

As the country battled an economic recession and amidst the ongoing debt restructuring process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) continued to play a catalyst role in engaging multiple stakeholders, including industry experts, to effectively disseminate knowledge and insights among the professional community on Sri Lanka's future.

With the crucial issues of debt restructuring, including domestic debt optimisation, continuing to be highly debated across the professional realm, CA Sri Lanka recently organised an insightful forum titled "Debt Restructuring and Debt Sustainability: Future of Sri Lanka" to examine and debate the viability and importance of debt restructuring.

Nuwan Withanage, Member of Council of CA Sri Lanka, and Chief Financial Officer of Softlogic life insurance PLC, set the tone of the event by elaborating in detail on the important role Chartered Accountants in particular play in the sustenance of an organisation and the critical role they can play at national level.

"As the premier national accounting body, we understand it is important to increase the knowledge of our members as they can play a critical role in this important juncture in Sri Lanka and because we strongly believe Chartered Accountants are ideal to take the precise message to inform the public because only Chartered Accountants can view the business in a 360-degree frame.

Delivering the keynote speech, Mr. Udeeshan Jonas, Chief Strategist of Capital Alliance Limited, delved in detail into the current situation and the key targets the country must achieve if it is to overcome the ongoing challenges. He explained that for Sri Lanka to become sustainable, the country must reduce its debt and debt burden,

"We can say no to our creditors and keep delaying the problem, but if we delay, we will keep running interest rates at 25 percent plus, and we won't get money from abroad, and if rates continue to be high and the debt accumulates at an exponential rate, we will have to take on a substantial haircut in the future. So, we must aim at getting this debt restructuring completed as soon as possible and ensure interest rates will be reduced as much as possible," he said.

Citing an example, Mr. Jonas said that if the interest rate goes down to 20 percent from the current 25 percent, Sri Lanka can save about 500 million rupees, together with access to foreign financing. "Therefore,

we must complete debt restructuring and reduce market rates," he said.

The forum also comprised a panel discussion led by industry experts representing diverse sectors, which was moderated by Mr. Heshana Kuruppu, Vice President of CA Sri Lanka.

The panelists comprised Mr. Duminda Hulangamuwa, Partner at Ernst & Young, Mr. Tishan Subasinghe, Managing Partner of Moore Iyyar, Mr. Nandika Buddhipala, Chief Financial Officer of Commercial Bank of Ceylon PLC, Ms. Manohari Abeyesekera, Director of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) and Mr. Nuwan Withanage.

During the panel discussion, Mr. Subasinghe elaborated on the impact on accounting, in relation to debt haircuts, coupon rate adjustments, and maturity extensions. Mr. Buddhipala said that based on the way things were moving, the banking sector is confident that whatever absorption is going to come through this exercise it is going to be sustainable for the banking system.

Sharing a different perspective, Mr. Hulangamuwa asked the audience if another political party promised more fertiliser subsidies, cheaper fuel and cancelling of debt restructuring at the next election, would they vote for that party? "Political parties auction non-existing assets during election time, so that is why we are in this situation. A, B, and C might be at fault, but from D to Z, which are the people, they too have benefited from this," he said.

Ms. Abeyesekera said that by declaring 30th June as a special bank holiday, the government made a good move, as it gave a five-day cooling-off period not just for bankers but for market participants, stakeholders, and the public to grapple with what the domestic debt restructuring was going to be. "No sooner we complete the domestic debt restructuring, we can swiftly negotiate with international creditors, especially private creditors, and work on a 20 to 30 percent haircut," she said.



