

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) organised the Annual Budget Seminar where top government officials and business leaders came onto a single platform to share their views on the government's national budget for 2022.

The keynote speech was delivered by Mr. Ajith Nivard Cabraal, Governor of Central Bank who outlined the government's recovery plan despite the challenges the country has encountered due to the COVID-19 pandemic. "Last year Sri Lanka recorded a negative growth of 3.5 percent and this year we are expecting it to be around 5 percent, but next year if we can get the growth to rise to above 5 to possibly 6 percent, I think Sri Lanka will be well on its path to recovery," he told a large number of participants including Chartered Accountants who connected with the event virtually.

Mr. Cabraal highlighted the need to take sustainable decisions going forward such as focusing on non-debt inflows and move towards government-to-government loans and Central Bank-to-Central Bank swap arrangements which will be more sustainable to the country.

He explained that due to COVID, the country suffered revenue shortfalls, which has been difficult to recover from. Further, due to the various measures taken by the government in relation to the pandemic, the government has been put under pressure. Elaborating further, Mr. Cabraal said that the vaccination procurement, delivery and purchasing of vaccine has been challenging in the global context. "Even though the people got it free, the government had to make a massive investment towards this," he said.

Guest speaker, Mr. S. R. Attygalle, the Secretary to the Treasury provided a fiscal overview at the seminar, while also disclosing that the government was hoping to bring down the budget deficit to around 4.8 to 5 percent by 2024, so that the debt stock will be around the 75 to 80 range, which is currently above 100. "If you look at our history, only in 1953/54 we had a surplus budget, otherwise throughout we have had a deficit," he explained.

Mr. Attygalle said that during the last two years the deficit has gone up to double digits, and most likely it will be around the double digit range this year too. "The plan is to bring it around to 4.8 to 5 percent by 2024."

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He also highlighted that the government has made a considerable investment amounting to 1.5 percent of the GDP to curtail the COVID pandemic in an effort to bring the country back to normalcy.

President of CA Sri Lanka Mr. Manil Jayesinghe said that as a habit everyone always tends to focus on the revenue proposals, but there are other proposals in the budget, which shows the direction the government is moving towards. "There are also certain initiatives they are taking which will create new opportunities for the business community," he added.

The seminar also featured a panel discussion comprising of Mr. Hasitha Premarathne, Group Financial Director, Brandix Group, Mr. Mushin Kitchilan, Director, Hemas Maritime Cluster, Mr. Prasanna Hettiarachchi, Managing Director, Saaraketha Holdings and Mr. Susith Jayawickrama, Managing Director, Aitken Spence Hotels. During the discussion, representatives from the various industries shared their thoughts on the government's recent budget.

Sharing his views, Mr. Premarathne highlighted the need for the government to encourage more transformation to ensure the industries including the apparel industry continue to remain competitive at a global context. He also called for better relief mechanism specially for the benefit of the SMEs sector which will encourage them further to play a bigger role and contribute more to the economy.

While highlighting the government's policy shift towards organic fertiliser is encouraging, Mr. Hettiarachchi underscored that it was prudent to approach this policy shift pragmatically. "It's a large shift, and the strategy needs to be supported. I hope the budget is looking at allocating significant funding for the areas of fertilizer as well as for alternatives in pesticides and weedicides."

He also said that the best way forward was to make all these requirements locally by attracting the best world class products through joint ventures.

Speaking on behalf of the tourism and hospitality industry, Mr. Jayawickrama called on the government to consider providing some sort of a lifeline or a debt restructuring mechanism. He expressed disappointment that the government had failed address this in the budget specially

as the tourism sector has been suffering since 2019 following the Easter Sunday attacks. "Most hotels are sitting on a mountain of debt, and severe liquidity issues. A lifeline is critical for the industry because if not, the products we offer will deteriorate and it will have long term repercussions on Sri Lanka as a product in the world market," he warned.

Welcoming of the government's proposal to promote Sri Lanka as a maritime hub, Mr. Kitchilan however highlighted that much needed to be done to achieve this. According to him, Sri Lanka must first invest in infrastructure upgrades, as at present there are infrastructure limitations even in the bunkering industry. "We have storage capacity for low sulphur, but lot of ships need high sulphur fuel. So, we need to develop this infrastructure by immediately implementing floating storage as opposed to land based storage," he said.

"Another area would be to focus and implement international standards and technologies if we are to build the confidence of global shipping lines. The regulator has a major role to play in monitoring the strict compliance of these standards, once implemented," he added.

Mr. Sulaiman Nishtar, Chairman, Faculty of Taxation of CA Sri Lanka, moderated the session, while Ms. Sarah Afker, Partner – Tax Services, BDO Partners, presented the budget highlights.

## **CAPTIONS:**

- **CA\_1006:** Mr. Manil Jayesinghe, President of CA Sri Lanka delivering the welcome speech.
- **CA\_1029:** Mr. Ajith Nivard Cabraal, Governor of Central Bank delivering the keynote speech.
- **CA\_1097:** From L to R: Ms. Sarah Afker, Partner – Tax Services, BDO Partners, Mr. Susith Jayawickrama, Managing Director, Aitken Spence Hotels, Mr. Mushin Kitchilan, Director, Hemas Maritime Cluster, Mr. Prasanna Hettiarachchi, Managing Director, Saaraketha Holdings, Mr. Sulaiman Nishtar, Chairman, Faculty of Taxation of CA Sri Lanka, Mr. Manil Jayesinghe, President of CA Sri Lanka, Mr. S. R. Attygalle, the Secretary to the Treasury and Mr. Hasitha Premarathne, Group Financial Director, Brandix Group
- **CA\_4323:** Mr. S. R. Attygalle, the Secretary to the Treasury delivering the guest speech.

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