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

Dr. de Silva

he 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

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 materialiation 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 fiscal 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

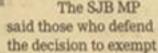
There wouldn't be any problem if the burden was divided in an equitable manner," he said.

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.



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.

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)

14 JULY 2023 - ISLAND

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

2007 an application has been made to the Registrar-Gene of Companies for a License directing an Association ab to be formed under the name "SIRI LAKKIMI CENTER F HUMAN REHABILITATION" to be registered as a compa limited by Guarantee with out the Addition of the w "Limited" of the name,

The Objects are:-

- Providing residential traditional medicine treatment those disabled due to war or social violence or socide
- Traditional medicine treatment for long-term chro diseases for a long time and awareness throu lectures in elderly homes, educational centers, hos in orphanages, health centers for medical treatment prevention of such disorders.
- To provide required assistance to strengthen pu healthcare systems, including village and remote s social service centers, family healthcare system
- reduce country risks by communicable, diseases, To provide relief for the self- employments of pers rendered helpless by war or social violence or poli
- To establish, institutions, Elderly home, Education centers, Orphanages, Hostel, Public health Med
- centers. Orphanages. Hostel, Fubic health sec-centers, Day care centers, Training centers etc. To provide of personal safety health equipment to pu service providers working for the safety of the public To provide relief and shelter to the people who do
- have any source of income and are made homeless ur Javand, upheaval.
- To promote healthy living with organic food consumpli valuing traditional, yet rich living styles, through me
- Contecting the Government of SL (Sri Lanka local government agencies with assistance fi philanthropists. NGOs, international organizations in to of disaster or famine to assist the affected people.
- Support to established self-service organization work, rather closer among the youth of the Sri Lar
- Work together regional government institutions, for missions, organizations, and foreigners as an ar intermediate in situation for provide assistance of the
- Faculties the schools that do not currently have adec drastructure facilities in the remote arrears in Sri Li m. Provide relief service and assistance at the time of dis
- or Epidemics etc. (such as Tsunami, Covid) Providing material and commercial support to grow
- local ingredients as self-employment.

 o. Support to establish self-service organizations to rather closer among the youth of the Sri La
- Work with the foreign missions, organizations foreigners as an active intermediate in situation to p assistance of low-income generated does not e
- primary & secondary Education.

 Q. Providing the necessary physical and commercial si
 for the healthy and nutritious development of th
 income generated people with the support of loo

Where kept at No. 19, D.R. Wijewardene Mawatha, Cr 10, Notice is hereby given that any person objecting n Medura" No. 400, D.R. Wileve