

Harsha says govt. gave haircut to EPF unfairly sparing banks and insurance companies

The Committee on Public Finance (COPF) had not received the data that the Central Bank and the Ministry of Finance had when it discussed the resolution on domestic debt restructuring, CoPF Chairman and Samagi Jana Balawegaya (SJB) MP Dr. Harsha de Silva said in a television interview on Wednesday.

"We held discussions with officials of the Central Bank, the Ministry of Finance, and other stakeholders for two days based on the data available to us. They told us that domestic debt restructuring must be done," he said.

Dr. de Silva said that the Central Bank Governor had said that he wasn't a great fan of domestic debt restructuring. However, the latter said that the country had to restructure its domestic debt because foreign debt holders were insisting on it, the SJB MP said.

"My stance was that we must avoid restructuring domestic debt. However, if the government insists that this must be done, I have suggested ways in which we could do this in the two blueprints I presented in 2022 and 2023," Dr. de Silva said.

The SJB MP said that the IMF had not told Sri Lanka that it must restructure its domestic debt. The IMF wanted Sri Lanka's authorities to restore debt sustainability by reducing the level of public debt below 95 percent of GDP by 2032; reducing the average central government gross financing needs (GFNs) in 2027-32, including from the materialisation of contingent liabilities, below 13 percent of GDP; keeping FX debt service of the central government below 4.5 percent of GDP in any year during 2027-32; and to ensure that the fis-

cal and external financing gaps are closed.

"Why did we have to restructure domestic debt, then? Reducing the level of public debt below 95 percent of GDP by 2032 is not a difficult thing.

Reducing the GFNs is tougher. There are two parts to achieving this. First is the fiscal pillar, i.e., reducing the budget deficit. How do we do this? We have to increase tax revenue, and reduce expenses.

The extent of debt restructuring depends on our ability to reduce the budget deficit," he said.

Dr. de Silva said the government has believed that they can't reduce the budget deficit beyond this point. Thus, they have asked foreign debt holders for a 30 percent haircut, he said.

"Then these debt owners insist that we also restructure domestic debt, since they have to take a haircut. So about 0.5 percent of the GDP worth of domestic debt had to be restructured," he said.

The problem is that the burden of the entire debt restructuring has fallen on the EPF, while banks and other such institutions have been made exempt. Out of the total debt portfolio, EPF held 42 percent, while banks held 45 percent, he said. About eight percent was held by insurance companies, MP de Silva said.

"There wouldn't be any problem if the burden was divided in an equitable manner," he said.

Sri Lanka had to issue treasury bonds at high interest rates in the last few years because everyone knew that a haircut was inevitable.

"An investor would purchase a

bond at 28 percent, expecting that he or she would have to take a cut of about eight percent. However, a large number

of those who bought bonds at an interest rate of 28 to 30 percent didn't have to take a haircut at all. But EPF has to take a big cut and get nine percent interest," he said.



Dr. de Silva

The SJB MP said those who defend the decision to exempt

banks and insurance companies from debt restructuring claim that banks already pay a 50 percent tax on their profit and that the exemption would prevent a collapse in banks. However, both claims are false, he said.

"Funds like the EPF are the last to be affected in all other countries that have restructured domestic debt. Those who contribute to the EPF have no say in how their money is invested. If the burden of domestic debt restructuring was divided equally, both banks, EPF, and insurance companies would have had to pay relatively bearable amounts, and it would not have led to a collapse in the banking sector," he said.

The SJB had proposed to divide restructuring equally and give banks regulatory forbearance, i.e., a regulatory policy that permits banks and financial institutions to continue operating even when their capital is fully depleted, he said. (RK)

APPLICATION FOR A LICENCE UNDER SECTION 34 OF THE COMPANIES ACT NO. 07 OF 2007

In pursuance of Section 34 of the Companies Act No. 7 of 2007 an application has been made to the Registrar-General of Companies for a License directing an Association to be formed under the name "SIRI LAKSHMI CENTER FOR HUMAN REHABILITATION" to be registered as a company limited by Guarantee with out the Addition of the word "Limited" of the name.

The Objects are:-

- Providing residential traditional medicine treatment those disabled due to war or social violence or accidents etc.
- Traditional medicine treatment for long-term chronic diseases for a long time and awareness through lectures in elderly homes, educational centers, hostels in orphanages, health centers for medical treatment and prevention of such disorders.
- To provide required assistance to strengthen public healthcare systems, including village and remote social service centers, family healthcare systems, reduce country risks by communicable diseases.
- To provide relief for the self-employment of persons rendered helpless by war or social violence or political causes.
- To establish, institutions, Elderly home, Educational centers, Orphanages, Hostel, Public health Medical centers, Day care centers, Training centers etc.
- To provide of personal safety health equipment to public service providers working for the safety of the public.
- To provide relief and shelter to the people who do not have any source of income and are made homeless or current upheaval.
- To promote healthy living with organic food consumption, valuing traditional, yet rich living styles, through media and Educational programs.
- Contacting the Government of SL (Sri Lanka) local government agencies with assistance philanthropists, NGOs, international organizations in of disaster or famine to assist the affected people.
- Support to established self-service organization work, rather closer among the youth of the Sri Lanka community.
- Work together regional government institutions, for missions, organizations, and foreigners as an active intermediate in situation for provide assistance of the income generated communities.
- Facilities the schools that do not currently have aided infrastructure facilities in the remote areas in Sri Lanka.
- Provide relief service and assistance at the time of disaster or Epidemics etc. (such as Tsunami, Covid)
- Providing material and commercial support to grow crops, medicinal plants, etc., using organic fertilizer local ingredients as self-employment.
- Support to establish self-service organizations to rather closer among the youth of the Sri Lanka community.
- Work with the foreign missions, organizations, foreigners as an active intermediate in situation to provide assistance of low-income generated does not receive primary & secondary Education.
- Providing the necessary physical and commercial support for the healthy and nutritious development of the income generated people with the support of local foreign philanthropists.

Further details in Articles of Association can be obtained where kept at No. 19, D.R. Wijewardene Mawatha, Colombo 10. Notice is hereby given that any person objecting to the application may make such objection within 21 days of publication, by a letter addressed to the Registrar-General of Companies, "Samagan Medura" No. 400, D.R. Wijewardene Mawatha, Colombo 10.