

EBS/14/90
Supplement 2
Correction 2

September 12, 2014

To: Members of the Executive Board

From: The Secretary

Subject: **Sri Lanka—Staff Report for the 2014 Article IV Consultation and Second Post-Program Monitoring Discussion—Informational Annex**

The attached corrections to EBS/14/90, Sup. 2 (7/10/14) have been provided by the staff:

Evident Ambiguity

Page 10, paragraph 2, line 1: for "National accounts" read "Price statistics"

paragraph 3, line 1: insert new text "National accounts." before "The national accounts suffer from insufficient data sources and undeveloped statistical techniques."

paragraph 3, line 2: for "Most of the data used are obtained on a timely basis" read "Most of the data used for national accounts are obtained on a timely basis"

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Page 10, paragraph 2, line 2: for "based on the spending pattern reflected in the 2006–07 Household Income and Expenditure Survey." read "based on the spending pattern reflected in the Household Income and Expenditure Survey."

paragraph 3, line 4: for "As a result, the estimates of gross value added" read "As a result, some of the estimates of gross value added"

Questions may be referred to Mr. Schneider (ext. 35662), Mr. Jonas (ext. 38674), and Mr. Ghazanchyan (ext. 37689) in APD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This correction is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

Att: (1)

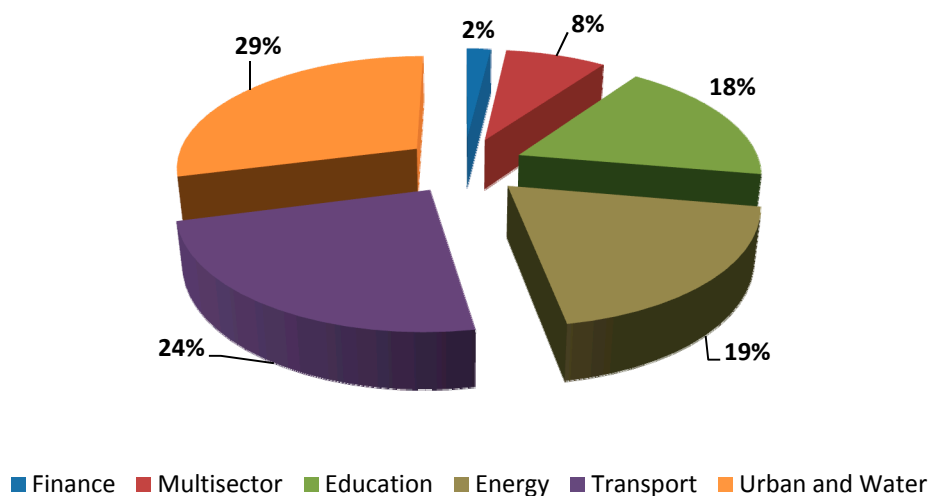
Other Distribution:
Department Heads

- Greater Colombo Water And Wastewater Management Improvement Investment Program - Tranche 1 (\$70 million from OCR and \$18 million from ADF)

- **Portfolio Performance:** As of 31 December 2013, ADB has approved a total of 166 loans, with cumulative lending of \$5.8 billion to Sri Lanka. In addition, ADB has provided \$358 million grant assistance (including ADB-administered co-financed grants) for projects and \$123 million through 259 technical assistance grants.

The current portfolio includes 49 ongoing loans and grants for 29 projects with a net loan amount of \$2.1 billion. Cumulative contract awards reaches \$1.0 billion, and disbursements \$0.7 billion. 80% of the ongoing portfolio are in transport, urban and water, and energy sectors. The sector composition of the ongoing loan portfolio is in Figure 1.

Figure 1 : Sectoral Distribution



Source: Asian Development Bank

STATISTICAL ISSUES

Macroeconomic statistics are broadly adequate for surveillance, but weaknesses remain in the timeliness and coverage of certain statistical series. Sri Lanka is a participant in the General Data Dissemination System (GDDS) since July 2000.

National accounts. ~~Price statistics.~~ The Department of Census and Statistics (DCS) released a new Consumer Price Index for Colombo in 2007, based on the spending pattern reflected in the ~~2006–07~~ Household Income and Expenditure Survey. It is based on the spending patterns of all urban households in the Colombo district. A core inflation index is also compiled by the DCS to provide a measure of underlying inflation. The Central Bank of Sri Lanka (CBSL) produces a Wholesale cum-Producer Price Index (WPI/PPI).

National accounts. The national accounts suffer from insufficient data sources and undeveloped statistical techniques. Most of the data used for national accounts are obtained on a timely basis. However, detailed data needed to measure both output and intermediate consumption are mostly unavailable or not collected. As a result, some of the estimates of gross value added are prepared directly relying on fixed ratios, often with outdated studies or ad hoc assumptions. Quarterly indicators are used for compiling quarterly value added estimates. The methodology for deriving GDP at constant prices relies on expenditure estimates which are available only annually and rely mostly on commodity flow techniques. Whenever possible, estimates are validated and checked with other sources.

Government finance. In May 2003, a STA mission followed up on the ROSC recommendation to develop a migration path to compile data in accordance with the *Government Finance Statistics Manual 2001* (GFSM 2001). As part of that plan, the authorities agreed to revise (beginning in end-2003) the budgetary classifications and the accounting structure to eventually match the GFSM 2001 classifications of stocks and flows and to apply that chart of accounts to all general government units. In April 2014, a STA mission took place in the context of the Japan-funded IMF project on implementing GFSM 2001 and its update (GFSM 2014), for compiling, analyzing and reporting fiscal data.

Monetary statistics. Foreign Currency Banking Units (FCBUs) are classified as resident institutions in the monetary survey since 1998. To adjust for the proportion of nonresident foreign currency deposits (NRFC), which are actually held by residents (mainly returning migrant workers), 50 percent of these deposits are reclassified from foreign liabilities to domestic deposits.

In June 2003, a STA mission followed up on issues raised during the 2001 ROSC mission. In particular, the mission clarified the methodology for the treatment of Fund accounts; recommended that repos be treated as collateralized loans (rather than on a change of ownership basis); and resolved discrepancies between the monetary authorities data reported to STA and to APD, which reflected problems in the valuation of Fund accounts and other shortcomings.