, including a posting on the CBSL's Web page.

***1.2 Transparency.***

*1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public.*

The Monetary Law Act and the Banking Act, which contain the terms and conditions under which the CBSL collects, compiles, and disseminates data, are available to the public. The CBSL *Annual Report* contains directives issued to banking institutions during the year including those that relate to revisions in data reporting.

*1.2.2 Internal governmental access to statistics prior to their release is publicly identified.*

End-of-month and end-of-week monetary statistics are released simultaneously to all users after clearance by Director of DER or other CBSL senior staff. Inherent to the process of verification, the routine cross-checks of the General Treasury's government finance data with the banks' balance sheet data, make some positions of the banking system with the government available to the General Treasury prior to general release.

*1.2.3 Products of statistical agencies/units are clearly identified as such.*

CBSL publications clearly identify CBSL as the publisher. Each set of data in the CBSL publications identifies the original source of data (*viz.* General Treasury and CBSL for data on government operations, or the Ceylon Tourist Board for data on tourist arrivals by region).

*1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques.*

Data compiled under major methodological change are typically first presented in the CBSL *Annual Report*. For a number of periods, data compiled under previous methodology continues to be presented along side and in parallel with the data compiled under revised/new methodology. No advance notice is given to the public on methodological revisions, but once implemented, they are clearly identified.

### **1.3 Ethical standards**

*1.3.1 Guidelines for staff behavior are clear and publicized.*

CBSL staff duties and terms of employment are stated in *CBSL Manual*, which is provided to all staff. The manual includes administrative policies and a code of conduct prescribed for all CBSL staff. The code of conduct includes clear guidelines for the staff to deal with the situations of potential conflict of interest and the guidelines for guarding against misuse of confidential information and data (Conduct and Discipline, and Classification, Control, and Appeal rules in the *CBSL Manual*). All new staff members, as part of their introductory training, are briefed on the expected code of conduct while in the employ of CBSL.

## **2. Methodological soundness—The methodological basis for the statistics follows international standards, guidelines, or agreed practices.**

## 2.1 Concepts and definitions

2.1.1 *The overall structure in terms of concepts and definitions follows international standards, guidelines, or agreed practices.*

IMF's *Guide to Money and Banking Statistics in International Financial Statistics*, draft 1984 (the *Guide*) is the basis for the statistical framework used by CBSL for compiling monetary accounts of the central bank and monetary accounts of other deposit-taking institutions (which comprise deposit money banks (DMBs) and other banking institutions (OBIs)<sup>26</sup>) (see sections below on scope and classification).

Published monetary accounts appear to deviate from the recommendations in the *Guide* insofar as the *Guide* recommends compilation of *monetary authorities'* accounts which would fully incorporate Sri Lanka's financial relationship with IMF. This is more germane since CBSL is the designated depository and fiscal agent for Sri Lanka's financial relationship with IMF, yet notes in the CBSL *Monthly Bulletin* indicate that Government has positions with IMF and, moreover, some Fund accounts (viz.. IMF Securities Account) are off-(CBSL's) balance sheet.

The analytical framework for monetary surveys (M2, M2b, M4) published by CBSL engender presentation of the data on money supply and the factors affecting it through the positions of the resident banking institutions vis-à-vis the rest of the resident and non-resident sectors. Stock data in millions of Sri Lanka rupees are shown in the surveys. The major aggregates are: (i) net foreign assets, (ii) claims on government (net), (iii) claims on public corporations (non-financial public enterprises (NFPEs)), (iv) claims on private sector, and (v) money (narrow money, quasi-money, M2b, and M4 in the Financial Survey).

In several instances, definition of sectors deviates from the recommendations in the *Guide* and the IMF's *Manual on Monetary and Financial Statistics*, 2000 (*MFSM*), thus resulting in imperfect coverage (see section 2.2 and 2.3). Monetary and financial surveys in CBSL publications do not include the full range of instrument and sectors recommended in *MFSM*. However, the source data obtained through the collection system generally contain adequate detail on stocks that may permit compilation of sectoral balance sheets and the sectoral surveys as presented *MFSM*. The Financial Survey that is currently compiled by CBSL on experimental/developmental basis (and published in the CBSL *Annual Report*) is consistent in scope with the Broad Money survey recommended in *MFSM* (see section 2.2).

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<sup>26</sup> The *Guide* identifies *other banking institutions* (OBIs) as financial institutions that accept deposits other than demand deposits. That is, unlike *deposit money banks*, OBIs do not issue demand deposits (transferable deposits).

## **2.2 Scope (also refer to section 3.1.1 on the structure of Sri Lankan banking system)**

*2.2.1 The scope is broadly consistent with international standards, guidelines, or agreed practices.*

CBSL publishes on a regular monthly basis a Monetary Survey (M1) and a Consolidated Monetary Survey (M2b). The Consolidated Monetary Survey M2b is used for analysis and for formulating policy. A monthly Financial Survey is currently compiled on experimental/developmental basis and is published in the CBSL *Annual Report*. Only positions of resident (see section 2.3.1) financial institutions vis-à-vis the rest are covered by monetary and financial surveys.

The Monetary Survey, and M1 narrow money and M2 broad money aggregates compiled within it, cover consolidated activities of the central bank (CBSL) and the deposit money banks (Domestic Banking Units (DBUs)). The M2 money aggregate is the sum of narrow money and saving, time/fixed, and notice deposits issued by DBUs. Residents' foreign currency-denominated deposits at DBUs are included in foreign liabilities (this deviation from the *Guide* is addressed by M2b (see below); also see section 3.2.2)).

The Consolidated Monetary Survey and the M2b broad money aggregate compiled within it cover consolidated activities of CBSL, deposit money banks (DBUs), and of one category of other banking institutions namely, (FCBUs), which in the Monetary Survey were treated as nonresident units. Broad money aggregate M2b is the sum of M2 broad money aggregate and foreign currency-denominated deposits of residents at DBUs and FCBUs (see section 3.2.2). The broad money aggregate M2b does not include quasi-monetary liabilities (savings, time/fixed, and notice deposits) issued by other categories of deposit-taking financial institutions in Sri Lanka (at end-2000, these deposits accounted for approximately 22% of M4 broad money (see below)).

The scope of Financial Survey, which is presently in the experimental/developmental stage, covers consolidated activities of central bank, deposit money banks, and of all other deposit-taking institutions (FCBUs, Licensed Specialized Banks, and deposit-taking Finance Companies). M4 broad money aggregate compiled within the Financial Survey is the sum of M2 and of quasi-monetary liabilities issued by other banking institutions (these quasi-monetary liabilities comprise foreign currency-denominated, saving, time/fixed, and notice deposits of residents outside public and banking sectors). By covering positions of all depository corporations, the Financial Survey is therefore analogous in scope to Broad Money Survey (*MFSM*).

Restricted and import deposits, although relatively small, are included in the measures of money despite their limited encashability.

## **2.3 Classification/sectorization**

*2.3.1 Classification/sectorization systems used are broadly consistent with international standards, guidelines, or agreed practices.*

Transactors are classified as resident based on the center of economic interest concept defined in the IMF's *Balance of Payments Statistics Manual*, 5<sup>th</sup> edition; all others are considered non-resident. Resident non-bank transactors are classified into the following sectors, which are broadly in accord with the recommendations in the *Guide*: government, public corporations, and private sector.

The scope of public corporations (NFPEs) sector is identified in consultation with Ministry of Finance and Planning. Based on these discussions, a list of public corporations is provided to the reporting financial institutions as a reference for consistent data compilation and reporting.<sup>27</sup> Procedures are also in place for identifying institutional coverage of government.<sup>28</sup> Specifically, *Financial Regulations of the Government of Sri Lanka* (1992), which governs financial activities of administrative units of the government (*viz.* ministries and departments), states in section F.R. 381 that application to open bank account must be made through the Chief Accounting Officer of the General Treasury and overdrafts are prohibited (section F.R. 387). These regulations immediately identify a client as being part of the government sector.

Data (*viz.* claims and deposits) on *Private Sector* presented in CBSL monetary/financial surveys are more accurately described as "Other resident sectors" or "Non-public sector" because coverage of private sector in CBSL surveys is broader than what is recommended in the *Guide* or *MFSM*. Depending on the survey, *Private Sector* includes transactors that should be classified in other sectors: (i) in Monetary Survey it comprises all resident transactors outside government, public corporations, CBSL and DBUs, and thus includes other categories of deposit-taking institutions (LCBs, and Finance companies (FCBUs are treated as nonresidents)) and other financial institutions (e.g., insurance companies, financial auxiliaries) in addition to the recommended coverage; (ii) in Consolidated Monetary Survey, it comprises all resident transactors outside government, public corporations, CBSL, DBUs, and FCBUs, and thus *Private Sector* includes a number of other deposit-taking institutions (LCBs, and Finance companies) and other financial institutions; (iii) in Financial Survey, *Private Sector* comprises all resident transactors outside government, public corporations, CBSL, and all other deposit-taking financial institutions. Thus, in Financial Survey, *Private Sector* comprises households/individuals, private companies,<sup>29</sup> non-profit institutions, and

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<sup>27</sup> Sri Lanka Airlines and Sri Lanka Telecom (since end-2000), although majority-owned by the government, are classified in private sector because their management is in private hands.

<sup>28</sup> For the purpose of monetary statistics, government sector in Sri Lanka comprises central government budgetary units (ministries and department), central government extrabudgetary units (the Tea Fund and the Rubber Fund), and provincial authorities (provincial authorities are not permitted to borrow and their funding is provided by the central government).

<sup>29</sup> Private companies are registered in the Register of Companies (the Register of Companies is maintained at the Ministry of Trade) and must provide a registration number for initiating transactions with a bank.



other financial institutions (insurance companies, leasing companies, financial auxiliaries), and therefore is closer in coverage of private sector, as recommended in the *Guide* and *MFSM*, than in the Monetary Survey or the Consolidated Monetary Survey. Nevertheless, positions with other (non-deposit taking) financial institutions should be separately identified.

Positions with government corporations (NFPEs) published in the monetary/financial surveys include positions with local authorities, which due to their relatively small level are not separately identified.<sup>30</sup> Claims arising from the holdings of government-guaranteed securities are appropriately attributed to the issuer rather than to the government.

Balance sheets reported by financial institutions generally contain sufficient detail to distinguish positions on the following financial instruments: transferable deposits (demand deposits), saving, time/fixed, notice deposits, foreign currency deposits, investments in shares, securities, and bonds. However, in some instances data on investments may combine positions on shares, securities and bonds (see section 3.1.1). SDR allocation is included in CBSL's other liabilities, although recommended classification is in capital accounts (alternatively, SDR allocation can be separately identified). At the lowest level of disaggregation, data on private transactors aggregate positions with individuals/households, private enterprises, and non-profit institutions may also include positions with other financial institutions (see section 3.1.2).

The CBSL does not engage in swap transactions. Overnight repurchase agreements between CBSL and the banks are the main instrument of monetary policy, and these are extendible for longer periods based on CBSL's policy considerations. Repurchase agreements between CBSL and the banks are on the change of ownership basis rather than being treated as collateralized loans. Based on the ruling by the Institute of Chartered Accountants in Sri Lanka, repurchase agreements between commercial banks are treated as collateralized loans. However, for a consistent treatment, adjustments are made to the data on interbank repo transactions so that all repurchase agreements in CBSL's monetary statistics are treated on a change of ownership basis<sup>31</sup>, although the recommended practice calls for their treatment as collateralized loans.

## ***2.4 Basis for recording***

### *2.4.1 Market prices are used to value flows and stocks.*

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<sup>30</sup> Based on data analysis, expenditures of local authorities' (*viz.* municipal and urban councils, and *pradeshiya sabbas*) are less than 2.5 percent of central government's expenditures.

<sup>31</sup> Detailed data reported by the banks on interbank repos are used to make the adjustment.

Valuation of financial assets and liabilities is governed by the *Sri Lanka Accounting Standards*, which generally follows internationally recommended practices. Monetary gold is valued at market prices. SDRs are valued at the rate supplied by the IMF's Treasurer's Department. Prior to January 23, 2001, foreign currency-denominated assets and liabilities were converted into rupees using the mid-point between the official buying and selling exchange rate prevailing on the balance sheet date.<sup>32</sup> Since January 23, 2001, positions on foreign currency denominated assets and liabilities at end-period are valued at the rate quoted by CBSL for that end-period.<sup>33</sup>

Holdings of government securities (in rupees) are valued at cost or market value whichever is lower, except at the CBSL where they are valued at cost; foreign government securities are valued at cost, which is converted into rupees at the prevailing exchange rate (see above). Other asset securities (i.e., non-government) are at market price if traded in the markets or at cost for non-traded securities. Asset shares and other equities in trading portfolio are valued at cost or market value whichever is lower; shares and other equities in investment portfolio are at cost unless a "permanent decline in market value" calls for a revaluation, as discussed in SLAS. Liability securities and shares of own issue are at face value. Some of these practices deviate from the fair value valuations.

Loans are valued at current book value and without adjustment for provisions arising from expected loan losses or defaults by borrowers. For capital adequacy purposes, commercial banks are permitted to revalue fixed assets every seven years. CBSL's fixed assets are not revalued.

Valuation adjustments, when they arise, are recorded in revaluations accounts.

#### *2.4.2 Recording is done on an accrual basis.*

Transactions are recorded at the time they occur. Before the due date, the accrued amounts are recorded on separate accrual accounts rather than incorporated with the underlying instrument, except for overdrafts. In the case of overdrafts, which are callable instruments, all accruing interest, fees, and commissions are continuously added to the principal. For all other instruments, accrued amounts are added to the principal on the date they are due.

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<sup>32</sup> The Sri Lanka Rupee (LKR) was floated on January 23, 2001. Prior to floatation, the CBSL announced the official buying and selling rates for the US dollar. The cross rates for other currencies were calculated using the dollar rates for other currencies as quoted by Reuters.

<sup>33</sup> This rate is calculated by CBSL as a weighted average LKR/US dollar rate in transactions at the interbank foreign exchange market on the previous day. The cross rates for other currencies are calculated using the dollar rates for other currencies as quoted by Reuters.

SLAS allows interest accrual on overdue loans that are less than 90 days overdue. For loans overdue more than 90 days accrual is permitted but accrued amounts are placed in suspense accounts.

*2.4.3 Grossing/netting procedures are broadly consistent with international standards, guidelines, or agreed practices.*

In accordance with international principles, data are collected and compiled on a gross basis, in particular, claims on a transactor or group of transactions are not netted against the liabilities to that transactor or group of transactions.

When consolidated monetary accounts for a group of financial institutions are prepared, the intra-group positions are netted. This principle is implemented for the compilation of the Monetary Survey (interbank positions between CBSL and DBUs are netted), the Consolidated Monetary Survey (interbank positions between CBSL, DBUs and FCBUs are netted), and the Financial Survey (interbank positions between CBSL and all deposit-taking financial institutions are netted). Other positions of depository institutions are aggregated by specific category (instrument, counterparty sector) for the purpose of presenting their outstanding claims and liabilities vis-à-vis the rest of the resident and non-resident sectors.

**3. Accuracy and reliability—Source data and statistical techniques are sound, and output data sufficiently portray reality.**

**3.1 Source data**

*3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions.*

A comprehensive data collection program in Sri Lanka covers all deposit-taking institutions that comprise the banking system. In Sri Lanka the four components of the banking system are:

- (1) Central Bank of Sri Lanka (CBSL)
- (2) Licensed Commercial Banks (LCBs)
- (2a) Domestic Banking Units (DBUs)<sup>34</sup>
- (2b) Foreign Currency Banking Units (FCBUs)
- (3) Licensed Specialized Banks (LSBs)
- (3a) National Savings Bank (NSB)
- (3b) Development Finance Institutions
- (3b1) National Development Bank (NDB)
- (3b2) DFCC Bank
- (3c) Private Savings and Development Banks
- (3d) State Mortgage and Investment Bank (SMIB)

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<sup>34</sup> At present, only DBUs are subject to statutory reserve requirements.

(3e) Regional Development Banks (RDBs)

(4) Finance companies.

Only DBUs issue transferable deposit liabilities (*viz.* demand deposits/current accounts) to the public and enterprises; FCBUs accept only foreign currency-denominated deposits; LSBs and Finance companies accept saving, time/fixed, and notice deposits.

CBSL collects balance sheet and supplementary detailed data from all deposit-taking institutions in Sri Lanka. These data are the source data for compiling monetary accounts. End-month data are due at the CBSL by the 20<sup>th</sup> of the subsequent month.

Accounting records form the basis for the reported balance sheets and supplementary tables. The balance sheets and supplementary tables cover a broad range of financial instruments and economic sectors, as needed for compiling monetary statistics. Moreover, the balance sheets contain generally sufficient detail for classifying assets and liabilities by financial instrument and by economic sector, as defined in *MFSM*.<sup>35,36</sup>

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and timing of recording required.*

All financial institutions in Sri Lanka follow accounting principles stated in *Sri Lanka Accounting Standards* (SLAS, revision 1999), which contains sections specifically dedicated to accounting practices relevant for financial institutions. SLAS was prepared by the Institute of Chartered Accountants in Sri Lanka and is harmonized with *International Accounting Standards* (IAS). Where pertinent, SLAS contains notes on the deviations from IAS.

Reported source data provide a reasonably good approximation for the concepts, definitions, scope, and recording principles for compiling monetary statistics (also see Section 2 and

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<sup>35</sup> A review of the composition of some reported balance sheet accounts and their classification by financial instrument relative to the guidelines in *MMFS*, Chapter 4 may yield enhancements. For example, classification of some items in the balance sheet group *Investments* (e.g., *Other securities* in the DBU balance sheet) could be ascertained and components identified according to whether they are *Securities other than shares* or *Shares and other equity*, as discussed in *MFSM* (Chapter 4).

<sup>36</sup> A review of the composition of some reported balance sheet accounts and their classification by sector of counterparty relative to the guidelines in *MMFS*, Chapter 3 may yield enhancements. For example, institutional coverage of *Government* and *Public Nonfinancial Corporations* sectors should be reviewed for consistency with the recommendations in *MMFS* (pp. 22-23) and in the Fund's *Manual on Government Finance Statistics* (for additional details also see government finance statistics section in this report); also, banks' positions with *Nonprofit institutions serving households* should be excluded from those of the enterprises and could be either separately identified or included in the positions with *Households*.

other subsections in Section 3). One apparent deviation concerns aggregated end-month data on private sector (e.g., *customers resident in Sri Lanka*), which combines positions with individuals/households, private enterprises, non-profit institutions, and may also include positions with other financial institutions. To meet the guidelines in *MMFS*, more detailed data may be necessary from Licensed Specialized Banks and deposit-taking Finance Companies.

To insure sound data reporting, a breakdown of *other assets* and *other liabilities* is required. There are several supplementary sub-items identified as *other* that may be usefully disaggregated for improved classification by instrument and sector of counterparty.

Guarantees extended by CBSL to clients are included in its balance sheet (in *other liabilities*), with the appropriate contra-entries (in *other assets*). Since in published monetary statistics *other assets* and *other liabilities* are netted in *Other items net*, inclusion of the guarantees has no effect. (Nevertheless, whether on a gross or net basis, since these positions do not relate to transactions, they should be excluded from monetary statistics and presented as memorandum items.) Guarantees extended by commercial banks are recorded as off-balance sheet items and are excluded from monetary statistics.

Transactions in derivative instruments are negligible. However, to reflect developments in financial instruments and intermediation, a revision of SLAS, based on IAS 39, is being prepared.

### 3.1.3 *Source data are timely.*

The timeliness of source data is as follows:

- (1) CBSL data are available by 8<sup>th</sup> day following the end of each month.
- (2) LCB data (both DBU and FCBU) are available within 4 - 5 weeks.
- (3) LSB data, except for RDB data, are available within 4 - 5 weeks.
- (4) RDB data are available within 8 - 9 weeks.
- (5) Finance company data are available with 7 - 8 weeks.

Regional development banks' and Finance companies' data are currently available 8-9 weeks and 7-8 weeks, respectively, after the end of reference month, because of compilation and communication problems afflicting outlying branches.

(At present, only the Consolidated Monetary Survey, which covers positions of CBSL and LCBs, is published on a monthly basis.)

## 3.2 *Statistical techniques.*

### 3.2.1 *Data compilation employs sound statistical techniques.*

Each category of banking institutions uses a uniform balance sheet report form (supplementary notes provide guidance for completing the report forms). Data are reported in hard copy format and entered into electronic database at CBSL. The report forms' format follows a logical structure designed to facilitate data processing and compilation. Cross-checking is carried out at data entry stage and subsequently with the parallel data reported to the Banking Supervision Department. Add-checks for total asset/liability equality assist in detecting input errors. There are no other documented data management procedures.

*3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques.*

In compiling the Consolidated Monetary Survey, the deposits in Non-Resident Foreign Currency Accounts (NRFC) have been disaggregated into resident and non-resident categories based on a survey carried out by the banks. No other adjustments or transformations of source data are performed, except for adjusting interbank repo transactions to the change of ownership bases from the collateralized loan basis (see section 2.3.1) Seasonally adjusted monetary aggregates are not currently calculated.

**3.3 Assessment and validation.**

*3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and non-sampling error; the results of the assessments are monitored and made available to guide planning.*

Monetary statistics are based on a complete balance sheet data rather than samples or estimates. Source balance sheet data are extensively verified. Balance sheet data reported to CBSL Bank Supervision Department are used by DER for cross checking and verification of data reported directly to DER. Individual bank data are used for cross-checking interbank positions. Moreover, CBSL Banking Supervision Department carries out extensive continuous off-site inspection and verification of data for prudential purposes. On-site inspections are carried out on a two-year cycle.

*3.3.2 Main intermediate results are validated against other information where applicable.*

Cross-checks between monetary data and data on government operations are conducted on a weekly and monthly basis during meetings between CBSL and the Ministry of Finance's General Treasury staff. Data reconciliations are conducted on a monthly as well as weekly basis during the meetings of CBSL's Domestic Debt Management Committee which includes staff of the General Treasury. Verifications of specific data relating to government positions with the CBSL and the two state-owned banks<sup>37</sup> are also carried out on a daily basis.

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<sup>37</sup> Government accounts are concentrated at the CBSL and at the two state-owned commercial banks.

Since DER is also responsible for compiling balance of payments statistics, consistency checks between BOP and monetary data are conducted on a regular basis, including for end-of-month data.

*3.3.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated and made available to guide users.*

Procedures are in place to investigate classification/sectorization errors or omissions as a source of fluctuations or discrepancies. In particular, since 1996, reported data are entered into electronic database by DER staff, while prior to 1996, it was done by the data processing department. This procedure achieves several aims, among them, data entry is expedited and quality control is began at a data entry stage (*viz.* DER staff are familiar with the particular institutions, their activities and data, so that large movements in the data can be identified at the data entry stage, and inquiries are promptly made to the reporting institution).

**3.4 Revision studies**

*3.4.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes.*

Only final balance sheet data are used as a source for compiling monetary accounts. However, in a number of instances, for reasons of caution, published monetary accounts are labeled as provisional. Revisions, when they arise, result from routine accounting practice. Any corrections in the accounting records are reflected in monetary statistics. Oversight of revisions in the accounting records is under the purview of accounting and bank supervision departments.

**4. Serviceability—Statistics are relevant, timely, consistent, and follow a predictable revisions policy.**

**4.1 Relevance**

*4.1.1 Processes to monitor the relevance and practical utility of existing statistics in meeting users' needs are in place.*

To increase awareness of changes in the financial markets and institutions, central bank staff participate in conferences and seminars organized by SEACEN and other regional and local bodies on a range of issues in financial sector, including compilation and reporting monetary statistics (see sections 0.2.1 and 0.3.1). CBSL conducts a regular public seminar series where the general public could raise issues on data dissemination practices. Request are taken into account when dissemination practices are reviewed (see section 0.3.1).

The CBSL assesses on an ongoing basis the analytical relevance of the reported data and statistical compilation methods for appropriately capturing macroeconomic, institutional and financial sector developments. In particular, CBSL staff conduct studies to gauge potential

improvements that may be forthcoming from revisions in statistical methodologies. Two major examples are as follows:

Until 1997, FCBUs were treated in monetary statistics as pure off-shore (nonresident) units. As their transactions with the residents grew, the coverage of monetary survey was revised and expanded to include FCBUs. The resulting monetary statistics, M2b Consolidated Monetary Survey, is now used for policy purposes (monthly data have been compiled for January 1995 and onward).

With the expansion of LSBs' and of their activities, a need arose to develop a monetary aggregate more comprehensive than M2b. Hence, from 1999, the Financial Survey, covering activities of CBSL, LCBs, LSBs and Finance companies is compiled (monthly, on a developmental/experimental basis, with end-year data from 1997 and onward, published in CBSL *Annual Report*).

Thus, there is an unambiguous recognition within the CBSL that these studies have resulted in improved compilation of monetary statistics.

#### ***4.2 Timeliness and periodicity***

##### *4.2.1 Periodicity follows dissemination standards.*

Monthly data on monetary aggregates Narrow Money (M1), Broad Money (M2) and Consolidated Broad Money (M2b) are published. Only annual data on Financial Survey (M4 survey) are currently published, but in a near term it is envisaged to commence publication of M4 survey on a monthly basis.

##### *4.2.2 Timeliness follows dissemination standards.*

Monetary Survey and Consolidated Monetary Survey are published within four to six weeks from the end of the respective month. Monthly M4 survey is currently compiled on experimental/developmental basis, with timeliness of about eight weeks after the end of reference month.

#### ***4.3 Consistency***

##### *4.3.1 Statistics are consistent or reconcilable over a reasonable period of time.*

Detailed methodological notes are provided for time series data, describing main breaks and discontinuities in time series, their causes, as well as adjustments made to maintain consistency over time.

##### *4.3.2 Statistics are internally consistent.*

Interbank position among commercial banks, and data reported for statutory reserve purposes show that there are no large variations.



*4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.*

Sectorisation principles followed in money and banking, government finance, and balance of payment statistics are broadly consistent, thus promoting consistency in the coverage of the data. CBSL cross-checks data on net foreign assets positions and government finance statistics for consistency with balance of payments and government finance data (see sections 0.1.2 and 3.3.2).

**4.4 Revision policy and practice**

*4.4.1 Revisions follow a regular, well established, and transparent schedule.*

Only final balance sheet data are used as a source for compiling monetary accounts. However, in a number of instances, for reasons of caution, published monetary accounts are labeled as provisional. Revisions, when they arise, result from routine accounting practice. Any corrections in the accounting records are reflected in monetary statistics. Oversight of revisions in the accounting records is under the purview of accounting and bank supervision departments (see section 3.4.1).

Based on the ongoing studies (see section 4.1.1), revision arise, in due course, to reflect improved classification and coverage, in which case past data are typically revised to ensure comparability (e.g. reclassification of data on Sri Lanka Telecom).

*4.4.2 Preliminary data are clearly identified.*

Preliminary data are not used as a basis for end-month monetary statistics.

*4.4.3 Studies and analyses of revisions are carried out routinely and made public.*

When there is a methodological change, both revised data and data based on the previous format are published for a number of periods for comparison purposes, and detailed commentary notes are also provided (see section 4.4.1).

The general CBSL policy is that major data revisions are first published in the CBSL *Annual Report*, along with extensive methodological commentary and background analysis that led to revisions. Recently this policy was applied in the case of (a) expanding coverage of monetary survey to include operations of FCBUs and the regular monthly compilation of the Consolidated Monetary Survey; and (b) expanding the coverage of monetary statistics to include operations of LSBs and Finance companies, as presented in the Financial Survey first published in the CBSL 1999 *Annual Report*.

**5. Accessibility—Data and metadata are easily available and assistance to users is adequate.**

**5.1 Data accessibility**

*5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts).*

Presentation of monetary/financial surveys is analogous to the presentation in *International Financial Statistics (IFS)*. Additional detailed data are also published in the CBSL *Monthly Bulletin* and the *Annual Report*. One issue concerns presentation of net positions. When net positions (viz. net foreign assets, claims on government (net)) are shown in CBSL's monetary/financial surveys, the underlying gross data are not provided along side. Although gross data are shown in the separately published tables for the central bank's and the commercial banks' monetary accounts, the method for using these data to derive the net positions in the consolidated surveys is not readily apparent.

*5.1.2 Dissemination media and formats are adequate.*

Monetary data are disseminated in CBSL *Annual Report*, *Monthly Bulletin*, *Monthly Indicators* and *Weekly Indicators* releases. Data are also posted on the Web site maintained by the CBSL ([www.centralbanklanka.org](http://www.centralbanklanka.org)). Recently released data and longer time series can be accessed (e.g., annual data from 1950 and onward), and work is underway to expand this database. Detailed analysis and commentary are presented in the *Annual Report*.

*5.1.3 Statistics are released on a pre-announced schedule.*

By law, the CBSL *Annual Report* has to be published within four months from the end of the reference year. There is no pre-announced schedule for release of weekly and monthly data. Nevertheless, CBSL strives to publish these data on a regular basis, since in case of a delay, inquiries are promptly received from regular users, which has influenced CBSL to adhere to an informal regular release timetable.

*5.1.4 Statistics are made available to all users at the same time.*

Monetary statistics are released by CBSL to all users simultaneously (see section 1.2.2).

*5.1.5 Non-published (but non-confidential) sub-aggregates are made available upon request.*

The general guideline is that only CBSL senior management can, subject to disclosure rules in the *CBSL Manual*, sanction provisions of any unpublished information (see section 0.1.3).

## **5.2 Metadata accessibility**

*5.2.1 Documentation on concepts, scope, classification, basis for recording, data sources, and statistical techniques is available, and differences from international standards are annotated.*

Whenever the scope and methodology of monetary statistics are revised, the details are published in the CBSL *Annual Report*. Data in *Monthly Bulletin* and *Annual Report* carry detailed footnotes .

A CBSL document *Notes on Statistical Tables in the Monthly Bulletin* (1980) provides a comprehensive description of the data published in the *Monthly Bulletin*. However, based on discussion with users, its availability and usefulness (in view of its age) is questionable. CBSL staff noted that an update is planned for publication in the near term.

As a participant in GDDS, the metadata for Sri Lanka statistics, including for monetary statistics, are posted on the IMF's DSBB.

*5.2.2 Different levels of detail are provided depending on intended audience and type of collection.*

Only selected indicators are included in the weekly data releases. More comprehensive and detailed monetary/financial surveys and supporting data are published in the *Monthly Bulletin* and the *Annual Report*.

## **5.3 Assistance to users**

*5.3.1 Contact person for each subject field is publicized.*

Name of the GDDS contact is posted in the IMF's DSBB. The Director of Information Department is available to clarify issues relating to press releases, published data etc. (see section 1.1.3), however, this information is not publicized.

*5.3.2 Catalogues of publications, documents, and other services, including information on any changes, are widely available.*

A list of CBSL publications is printed in the back of every *Monthly Bulletin*. CBSL publications are available for purchase from CBSL by mail or directly from CBSL's Center for Banking Studies.

## **VI. BALANCE OF PAYMENT STATISTICS**

### **0. Prerequisites of quality**

#### ***0.1 Legal and institutional environment***

*0.1.1 The responsibility for collecting, processing, and disseminating balance of payments statistics is clearly specified.*

The Central Bank of Sri Lanka (CBSL) is responsible for collecting and compiling Sri Lanka's balance of payments (BOP) statistics. The Monetary Law Act (MLA), Section 35, (Chapter 422) of the CBSL identifies BOP statistics among those that the CBSL may submit to the minister in charge of Finance and Planning and to publish in an annual report. Article 26-(a) of the Act empowers the CBSL to require any person to furnish such information as necessary for the discharge of this function. Although the MLA specifies annual BOP statistics, quarterly BOP statistics are compiled and published. Also monthly BOP statistics are compiled but not published.

*0.1.2 Data sharing and coordination among data producing agencies are adequate.*

Arrangements have been put into place among data producing agencies for the provision of statistical data to the CBSL for BOP compilation and these are adequate. There are timely arrangements for the provision of monthly administrative and other data to the CBSL, including data on goods from customs declarations; government payment and receipts, and defense imports from the Treasury/Ministry of Finance (MOF) and Ministry of Foreign Affairs(MFA); wheat imports obtained from the Cooperative Wholesale Establishment, crude oil from the Ceylon Petroleum Corporation (CPC), and aircraft imports from Sri Lanka Airlines (SLA). Services transactions are mostly from the International Transactions Reporting System (ITRS) supplemented with information directly from surveys of the major transport enterprises such as SLA, Sri Lanka Shipping Corporation and Mercantile Shipping company; regulatory agencies such as Sri Lanka Port Authorities (SLPA), the Department of Civil Aviation (DCA), and the Department of Immigration and Emigration; insurance from the insurance companies, and travel from the Ceylon Tourist Board (CTB). Official transfers is obtained with information from External Resources Division (ERD) of the (MOF), while direct investment flows are obtained from the Board of Investment (BOI), and foreign exchange outflows from the Exchange Control Department of the CBSL. Portfolio investment is from the Colombo Stock Exchange (CSE), while other investment from ITRS is supplemented with the information from the survey of companies and reports from commercial banks. Reserve transactions are obtained from CBSL and Treasury records. The CBSL conducts meetings with some of the agencies notably customs, ERD and BOI to discuss data reporting and other issues. Discussions are underway to obtain more comprehensive reporting of enterprises under BOI.

*0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only.*

The confidentiality of individual respondents' data collected by the CBSL is guaranteed by the MLA, Section 45, which imposes the duty on every officer and servant of the CBSL to maintain the secrecy of all matters relating to the affairs of any banking institution, or any client of such institution or any department of the Government. The MLA specifies that, an officer who communicates such information to any person other than the Monetary Board or duly authorized officer of the CBSL shall be guilty of an offence. Also the Banking Act guarantees the confidentiality of banking returns to CBSL. In the surveys administered by the CBSL's Department of Economic Research (DER), respondents are informed that the data requested will be held in confidence and used only for statistical purposes. In new surveys, respondents are informed of the purpose of the survey, the importance of the balance of payments statistics, and the legal basis for the collection. Telephone follow-ups are held with new and regular reporters to explain changes to survey questionnaire. Computer-based storage and retrieval processes through passwords protect the integrity of data.

The CBSL has no formal guidelines on compilation and dissemination of statistics, though practices have evolved over the years which form the basis of the work. New staff, including temporary staff, learn these practices through formal and on-the-job-training, including the confidentiality of statistical work. Also, the conditions of the letter of appointment require staff to fully comply with these guidelines, by signing the "Handbook of the Code of Conduct" Sanction provisions exist for the release of unauthorized data.

*0.1.4 Statistical reporting is ensured through legal mandate and/or measures implemented to encourage voluntary response.*

The MLA form the legal basis for the collection of statistical information for compiling BOP statistics. Article 26 (b).2 specifies that failure to comply with this requirement to furnish information or to report shall constitute an offense. The CBSL has the legal authority to impose penalties. Moral suasion is also relied upon to ensure compliance.

In surveys, the CBSL explains to respondents the importance of the data being sought for policy formulation in order to encourage voluntary response.

## **0.2 Resources**

*0.2.1 Staff, financial, and computing resources are commensurate with institutional programs.*

There are two Divisions involved in the compilation of BOP namely, the International Trade Division (ITD) and the International Finance Division (IFD). The ITD is responsible for compiling the international trade data and comprises a staff of 3 professionals and 4 support staff. It is equipped with 5 personal computers, and other data processing equipment. The IFD is responsible for income, services and the capital and financial account. It has 7 professional staff and 8 support staff. It has access to 10 personal computers and other smaller data processing equipment. There are also a pool of desk top computers for the support staff. The IFD has the responsibility for collecting and processing a large segment of

the data employed in compiling the BOP statistics, and manages the International Transactions Reporting System (ITRS). The ITRS is based on the reporting by domestic financial institutions of all foreign currency transactions that result in changes in the banks' foreign currency position in Sri Lanka. Generally, the DER strives to ensure that each staff member has access to a personal computer.

The staff is knowledgeable in balance of payments concepts and compilation methods, and most have several years of compilation experience, including training on the IMF's *Balance of Payments Manual*, fifth edition (*BPM5*). Many staff have been sponsored by the CBSL to travel abroad to study compilation methods in IMF organized courses or other centers. Many staff are required to participate in on-the job training at the Center for Banking Studies (CBS), a department in the bank that provides training in commercial banking and other studies. New staff often undergo attachment training with commercial banks, port authorities, customs, and the CSE. Staff are also required to take continuing courses in statistics, money, banking and economics offered by the CBSL's Training Department (TD). New staff undergo formal training at the TD and on the job-training under the direction of experienced staff (mentoring). In 2000, the CBS organized a one-day seminar on 'Network/Internet/E-mail Training' for 270 CBSL officers, and an orientation program for 60 newly recruited staff.

Given these arrangements, the staffing is adequate to perform existing tasks, including processing of data from a number of small surveys administered by the IFD.

#### *0.2.2 Measures to ensure efficient use of resources are implemented.*

The DER compiles a yearly budget that is discussed in the CBSL-wide budget review committee, prior to submission to the Monetary Board for approval. The ITD and IFD provide estimates of their budget to the DER (taking into account previous year's budget), that is discussed and approved within the overall framework of the DER's budget. In the course of the year meetings are held between the DER and the ITD and IFD to review resource use in terms of the budget allocations, as well as methods for deriving efficiency in the work processes. To ensure efficient use of staff resources, assessment of staff performance is undertaken once a year by DER to identify areas of weaknesses in overall performance and recommend actions for improvement.

To improve information processing in the CBSL, a Local Area Network (LAN) was established linking 250 personal computers. The LAN is currently used for better dissemination of information and data-sharing between departments and thereby reducing duplication of efforts. A Wide Area Network connecting the head offices of all commercial banks and primary dealers to the CBSL was established and made functional in 2000. To facilitate fast, easy and economical communication within CBSL and with outside institutions, the E-mail facilities are provided to officers, while the internet facilities is extended to senior officers. These new facilities have enhanced efficiency in the operational work of the ITD and IFD, cutting down the time for communications among relevant staff.

### **0.3 Quality awareness**

*0.3.1 Processes are in place to focus on quality, to monitor the quality of the collection, processing, and dissemination of statistics, to acknowledge and deal with tradeoffs within quality, and to guide planning for existing and emerging needs.*

There is no oversight or advisory body to evaluate quality indicators but the DER has established an institutional structure and culture that enables it to compile and disseminate statistics in a more transparent and reliable manner. The emphasis on comprehensive training of staff to be familiar with the best methods of data collection, compilation and dissemination, produces an environment that promotes quality. Peer pressure and mentoring of new staff foster data quality. The quality of the work is enhanced by the processes in place for data entry, verification and a series of divisional and departmental reviews of the output of the ITD and IFD. The CBSL's data is highly regarded by users and the CBSL strives to maintain this reputation through measures to ensure the dissemination of reliable data. Consequently, changes in statistical methodologies are subject to thorough review and long development periods. The CBSL organizes meetings with data users (Bankers Association, Chamber of Commerce, etc.) to get some feedback on the reliability and usefulness of the data. For example, heads of commercial banks and the CBSL management hold monthly meetings to discuss data and policy issues. Also, the CBSL holds monthly public lectures, where members of the public have the option to comment on economic matters including their views on data dissemination by CBSL.

## **1. Integrity**

### **1.1. Professionalism**

*1.1.1 Statistics are compiled on an impartial basis.*

The CBSL has a large degree of autonomy in its work including on data compilation. Staff of the DER are only guided by professional considerations in their assignment on data compilation and dissemination, and only report their work to their respective division heads, who in turn report to the Director of Research. The CBSL encourages its staff to undertake research studies, which include policy oriented studies and others covering macroeconomic statistics. Also, the DER encourages its staff to prepare research papers for circulation within the Department, as a means of spreading knowledge. Some of these studies are published in the "Staff Studies" of the CBSL. Weekly seminar series are conducted at the DER to promote scholarly exchanges and professional development. The CBSL also organizes lectures, in which outside experts are invited to give presentations on statistical and other economic issues. For example, to disseminate new ideas and to provide a forum for professionals and academics to exchange views and share experiences on economic and financial sector developments, the CBSL organized the four commemoration Lectures in 2000.

Section 27 of the MLA enjoins the CBSL to promote and sponsor the training of technical personnel on statistical and other subjects, and the CBSL is authorized to defray the costs of study of employees either locally or abroad. The Training Department (TD) promotes post-graduate training, such as Masters and Ph.D programs for staff in economics, computer

technology and statistics. The TD also nominated staff in 2000 to participate in short-term training programs abroad, including those organized by the IMF, Bank of England, Federal Reserve Board, World Bank and the Swiss National Bank.

Section 12 of the MLA states that in order to devote his full professional time to the business of the CBSL, the Governor shall not accept or hold any other office or employment whatsoever, whether public or private and whether remunerated or not. The Governor's has a fixed term of six years, which is renewable.

*1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations.*

The choices of data sources and statistical techniques for BOP compilation are determined entirely by the CBSL staff. The choice of new surveys is determined by market factors such as the growing significance of an activity, as evidenced by the recent decision of IFD to start surveying information technology firms and internet payments. Revision studies also determine new statistical sources and statistical techniques, and provide a basis for new validation procedures. Analysis in reports is objective and relate to current developments in the balance of payments.

*1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics.*

The CBSL provides regular press briefings/technical commentary in connection with the release of the annual balance of payments statistics. It regularly monitors national press coverage of its statistical products and where there is an erroneous interpretation of the balance of payments statistics, the Head of the Information Department (ID) will issue a response, after consultations within the CBSL. In cases of responses to major policy issues, clearance is obtained from the Governors.

**1.2 Transparency**

*1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public.*

The terms and conditions for the collection processing and disseminated of statistics are governed by the MLA, which specifies the minimum data to be presented. Confidentiality of reporting is ensured by Section 45 of the MLA which enjoins every officer of the CBSL to preserve and aid in preserving secrecy with regard to all matters relating to the affairs of any banking institution or of any client of such institution. The statement of methodology and methods used for compilation are outdated, partially documented and not disclosed to the public. These are being revised and it is expected that they will be published in the future CBSL publications and on the CBSL website.

*1.2.2 Internal governmental access to statistics prior to release is publicly identified.*



There is no internal governmental access before they are released to the public. The Governors have access to the *Monthly Bulletin* and *Annual Report* before they are released.

*1.2.3 Products of the CBSL are clearly identified as such.*

The CBSL's statistical publications are clearly identified as products of the CBSL, including contact address, price, volume number and others (ISBN and ISSN).

*1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques.*

Data are indicated as provisional or revised in all CBSL publications. There is no advance notice given of major changes in methodology but any changes in methodology are usually introduced in the CBSL *Annual Report*, accompanied by detailed methodological commentary. The CBSL also provides a comparative table showing old and new methodology. Sometimes meetings are held with data providers and respondents to apprise them of changes in data requirements, following methodological changes.

**1.3 Ethical standards**

*1.3.1 Guidelines for staff behavior are clear and publicized.*

Guidelines for staff behavior are contained in the MLA, Sections 45—47. Also the CBSL's Manual outlines required behavior which are furnished to all new staff, but these guidelines are not disseminated to the public. This internal document is explained to all staff including part time workers. In order to avoid conflict of interest, staff of CBSL is prohibited from owning shares in financial institutions under the supervision of the CBSL. High professional standards are expected and observed by the staff of ITD and IFD.

**2. Methodological soundness**

**2.1 Concepts and definitions**

*2.1.1 The overall structure in terms of concepts and definitions follows international standards, guidelines, or agreed practices.*

In 1997 CBSL began the dissemination of an analytical presentation of balance of payments in broad conformity with the guidelines presented in the *BPM5*. The CBSL's Annual report for 2000 notes that the presentation of the balance of payments conforms as far as possible to the *BPM5*, although the financial account does not follow *BPM5* standard classification. Furthermore, all income, including interest and dividend income, is recorded on a payment basis.

## **2.2 Scope**

*2.2.1 The scope is broadly consistent with international standards, guidelines, or agreed practices.*

The BOP statement covers activities of the Sri Lanka economy with the rest of the world. It covers all entities operating in the geographical territory of Sri Lanka, including Foreign Currency Banking Units and the Duty Free Zones. No estimates are made of smuggling, under invoicing of imports or over invoicing of exports. Also, no data are compiled on construction services, and reinvested earnings. Partial data is available on communication services and compensation of employees. The international Transactions Reporting System (ITRS) does not cover Licensed Specialized Banks (LSBs) and finance companies. Deviations from the *BPM5* guidelines are not clearly identified in public sources.

## **2.3 Classification/sectorization**

*2.3.1 Classification/sectorization systems used are broadly consistent with international standards, guidelines, or agreed practices.*

The CBSL's classification of balance of payments transactions is broadly consistent with the *BPM5*, although there are some exceptions. The current account follows the *BPM5* in identifying transactions in goods, services, income, and current transfers.

The values of goods exported and imported are recorded on f.o.b. and c.i.f. basis respectively. Estimates are made of the insurance and freight part of c.i.f. imports, but these are not used in the BOP presentations of the CBSL as their reliability is not certain. In terms of goods, the classification does not identify goods procured in ports by carriers, or repairs on goods.

The capital and financial account is divided into capital account (composed mainly of capital transfers) and financial account composed of three categories, private investment, central government and the monetary sector. Though this classification is not in line with the standard classification of financial account under *BPM5*, the components can be reconciled with the *BPM5* categories of direct investment, portfolio investment other investment and reserves.

In the financial account, private investment is classified into short and long term. Short-term includes portfolio, other private short-term, and commercial banks. Long-term includes direct investment, privatization proceeds, and other private long-term (loans received by Sri Lanka Airlines). Central government is classified into long term (including long-term supplier's credit for defense imports), other long term, and short-term. The monetary sector is composed of government sector, central bank, transactions with IMF, valuation adjustments, monetary gold, allocation of SDRs, and errors and omissions. The reporting on foreign direct investment is based on the information from the Board of Investment (BOI), which is responsible for approving nonresident long-term direct investment in Sri Lanka in the form of equity. Income from direct investment such as profits and dividends of companies

controlled by nonresidents—mainly foreign incorporated companies—are obtained from the ITRS, which records all Share Investment External Rupee Account Transactions (SIERAT) in Sri Lanka. Reinvested earnings on direct investment are not captured and the IFD intends to develop a system to measure reinvested earnings on inward direct investment.

The Colombo Stock Exchange (CSE) provides data on sales and purchases of shares, bonds, debentures, etc. quoted in companies. Nonresident transactions in domestically issued money market instruments cannot be separately identified. Nonresidents are not allowed to invest in Treasury bills.

With regard to other investment, the Public Enterprise Reform Commission (PERC) provides data on the foreign stake in the privatized public enterprises, while the External Resources Department (ERD) of the MOF provides the main information on disbursements and repayments of government debt.

Data on commercial banks' assets and liabilities are obtained from their balance sheets provided at the end of each month. Transactions are estimated as the change in stock levels and therefore include valuation changes.

The reserve assets and liabilities (referred to as the monetary sector) reflect the changes in foreign assets and liabilities of the government and the CBSL. The reserve assets include Gold, SDR holdings, liquid balances abroad, bilateral credit balances, foreign securities, Asian Clearing Union Assets, Reserve position in the Fund, and foreign currency deposits. The changes are estimated as differences in stocks and therefore include valuation changes, which are separately identified in the BOP statements.

The *BPM5* contains a sectoral classification—monetary authorities, general government, banks, and other sectors—for selected current and financial account items. The *Monthly Bulletin* and *Annual Report* provides, for selected financial account items, only a partial sectoral classification and instrument classification. For example, no sectorization and instrument is provided for portfolio investment. No instrument classification is available for central government transactions in the financial account. Also, no instrument and sector classifications are available for other private long-term and short term transactions in the financial account.

Deviations from the *BPM5* guidelines are not clearly identified in public sources.

## ***2.4 Basis for recording***

### ***2.4.1 Market prices are used to value flows and stocks.***

Transactions are valued at market prices

The units of account are both Sri Lanka rupee and the U.S. dollar. All data are collected in Sri Lanka rupees and the conversion takes place at period average exchange rates. For the

most part, conversion is done on a monthly basis. Where actual rates are known these are used.

Reserve transactions in foreign exchange are also derived from stock data and are adjusted to remove the effects of exchange rate fluctuations. Conversion of foreign exchange balances into Sri Lanka rupee is at the end of month market exchange rate.

#### *2.4.2 Recording is done on an accrual basis.*

Transactions in goods, are largely recorded on an accrual basis, while those on services, income, transfers are on a cash (payment) basis Data on reinvested earnings are not compiled.

#### *2.4.3 Grossing/netting procedures are broadly consistent with international standards, guidelines, or agreed practices.*

Current account items are recorded on a gross basis, while financial account items are recorded on a net basis, separately for asset and liability components.

### **3. Accuracy and reliability**

#### **3.1 Source data**

##### *3.1.1 Source data are collected from comprehensive data collection systems that take into account country-specific conditions.*

The primary data sources for Sri Lanka's balance of payments are: (1) custom's declarations; (2) the ITRS for data from the banking system (3) administrative records of the government; (4) CBSL; (5) and surveys carried out by CBSL and other agencies. Data on goods are based on customs' declarations, supplemented by CBSL data on wheat imports obtained from the Cooperative Wholesale Establishment, on crude oil from the Ceylon Petroleum Corporation (CPC), on defense imports from the government, and on aircraft imports from Sri Lanka Airlines. Data on exports are based on customs declarations, supplemented by information on petroleum exports from CPC, and diamond exports from the National Gem and Jewellery Authority. Also, the ITD conducts a monthly survey on industrial production to cross-check customs information on industrial exports such as textile and garment exports.

These primary source data are supplemented with information from several secondary data sources namely, transport services obtained directly from the major transport enterprises, insurance services directly from the insurance companies, travel services from the Ceylon Tourist Board, administrative data on foreign direct investment in Sri Lanka from the BOI, data on nonresident sales and purchases of domestic securities compiled by the CSE, information on international aid from the ERD of the MOF, and several small surveys in communication, and credit card companies. The surveys have been designed to take account of compilation needs, with some surveys being monthly and others quarterly or annual.

*3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required.*

The ITRS reporting system does not cover the operations of Licensed Specialized Banks and finance companies. The ITRS does not cover foreign account bank accounts of key enterprises. The reporting system does permit netting and the IFD does not adjust the data to a gross basis. The surveys administered by the IFD do not cover construction activities, and foreign embassies and international organizations to obtain information on compensation of employees. Also, surveys do not cover equity (including capital goods) and short and long-term loans and trade credits between affiliated companies

There is no reporting mechanism to systematically record non-cash transactions in BOP statistics such as exports and imports financed by loans via banks abroad, intercompany transactions, migrants effects, reinvested earnings, stock dividends and debt to equity conversions. However, the ITD makes a timing adjustment in the goods merchandise for petroleum and others, when the change of ownership and the payment for these goods are recorded in different periods.

*3.1.3 Source data are timely.*

The source data are generally timely. The ITD and the IFD follow-up with late respondents via telephone, in order to collect information to meet publication deadlines.

**3.2 Statistical techniques**

*3.2.1 Data compilation employs sound statistical techniques.*

Professional staff are required to document their work practices, with regard to coding of data, adjustments of primary data, and verification procedures, which serve as a practical training tool for new staff. Other techniques used include trend analysis to isolate data outliers, verification of relations between component and totals, and price/value analysis of some merchandise trade data. But the BOP worksheets do not systematically include systematic estimation of undercoverage and nonsurveyed components.

*3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques.*

For goods transactions, several adjustments are made to the trade statistics to improve coverage and timing.: The survey information is used to construct timing adjustments with respect to petroleum imports delivered outside the customs boundary, and for the delivery of aircraft imports. Imports recorded on a c.i.f basis are converted to an f.o.b basis, through the application of a factor that is determined on the basis of volume and freight earnings information periodically obtained from periodic surveys, although the f.o.b imports is not used in CBSL presentations. However, there are no systematic procedures to take account of nonresponse, partial coverage, and below threshold items.

Data on receipts and payments for communication services are sourced from the ITRS, which records net settlements for such transactions. Credit card transactions are recorded on a net basis in the ITRS reporting system and a survey of banks is now undertaken to validate the ITRS data. The data on travel receipts are also augmented with information from the domestic airlines on passenger fares for domestic flights (rupee-denominated transactions).

### **3.3 Assessment and validation**

*3.3.1 Source data—including censuses, sample, surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and non-sampling error; the results of the assessments are monitored and made available to guide planning.*

The ITD and IFD mainly undertake a periodic survey of key enterprises, regulatory organizations, and trade and industrial association through a collections register. This partial coverage collection has been determined by factors such as past significance, the growth and the impact of transactions of the respondents on the BOP. To obtain current data however, the IFD undertakes regular telephone surveys. The Industrial Division of the DER does a more comprehensive survey including sample surveys and census. Data are sometimes analyzed to explain large abnormalities, which provide an opportunity for bilateral discussions with survey respondents. However, no systematic monitoring of assessments are undertaken.

*3.3.2 Main intermediate results are validated against other information where applicable.*

High-value or other unusual transactions identified in primary or secondary data sources are queried with respondents or with the agency responsible for the data. The stock data reported on the portfolio investment survey by financial institutions is checked against information in the ITRS. Some checks between the stock and flow data reported in the ITRS are made by the IFD Division. The data on the volume of international travelers as compiled by the airlines and civil aviation is compared with the recorded data on travel receipts and payments each month, emanating from the ITRS.

*3.3.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated.*

Statistical discrepancies are normally investigated.

### **3.4 Revision studies**

*3.4.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes.*

Revisions studies are not routinely studied but may be undertaken on a case by case basis. If necessary, these could lead to a review of the statistical techniques and source data. See item 3.3.3, above.

## **4. Serviceability**

## **4.1 Relevance**

### *4.1.1 Processes to monitor the relevance and practical utility of existing statistics in meeting users' needs are in place.*

The CBSL organizes monthly meetings with banks and primary dealers to discuss new policy initiatives, statistical products and CBSL's data requirements. It is the intention to hold similar meetings in the future with other users. In the past year, CBSL staff participated in international statistical meetings that dealt with international trade in services and a seminar on external debt statistics.

## **4.2 Timeliness and periodicity**

### *4.2.1 Periodicity follows dissemination standards.*

The CBSL disseminates quarterly BOP statistics, thereby meeting the quarterly periodicity prescribed by the SDDS for BOP statistics. The CBSL also disseminates a range of other external sector statistics on a monthly basis—trade statistics, and data on international reserves. The CBSL also disseminates some statistics in the Selected Weekly Economic Bulletin (exchange rates, reserves)

### *4.2.2 Timeliness follows dissemination standards.*

The CBSL disseminates preliminary quarterly BOP statistics no later than one quarter after the end of the reference quarter, thereby meeting the timeliness of one quarter prescribed by the SDDS for BOP statistics. The CBSL also compiles monthly merchandise trade data with a lag of 4-5 weeks.

## **4.3 Consistency**

### *4.3.1 Statistics are consistent or reconcilable over a reasonable period of time.*

When the BOP statistics were converted to a *BPM5* basis in early 1997, the annual data were revised and disseminated back to 1993, and quarterly data were revised back to 1997, and made available in the Annual Bulletin (including a comparison table with the old data) and on the CBSL website. The publication provided an overview of the major changes in moving to *BPM5*.

Any unusual changes in economic trends—such as the large increase in errors and omissions are identified and explained in a footnote in the CBSL reports to the public.

### *4.3.2 Statistics are internally consistent (e.g., accounting identities observed).*

The IFD normally reviews the methods, processes and output to make sure that the statistics are internally consistent.

*4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.*

The data on the foreign assets and liabilities of financial institutions from the ITRS are normally reconciled with the money and banking statistics. The external debt flows are normally reconciled with the external debt statistics compiled by the ERD. The current account statistics are consistent with the data on the external sector in the national accounts.

**4.4 Revision policy and practice**

*4.4.1 Revisions follow a regular, well-established and transparent schedule.*

There is no regularly publicized schedule for revisions. In practice, preliminary quarterly BOP statistics which are available at the end of the second month following the reference quarter, may be revised in the subsequent quarters. The annual BOP statistics of the previous year are published during the second quarter of the following year in the Annual Report. These preliminary annual data may be revised for one more year, after which no more revisions may be made to the data. The causes of significant revisions are explained to users in the publications.

*4.4.2 Preliminary data are clearly identified.*

In the CBSL's statistical publications, the preliminary data are identified with the letter "p."

*4.4.3 Studies and analyses of revisions are carried out routinely and made public.*

Studies of revisions are not routinely carried out. Where there are significant revisions, factors contributing to the difference with the preliminary statistics are analyzed and explained in the published reports. In most cases, they result from the revision of the import-export statistics, additional data collected from companies or related associations, and the correction of errors.

**5. Accessibility**

**5.1 Data accessibility**

*5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts).*

In the *Monthly Bulletin*, which is normally released with a month's lag, the BOP statistics are presented in a way that facilitates proper interpretation and meaningful comparisons of the preceding year's series. The data are presented in columnar form in a series of tables in rupees and US\$, and then progressively provide additional component detail. However, there are only four quarters of data. In contrast, the *Annual Report* contains several years of annual data for several years (ten) depending on the relevant component. The presentation of the BOP statistics is broadly in line with the standard components presented in the *BPM5*, except



in the financial account. Direction of trade statistics and a commodity breakdown of exports and imports, as well as unit value and volume indices provide additional analytical information.

*5.1.2 Dissemination media and formats are adequate.*

The dissemination formats for the BOP statistics are adequate. The *Monthly Bulletin* contains BOP data for 4 quarters, two of which refer to the current year, and the other two to the previous year for comparison purposes. The BOP data in the *Annual Report* are first published in a press release and made available at the same time on the CBSL's website. Data back to 1991 are available in the *Annual Report* for most series.

*5.1.3 Statistics are released on a pre-announced schedule.*

The BOP statistics are not released according to an advance release calendar (ARC).

*5.1.4 Statistics are made available to all users at the same time.*

The data are released simultaneously to all interested users on the day of the release

*5.1.5 Non-published (but non-confidential) sub-aggregates are not made available upon request.*

The CBSL tries to accommodate requests from users for non-published (but non-confidential) sub-aggregates.

**5.2 Metadata availability**

*5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from international standards are annotated.*

Documentation of methodology and statistical techniques is available but incomplete, and is not published. The 1997 Annual Report however provided some documentation on the methodology, concepts, scope and classification of the BOP statistics in connection with conversion to *BPM5*. The *Monthly Bulletin* does not provide methodological notes about BOP statistics. The CBSL also provides methodological information for publication in the IMF's *Balance of Payments Statistics Yearbook*.

*5.2.2 Different levels of detail are provided depending on intended audiences and type of collection.*

Unpublished (but non-confidential) series or tabulations can be provided. Seasonally adjusted BOP statistics are not compiled, and there are no plans to develop such statistics.

### **5.3 Assistance to users**

#### **5.3.1 *Contact person for each subject field is publicized.***

The ID of the CBSL offers assistance in replying to requests from users of statistics. No contact person for balance of payments statistics is provided in the *Monthly Bulletin*. The Bulletin only states that it is issued monthly by the DER under the direction of a Staff Editorial Committee. The DER encourages the public to contact it for assistance through its outreach programs.

#### **5.3.2. *Catalogues of publications, documents, and other services, including information on any charges, are widely available.***

A list of the statistical products produced by the CBSL is presented in its website. The CBSL does charges for its monthly publications at subsidized rates.

**Data Quality Assessment Framework—Generic Framework  
(March 2001)**

Quality Dimensions	Elements	Indicators
<ul style="list-style-type: none"> <li>Prerequisites of quality<sup>1</sup></li> </ul>	<p><b>0.1 Legal and institutional environment</b> – <i>The environment is supportive of statistics.</i></p> <p><b>0.2 Resources</b> – <i>Resources are commensurate with needs of statistical programs.</i></p> <p><b>0.3 Quality awareness</b> – <i>Quality is recognized as a cornerstone of statistical work.</i></p>	<p>0.1.1 The responsibility for collecting, processing, and disseminating statistics is clearly specified.</p> <p>0.1.2 Data sharing and coordination among data producing agencies are adequate.</p> <p>0.1.3 Respondents' data are to be kept confidential and used for statistical purposes only.</p> <p>0.1.4 Statistical reporting is ensured through legal mandate and/or measures implemented to encourage voluntary response.</p> <p>0.2.1 Staff, financial, and computing resources are commensurate with institutional programs.</p> <p>0.2.2 Measures to ensure efficient use of resources are implemented.</p> <p>0.3.1 Processes are in place to focus on quality, to monitor the quality of the collection, processing, and dissemination of statistics, to acknowledge and deal with tradeoffs within quality, and to guide planning for existing and emerging needs.</p>
<p><b>1. Integrity</b></p> <p><i>The principle of objectivity in the collection, processing,, and dissemination of statistics is firmly adhered to.</i></p>	<p><b>1.1 Professionalism</b> – <i>Professionalism in statistical policies and practices is a guiding principle.</i></p> <p><b>1.2 Transparency</b> – <i>Statistical policies and practices are transparent.</i></p> <p><b>1.3 Ethical standards</b> – <i>Policies and practices are guided by ethical standards.</i></p>	<p>1.1.1 Statistics are compiled on an impartial basis.</p> <p>1.1.2 Choices of sources and statistical techniques are informed solely by statistical considerations.</p> <p>1.1.3 The appropriate statistical entity is entitled to comment on erroneous interpretation and misuse of statistics.</p> <p>1.2.1 The terms and conditions under which statistics are collected, processed, and disseminated are available to the public.</p> <p>1.2.2 Internal governmental access to statistics prior to their release is publicly identified.</p> <p>1.2.3 Products of statistical agencies/units are clearly identified as such.</p> <p>1.2.4 Advance notice is given of major changes in methodology, source data, and statistical techniques.</p> <p>1.3.1 Guidelines for staff behavior are clear and publicized.</p>

**Data Quality Assessment Framework—Generic Framework  
(March 2001)**

Quality Dimensions	Elements	Indicators
<b>2. Methodological soundness</b>  <i>The methodological basis for the statistics follows international standards, guidelines, or agreed practices.</i>	<b>2.1 Concepts and definitions</b> – <i>Concepts and definitions used are in accord with standard statistical frameworks.</i>  <b>2.2 Scope</b> – <i>The scope is in accord with internationally accepted standards.</i>  <b>2.3 Classification/sectorization</b> – <i>Classification and sectorization systems are in accord with internationally accepted standards.</i>  <b>2.4 Basis for recording</b> – <i>Flows and stocks are valued and recorded according to internationally accepted standards.</i>	2.1.1 The overall structure in terms of concepts and definitions follows international standards, guidelines, or agreed practices: see dataset-specific framework.  2.2.1 The scope is broadly consistent with international standards, guidelines, or agreed practices: see dataset-specific framework.  2.3.1 Classification/ sectorization systems used are broadly consistent with international standards, guidelines, or a agreed practices: see dataset-specific framework.  2.4.1 Market prices are used to value flows and stocks. 2.4.2 Recording is done on an accrual basis. 2.4.3 Grossing/netting procedures are broadly consistent with international standards, guidelines, or agreed practices.
<ul style="list-style-type: none"> <li>3. Accuracy and reliability</li> </ul> <i>Source data and statistical techniques are sound, and output data sufficiently portray reality.</i>	<b>3.1 Source data</b> – <i>Source data available provide an adequate basis to compile statistics.</i>  <b>3.2 Statistical techniques</b> – <i>Statistical techniques employed conform with sound statistical procedures.</i>  <b>3.3 Assessment and validation</b> – <i>Source data are regularly assessed and results validated.</i>  <b>3.4 Revision studies</b> – <i>Revisions, as a gauge of reliability, are tracked and mined for the information they may provide.</i>	3.1.1 Source data are collected from comprehensive data collection programs that take into account country-specific conditions. 3.1.2 Source data reasonably approximate the definitions, scope, classifications, valuation, and time of recording required. 3.1.3 Source data are timely.  3.2.1 Data compilation employs sound statistical techniques. <b>3.2.2 Other statistical procedures (e.g., data adjustments and transformations, and statistical analysis) employ sound statistical techniques.</b>  <b>3.3.1 Source data—including censuses, sample surveys and administrative records—are routinely assessed, e.g., for coverage, sample error, response error, and non-sampling error; the results of the assessments are monitored and made available to guide planning.</b> 3.3.2 Main intermediate results are validated against other information where applicable. 3.3.3 Statistical discrepancies and other potential indicators of problems in statistical outputs are investigated.  3.4.1 Studies and analyses of revisions are carried out routinely and used to inform statistical processes.

**Data Quality Assessment Framework—Generic Framework  
(March 2001)**

Quality Dimensions	Elements	Indicators
<b>4. Serviceability</b>  <i>Statistics are relevant, timely, consistent, and follow a predictable revisions policy.</i>	<b>4.1 Relevance</b> – <i>Statistics cover relevant information on the subject field.</i>  <b>4.2 Timeliness and periodicity</b> – <i>Timeliness and periodicity follow internationally accepted dissemination standards.</i>  <b>4.3 Consistency</b> – <i>Statistics are consistent over time, internally, and with major data systems.</i>  <b>4.4 Revision policy and practice</b> – <i>Data revisions follow a regular and publicized procedure.</i>	4.1.1 Processes to monitor the relevance and practical utility of existing statistics in meeting users' needs are in place.  4.2.1 Periodicity follows dissemination standards. 4.2.2 Timeliness follows dissemination standards.  4.3.1 Statistics are consistent or reconcilable over a reasonable period of time. 4.3.2 Statistics are internally consistent (e.g., accounting identities observed). 4.3.3 Statistics are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks.  4.4.1 Revisions follow a regular, well-established and transparent schedule. 4.4.2 Preliminary data are clearly identified. 4.4.3 Studies and analyses of revisions are made public.
<b>5. Accessibility</b>  <i>Data and metadata are easily available and assistance to users is adequate.</i>	<b>5.1 Data accessibility</b> – <i>Statistics are presented in a clear and understandable manner, forms of dissemination are adequate, and statistics are made available on an impartial basis.</i>  <b>5.2 Metadata accessibility</b> – <i>Up-to-date and pertinent metadata are made available.</i>  <b>5.3 Assistance to users</b> – <i>Prompt and knowledgeable support service is available.</i>	5.1.1 Statistics are presented in a way that facilitates proper interpretation and meaningful comparisons (layout and clarity of text, tables, and charts). 5.1.2 Dissemination media and formats are adequate. 5.1.3 Statistics are released on a pre-announced schedule. 5.1.4 Statistics are made available to all users at the same time. 5.1.5 Non-published (but non-confidential) sub-aggregates are made available upon request.  5.2.1 Documentation on concepts, scope, classifications, basis of recording, data sources, and statistical techniques is available, and differences from international standards are annotated. 5.2.2 Different levels of detail are provided depending on intended audience and type of collection.  5.3.1 Contact person for each subject field is publicized. 5.3.2 Catalogues of publications, documents, and other services, including information on any charges, are widely available.

<sup>1</sup> The elements and indicators included here bring together the “pointers to quality” that are applicable across the five identified dimensions of data quality.

June..., 2001  
[Address]

Dear [ ]:

At the request of the Sri Lanka authorities, the IMF is conducting a review of Sri Lanka's economic statistics in the context of the Fund's *Reports on Observance of Standards and Codes* (ROSCs), and a description of ROSCs and some recent country examples, can be found on the Fund's website at <http://www.imf.org/external/standards/index.htm>). One important aspect of conducting ROSC is a determination of the usefulness of a country's macroeconomic statistics to users of those statistics. To that end, we are conducting an informal survey of key users of Sri Lanka's economic statistics among the media, financial institutions, rating agencies, and academia, and your response would be greatly appreciated. Your response will be treated confidentially and the final report will not refer to any institution or respondent by name.

If the Sri Lanka authorities agree, the final report will be published. The IMF strongly encourages publication. To guide your response, I am attaching a short questionnaire, but please do not feel constrained by the scope of the issues presented therein. It would be appreciated if your response could be sent by facsimile to [ ], if possible by [ ]. If you have any questions, please do not hesitate to contact me via email ([NHaque@imf.org](mailto:NHaque@imf.org)) or telephone [ ].

Sincerely yours,

Nadeem Ul Haque  
IMF Senior Resident Representative in Sri Lanka

### **Short Questionnaire for Users of Sri Lanka's Economic Data**

1. **Coverage:** Are you satisfied with the coverage of Sri Lanka's economic statistics? Do they cover all the areas that are relevant for economic analysis? Is the level of detail, for example of the monetary and fiscal data, sufficient? Is the institutional coverage, for example of the fiscal data, satisfactory?
2. **Periodicity and Timeliness:** Are you satisfied with the frequency (i.e. weekly, monthly, quarterly, annual) of Sri Lanka's economic statistics? Are there any that you would like to see at higher frequency? Are data released soon enough? Which data would you like to see sooner?
3. **Advance Release Calendars:** Sri Lanka does not adhere to advanced release calendars for its core economic statistics. Would you like to see this practice implemented? Would this practice help to ensure equal access to data once they are released?
4. **Accessibility:** Can you get easy access to information about the full spectrum of statistics produced and published? Does the available metadata (information and explanation about the data) enhance the analytical usefulness of the data? In which data sets do you see room for improvement?
4. **Overall Quality:** How do you assess the overall quality of Sri Lanka's economic statistics? Is the underlying methodology sound and clearly described? Are the statistics impartial and accurate? In which areas do you see room for improvement? How would you compare Sri Lanka's statistics with those of other countries in the region?