Annual Report 2014

IPS 25 1990 - 2015

INSTITUTE OF POLICY STUDIES OF SRI LANKA

Contents

01
About IPS
Our Vision
Our Research
Our Governing Board

02 - 06
Highlights 2014

07
Chairman's Message

08 - 10
Executive Director's Report

11
Executive Director and Heads of Main Research Units

12
The Six Thematic Directions

Policy Efficiency and Competitiveness **12 - 18**

Migration and Development **19-21**

Human Resources for Sustained Development **22-25**

Private Sector Development **26-28**

Poverty and Vulnerability **29-33**

Environment, Natural Resources and Agriculture **34-40**

41
Senior Research Staff

42
Junior Research Staff

43
IPS Research Intern Programme

44 - 45
TTI Funded Events/ Programmes

46
Support Services
Support Unit Heads
Support Unit Staff

Finance and Administration **47**

Communications Outreach **48-49**

Library **50 - 51**

Information Systems **52**

53
IPS Publications 2014

54 - 55
Staff Achievements

56
In-House Seminars

57
IPS Events
Events Organized by IPS **57**
ED's Participation at Conferences **58**

Research Staff Presentations in 2014
Domestic **59 - 60**
Overseas **61 -62**
Going Beyond Research **63**

64
Financial Statements

About IPS

IPS is an autonomous institution that aims to promote policy-oriented economic research and to strengthen the capacity for medium term policy analysis in Sri Lanka.

Our Vision is to be a globally-recognized research institute that is catalyst for Sri Lanka's socio-economic transformation.

Our Research Programmes, as of 2011, are on six broad thematic areas. Reflecting a shift towards a holistic, multi-angle research approach, the research studies embarked on this year have thus, been separated not via Unit but via thematic direction. The six thematic directions are as follows:

- Policy Efficiency and Competitiveness
- Migration and Development
- Human Resources for Sustained Development
- Private Sector Development
- Poverty and Vulnerability
- Environment, Natural Resources and Agriculture

The IPS research programme is financially supported by the Institute's funds as well as externally funded through collaborative projects with both domestic and international partners.

Our Governing Board

Prof. W. D. Lakshman, Chairman

Secretary to the Treasury (ex-officio), Governing Board Member

Governor - Central Bank (ex-officio), Governing Board Member

Director - General, Department of National Planning (ex-officio), Governing Board Member

Prof. S. G. Liyanage,
Sanasa University, Kegalle,
Governing Board Member

Dr. D. M. Ajith Dissanayake,
Senior Lecturer,
Faculty of Economics,
University of Kelaniya,
Governing Board Member

Dr. Lalithasiri Gunaruwan,
Senior Lecturer,
University of Colombo,
Governing Board Member

Dr. Saman Kelegama,
Executive Director

Highlights for 2014

JANUARY

Dr. Saman Kelegama, Executive Director, IPS was the Keynote Speaker at the 'Invest in East' Forum, the first international investment promotion event focusing on Eastern Sri Lanka. Foreign investors representing over 25 countries in addition to top government officials were present at this forum.

FEBRUARY

A delegation led by Mr. Qin Yucai, Director General, Department of Western Region Development, National Development and Reform Commission of P. R. China (NDRC) met with Executive Director, IPS, and Janaka Wijayasiri, Research Fellow, IPS, to discuss 'Economic Belt Along Silk Road' and 'Silk Road on Sea (Maritime Silk Road - MSR)' based on the idea to improve maritime connectivity and common development.

MARCH

Dr. Saman Kelegama, Executive Director, IPS spoke on Gamani Corea's Contribution to Global Commodity Price Stabilization at the Special Tribute Seminar in Honour of Dr. Gamani Corea organized by the South Centre in Geneva.

APRIL

A seminar organized to pay tribute to late Dr. Gamani Corea by the Gamani Corea Foundation (GCF), IPS and the Marga Institute on 'Dr. Gamani Corea's Contribution to Domestic & International Economic Policy', was held at the IPS Auditorium in April.

MAY

The World Conference for Youth (WCY) 2014 held in Colombo concluded with the aim of mainstreaming youth in the post-2015 development agenda. The IPS was a part of the conference both as a key knowledge partner as well as a resource partner. Chatura Rodrigo, IPS Research Economist, chaired the Publications Subcommittee of the WCY which overlooked the preparation and dissemination of all publication material in the conference. He also participated as a panelist at the round table session on 'Poverty Eradication and Food Security'.

JUNE

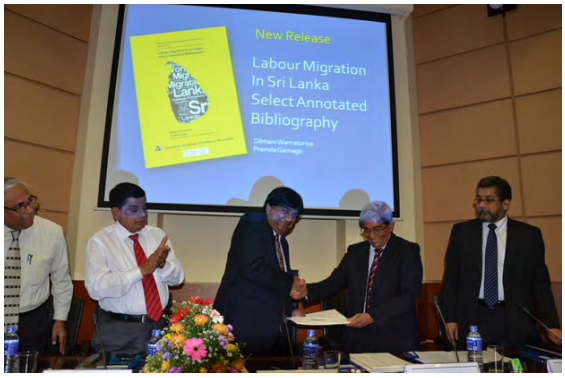
Dr. Dushni Weerakoon (Deputy Director) and Dr. Nisha Arunatilake (Fellow) participated at the Fourth Regional Meeting of the Think Tank Initiative (TTI-RM4). The focus of this meeting held during 9-10 June in Kathmandu, Nepal, was on the needs for and the ways of greater cooperation among think tanks in the region.

Highlights for 2014

JULY

The IPS, in collaboration with the Ministry of External Affairs organized a regional workshop on 'Establishing a Centre of Excellence on Ocean Sciences and Environment for the Indian Ocean Rim Countries' in Colombo. The main objective was to establish a network among relevant institutions based in member countries to exchange and share ideas in relation to ocean sciences and environment.

AUGUST



The IPS organized a conference on 'Policies for Mainstreaming Migration into Development in Sri Lanka' as a component of the IPS project *Meeting the Development Challenges of Migration (MED_MIG)*. It is funded by the Think Tank Initiative (TTI) - a multi-donor programme managed by Canada's International Development Research Center (IDRC).

SEPTEMBER

With the aim of developing research agenda on Migration and Development the IPS organized a stakeholder meeting to prioritize research themes and issues to better cater to development priorities and policy requirements of Sri Lanka.

Dharshani Premaratne, Research Officer presented the 'Key Findings of the Study on China-Sri Lanka Free Trade Agreement' at a seminar organized by the Ceylon Chamber of Commerce. The aim of the Seminar was to disseminate the research findings of the study conducted by the IPS and to provide a forum for discussion about the potential areas that need consideration under the proposed China-Sri Lanka Free Trade Agreement.

OCTOBER

Dr. Saman Kelegama, Executive Director, IPS, made a presentation on the 3rd Millennium Development Goals Sri Lanka draft report prepared by the IPS team on UN Day at the UN Mission in Colombo. The IPS research team consisted of Wimal Nanayakkara, Dr. Ganga Tilakaratna, Sunimalee Madurawala, Chatura Rodrigo, Ashani Abayasekera, Suwendrani Jayaratne, Ayodya Galappattige, and Yolanthika Ellepola. With the support of the MDG Steering Committee Chaired by Dr. S. Batagoda, Deputy Secretary to the Treasury, the IPS published the report in late 2014.

NOVEMBER

IPS and InterAnalysis Ltd. jointly organized a five day workshop on 'Trade Analysis and Economic Integration in Pakistan-India Relations: The Regional Dimension'. The workshop discussed regional trade issues within SAARC drawing on work completed by participants who attended previous workshops in Delhi, Islamabad, and Kathmandu. The key objective of the workshop was to introduce the Tradesift software, developed by the InterAnalysis Ltd. in Sussex University, and introduce the use of it in trade policy analysis in the region.

Highlights for 2014

Dr. Saman Kelegama, Executive Director, IPS, delivered the Inaugural Gamani Corea Memorial Lecture organized by the Gamani Corea Foundation on 3rd November 2014 at the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKIIRSS). Dr. Kelegama delivering the lecture on 'Recent Trends in International Trade: Implications for Sri Lanka', honoured late Dr. Corea for his immense contribution to economic policymaking.

DECEMBER

A Round Table discussion titled 'Digital Dynamism', took place at the IPS Conference Room with the aim of shaping a new narrative around innovation and entrepreneurship in the country. The discussion held in partnership with Google, brought together entrepreneurs featured in a series of case studies compiled by IPS together with Google Asia-Pacific as a follow up to a previously published IPS Working Paper called 'Fostering Innovation to Fast-forward Growth in Sri Lanka.' 'Digital Dynamism' was a platform to share insights on initiatives that are taking advantage of digital tools to disrupt traditional models.

Message from the Chairman

Prof. W. D. Lakshman

The Institute of Policy Studies of Sri Lanka (IPS), having served the nation in the field of policy research over the last three decades, now stands tall among Sri Lanka's research institutions as a strong and mature organization. I have been associated with the Institute from its very inception, first as Board member and in the last several years, as its Chairman. It was with a great sense of satisfaction that I observed its gradual development and progress to become a highly respected policy research institute in the whole of South Asia. I stepped down from the position of its Chairman at the end of 2014 with a feeling of myself having been able to contribute even marginally to this institutional achievement over the years.

I may refer to the highlights of the Institute's programme of activities during 2014, the year covered by this Annual Report. Action taken in the previous year to launch the IPS Trust Fund and to prudently invest the Institute's reserves has helped the management to commence the new year with assurance and confidence over the Institute's financial strength. As this report describes, the year under review has produced a rich harvest of economic policy research carried out by the Institute staff in six thematic areas– policy efficiency and competitiveness, migration and development, human resources for sustained development, private sector development, poverty and vulnerability and environment, natural resources and agriculture. There has been further improvement, compared to previous years, in the Institute's record of publications, led this year also by its annual flagship publication of the State of the Economy report. The several major conferences organized by the Institute helped in further enhancement of its domestic and international reputation. The gradual development of its professional staff, in terms of both number and quality, that could be observed over the past, continued in 2014 as well.

Congratulating the management over all these achievements, let me conclude this message by recording my appreciation of the services of the Board of Governors in guiding and overseeing the activities of the Institute during the period under review. The Executive Director has provided the management leadership to the IPS with vision, commitment and efficiency, and very effectively played the role of representing the Institute in the world external to the IPS. The Institute is in the process of further strengthening as an economic policy research institution enjoying the improved and improving conditions of self-reliance in financial and other spheres. The policy makers, I am sure, would be able to look towards the IPS with greater confidence in the years to come as a policy research entity equipped with improved and strengthened institutional capacity, supported by its competent human resource base.

Professor (Emeritus) W. D. Lakshman
Chairman

July 2015

Executive Director's Report

Dr. Saman Kelegama

The IPS will celebrate its silver jubilee this year (2015). Looking back at the past 25 years, I can say confidently that the Institute is now well established with the key systems in place. It can easily function in difficult times, withstand external shocks, and has resilience built-in to its structure. Its positioning among similar research institutes in Sri Lanka has no comparison as it remains the market leader in many areas of economic policy research. The fact that many staff members who go overseas for training return back to the IPS provides ample testimony for the Institute's positioning and stability.

IPS asset base at LKR 572 million is now strong enough to support its routine operations. The IPS Endowment Fund together with IPS Reserves and TTI (Think Tank Initiative) grant, form the base of its financial resources. During the year, 34 projects were gained and 38 projects were completed. Overall project income amounted to LKR 85.5 million in 2014. Being a recipient of the TTI 2 was a great support to the Institute. Out of the completed projects, 11 were funded by the TTI while 03 of the new projects are funded by the TTI. Our valued partnership with the TTI is elaborated elsewhere in the Annual Report.

> "Looking back at the past 25 years, I can say confidently that the Institute is now well established with the key systems in place."

Streamlining our income sources became a priority in 2014. At a time when interest rates were low, we had to prudently invest our savings to obtain the maximum return to the Institute. In 2013, the Trustees of the Endowment Trust Fund made a prudent investment to obtain a high return to the IPS. Likewise, an Investment Policy Framework was developed in 2014 to plan investments of our reserves in high yielding assets to give good returns to the Institute. While these investments gave high returns, the Institute also saw the rent income from the auditorium exceeding LKR 1 million for the first time in 2014. Overall revenue of the Institute amounted to LKR 134 million which allowed making a marginal profit of LKR 745,000.

For the last three years, three issues have featured prominently at the IPS Governing Board, viz., formation of the Trust Fund, seeking approval for the IPS Manual of Operation from the Ministry of Finance and Planning, and converting the IPS land from a long-term lease to a freeholding as per the original Presidential directive. Trust Fund was formed in 2013 and its first return came to the IPS in 2014. After a long delay, the approval of the IPS Manual of Operation was made by the Ministry of Finance and Planning in 2014 and this was a great relief for the smooth operation of the Institute. The matter concerning the IPS land is progressing well and we are looking forward to a positive outcome before end 2015.

The Board was reconstituted in February 2014 with the reappointment of the Chairman and the economist of the University of Colombo and two new appointments from the University of Kelaniya and the Sanasa University. However, the Board will be again reconstituted with the change of government in 2015. In early 2014, the IPS Act was amended giving the powers to the Governor of the Central Bank of Sri Lanka to appoint his representative from the Bank to deputize for him.

Three major conferences were organized by the IPS in 2014. They were the Gamani Corea Felicitation event, launch of the Indian Ocean Centre for Ocean Sciences and Environment, and an international seminar on Migration and Development. With the Ministry of External Affairs, the IPS launched the Centre for Excellence for Ocean Sciences and Environment in mid-2014. The Centre now operates from the IPS and the first project was initiated in late 2014. The usual in-house seminars took place with 15 of them organized during the year. IPS researchers participated in a number of international seminars on WTO Post-Bali follow up, 10th ARTNET Anniversary Conference at ESCAP, 14th Ministerial of the Indian Ocean Rim Association, and so on.

IPS brought out 13 publications during the year which included one book, two journals, and the State of the Economy report. A new website was launched in mid-2014 and it received over 55,000 hits during 3 months of operation in 2014. Our blog posting Talking Economics carried 41 articles, while social media also showed impressive outreach: Facebook reached 1100 likes, followers of Twitter recorded 850, YouTube subscribers were at 81,and Flicker carried over 500 photos.

Two former IPS staff members rejoined the Institute after completing their higher studies overseas (Bilesha Weeraratne and Ayoni Rangala). Four research staff members left the Institute for higher studies/other jobs/ personal reasons (Ayodya Galapatti, Chandana Karunaratne, Yolanthika Ellepola, and Anushka Wijesinha). The middle level staff positions were strengthened. The Institute created a new position for Communication and Strategic Outreach where communication, social media, web, and other outreach activities were fully integrated and a new recruitment was made in late 2014.

> Three major conferences were organized by the IPS in 2014. They were the Gamani Corea Felicitation event, launch of the Indian Ocean Centre for Ocean Sciences and Environment, and an international seminar on Migration and Development.

> IPS brought out 13 publications during the year which included one book, two journals, and the State of the Economy report.

Three staff members were selected to the USIS International Visitor Programme (Janaka Wijayasiri, Suwendrani Jayaratne, and Raveen Ekanayake) and one staff member was felicitated for her outstanding performance on research work by both local and international institutions (Kanchana Wickremasinghe). Two IPS staff members played a key role in the Global Youth Conference, 6 IPS staff members participated in the 7th South Asia Economic Summit and the IPS was represented in the Asian Think Tank Conference. The IPS was invited to make contributions to the 25th Anniversary of the Hambantota Chamber of

Commerce and Industry, AGM of the Sri Lanka Hospitality Industry, and the first Gamani Corea Memorial Lecture.

A Senior Lecturer of the Faculty of Medicine, University of Colombo worked on three UNICEF projects as a Visiting Fellow of the IPS during the year (Dr. Manuj Weerasinghe). The final MDG report of Sri Lanka was completed in 2014, however its release was delayed by the Ministry of Finance and Planning and the event finally took place in early 2015. Eight Project Interns also worked during the year.

The HR Division saw a number of changes – a time tracking system was introduced. The library completed its digitalization work. A storeroom was constructed at the ground level to be an archive for all the important documents and grey material both of the library and research staff. A decision was also taken to make an investment on upgrading our computer system servers. Today the facilities we have offered in the IPS are world class. One needs to be an outsider to appreciate these facilities.

The IPS would like to put on record its appreciation of the services rendered by Prof. W. D. Lakshman who relinquished his position as the Chairman of the IPS in January 2015. Prof. Lakshman was a founder member of the IPS who was appointed as the Chairman in 2010. He was the first Chairman to occupy the new head office of the IPS and served the Board for little over 4 years and rendered yeoman service to the Institute. The IPS Auditorium, the Endowment Trust Fund, etc., came into operation during his chairmanship. He interacted with the staff at various get together programmes and they will miss his association in the coming years.

> "Three staff members were selected to the USIS International Visitor Programme (Janaka Wijayasiri, Suwendrani Jayaratne, and Raveen Ekanayake) and one staff member was felicitated for her outstanding performance on research work by both local and international institutions (Kanchana Wickremasinghe)."

Like in previous years, I would like to thank the Chairman, Governing Board, the Audit Committee, and the IPS staff for extending to me their support to steer the Institute to greater heights in 2014.

Saman Kelegama
Executive Director

July 2015

Executive Director and Heads of Main Research Units

Saman Kelegama
D.Phil (Oxon),
Executive Director

Athula Senaratne,
PhD (Deakin)
Fellow/Head of Environmental Economic Policy

Nisha Arunatilake,
PhD (Duke)
Fellow/Head of Labour, Employment, and Human Resources Development Policy

Dushni Weerakoon,
PhD (Manchester)
Deputy Director and Fellow/Head of Macroeconomic Policy

Ganga Tilakaratna,
PhD (Manchester)
Fellow/Head of Poverty and Social Welfare Policy

Janaka Wijayasiri
PhD (Monash)
Fellow/Head of International Economic Policy

The Six Thematic Directions

1 Policy Efficiency and Competitiveness

The process and institutional arrangements that underpin policy efficiency are critical factors in overcoming economic and political barriers to growth and development. Policy efficiency can ensure that difficult but necessary reforms are identified, prioritized, initiated, implemented, and sustained over time. In view of Sri Lanka's current demographic transition, higher growth will have to come from improved labour productivity and efficiency, encompassing a gamut of regulatory reforms to raise competitiveness and institutional capacity in the economy. This calls for policies that will allow for a reallocation of factors of production; diversification, upgrading, and deepening of the production and export baskets; and use of new production methods and processes and different inputs.

Macroeconomic Policy

Sri Lanka State of the Economy 2014

While there seems little disagreement that Asia will continue to be a dynamic centre of global growth, the pace at which countries in the region will grow to lay claim to a collective 'Asian Century' is subject to considerable debate. Ageing populations, rising wages and other costs, environment degradation, and a prolonged and weak recovery in developed economies are only some of the challenges facing the region. For Sri Lanka, the prospect of an invigorated Asia is clearly important as the country seeks new development partners, markets, and investors in its post-war economic expansion efforts.

The Sri Lanka: State of the Economy 2014 argues that, while the Sri Lankan context is no doubt different, and following the Asian trajectory identically may not be feasible or desirable, there are salutary lessons to draw from Asia's rise, both for Sri Lanka's own development journey but also in understanding how to best latch on to it. Pursuing policies that temper growth with sustainable resource management, and instituting reforms that enhance productivity in driving

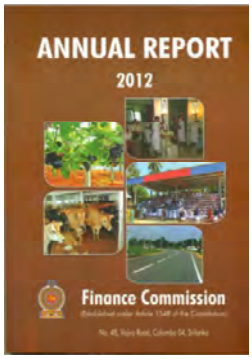
economic growth will assure Sri Lanka a better chance to meet its interlinked goals of sustained economic prosperity and social harmony. A number of chapters from the Report were brought out as policy briefs as well as newspaper articles. During the year, the following chapters/articles/blogs were written on the macroeconomy:

- *Sri Lankan Economy Looking Good, But in Need of Long Game* by Dushni Weerakoon
- *The Credit Dilemma: Monetary and Financial System Stability in Sri Lanka* by Dushni Weerakoon
- *Making Monetary Policy Work in Sri Lanka* by Dushni Weerakoon
- *The Economics of Sri Lanka's Mid-term Elections* by Dushni Weerakoon
- *Impact of Oil Price Shocks on the Economy of Sri Lanka* by Nisal Herath

Structural Policy Reforms

Reducing Regional Disparities: Annual Report of the Finance Commission of Sri Lanka

IPS was commissioned by the Finance Commission (FC) to compile their 2012 Annual Report which focuses on the distribution of funds among provinces and their impacts on reducing regional disparities. The report, themed 'Reducing Regional Disparities', analyzes the distribution of funds among provinces, and the performance of provinces/districts in different sectors based on identified output and outcome indicators. The sectors analyzed include education, health, agriculture, livestock, fisheries, roads, irrigation, energy and tourism. The analysis also attempts to evaluate the distribution of funds based on factors such as poverty and population. The Report was compiled by Nisha Arunatilake, Suwendrani Jayaratne, Dharshani Premaratne and Samanthi Bandara with counterpart funding from the Think Tank Initiative.



Trade, Investment and Finance

Firm Use of FTAs in Sri Lanka: An Analysis of the India-Sri Lanka FTA and the Pakistan-Sri Lanka FTA

With multilateralism on 'pause', regionalism - as evident by the proliferation of bilateral and regional trading arrangements - has been forging ahead. In South Asia, Sri Lanka has been an active proponent of regionalism, hopping on the 'bandwagon of regionalism' with the signing of the India-Sri Lanka FTA (ISFTA) in 1998 and subsequently the Pakistan-Sri Lanka FTA (PSFTA) and the South Asia FTA (SAFTA) in 2002 and 2004, respectively. Past studies highlight that at the macro-level, Sri Lanka is reaping gains from the ISFTA and PSFTA through increased utilization of these agreements. However, to fully realize benefits, it is fundamental to enhance FTA utilization at the firm-level. In this regard, the objectives of the study are to assess the current firm-level utilization of the two agreements and analyze firm-level characteristics/determinants to offer policy prescriptions that would promote further utilization of these agreements. This study was carried out by Raveen Ekanayake, Chatura Rodrigo and Nipuni Perera with funding from the South Asia Network of Economic Research Institute (SANEI).

Study on Sri Lanka - China Free Trade Agreement

Both Sri Lanka and China have agreed to embark on a Free Trade Agreement, which hopes to open up their respective markets. In negotiating an FTA, it is imperative that the agreement covers a substantial number of tariff lines and trade as well as address non-tariff barriers that may hinder export expansion and affect the benefits of liberalization. In the absence of a study on the implications of an FTA with China, the IPS together with the private sector of the country represented by the various chambers of commerce, initiated a study – a first of its kind - on the issue. The study was funded by the Ceylon Chamber of Commerce (CCC), the National Chamber of Commerce of Sri Lanka (NCC), the National Chamber of Exporters (NCE), the Ceylon National Chamber of Industries (CNCI), and the International Chamber of Commerce (ICC). Based on consultation with the private sector, the study: 1) examined Sri Lanka's existing FTAs to identify key stumbling blocks relating to both tariff and non-tariff barriers to trade, which should be borne in mind when negotiating a trade agreement with China,
2) described salient features of China's existing FTAs with countries/regions, and
3) identified products with export potential to China-products of interest to Sri Lanka which

should form part of trade negotiations with China. The study was conducted by Janaka Wijayasiri, Dharshani Premaratne, Suwendrani Jayaratne and Nipuni Perera. The main findings of the study were presented by Dharshani Premaratne at a seminar 'Potential Sectors for Trade with China under a FTA' organized by the Ceylon Chamber of Commerce and held in Colombo on 9 September. IPS Executive Director made a keynote address on *Free Trade Agreements: Opportunities and Challenges* at a seminar, organized by NCE on 15th July.

Issues related to the FTA and the rise of China in the world economy were also disseminated to a wider audience to generate discussion/share knowledge through blogs/articles published in social media and national dailies such as the *Daily Mirror, Island, Ceylon Today, Sunday Times* (print and electronic).

These included:

· China-Sri Lanka FTA: Meeting the Challenges by Saman Kelegama, *DailyFT,* 17th July

· A First Look at the Potential for Expanding Trade under a Sri Lanka – China FTA by Nipuni Perera and Janaka Wijayasiri, *DailyFT,* 2nd April

· Challenges Remain for Sri Lanka-China FTA by Saman Kelegama, East Asia Forum, 28th March

· China's Approach to FTAs with Other Countries: What Can Sri Lanka Expect? by Janaka Wijayasiri and Dharshani Premaratne, *DailyFT*, 4th September

Dharshani Premaratne presenting the main findings of the Study on Sri Lanka - China Free Trade Agreement

· Looking at Sri Lanka's Existing Trade Agreements and Lessons for the FTA with China by Janaka Wijayasiri, *The Island*, 10th September

· What Sri Lanka Should Know about China's New Economic Dynamism by Anushka Wijesinha, *DailyFT*, 17th September

· Asia's Rise: Undoubted but not Unimpeded by Anushka Wijesinha, *DailyFT*, 26th August

The findings of the study were presented to the Secretary of the Ministry of Finance & Treasury and the Department of Commerce by the Chambers as inputs for bilateral trade negotiations with China. As a follow up of this study, IPS was commissioned by the Chinese Embassy to examine non-tariff barriers in exporting to the Chinese market, which was raised as a cause of concern by the private sector in the country. The supplementary study will be completed in mid-2015.

Connecting South Asia and Southeast Asia

Improving physical connectivity between South and Southeast Asia has long been recognized as a key element in promoting greater trade and investment linkages within the region. As an island economy, Sri Lanka's regional connectivity has been mainly through its sea port in Colombo, a transshipment hub port for South Asia. Investments to expand capacity at Colombo port are underway as part of Sri Lanka's renewed efforts to develop its infrastructure following the long internal separatist conflict that ended in 2009.

Despite significant improvements in physical infrastructure connectivity, Sri Lanka has made only limited headway in strengthening its trade and

investment links with the rest of the region. Moreover, the country has seen a sharp decline in its overall exports-to-gross domestic product (GDP) ratio, which is worrying in view of the growing external debt financing of many large infrastructure projects through state-led investment initiatives. Thus, Sri Lanka needs to focus on two priority areas: engaging private investment in infrastructure by strengthening the country's institutional and regulatory environment; and implementing a more strategic trade policy geared to enhance regional integration efforts. The study, funded by the Asian Development Bank Institute (ADBI), was brought out as a working paper by Dushni Weerakoon and Nipuni Perera in:

• The Role of Sri Lanka in Enhancing Connectivity between South Asia and Southeast Asia, *ADBI Working Paper* 487, Tokyo: Asian Development Bank Institute.

Trade and Transport Facilitation Audit in South Asia: Sri Lanka & Maldives Case Studies

Progressive reduction of tariffs and other trade barriers has increased the attention of both firms and countries on reducing constraints that delay transactions at and behind national borders, and increasing efficiency of supply chains and associated logistics costs. Studies show that trade facilitation reforms in South Asia would result in higher intra-regional trade as well as trade with other regions. The main objectives of this study were to: (i) identify trade and transport related bottlenecks Sri Lanka faces in trading with South Asian countries, and (ii) identify trade facilitation reforms and their prioritization. IPS also conducted the Maldives Country Study as a part of regional initiative of South Asia Watch on Trade, Economics & Environment (SAWTEE), Nepal; the studies are funded by AusAID.

A newspaper article on 'Customs for Securing and Facilitating Legitimate Trade in Sri Lanka' by Suwendrani Jayaratne based on the preliminary findings of the study, was featured in a number of local dailies (*Daily News, Daily FT, Daily Mirror, Ceylon Today*).

Suwendrani Jayaratne, Dharshani Premaratne and Raveen Ekanayake were invited as resource persons/panellists at a number of meetings, conferences and workshops held in the region including Nepal, India and Thailand in relation to trade facilitation in Sri Lanka. During the year, they also participated in a number of seminars/workshops organized in Sri Lanka to keep abreast of WTO Agreement on Trade Facilitation as well as briefing the other IPS researchers on the implications of the agreement on Sri Lanka. As part of the study, a policy brief and national consultation will be held in 2015. The consultation will bring together a number of key stakeholders from the private and public sector including government officials, chambers, importers/exporters, freight forwarders, shipping lines and other relevant organizations. The objective is to present the preliminary results of the IPS study and obtain the feedback of the stakeholders to validate the findings. This event also hopes to provide a small but a dynamic platform for key stakeholders to come together to find out how best the trade facilitation process could be carried forward.

Regional Integration and Poverty in South Asia

South Asia suffers from low levels of regional integration, high rates of poverty and is among the regions with lowest levels of human development. With the pockets of poverty deepening in South Asia, combating poverty has remained a priority issue in its development agenda as well as in its regional integration efforts. In this context, this study analyses the possible impacts of improved regional integration in South Asia on poverty and welfare in the region. An empirical analysis identifies the potential to improve integration via trade in goods, trade in services, and investment in the region. Furthermore, regional cooperation in migration, food

security and energy are discussed in detail, identifying the challenges the region faces and the scope for regional cooperation. The study funded by the Asian Development Bank (ADB) also draws lessons from ASEAN. Saman Kelegama, Ganga Tilakaratne, Nipuni Perera, Suwendrani Jayaratne and Sahan Jayawardena contributed to the study.

South Asian Country Study on Products with Regional Trade Potential and Associated Non-tariff Barriers with Special Focus on WMSMEs - A Case of Sri Lanka

Advisory Committee Meeting

Although the region has made significant progress on several MGDs, South Asia still remains home to nearly 44 per cent of the world's poor. An important means of promoting inclusive and sustainable development outcomes would be to accelerate gainful participation of women owned/led Micro Small Medium Enterprises (MSMEs) in South Asia. MSMEs are known to be an important source of employment and poverty reduction especially for women across countries in the region. WMSMEs have been identified as the backbone of these economies and constitute a major source of formal and informal sector employment of women in most South Asian countries. The objectives of this study were to identify the constraints faced by WMSMEs in Sri Lanka in operating and expanding their businesses including issues related to access to regional markets such as non-tariff/trade facilitation linked barriers and provide policy and programme recommendations to ease/manage the constraints identified.

This study is part of a larger regional study in South Asia initiated by UNDP Asia- Pacific Regional Centre in Bangkok with funding from AusAID. In order to ensure the quality of the research and policy relevance of the study, an Advisory Group, consisting of representatives from the relevant government agencies (National Enterprise Development Authority, Department of Export Agriculture, Sri Lanka Export Development Board) and private sector (Spice Council of Sri Lanka and the Ceylon Coir Fibre Exporters' Association), was set up for the duration of the project. The research team consisted of the following researchers: Janaka Wijayasiri, Dilani Hirimuthugodage, Dharshani Premaratne and Sunimalee Madurawala. The preliminary findings were disseminated at the following venues:

· Meeting on 'South Asian Women MSMEs Study', Kathmandu, Nepal, 24 August.

· 'Promoting Women's Micro, Small and Medium Enterprises (MSMEs) in South Asia Region' at the 'Sustainable Development Conference' jointly organized by UNDP Regional Hub in Bangkok and SDPI, Islamabad, 9 to 11 December.

A national consultation as well as publication of the study as a chapter in a book are planned for 2015. Other anticipated activities following the study include dissemination, advocacy and capacity development.

Evaluating Trade and Developmental Impact of Selected Aid for Trade Projects in Sri Lanka

In the context of the current post-crisis world economy, improving trade capacity of developing countries is crucial for overall global development. Developing countries, and in particular least-developed countries (LDCs), continue to face supply-side constraints and lack trade-related infrastructure, which constrain their ability to implement and benefit from World Trade Organization (WTO) Agreements and expand their trade. The Aid for Trade initiative was conceived in this context to both mainstream trade into the broader national development strategies of the beneficiary

countries and to enhance trade capacity of the developing countries. In this context, this study aims at conducting a detailed country case study on the development impact assessment of two selected aid for trade projects in Sri Lanka based on key five principles of evaluation. This study was carried out by Chandana Karunaratne and Ashani Abayasekara with funding from United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

Institutional Mechanisms for Promoting Intra-Regional Investments and Trade in the IOR-ARC Region in Strategic Sectors

This project aims to explore the potential of economic cooperation in the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) – a grouping of 19 economies in the Indian Ocean region – in knowledge-based industries and infrastructure development and to identify institutional mechanisms for facilitating the exploitation of this potential. Specific attention is paid to identification of opportunities of trade and investment cooperation in these strategic sectors. The study draws upon national and international sources of information on trade and investments of IOR-ARC member countries, while undertaking in-depth case studies for selected member economies based on different levels of performance in terms of the knowledge economy and infrastructure development. This study was carried out by Raveen Ekanayake with funding from IOR-ARC Secretariat.

World Bank Exporter Dynamics Database

The World Bank Exporter Dynamics Database is the first database providing measures of exporter characteristics and dynamics across 45 countries across all geographic regions and income levels. The Exporter Dynamics Database contains close to 100 measures covering the basic characteristics of exporters, their distribution by size, the diversification in their products and markets, their dynamics in terms of entry, exit and survival, and the average unit prices of the goods they trade. The IPS researchers -Nipuni Perera and Ashani Abayasekara - collected and collated the data for Sri Lanka on behalf of World Bank, Washington D. C.

Global Competitiveness Report 2014/2015

The Global Competitiveness Report (GCR) series continues to provide the world's most respected assessment of national competitiveness, for more than three decades. The GCR presents rankings of the Global Competitiveness Index (GCI), introduced in 2005. The GCI is based on 12 pillars of

competitiveness, providing a comprehensive picture of the competitiveness landscape in 144 countries in the world which are at different stages of economic development. The ranking shows the productive potential of nations and is widely used in foreign and domestic investments decisions.

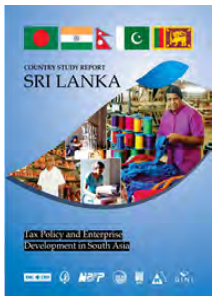
Sri Lanka was first included from year 2000 and was included for the fourteenth consecutive year in the 2014 report. The study is in the form of an Executive Opinion Survey among business leaders who are able to provide information and bring to light competitive issues that are important for the country, which are not available in other published sources. The survey in Sri Lanka was carried out by IPS researchers Dilani Hirimuthugodage, Ayodya Galappattige, and Sahan Jayawardena with funding from World Economic Forum (WEF) and Information & Communications Technology Agency (ICTA).

Taxation

Tax Policy and Enterprise Development in South Asia

Inclusive growth continues to remain a challenge for South Asian economies. Experts now agree that the missing link between growth and inclusivity is labour market outcomes that generate well-paying and productive jobs. Most non-agricultural employment in South Asia is concentrated in small enterprises characterized by very low productivity and wages. Research indicates that small enterprise development and employment generation is strongly linked to tax policy. First, tax exemptions and concessions are largely skewed to favour large enterprises. Second, small enterprise development is affected by taxes such as the Value Added Tax (VAT). Third, small enterprise development is affected by weak local property taxation. The gender dimension of small enterprise development in South Asia has been ignored in policy and research.

These problems need to be researched through an integrated framework from the national and international perspectives. This research aims to fill research gaps, inform policy, and provide opportunities for shared learning outcomes at the regional level. The study covers five South Asian economies namely, Sri Lanka, Pakistan, India, Bangladesh and Nepal. This study was conducted by Anushka Wijesinha and Raveen Ekanayake with funding from Governance Institutes Network International (GINI).



Review of Public Finance in Sri Lanka

It is now well recognized that well planned and productive public expenditure is a means for accelerating economic growth. How should a fast growing middle-income country plan its public expenditures to achieve the dual objectives of balancing the fiscal budget while at the same time influencing growth through public investments? IPS was part of a study undertaken by the World Bank to better understand the size and composition of the public expenditures in Sri Lanka and provide recommendations on improving the efficiency and composition of spending, particularly looking at the equity impacts of public spending.

The findings of the study are detailed in: Nisha Arunatilake, Gabriela Inchauste, Nora Lustig, 2014, 'The Incidence of Taxes and Spending in Sri Lanka', World Bank. A summary of study findings were presented to officials in different ministries in small discussion groups. IPS study team included: Nisha Arunatilake, Nipuni Perera, Kaushalya Attygalle, Neluka Gunasekara and Jayamini Hewawasam.

Executive Director at the 'Deconstructing South-South Cooperation: A South Asia Perspective', India Habitat Centre, Delhi, India

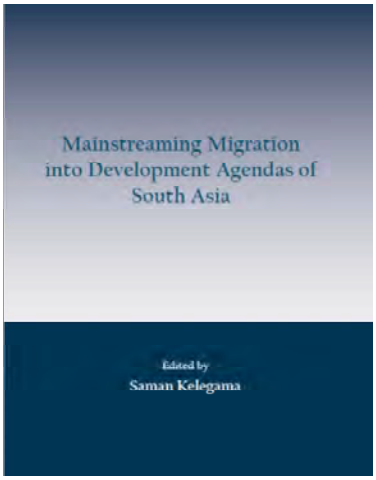
Executive Director at the Project Advisory Committee Meeting and the Researchers' Meeting of the South Asian Trade and Transport Facilitation Audit Project, Kathmandu, Nepal

Executive Director at the 14th Ministerial of the Indian Ocean Rim Association (IORA), Perth, Australia

Raveen Ekanayake at the SASECT Trade Facilitation Week: Sanitary/Phytosanitary and Technical Barriers to Trade Bangkok, Thailand

2 Migration and Development

Sri Lanka has experienced varying forms and intensity of migration in post-independence decades. At present, over one million Sri Lankan citizens are estimated to have migrated for foreign employment. Over the years, the government has facilitated labour migration to ease employment and foreign exchange shortfalls in the country with the relaxation of regulations on travel and foreign exchange convertibility to facilitate overseas work and remittances. The government is hoping to raise remittances by changing the skill mix of migrants and the composition of country destinations. The challenge is to identify and promote foreign employment that is both beneficial to the workers as well as the country.



First e-book of the IPS titled: 'Mainstreaming Migration into the Development Agenda of South Asia' was included in the South Asia Migration Commission Net.

The research activities carried out by thematic area of Migration and Development during the year 2014 consisted of many aspects, which included a large project consisting of three studies, networking, dissemination and bidding for projects.

The project titled 'Meeting the Development Challenges of Migration – Leveraging to Improve Policy Impacts', was funded by TTI of the IDRC and was carried out from March to September 2014. The project consisted of three studies, which were aimed to initiate necessary policy changes in terms of market access for labour migration from Sri Lanka, to minimize vulnerability of female domestic workers and to improve re-integration of returnees to Sri Lanka. This overall project is set in the context of the National Employment and Human Resource Policy for Sri Lanka, launched in 2012, which identifies several challenges faced by the foreign employment sector. These include: a) lack of information on the global labour market; b) difficulties in catering to the higher skilled employment categories in the global market; c) difficulties in improving skills due to lack of training capacity and the lack of knowledge on training needs in the country; d) inadequate concern given to integrating migration to development; e) difficulties in coordinating the activities of different migration related institutions; and, f) lack of capacity of the existing institutional framework responsible for labour migration to address complex problems arising in the sector.

The policy recommendations of this document highlights the importance of improving skills, means of penetrating into new markets and improving the nexus between migration and development to finding a means of effectively reintegrating returning workers. The study on market access addresses these objectives and the study on re-integration align with these policy priorities. Similarly, the National Advisory Committee of Labour Migration (NACLM) had identified the need for a comprehensive study to explore the vulnerability of domestic workers who seek employment on their own against those who seek employment through a recruitment agency. The focus of the third study of this project was shaped by this research requirement of policy makers.

For the purpose of this overall project, an advisory committee composed of officials from the the Ministry of Foreign Employment Promotion and Welfare (MFEPW), Ministry of Labour and Labour Relations (MLLR), and Sri Lanka Bureau of Foreign Employment (SLBFE), Association of Licensed Foreign Employment Agents (ALFEA), and a migration expert from University of Colombo, was formed and the committee

provided guidance, and technical inputs to the research team. This project organized an international conference titled 'Policies for Mainstreaming Migration into Development in Sri Lanka' on August 14 with invited resource persons from India, Pakistan, the Philippines and Italy. The conference participants included all key stakeholders in migration in Sri Lanka. In addition to the dissemination of findings of these three studies at the said conference, the study on vulnerability was also presented at the New York State Economic Association Annual Meetings held in October 2014.

International Migration Conference at the IPS Auditorium

Of these studies three blog articles were published under the following titles : 'Accessing Labour MIgration Abroad : 6 Key Challenges for Sri Lanka' ; 'Does Foreign Employment through an Agency Minimize Vulnerability of Sri Lankan Female Domestic Workers?' ; and 'Sri Lanka Can Gain More from Migration by Helping Returnees Reintegrate Better'. Similarly, newspaper articles and policy briefs of the same three studies were also published. Additionally, two of the studies were published under the Working Papers of the Labour Economic Series, while the third is forthcoming in 2015. Further, another version of the study on vulnerability is being reviewed by the journal: International Migration Review for publication. Additionally this project also published an annotated bibliography titled 'Select Annotated Bibliography on Labour Migration in Sri Lanka : 2004 – 2014' and set up an online repository for migration literature. As part of this research project, Suwedrani Jayaratne, Dharshani Premaratne, Nipuni Perera and Neluka Gunasekera followed online courses on migration offered by the Maastricht University.

Apart from this project, Saman Kelegama and Bilesha Weeraratne of this thematic area made a joint contribution to the Handbook of Immigration and Refugee Studies by co-authoring a chapter titled 'Economic Impact of Remittances'. The Handbook is being edited by Prof. Anna Triandafyllidou of the Global Governance Programme, at European University Institute

and will be published in 2015 under the Routledge International Handbooks series. Similarly, papers presented at the IPS/FES Seminar in June 2013 are compiled into a manuscript on 'Mainstreaming Migration to Development Policies in South Asia' to be published as a book by a regional publisher. Additionally, Bilesha Weeraratne reviewed an article on migration that was submitted to the South Asia Economic Journal. Moreover, the migration research team was also involved in conceptualizing and planning a Survey of Migrants and their Families in Kurunegala and Matale Districts on 'Household Impacts of Migration' under the auspices of the MFEPW.

In addition to the work related to research studies and projects, researchers in this thematic area were active in disseminating and networking. At the policy making level, the NACLM is a focal point in Sri Lanka.

The involvement of IPS migration research staff in the NACLM provides a direct link to influence policy as well as to identify

research areas of importance for policy making. Other dissemination and networking activities during this period include two presentations by Nisha Arunatilake on 'Impact of Migration and Remittances on Social Mobility in Sri Lanka' at the workshop on Asian Approaches to Social Mobility Experience, Lessons and Opportunities for Cooperation, in August and on 'Migration and Social Mobility in Sri Lanka' at the workshop on Social Mobility: Experiences and Lessons from Asia, in Seoul, Korea, in November.

In September Suwendrani Jayaratne attended the Regional Labour Migration Workshop in Kathmandu, Nepal. This regional workshop was organized by the Ministry of Labour and Employment, Government of Nepal in collaboration with The Asia Foundation. Participants for this workshop were key stakeholders from Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

In October, the International Labour Organization (ILO) organized a workshop on 'Return and Reintegration of Migrant Workers - Lessons Learnt and Strategizing' workshop in Colombo for which Nisha Arunatilake and Bilesha Weeraratne of IPS were invited as resource persons. Similarly, upon invitation Janaka Wijayasiri and Bilesha Weeraratne attended the inauguration of the meetings of the Colombo Process and Asia EU Dialogue, organized by the

Bilesha Weeraratne at the International Conference on 'Jobs for Development Challenges and Solutions', New Delhi

International Organization for Migration and MFEPW, which served as networking opportunities. At the international level, the Indian Council for Research on International Economic Relations (ICRIER), organized an international conference on 'Jobs for Development: Challenges and Solutions' in December 2014, in New Delhi, and Bilesha Weeraratne attended this conference on invitation and made a presentation titled 'Labour Migration and Development: Perspectives from Sri Lanka'.

In addition to international migration, this thematic area also focuses on internal migration and urbanization. To bring all these areas under a single theme, a medium term Research Agenda was developed. The drafted Research Agenda was presented to all relevant stakeholders at a stakeholder consultation on September and the Research Agenda was fine-tuned with feedback from participants. In terms of urbanization, Bilesha Weeraratne attended the discussion on Future Cities held in September, organized by UNHABITAT. This served as a networking opportunity to meet stakeholders on urbanization. IPS migration research team developed networks/links with researchers of the Ministry of Health associated with IOM and discussions are underway for a collaborative project on health of Sri Lankan migrants.

Nisha Arunatilake at the Social Mobility meeting in Korea

3 Human Resources for Sustained Development

Developing the country's human resources to meet the changing demand will require a concerted effort on many fronts. First, to foster a skilled workforce that is able to meet the changing demand of the labour market improving access to high quality tertiary level education will be critical. However, expanding the tertiary education sector alone is not sufficient. The foundations for further training in advance science and technology related subjects are laid at the school level. As such, the quality and access to general education should also improve. Along with education and skill development, health is an important determinant that ensures success in education and greater productivity in work life. The importance of nutrition for decreasing loss of work days due to illness and increasing productivity is well documented in the literature. Studies also show that well-nourished children are more likely to succeed in education. Diseases that are more prevalent amongst the productive age population such as non-communicable diseases (NCDs) also influence work life and productivity. Sri Lanka's demographic profile is changing. The country has a fast ageing population, while its younger population – both children and those in their productive ages – are shrinking. The country will need to be conscious about these changes when planning for its future human resources.

Health

A healthy nation is essential for sustained development. Poor health reduces returns to investments in education and lowers productivity. In 2014, IPS research focused on several health issues that were identified to be key policy concerns, either because they are large health issues at present or because they have the potential to be emerging health issues. Given the persistence and magnitude of the issue, the IPS research activities conducted several studies on **malnutrition**. In addition, the IPS health research focused on two emerging health issues that need timely intervention. These include **Occupational health** and **health issues associated with electronic and electrical equipment** related waste.

Malnutrition

While Sri Lanka's overall health indicators are on track to achieve the 2015 Millennium Development Goals (MDGs), malnutrition continues to be a serious health concern in Sri Lanka. Malnutrition is particularly poor in the estate sector in the country. Families working on estates are among the poorest, in terms of nutrition. For example, about 30% of children under five years old are underweight, nearly 1 in 3 babies born have low birth weight, and 1/3 women of reproductive age are malnourished. The importance of nutrition for reducing health care costs, morbidity and mortality, improving education outcomes and increasing productivity is well documented in the literature.

Priyanka Jayawardena undertook a study, with funding from the Think Tank Initiative (TTI), to better understand the issues of malnutrition in the estate sector. The Study findings shows that many inter-related factors ranging from intergenerational malnutrition, food insecurity, alcoholism, poor socio-economic conditions, and lack of knowledge, constitute a higher risk of poor nutritional status among children and women in the estate sector.

Poor education of women is found to be a major constraint for reducing malnutrition in the estate sector. Poor educational conditions affect women's ability to utilize available resources. This also impedes the ability of the women to take full advantage of the awareness raising campaigns on family health and hygiene practices conducted by the health service. Summary findings of this study carried out by the IPS are available at:

POLICYINSIGHTS

INSTITUTE OF POLICY STUDIES OF SRI LANKA

How Malnutrition in Sri Lanka's Estate Sector Can Be Tackled?

INTRODUCTION

OBJECTIVES

Jayawardena, P. (2014), 'How Malnutrition in Sri Lanka's Estate Sector Can Be Tackled?', *Policy Insight*, IPS.

Details about the findings of her studies can be found in:

Jayawardena, P. (2014), 'Can People in Sri Lanka's Estate Sector Break Away from Poor Nutrition?', Health Economics Series No 1, IPS.

Jayawardena, P. (2014), 'Underlying Causes of Child and Maternal Malnutrition in the Estate Sector of Sri Lanka', Journal of South Asian Studies, Vol 02. No(03), 241-255.

Priyanka presented the findings of her study at the Second International Conference on Global Public Health (GPH 2014), organized by the International Center for Research & Development (ICRD), 03-04 July, 2014, in Negombo.

She was able to build awareness on the subject through her dissemination activities. As a result, Priyanka was interviewed by the Inter Press Service Reporter. Based on her work in the area, she was also invited to a round table discussion aimed at improving the welfare of the plantation sector workers organized by the Planters Association of Ceylon.

In a related study Manuj Weerasinghe, Samanthi Bandara, and Munsif Sanoon conducted a 'Literature Review on the Health and Social Determinants of Malnutrition in the Estate Sector in Sri Lanka' with financial assistance from the UNICEF. Findings of this review were presented to a group of expertise from the World Bank, National Nutrition Secretariat and the Family Health Bureau, on the 18th December 2014, at the Presidential Secretariat.

Most children are undernourished not due to the lack of access to food, but due to issues with organization of time and resources and the knowledge on food and nutrition. In that regard, school canteens can provide a useful service, to improve child nutrition. This is the case if canteens prepare and serve hygienic and nutritious food that is affordable. The government has come up with guidelines for preparation and serving of food in school canteens. Manuj Weerasinghe, Samanthi Bandara and Munsif Sanoon recently conducted a study, with funding from UNICEF, to assess how well these guidelines are being followed by school canteens. The findings of this survey were presented to a team of experts on school health and nutrition on the 15h of December at the Ministry of Education Services, Colombo.

Occupational Health

Improper work environments and work practices can themselves result in health issues that are debilitating, financially costly and productivity reducing. There is developed policy in the country to prevent health problems arising from unsafe work environments and work practices. The existing laws and regulations for protecting workers from occupation related health issues are scattered. IPS contributed to this initiative through providing

Presenting findings of the study at the Presidential Secretariat

a review of the Occupational Safety and Health (OSH) policies and good practices of other countries, studying and identifying existing and potential occupational health issues in Sri Lanka, and assessing the existing policies for preventing occupational health issues. This work was supported by funding from the TTI. The findings of the study appeared in the Talking Economics blog of IPS, as well as in the *Daily Mirror* (October, 2014). Nisha Arunatilake and Sunimalee Madurawala served as members of the National Steering Committee on Development of Occupational Safety and Health Policy as well as the Working Group of the Health Sector for Development of Occupational Safety and Health Policy.

The available knowledge on occupational safety is limited. IPS was able to contribute to filling this gap in knowledge through the involvement in the "Health Inequalities and Access to Social Security of Informal Workers in Asia." This is a global study funded by the Rockefeller Foundation. It is coordinated by Facultad Latino Amertcana de Ciencias Soctales (FLASCO), campus in Chile. The IPS team (Nisha Arunatilake, Shanika Samarakoon, Priyanka Jayawardena, Sunimalee Madurawala, and Neluka Gunasekara) is part of the Asian regional team involved in this study. IPS researchers presented preliminary results of this study in two regional meetings in Vietnam.

Health in All Policies: E-waste and Health

E-waste (i.e., waste electrical and electronic equipment) has emerged over the past few years, as a health and environment concern in the global agenda. Samanthi Bandara continued the dissemination activities of a study done in 2013 with the aim of analyzing the magnitude of the problem of E-waste in Sri Lanka and the issues concerned with the management of the E-waste problem in the country. A paper was presented at the 5th International Conference on Sustainable Built Environment (ICSBE), 14th December 2014, in Kandy; and, a brief summary of E-waste management was published in IPS TalkingEconomics and newspapers. She was also invited to conduct a guest lecture on the subject for the members of the Rotary Club of Colombo Regency (RCCR), on the 22nd May 2014, at the Royal Colombo Golf Club in Borella.

IPS Researchers participated at the 1st Asian Regional Meeting held in Vietnam

IPS Researchers also participated at the 2nd Asian Regional Meeting held in Vietnam

Samanthi Bandara delivering the Guest Lecture

Labour

Improved employment outcomes are essential to translate economic growth into sustainable reductions in poverty and inequality whilst also promoting social cohesion, citizen empowerment, and personal dignity. Developing countries need to better understand how to generate more and better jobs, and ensure that disadvantaged groups are able to access employment opportunities. In this regard, IPS conducted a study to assess the progress in the labour market over time. Further, recognizing the fact that low female labour force participation is a persistent problem in the country, IPS also conducted a study to assess the issues concerned with low female labour force participation.

Labour Market Development

To better understand where and how progress has happened in employment in Sri Lanka, Priyanka Jayawardena and Anushka Wijesinghe engaged in the *Development Progress* case study with funding from the Overseas Development Institute (ODI). It begins with an analysis of the nature of progress from 1990-2010, using a wide array of indicators to capture the different dimensions of employment. The study aims to identify factors affecting progress and future challenges. The study finds that the country has achieved progress in the labour market under unique and challenging conditions, including a North/East war that lasted for three decades. The remaining challenges highlight the importance of hybrid policy approaches and the importance of long-term policy consistency across different regimes.

The results of the study was published in:

Bruce Byiers, Florian Kratke, Priyanka Jayawardena, Laura Rodrigues, Anushka Wijesinha, (forthcoming), 'Progress Under Duress: Employment Creation in Sri Lanka,' Overseas Development Institute (ODI).

IPS researchers were involved in several regional discussions on inclusive development and jobs. Nisha Arunatilake was a speaker at a Google Hangout on 'Inclusive Development through Jobs', organized by the Indian Council for Research on International Economic Relations (ICREA), on Jobs Knowledge Platform (JKP) website – www.jobsknowledge.org – managed by World Bank headquarters. Nisha Arunatilake also made a presentation on the labour market in Sri Lanka at the ICRIER-World Bank Conference on Jobs for Development: Challenges and Solutions (1-2 December 2014, India Habitat Centre, New Delhi).

Female Labour Force Participation

One persistent problem faced by the labour market in Sri Lanka is the consistent low participation of females in the labour market. Only about one-third of the working age females are engaged in the labour market. With funding from TTI, Sunimalee Madurawala conducted a study to assess how growth has affected female labour force participation. She finds that labour markets opportunities in accessing labour markets have declined for women over time, and this decline is experienced by women in all income classes. The study finds that women's labour market activities are highly dependent on non-economic factors, particularly familial responsibilities and child care.

The findings of the study are detailed in:

'Female Employment for Inclusive Growth: Trends, Issues and Concerns of Female Labour Force Participation in Sri Lanka', Working Paper, Labour Economics Series No. 16. Colombo, IPS.

4 Private Sector Development

With a stated government policy objective of achieving GDP growth of 8 per cent or higher, Sri Lanka would need to raise its annual rate of investment from the current level of approximately 28 per cent of GDP to at least 35 per cent. With increasing pressures on public finances and announcements that public investment is likely to be capped at around 6 per cent of GDP, this higher investment ratio would need to come almost entirely from private investment.

Within this, foreign private investment too plays a critical role. This then necessarily means that private sector development is a critical part of Sri Lanka's overall development challenge. While the sources of faster growth in recent years have mainly been from government initiative, the sources of sustained faster growth in the medium term will need to come from the private sector – large and small. No longer can we look at private enterprise development from just the narrow lens of 'industrial development' as may have been done in the past.

It is about exploring and addressing a myriad of factors that can strangle or strengthen the private sector, provide it a conducive climate for growth, and ensure it plays a substantial role in bridging growth disparities and contributes to more inclusive economic progress and prosperity in the country. The latter becomes especially important in Sri Lanka's post-war milieu.

The private sector has long been recognized as the engine of economic growth for the greater majority of countries around the world. In the aftermath of the global economic recession, job creation has taken centre stage of the global development agenda. Job creation is the job of the private sector and recognizing this, governments across the world including Sri Lanka have prioritized the clearing away of those obstacles stifling private sector development to ensure job creation. Against this backdrop, in 2014 IPS working closely with the private sector, government and international development partners focused its research on identifying pressing issues concerning the private sector and providing input on developing workable solutions to these problems. Given the importance of Small and Medium Enterprises (SMEs) to the Sri Lankan economy, IPS conducted three studies focused specifically on issues dealing with SMEs. In addition, IPS research also focused on broader investment climate reforms that are key in developing a climate conducive to attract both domestic and foreign owned investors to start, grow and flourish.

Small and Medium Enterprises

In Sri Lanka, as per official estimates, of the 18,000 enterprises operating in the country, about 91% are SMEs. SMEs contribute to 50 per cent of GDP and employ 26 per cent of the labour force. Unfortunately, these SMEs face a number of business constraints that hinder their growth, including both financial and non-financial constraints.

Access to Finance

As is the case in many other developing economies, access to and the cost of finance is a major constraint to SME growth. Banks won't lend and investors won't invest thinking that small businesses are high-risk. Against this backdrop, Anushka Wijesinha and Nipuni Perera undertook a study to assess and better understand issues facing Sri Lankan SMEs when it comes to accessing finance. The study argues that improving access to finance for SMEs is a case of improving 'availability' on the one hand, and improving 'bankability' on the other. The study largely focuses on the second pillar – 'bankability'. This stems from the understanding that a flush of SME credit alone is not enough. 'Bankability' is about improving banks' approach to SME lending as well as improving SMEs' ability to approach banks. The study, drawing on international experiences also goes on to identify new ways in improving access to finance in Sri Lanka.

The findings of the study could be found in detailed in:

Wijesinha, A. & Perera, N. (2015), 'Banking on SME Growth: Concepts, Challenges and Policy Options to Improve Access to Finance in Sri Lanka', Working Paper Series No. 20, IPS.

Drawing on the insights of the study and other work, Anushka Wijesinha made a presentation on 'SME Credit Guarantee Scheme' to members of the Central Bank Financial System Stability Consultative Committee at the CBSL Conference Room on 5 June. In addition, Anushka Wijesinha also worked with the Securities and Exchange Commission to discuss on 'Capital Market Development as a Financing Option for SMEs'.

Regulatory Obstacles

In addition to difficulties in accessing finance, SMEs in developing countries also face a number of regulatory barriers which stifle their growth. Taxation is key amongst them. In terms of the pay taxes index of the World Bank, Sri Lanka ranked 167 out of 189 countries.

Anushka Wijesinha and Raveen Ekanayake undertook a study to evaluate how conducive the contemporary tax policy in Sri Lanka is to SME growth. The study was part of a larger cross-country study covering five other South Asian countries titled 'Tax Policy and Enterprise Development in South Asia', and was by funded by the Canadian IDRC and administered by GINI based in Islamabad, Pakistan. Key findings of the study suggest that whilst there have been a number of tax-related provisions in favour of SMEs, the lack of a sound definition of what constitutes an SME continues to be a major area of concern, and the targeting of fiscal incentive packages have been ineffective as a result. Awareness is another area of concern as the study reveals that the majority of SMEs in Sri Lanka are misinformed with regard to the costs and benefits of tax compliance, and are unaware of the tax concessions available to them. Sri Lanka needs to focus more on creating better tax awareness amongst SMEs to increase compliance and formalization. Findings further suggest that tax compliance is also an area that needs urgent reform. The firm-level survey, which formed the basis of this research study, reveals that SMEs find the prevailing tax structure to be complex and cumbersome, making compliance difficult, costs of compliance regressive, and an overall drag on SMEs' growth potential.

Women Owned SMEs

Non-financial services (also known as Business Development Services - BDS) have a crucial role to play in creating a business friendly environment for SMEs, especially for Women owned SMEs. Kaushalya Attygalle, Dilani Hirimuthugodage, Sunimalee Madurawala, Athula Senaratne, and Anushka Wijesinha of IPS and Chopadithya Edirisinghe of the SAARC Business Association of Home Based Industries/workers (SABAH) undertook a study with the objectives of examining the socio-economic and cultural barriers which hinder women's progression to Small and Medium Enterprise (SME) sector. It also looked at the existing and future opportunities for women to enter and lead SMEs with a special focus on access and availability of women - friendly Business Development Services (BDS) including development of business skills, technology transfer and linking with financial services. The study also aimed to provide policy level recommendations to increase women entrepreneurs' access to business development services and to identify national-level strategic priorities for stakeholders to work in economic justice with the aim of promoting women's economic leadership and enterprise culture among women. The study was funded by Oxfam GB Sri Lanka and conducted in five districts.

The findings of the study are detailed in:

Attygalle, K., Hirimuthugodage D., Madurawala, S., Seneratne, A., Wijesinha, A. and Edirisinghe,C. (2014), 'Female Entrepreneurship and the Role of Business Development Services in

IPS Executive Director, handing over the study on 'Female Entrepreneurship and the Role of Business Development Services in Promoting Small and Medium Women Entrepreneurship in Sri Lanka,' to Ms. Dieneke van der Wijk, Deputy Regional Director, Programmes Asia, OxfamGB, in the IPS Conference Room.

Promoting Small and Medium Women Entrepreneurship in Sri Lanka,' IPS, Oxfam GB, Sri Lanka

Sunimalee Madurawala made a presentation of the study to key stakeholders at the publication launch event on the 9th of May at the IPS Conference Room. In addition, she also published a blog article titled 'Better Business Development Services Can Help Sri Lanka's Women Entrepreneurs Prosper' on the 1st August.

In addition to these research studies, Anushka Wijesinha was also actively involved in a number of Advisory Committees for the Government of Sri Lanka. He worked with the Secretary and officials of the Ministry of Traditional Industries and Small Enterprise Development in developing a new Draft of the National SME Policy. Anushka Wijesinha also published a newspaper article titled 'Can Sri Lanka Learn from the Korean SME Promotion Strategy?', which looks at Korea's experience in promoting SMEs to draw similar lessons for SME policy in Sri Lanka.

Attracting Investments: Investment Climate Reforms

A sound investment climate provides private firms with opportunities and incentives to invest and grow and is key to sustaining long-term growth and reducing poverty. However, all too often, potential private sector contributions to development are constrained by unjustified risks, costs, and barriers to competition. As per the latest enterprise survey conducted by the World Bank Group of 46,000 firms surveyed in more than 100 countries, problems in the local investment climate (46%) was cited as the number one issue holding back private sector growth. In the Doing Business Report of the World Bank, Sri Lanka was ranked a distant 105th out of 189 countries in terms of the Ease of Doing Business and has a long way to improve in narrowing the gap in standards between the frontier countries.

Investment climate reforms are especially critical for a developing country like Sri Lanka which is aspiring to attract foreign investments amidst fierce competition from a host of other emerging market economies of the likes of Vietnam, Bangladesh, Myanmar and Cambodia with far more superior resource endowments. Against this backdrop, Anushka Wijesinha worked on the Ceylon Chamber of Commerce Steering Committees on 'Ease of Doing Business and FDI' to advocate and lobby the government to undertake broad-based reforms to improve the investment climate in Sri Lanka. In this endeavour, he made a presentation to the Secretary Ministry of Industry and Commerce along with other officials (EDB, etc) on 'Ease of Doing Business and Promotion of FDI', at the Ministry in March.

Anushka Wijesinha and Raveen Ekanayake also looked at empirical literature on the successful case study of Penang, Malaysia to draw lessons for going about to attract foreign investors into the Sri Lankan port city of Hambantota. They authored a newspaper article titled 'Sri Lanka's Post-war Hub Ambitions - Can Hambantota Learn from Penang?' based on the findings.

5 Poverty and Vulnerability

Despite Sri Lanka's remarkable progress in reducing poverty and achieving Millennium Development Goals (MDGs) at national level, considerable disparities are seen across sectors and regions of the country. Moreover, a sizeable share of the non-poor are clustered just above the poverty line facing the risk of slipping into poverty due to various risks - economic shocks, vagaries of weather, and life cycle events such as deaths and sickness. Sri Lanka is also faced with a number of demographic and labour market related challenges. The large informal sector workforce with little or no social security benefits, higher rates of unemployment among youth and the educated, and the continuing low female force participation rate over the past decade, are some of the major issues. The rapid ageing population also brings several challenges to the economy, in particular to its social protection and health sectors. Addressing these issues require a policies and programmes that cover a broader spectrum of risks and vulnerable groups such as the poor, elderly, disabled, women and children. It requires deeper understanding of these issues and an in depth analysis of the existing systems and policies. In this context, the IPS research on poverty and vulnerability focuses on a number of important themes such as social protection, financial inclusion, MDGs and the post- 2015 agenda, poverty in lagging regions and child vulnerability.

Social Protection

A comprehensive social protection system that covers a broader spectrum of risks and vulnerable groups is crucial to address vulnerability and enhance equity in the country. Sri Lanka has a long history of providing social protection to various segments of its population. Currently, there is a wide range of social protection programmes including cash and in-kind transfers, pensions, education welfare programmes and livelihood development programmes. However, the effectiveness of the current social protection system, in terms of its coverage, targeting, allocation of resources and its effect on households remain unclear. In order to fill this gap, the Poverty research team of the IPS carried out a series of research studies on social protection during 2014.

A research project on 'Social Protection and Welfare Analysis' funded by the United Nations Children's Fund (UNICEF), was carried out to assess the effectiveness of social protection at the household-level in Sri Lanka. In particular, this research examined different types of social protection benefits (e.g. cash and in-kind transfers, retirement benefits) received by households and analyzed disparities across income groups and districts in terms of access to these benefits and the level of satisfaction by the recipient households. The study was based on a household survey covering around 2000 households from six districts of the country, namely Anuradhapura, Matara, Monaragala, Nuwara Eliya, Batticaloa and Jaffna. (Research Team: Ganga Tilakaratna, Nisal Herath, and Ayodya Galappattige). The report is expected to be published in 2015 and to be shared with relevant stakeholders – policy makers, donors and academia - of the social protection sector.

IPS also carried out a research on 'Updating and Improving Social Protection Index -Sri Lanka' funded by the Asian Development Bank (ADB). Under this project, the social protection Index for Sri Lanka was constructed based on the information collected from around 85 social protection programmes including social assistance, social insurance and labour market programmes implemented by various government bodies. (Research Team: Ganga Tilakaratna, Sahan Jayawardana and Yolanthika Ellepola). As a part of this project, Ganga Tilakaratna, Research Fellow of IPS, attended the technical workshop on 'Updating and Improving the Social Protection Index' organized by the ADB, held in Manila, Philippines on 3-4 April 2014. The Sri Lanka country report will be published by the ADB in 2015 and the findings will be disseminated to all stakeholders in the sector.

Ganga Tilakaratna participating at the ADB Technical Workshop

Furthermore, a research study on 'Social Protection and Labour Market Outcomes in Sri Lanka' was initiated by IPS Poverty research team during 2014 with the financial support of the International Labour Organization (ILO). The study examined the effect of social protection on labour force participation and employment status. This research was funded by the ILO. (Research Team: Ganga Tilakaratna, Sahan Jayawardana). The preliminary findings of this research was presented at the international conference on 'Meeting the Challenges of Employment and Social Protection in South Asia' organized by the South Asia Research Network on Employment and Social Protection for Inclusive Growth (SARNET) in collaboration with the UN-ESCAP, ILO, IDRC, Canada and the Institute for Human Development (IHD), held in New Delhi, India during 14-16 December 2014.

In addition, IPS staff engaged in South Asia regional level policy initiatives on social protection. Dr. Saman Kelegama, Executive Director of IPS and Ganga Tilakaratna (Research Fellow) were invited to a regional workshop on 'Developing a Declaration on Strengthening Social Protection in South Asia – A Multi-stakeholder Contribution to the 18th SAARC Summit' held in Nepal, during 21 and 22 August 2014 with the objective of formulating a Declaration on strengthening social protection for the SAARC Summit in November 2014.

Executive Director of IPS and Ganga Tilakaratna at the workshop held in Nepal

MDG and Post- 2015 Development Agenda

As the lifespan of MDGs is coming to an end in 2015, discussions are taking place at the global, regional and national level on the post-2015 development agenda. In this context, IPS poverty team also carried out a number of research activities to examine Sri Lanka's progress on MDGs and to contribute to the global debate on Post-MDG agenda.

IPS prepared the Millennium Development Goals (MDGs) Country Report for Sri Lanka in collaboration with the United Nations Development Programme (UNDP) and the Ministry of Finance and Planning of Sri Lanka. This is the third MDG Country Report of Sri Lanka. This report provides a comprehensive assessment of Sri Lanka's progress with regard to MDGs and their targets - at both the national level and the regional level. There are 44 MDG indicators in total, of which 26 have defined targets. Sri Lanka has already achieved the targets for 13 of these indicators and is "on track" to achieve another 11 indicators by 2015. Only two indicators were "off track". Various policies including free education and free health care

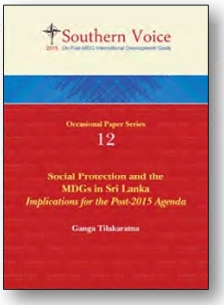
provision that have been implemented for more than six decades have contributed to Sri Lanka's achievement with regard to many MDGs. The report provides a comprehensive analysis on all eight goals, highlighting the achievements, regional disparities and areas for improvements. (Research Team: Wimal Nanayakkara, Ganga Tilakaratna, Sunimalee Madurawala, Chatura Rodrigo, Suwendrani Jayaratne, Ashani Abeysekera, Ayodya Galappattige and Yolanthika Ellepola). This report is also being translated into Sinhala and Tamil languages to make it accessible and beneficial to a wider audience. This MDG report for Sri Lanka will be launched in early 2015.

Dr. Saman Kelegama, Executive Director of IPS made a presentation on the draft MDG Sri Lanka Report at the UN Day Event organized by the United Nations Office, Colombo, on 24th of October. A booklet on 'Millennium Development Goals: Sri Lanka's Progress and Key Achievements' based on this draft MDG Sri Lanka Report was also prepared by UNDP and made available to the public.

IPS poverty research team also contributed to the ongoing debate and discussion on the post- 2015 development agenda. Ganga Tilakaratna prepared a report on 'Social Protection and the MDGs in Sri Lanka: Implications for the Post-2015 Agenda' for the Southern Voice on Post-MDG International **Goals** supported by the TTI. The

Executive Director making a presentation on the MDG Sri Lanka Report

report analyzes the link between social protection and MDGs in Sri Lanka and brings out implications for the post -2015 development agenda based on the Sri Lankan experience. It argues that social protection has to be considered a key element of the post-2015 development agenda – either as a goal, or as an instrument to achieve several goals. This report was published by the Southern Voice on Post-MDG International Goals, under its occasional paper series and has been made available to the public.



A blog titled 'From MDGs to Post-MDGs: Some Lessons from Sri Lanka' was prepared based on the research study carried out for the Southern Voice Network and was disseminated to a wider audience through the blog site on 'Post-2015.org - What Comes after the MDGs?' co-ordinated by the Overseas Development Institute (ODI), UK. The findings of this research will also be presented at an international conference on 'Post-2015 International Goals and Targets' that will be organized by the Southern Voice on Post-MDG International Goals in association with TTI of the IDRC, Canada in Istanbul, Turkey in 7th February 2015.

Financial Inclusion

Improving access to quality financial services is another important step to reduce poverty, vulnerability and to enhance livelihood opportunities among low-income households. There is a wide network of banks and microfinance institutions (MFIs) including co-operatives, Non-Governmental Organizations (NGOs) and special government programs involved in the provision of credit, savings, micro-insurance, and money transfer service facilities to low-income households. Despite relatively higher access to financial institutions in Sri Lanka (compared to many other countries in the region), there are a number of issues that need to be

addressed in the microfinance sector and the financial sector as a whole to ensure sustainable provision of quality financial services to all. In this context, IPS carried out a number of research activities related to financial inclusion and the microfinance sector in Sri Lanka.

IPS carried out a research study on 'Financial Inclusion, Regulation and Education in Sri Lanka' for the Asian Development Bank Institute (ADBI), Tokyo, Japan. The study reveals that Sri Lanka has achieved a high level of financial inclusion compared to other South Asian countries. There is also evidence that a larger share of households in Sri Lanka accesses multiple financial institutions for their credit and savings needs. However, the use of insurance services, ATM facilities, e-payments, and mobile banking, is relatively low. Financial education is also ad hoc and lags behind financial innovation and new products. Moreover, there is much scope to improve financial inclusion, particularly with regard to cost and quality of financial services provided, and the sustainability of financial institutions. The study also stresses the need for strengthening the current regulatory framework for the microfinance sector and client protection. This report has been published under the ADBI Working Paper series and is available to public.

A short article based on this research paper titled 'Sri Lanka Takes Regional Lead in Financial Inclusion' was also published in the *Daily Mirror* newspaper to share some of its findings with a wider audience.

Furthermore, a number of presentations on Financial Inclusion related issues were made by IPS staff at various national and international forums during the year 2014.

- Ganga Tilakaratna made a presentation on 'Microfinance as a Tool for Empowering the Conflict Affected Communities' at the seminar on 'Microfinance for Conflict Affected Communities' organized by the Pathfunder Foundation, Colombo, on 10 January.

- Executive Director, IPS, made a presentation on 'Financial Inclusion, Regulation and Education: Sri Lanka from a South Asian Perspective' at the International Conference on Financial Inclusion, Regulation and Education, organized by the Asian Development Bank Institute (ADBI), Tokyo, Japan on 21 April.

  He also made a presentation on 'Financial Inclusion in Sri Lanka: Issues and Challenges' at the Association of Professional Bankers of Sri Lanka, Bank of Ceylon Auditorium, Colombo, on 09 September.

Daily FT

Microfinance as a tool for empowering conflict-affected communities

When it comes to microfinance in conflict affected communities or disaster stricken communities, we often question what microfinance is and what is not. There is no agreed definition on microfinance but it is broadly provisioned with the sort of financial services such as deposits, loans, money transfers and insurance services for low income households and their micro enterprises. In addition to the financial services and micro financial institutions provide non-financial services as well; including training, marketing assistance as well as capacity building. These services alone cannot be considered as microfinance and is very important to understand that microfinance is not grants. Whether it is business grants or consumption grants, no matter what the context is it does not support all kinds of charity – **Institute of Policy Studies of Sri Lanka Research Fellow Dr. Ganga Tilakaratna**

Executive Director at the ADBI Conference in Japan

Poverty in Lagging Regions

Sri Lanka has experienced a decline in the poverty level over the past two decades. The national poverty head count ratio (HCR) declined from 28.2% in 1995/96 to 8.9 % in 2009/10 and declined further to 6.7% in 2012/13. A fall in poverty levels during 2009/10 – 2012/13 period was observed across all the three sectors of the country (i.e. urban, rural and estate) and in the majority of the districts, with the exception of, Monaragala, Anuradhapura, Polonnaruwa and Vavuniya districts. The increase in poverty was most significant in the Monaragala district where the poverty HCR has risen from 14.5% to 20.8% - a 43% increase between the two periods. In this context, IPS carried out a study to explore the factors that contributed to the rise in poverty in the Monaragala district in recent years. The study was carried out on a request from the Uva Provincial Council and with the financial support from the UNICEF. Research Team consisted of Ganga Tilakaratna, Nisal Herath, Pavithra Gunasinghe and Dinnaga Padmapperuma.

IPS research team worked closely with the Provincial Councils in designing and carrying out the research. A consultation meeting was held at the Uva Provincial Council where the research proposal was presented and discussed with the Chief Secretary and the relevant officials of the Uva Provincial Council. The final report titled 'Poverty in Monaragala: Identifying Factors that Contributed to the Rise in Poverty during 2009/10 -2012/13' was submitted to the Uva Provincial Council and is expected to be used for formulating policies to address the issues of poverty in the Monaragala district.

Child Vulnerability

IPS also carried out a study on the 'Status of Children in Sri Lanka: Review of Data Gaps' funded by the UNICEF. The objective of the study was to examine the available data and gather evidence to identify the current and emerging issues related to various sectors such as education, health and nutrition, and to identify data gaps related to these sectors. The study was initiated with a view to support full realization of children's rights in education, health, nutrition, water, sanitation and child protection: The latest information based on the Census of Population and Housing-2012 and the Household Income and Expenditures Surveys -2009/10 and 2012/13 was used for the analysis of education, child poverty, water and sanitation. Information from the records of Department of Examinations (2014) provided required information to analyze the performance of students at the Grade 5, G.C.E. (O/L) and G.C.E. (A/L) examinations. The reports of the Family Health Bureau (FHB), provided the information on child health. However, with regard to access, the quality of education, information on requirements of children with special needs in education, information on vocational training to suit the market demands, are inadequate. The other main areas with major data gaps were child nutrition, early childhood care and development, early childhood care and education and child protection. These were identified as the main areas which need the attention of the relevant authorities. (Research Team: Wimal Nanayakkara and Yolanthika Ellepola). The preliminary findings of this study was presented by Mr. Wimal Nanayakkara, Senior Visiting Fellow of the IPS, at a conference on 'Child Well-being and Equity in Sri Lanka' organized by the UNICEF on 8 August.

6 Environment, Natural Resources and Agriculture

Growth that results in depleting the natural capital stock of a country is not smart as it cannot be sustained in the long-term. Sustainability implies attaining the aspirations of the current generation without compromising the capacity of future generations to do the same. In essence, it deals with inter-generational equity of human use of environmental resources. Sri Lanka is blessed with a habitable tropical environment all over the country that offers many eco-system services for the well-being of people. The rich stock of natural resources provides the essential launching pad for Sri Lanka's post-conflict drive towards fast-track growth. Whether this endowment could bring in desired improvements to living standards of people, and more importantly, could it be maintained for the well-being of future generations, is largely a matter of how sensibly it is put into use. Recently, the idea of sustainability has given rise to more operational concepts such as 'green growth'. Green growth advocates exploring new avenues of growth that ensure continuity of the natural capital stock. However, there is overwhelming evidence to believe that the present use of natural capital in Sri Lanka is not fulfilling the conditions necessary for green growth. The policies/strategies for green growth cover three broad areas of interest: (i) innovation and adoption of right technical solutions; (ii) policies for getting structure of incentives right; and (iii) policies for setting up right institutions.

Climate Change

Athula Senaratne, Kanchana Wickramasinghe and Chatura Rodrigo initiated the CLIMATEnet Policy Discussion Forum with the objective of creating a policy oriented dialog on climate change among the key stakeholders. This involved developing a series of policy briefs on seven climate change affected economic sectors based on the inputs from expert consultation meetings on respective sectors. Outputs are based on qulitative analysis of the information gathered from experts. Information gathering and processing activities of the project has been completed in 2014 and publishing of policy briefs in CLIMATEnet blog will be continued in 2015. The work is funded by the TTI.

The Environmental Economic Policy Unit is currently developing the National Climate Change Adaptation Plan (NAP) for Sri Lanka. It is a consultancy commissioned by the Climate Change Secretariat of the Ministry of Environment and Renewable Energy. Preparation of NAP is a mandatory activity under United Nations Framework Convention for Climate Change (UNFCCC). The activities of the project were commenced in the third quarter of 2014 and will be continued during the first quarter of 2015 also. Athula Senaratne, Kanchana Wickramasinghe and Chatura Rodrigo are undertaking the project. Athula Senaratne in his blog article published in the *CLIMATEnet* highlighted the 'Policy Challenges and Major Gaps in Climate Adaptation in Sri Lanka'. The article was subsequently published in *The Island*, *The Daily Mirror* and *Daily FT*, on the 1 April, and was for promotion in the UN web site *PreventionWeb* by UNISDR.

Daily FT
Be Empowered

Policy challenges in climate adaptation in Sri Lanka: Identifying major gaps

Published : 12:01 am April 10, 2014 | 2,066 views | One comment | | E-mail to friend

Share

File Photo

Being a tropical island located in a disaster prone region, Sri Lanka is vulnerable to impacts of climate change. The 2004 tsunami has indicated that a large extent of densely populated low lying coastal areas is vulnerable to a future rise in the sea level. The country has frequently been experiencing disaster prone weather extremes such as droughts, floods and cyclones. Predictions by global studies on climate change suggest that both intensity and frequency of such extreme events are likely to increase in the future.

Chatura Rodrigo discussed the 'Other Side of the Coin' issues of climate change in his article on 'Can Climate Change Bring in Positive Impacts?', published in the *CLIMATEnet* Blog and subsequently in newspapers *The Island*, *The Daily Mirror* and *Daily FT*, on 28 August.

The team of the Environmental Economic Policy Unit also engaged in reviewing the *Technology Needs Assessment (TNA) for Climate Change in Sri Lanka*, a project undertaken by Climate Change Secretariat of the Ministry of Environment and Renewable Energy, to assess the current status of TNA process in Sri Lanka and make recommendations for future steps. Data gathering activities based on key informant interviews were

completed and the draft report was submitted. Project activities are to be continued in 2015 that includes organizing a multi-stakeholder workshop. This consultancy assignment was commissioned by the Institute of Global Environmental Strategies (IGES) of the Ministry of Environment, Japan.

The frequency and intensity of climate related disasters have been increasing over the years and farmer groups are highly vulnerable to such impacts in Sri Lanka. There is a timely need to undertake comprehensive assessment on farmer risk management strategies to help formulate effective policies. Kanchana Wickramasinghe formulated a research proposal to assess farmer risk management strategies including climate insurance and submitted it to the Global Development Awards and Medals Competition 2014 of the Global Development Network (GDN). Kanchana's proposal was among the short listed proposals among the 388 submissions from 72 countries that had been received for the Competition this year. She presented the proposal at the Fifteenth Annual Global Development Conference of the Global Development Network (GDN)in Accra, Ghana, 18 to 20 June, which was attended by over 500 practitioners in the field of development and the winners were selected by an eminent jury at the Conference. Kanchana was successful in receiving the first prize for the prestigious Japanese Award for Outstanding Research on Development (ORD) for the proposal. This 2 year research work has already been commenced and will be continued until 2016.

Kanchana also attended the 'GDNet Research Communication: Presentation Skills Training for Awards and Medals Finalists' during the Conference in Accra, Ghana, 16-17 June, 2014.

Kanchana Wickramasinghe, Research Economist, making a presentation at the Conference

Kanchana Wickramasinghe published the findings of her previous assessment in;

'Role of Social Protection in Disaster Management in Sri Lanka', *Sri Lanka Journal of Social Sciences*, 35/36 (1 & 2) June/Dec 2012/2013 (by Kanchana Wickramasinghe)

Athula Senaratne and Chatura Rodrigo attempted to explore the agricultural adaptation practices in the case of Sri Lanka, with the funding support from SAWTEE. Findings of the study were presented at the SAWTEE workshop Kathmandu, 11 to 15 March by Athula Senartne, and are published in:

Agriculture Adaptation Practices in South Asia

Athula Senaratne
Chatura Rodrigo

Case of Sri Lanka

SAWTEE Working Paper No.1(ii)/14

Senaratne, A., C. Rodrigo (2014), 'Agriculture Adaptation Practices in South Asia: Case of Sri Lanka', *Working Paper* No. 01(ii)/14

Presentations and publications in relation to various aspects of climate change include;

Wickramasinghe (2014), '19th Climate Change Conference' - An Assessment, An article published in *Trade Insight*, Vol. 10, No. 1, 2014.

Rodrigo, C., A. Senaratne (2014) 'Adapting Sri Lanka's Coasts and Ocean Resources to a Changing Climate', a blog article in *Talking Economics* subsequently published in *The Island, Daily Mirror* and *Daily FT*, 5 June.

Senaratne, A. (2014), 'Finally, Some Good News: Ozone Layer is on the Track to Recovery', a blog article in *Talking Economics* subsequently published in *The Island, Daily Mirror* and *Daily FT*, 16 September, by Athula Senaratne.

'Climate Change Challenges Faced by Indian Ocean Rim Countries' a presentation made at Indian Ocean Rim Association (IORA) workshop in Colombo, 30 June by Athula Senaratne.

Dr. Athula Senaratne, Research Fellow, presenting at the IORA conference

Sustainable Tourism

As the tourism industry is reviving in Sri Lanka, its sustainability aspects should receive high policy attention, in addition to the numerical targets. Kanchana Wickramasinghe undertook a study to assess good environmental management practices in the hotel sub-sector, based on a comprehensive survey undertaken in the Western Province. The study focused on detailed on adoption of energy, water and waste management and determinants of such adoption. This study is based on a research grant awarded to IPS by South Asian Network for Development and Environmental Economics (SANDEE) on a competitive proposal submitted by Kanchana. The findings of the study were presented at the dissemination workshop held in October, with the participation of key experts and stakeholders in sustainable tourism in Sri Lanka. A short publication highlighting the key findings and policy implications was launched at the workshop and widely disseminated among the key stakeholders and interested groups.

Kanchana was then invited to make presentations on the study for the students of Masters in Tourism Economics and Hotel Management, University of Colombo and the Diploma in Travel and Tourism Economics and Hotel Management, University of Colombo. Kanchana also presented the findings at the international conference on 'Tropical Tourism Outlook Conference: Nature, Culture and Networking for Sustainable Tourism', Hotel Kandalama, 9 to 10 August, highlighting the constraints for adopting good environmental practices for the hotel sector.

The findings are also published in;

Wickramasinghe (2014), Determinants of Receipts of Environmental Awards and Certifications by Hotels in Sri Lanka: Experience from the Western Province, *Journal of Environment Professionals Sri Lanka, Vol 3, No 2, pp 41- 47.*

Wickramasinghe (2014), 'Constraints for Adoption of Environmental Management Practices in the Hotel Sector in Sri Lanka', Proceedings of the conference 'Tropical Tourism Outlook Conference: Nature, Culture and Networking for Sustainable Tourism' held in Dambulla, Sri Lanka from 8 to 10 August 2014.

Wickramasinghe (2014), Sustainable Production and Consumption in Service Sectors: Case of Hotel Sector in Sri Lanka, *Economic Review, Vol. 39, Nos. 06 & 07 - 08, Aug/ Nov 2013.*

Wickramasinghe (2014), Making Sri Lanka's Post-war Tourism Boom More Environmentally-Friendly, A blog article in Talking Economics subsequently published in newspapers *The Island, The Daily Mirror* and *Daily FT,* 20 May

In addition to her focus on hotel sub-sector, Kanchana also

highlighted the policy implications for forest-based nature tourism and ecotourism, as detailed in the following publications.

Getting Communities Involved in Sri Lanka's Nature Tourism, A blog article in Talking Economics subsequently published in The Island, The Daily Mirror and Daily FT, 27 September (By: Kanchana Wickramasinghe)

'Forest Attraction: Can Sri Lanka use Ecotourism for Sustainable Forest Management?', A blog article in *Talking Economics* subsequently published in *The Island, The Daily Mirror and Daily FT*, 6 February(By: Kanchana Wickramasinghe)

Macro Picture of Environment and Economy

The nexus between environment and the economy has not been well established through research in Sri Lanka. In order to shed light on this research gap the Environmental Economic Policy Unit commenced Developing a Macro-economic Profile of Environment in Sri Lanka. This involved compiling a macro profile of environment data realted to key economic sectors published in various sources. It involves identification and collection of data from various sources and development of a customized data base to store and process data for various anlytical purposes. Identification of sources and compiling of data has been completed. Development of data-base has been outsourced and carried out stage-wise. Data entry facility was developed and data being entered while the consultants are developing the query building facility. This will be expected to complete in the first qurter of 2015. The work is undertaken using the TTI funds.

Organic Agriculture

The negative health and environmental impacts of unsustainable use of chemical inputs in agriculture is being largely discussed in Sri Lanka. Chatura Rodrio initiated a research study on "Economic Analysis of Organic Rice Production in Sri Lanka: Opprtunity Cost of Supply", to analyze economics of organic rice production in dry and wet zone areas in Sri Lanka based on primary data collected through a sample survey and focus group discussions. The study is based on a research grant awarded to IPS by South Asian Network for Development and Environmental Economics (SANDEE) on a competitive proposal submitted by Chatura Rodrigo. Data collection activities were commenced in 2014 and research work will be continued in 2015 also. Chatura disseminated the interim findings of the study in;

Key Determinants of Sri Lanka's Fertilizer Subsidy: Some Research Findings for Policy Makers, A blog article in Talking Economics subsequently published in newspapers *The Island, The Daily Mirror* and *Daily FT*, 27 September (By: Chatura Rodrigo)

'Is it the Time to Go Back to Where We Came From: Addressing the Debate Organic Vs Inorganic Rice Farming Through a New Research Approach?', *The Island*, 27 February. (By: Chatura Rodrigo)

Delegates at the IORA Conference held in Colombo

Regional Collaborations

The IPS is in the process of Establishing a Centre of Excellence (CoE) on Ocean Sciences and Environment for the Indian Ocean Rim Countries and

the project is facilitated by the Ministry of Exterenal Affairs with the technical support of IPS. A proposal was developed by IPS for establising a COE which has been approved by the Indian Ocean Rim Countries Assocaition (IORA) and the Cabinet of Ministers of Sri Lanka. Subsequntly IPS orgnaizeda regional workshop for stakeholders from IORA member countries in collaboration with the Ministry of External Affairs (MEA) at Hilton, Colombo, 30 June. An outcome document was produced for IORA annual meeting and the project was approved with seed funding support from the Government of Sri Lanka. Tentaive fist year activity paln was prepared and commencement of the project is pending subject to receiving of funds. The team involves Saman Kelegama, Athula Senaratne and Kanchana Wickramasinghe.

Kanchana Wickramasinghe made a presentation on 'An Overview on Ocean Resources, Energy Resources and Biosecurity in the Indian Ocean Rim Region' at the workshop. In line with the regional workshop Kanchana Wickramasinghe highlighted the need for regional colloboration in the following blog article.

Kanchana Wickramasinghe (2014), Tackling Environmental Challenges in the Indian Ocean Will Require Closer Collaboration in the Region, *TalkingEconomics Blog* , 25 July 2014

Executive Director, IPS, handing over a copy of the Policy Insight on Environmental Management Practices in Hotel Sector in Sri Lanka to Mr. B.M.U.D. Basnayake, Secretary, Ministry of Environment and Renewable Energy, at the Dissemination Work-

pohs

In addition, involvement of IPS researchers Athula Senaratne and Kanchana Wickramasinghe in the National Committee for Establishing a Green Accounting System for Sri Lanka in the Ministry of Environment and Renewable Energy generated some outputs related to the theme of green economy and sustainable development practices. Athula Senaratne prepared a policy brief titled 'Why Green Accounting' for the National Committee on Establishment of Green Accounting Mechanism in Sri Lanka of the Ministry of Environment and Renewable Resources.

Other publications and presentations in relation to green economy include,

Drained Out or New Potential: Hydro Power and Sri Lanka's Energy Challenge, A blog article in Talking Economics subsequently published in *The Island, The Daily Mirror and Daily FT,* 22 March (By: Athula Senaratne and Chatura Rodrigo)

'Payments to Eco-system Services', A guest lecture at the Sri Lanka Association for the Advancement of Science (SLAAS) organized by the Ministry of Agriculture, 25 to 27 March. (By: Athula Senaratne)

'Water-Energy Nexus: Sri Lanka's Experinece' at the TERI workshop 'Water-Energy Nexus', New Delhi, 1 to 4 September. (By: Athula Senaratne)

Food Security

The study titled 'A Study of Demand, Supply and Price Behaviour Relating to Selected Crops and Livestock Products in Sri Lanka' funded by NSF under the National Thematic Research Programme on Food Security, is currently ongoing. This study carries out a comprhensive analysis of avilability, affordability, accessibility and nutritional

aspects of food categories of rice, fish and livestock products. It involves quantitative and qulaitative analysis of demad and supply systems and value chains involved in respective product categories. The study was commenced in late 2013 and will be continued until 2016. The work is being undertaken by a team of researchers including Athula Senaratne, Dilani Hirimuthugodage, Chatura Rodrigo, Kanchana Wickramasinghe, Chandana Karunaratne and Nisal Herath.

Kanchana Wickramasinghe and Dilani Hirimuthugodage presented the preliminary findings of the milk supply and demand at the 8th Annual Research Forum of Sri Lanka Agricultural Economic Association held at the Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI) on the 12th of December. Kanchana presented the determinants of milk consumption in Sri Lanka, based on household level data. Through primary data analysis, Dilani made her presentation on 'Improving Market Affordability and Accessibility of Milk and Milk Products in Sri Lanka'.

Athula Senaratne made a presentation on 'Integrating Traditional Agro-ecosystems and Technology Management for Assurance of Food and Nutritional Security: Village Tank Aquaculture and Divi Neguma Programmes in Sri Lanka', at the Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) workshop on 'Technology Management for Assurance of Food and Nutritional Security', National Institute of Rural Development NIRD, Hyderabad, 19 to 21 May.

The study on 'Regional Networks for National Food Security Strategies - National Consultant (Sri Lanka) For Effective Application of Knowledge Networks for Development of Strategies and Policies for Food Security in Sri Lanka' funded by the UNESCAP- South and South –West Asia Office was carried – out by Dilani Hirimuthugodage and Dr. Saman Kelegama. The overreaching objective of this study was to conduct a national case study on the gaps and challenges to in current food security framework strategies and for implementing concrete actions for ensuring food security in Sri Lanka. The study identified, through engagement with key national and regional government and civil society actors and stakeholders, the capacity of knowledge networks at the national and regional levels to share information, strategies, policies and good practices between policymakers for overcoming implementation challenges to greater food security and meeting the Zero Hunger challenge. Based on country case studies in the region, a publication on 'Regional Networks for Food Security' will be launched.

Agricultural Value Chains, Property Rights & Institutions

Dr. Parakrama Samaratunga initiated an agriculture value chain study on 'An Emerging 'Process Innovation' in Agri-Food Industry in Sri Lanka' funded by TTI. Chatura Rodrigo and Dilani Hirimuthugodage are presently carrying-out the project and the research report is scheduled to be published in August 2015. The objective of this study is to evaluate the impacts of a process (or a business) innovation of introducing small or medium scale processing and marketing enterprises in the spice sector of Sri Lanka in comparison to the traditional supply chain. The data collection of the study was focused on the pepper smallholders of Matale District of Sri Lanka.

Chatura Rodrigo published an article on 'Learning from the Best Practices: Pepper Smallholder Sector of Sri Lanka', A blog article in *Talking Economics* subsequently published in newspapers *The Island*, *The Daily Mirror* and *Daily FT*, 8 August.

Dilani Hirimuthugodage was invited to contribute a paper on 'Policy Interventions and Industrial Support Needed to Expand the Floriculture Sector in Sri Lanka' to the 'Proceedings of the National Symposium on Floriculture Research -2013' which is a publication of the Department of National Botanic Gardens, Peradeniya. This paper discusses on floriculture value

chain actors and activities in Sri Lanka and provides recommendations to strengthen smooth functioning of value chain activities.

Dilani disseminated findings of the floriculture study in the Sri Lanka Exporter Magazine July / September 2015 issue *(forthcoming)*, titled 'Floriculture: A Blooming Industry in Sri Lanka'.

The study title 'Intellectual Property Rights in Protecting Plant Varieties and Farmers Traditional Knowledge in Sri Lanka' funded by National Science Foundation of Sri Lanka (NSF) was completed in 2014. The objective of this study was to propose feasible protection methods and techniques to plant varieties and farmers traditional knowledge. Moreover, the study attempts to identify issues, existing policies and policy gaps with regard to plant protection especially on rice varieties and evaluate the effectiveness of the present policy framework and the present legal and institutional system relating to plant varieties and farmers' traditional knowledge. The study was done by Dilani Hirimuthugodage and Parakrama Samaratunga.

Dilani is currently working on IPS working paper based on research findings of the study and it will be completed and published in August 2015.

Dilani Hirimuthugodage (2014), 'Does Sri Lanka Need a New Seed Act?', A blog article in *Talking Economics* subsequently published in newspapers *The Island*, *The Daily Mirror* and *Daily FT*, 22 May.

Dilani Hirimuthugodage (2014), 'The Trade Related Intellectual Property Rights (TRIPs) Agreement and the Agriculture in South Asia: A Sri Lankan Perspective', *Abstracts*, 10th Asia Pacific Economic Association, Bangkok, Thailand.

Dilani Hirimuthugodage made a presentation on 'Intellectual Property Rights in Protecting New Plant Varieties : The Case of Seed Paddy in Sri Lanka', at the International Conference of Agricultural Sciences, University of Sabaragamuwa, 9 and 10 January.

Dilani Hirimuthugodage was invited to participate as a panelist at the panel discussion on 'Science, Technology and IPR in South Asia', at the 7th South Asia Economic Summit, 5-7 November 2014, New-Delhi, India.

Trainings

- Chatura Rodrigo attended training on 'Australian Awards Fellowship', Australia, 1 September to 8 November. The training programme was hosted by the department of management of the University of Monash, Australia and the funding was by the Department of foreign affairs and trade. The programme was aimed at writing a research paper of high quality and publishing. The research paper was titled 'determinants of the fertilizer demand: evidences form Sri Lanka'. The paper was written in collaboration with Dr. Lakmal Abeysekera, lecturer at the department of management, university of Monash, Australia. The paper is currently under review with the Journal of Agriculture Economics.
- Dilani Hirimuthugodage attended an academic training programme on WTO, SPS, TBT and TRIPS which was conducted by the University of Peradeniya and World Trade Organization from 15 to 17 September 2014 at the University of Peradeniya.
- Chatura Rodrigo attended the training programme on 'Environment Valuation', South Asian Network for Development and Environmental Economics (SANDEE), Nepal, 3 to 15 March. The training was a s aprt of the grant received by the SNADEE. The project is titled 'Economic Value of Organic Rice in Sri Lanka". The project is scheduled to finish by end of 2015.

Senior Research Staff

1 **Manoj Thibbotuwawa**
Research Economist
BSc (Peradeniya), MSc (Peradeniya), PhD Candidate (University of Western Australia)

2 **Wimal Nanayakkara**
Senior Visiting Fellow
BSc (Peradeniya)

3 **Priyanka Jayawardena**
Research Economist
BSc (Colombo), MEcon (Colombo)

4 **Kanchana Wickramasinghe**
Research Economist
BSc (Peradeniya), MEcon (Colombo)

5 **Shanika Samarakoon**
Research Economist
BA (Nottingham), PhD (Nottingham)

6 **Ganga Tilakaratna**
Research Fellow
BA (Manchester), MPhil (Cantab), PhD (Manchester)

7 **Athula Senaratne**
Research Fellow
BSc, MPhil (Peradeniya), PhD (Deakin)

8 **Dushni Weerakoon**
Deputy Director
BSc (Queen's University of Belfast), MA, PhD (Manchester)

9 **Nisha Arunatilake**
Research Fellow
BSc (University of South U.S.A.), MA, PhD (Duke)

10 **Chatura Rodrigo**
Research Economist
BSc (Peradeniya), MSc (Peradeniya), MSc (Colombo), MSc (Guelph)

11 **Bilesha Weeraratne**
Research Fellow
BA (Colombo), MA (Rutgers), PhD (CUNY)

12 **Janaka Wijayasiri**
Research Fellow
BA (Sussex), MA (The Hague), PhD (Monash)

13 **G. D. Dayaratne**
Manager, Health Policy Programme
BA (Peradeniya)

Anushka Wijesinha
BSc (University College London), MA (Leeds)
(Not in picture)

Junior Research Staff

1 **Raveen Ekanayake**
Research Officer
BSc (London), MPP (ANU)

2 **Suwendrani Jayaratne**
Research Officer
BA (Peradeniya), MA (ANU)

3 **Dharshani Premaratne**
Research Officer
BA (Peradeniya), MA (ANU)

Kaushalya Attygalle
Research Assistant
BA(Colombo)
(Not in picture)

4 **Sunimalee Madurawala**
Research Officer
BA (Colombo), MEcon (Colombo)

5 **Dilani Hirimuthugodage**
Research Officer
BA (Colombo), MEcon (Colombo)

6 **Neluka Gunasekara**
Research Assistant
BA (Colombo)

Sahan Jayawardena
Research Assistant
BSc (University of Liverpool)
(Not in picture)

7 **Nipuni Perera**
Research Assistant
BA (Colombo)

8 **Samanthi Bandara**
Research Officer
BA (Colombo), MSc(Chulalongkorn)

9 **Nisal Herath**
Research Assistant
BA(UC Davis), MA(ANU)

Yolanthika Ellepola
Research Assistant
MSc (London School of Economics)
(Not in picture)

IPS Research Intern Programme

The IPS internship programme offers short-term attachments to currently enrolled students or recent graduates in economics or closely related fields. They provide an opportunity to work with a senior researcher on a specific research project, or to obtain a wider experience across research areas. The positions are open to applicants with an interest in economic development issues, and are typically for 2-6 months.

Gimhani Alahakoon
Project Intern
(CIMA Sri Lanka)

Dushanthi Dayanada
Project Intern
University of Peradeniya

Dilani Danthanarayana
Project Intern
University of Sabaragamuwa

Kashini Gimhani
Project Intern
University of Colombo

Kethumala Kodikara
Project Intern
University of Colombo

Chinthani Suriyamudali
Project Intern
University of Colombo

Piymi Gamage
Project Intern
University of Rajarata

Divya Gowindasamy
Project Intern
CIS Colombo

Aneesha Guruge
Project Intern
University of New York

Chamathi Jayaratne
Project Intern
University of Sri Jayawardenapura

Mewan Kiriella
Project Intern
St. Thomas College, Colombo

Kawisha Niwanthi
Project Intern
University of Rajarata

Dinnaga Padmaperuma
Project Intern
British School of Colombo

Keshni Sridharan
Project Intern
University of Nottingham, UK

Think Tank Initiative (TTI) Funded Events/ Programmes in 2014

Seminars/Meetings

CLIMATEnet Policy Discussion Forum

The Environment Economic Policy Unit had several discussions with key stakeholders on the Policy Discussion Forum. The objective of the project is to identify policy gaps and key stakeholders involved in different impact areas/sectors with high vulnerability to climate change impacts, and to propose policy actions to bridge these identified policy gaps. The project also aims to assess the information needs of respective sectors, ways of coordinating the actions of key stakeholders, and resource mobilization strategies that complement the proposed policy actions.

An Emerging 'Process Innovation' in Agri-Food Industry in Sri Lanka and its Impact on Employment and Income Distribution

The Agriculture Economic Policy Unit held a round of discussions and in-depth interviews to evaluate the impacts of a process (or a business), innovation of introducing small or medium scale processing and marketing enterprises in the spice sector of Sri Lanka and employment and income (both factor and personal) distribution and social inclusiveness, in comparison to the traditional supply chain.

Fourth Regional Meeting of Think Tank Initiative (TTI-RM4), **'Asia in the New World: Emerging Research Themes'**, Kathmandu, Nepal, during 9-10 June. Dushni Weerakoon and Nisha Arunatilake attended the meeting.

Publications/Studies

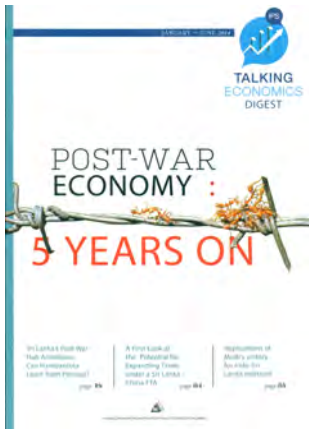
Attracting more women into the labour force for inclusive growth: Trends, Issues and Concerns of Female Labour Force Participation in Sri Lanka by Sunimalee Madurawala

Talking Economics Digest

The 'Talking Economics Digest' is a bi-annual publication of the IPS, which compiles the articles featured on the IPS blog 'Talking Economics' every 6 months, together with feature segments. Two issues of the digest were produced with TTI grant assistance.

Study on Value for Money of Health Services in Sri Lanka by Shanika Samarakoon

E-Waste and Health: Health in All Policies by Samanthi Bandara.



The Enviornment Economic Policy Unit Round Table Conference

Think Tank Initiative (TTI) Funded Events/ Programmes in 2014

Can People in Sri Lanka's Estate Sector Break Away from Poor Nutrition: What Causes Malnutrition and How It Can Be Tackled' by Priyanka Jayawardena

Literature Review on Occupational Safety & Health Policy for Sri Lanka by Sunimalee Madurawala & Dr. Nisha Arunatilake.

Study on Investment in Education by Dr. Nisha Arunatilake.

IPS launched the **'Meeting the Development Challenges of Migration (MED_MIG) Project'**, which aims to facilitate and conduct and timely research to fill knowledge gaps in developing effective policies to maximize development benefits of migration. The project was funded by the End of Phase 1 Opportunity Fund of the Think Tank Initiative (TTI).

Staff Training

The following training were conducted for staff:

Specialist shared views on **inforgraphics** to all staff.

'Writing Skills' by Smriti Daniel for research and support staff.

Telephone Skills & Business Writing for support staff.

'Writing Skills' by IPM for support staff.

Qualitative Research conducted for all Research staff.

Stata Training - Short-term Research Studies using Statistical Software fo research staff.

Training on Advance Excel for all staff.

'How to Determine the Sample Size' Macro analysis of environment and natural resources in the economy of Sri Lanka was also conducted during the year.

4th Regional Meeting in Kathmandu

MED-MIG Meeting at IPS

'Writing Skills' training for Research and Support Staff

'Infographics' session with a Specialist for Research and Support Staff

SUPPORT SERVICES

Support Unit Heads

Jayani Ladduwahetty, *ACMA,CGMA (UK),* Director Finance & Administration

Premila Gamage, *PhD (Leeds), Hon. FCILIP,* Librarian

Nandaka Pothuwewa, *BSc (Kelaniya), CCNA, VCP,* Head of Information Systems

Dishnika Perera, *BA (Coventry),* Manager Communications & Strategic Outreach

Charmaine Wijesinghe, Manager Publications & Events

Finance and Administration

Jayani Ladduwahetty
Director Finance & Administration

Ranushi Jayatilaka
Accountant

G. L. B. Pooliyadda
Administrative Officer

Deepika Nawavickrama
Administrative Assistant

Tuan Bangsajayah
Maintenance Officer

Nilanthi Alahakoon
Secretary

Neranjalee Perera
Receptionist

Publications and Communications Unit

Dishnika Perera
Manager Communications and Strategic Outreach

Charmaine Wijesinghe
Manager Publications & Events

Savani Jayasooriya
Communications Officer

Amesh Thennakoon
Publication Officer

Ayoni Rangala
Coordinating Secretary/HR Assistant

Asuntha Paul
Secretary

Nayomi Jayakody
Secretary

D. D. M. Waidyasekera
Editor

Library

Premila Gamage
Librarian

Subhashini Jayaweera
Assistant Librarian

Lalani Premasinghe
Library Assistant

Information Systems Unit

Nandaka Pothuwewa
Head of Information Systems

Mohammed Mufaris
Data Base Manager

Nalaka Liyanapathirana
Web Manager

Roshan Kaluarachchi
Web Developer cum Network Assistant

Other Support Staff

A. G. Amarasena
Office Aide

P. U. K. Rajasiri
Driver/ Office Aide

H. S. Udayakantha
Driver/Office Aide

G. R. Wickramsena
Driver/ Office Aide

J. K. P. Nihal Wasantha
Driver

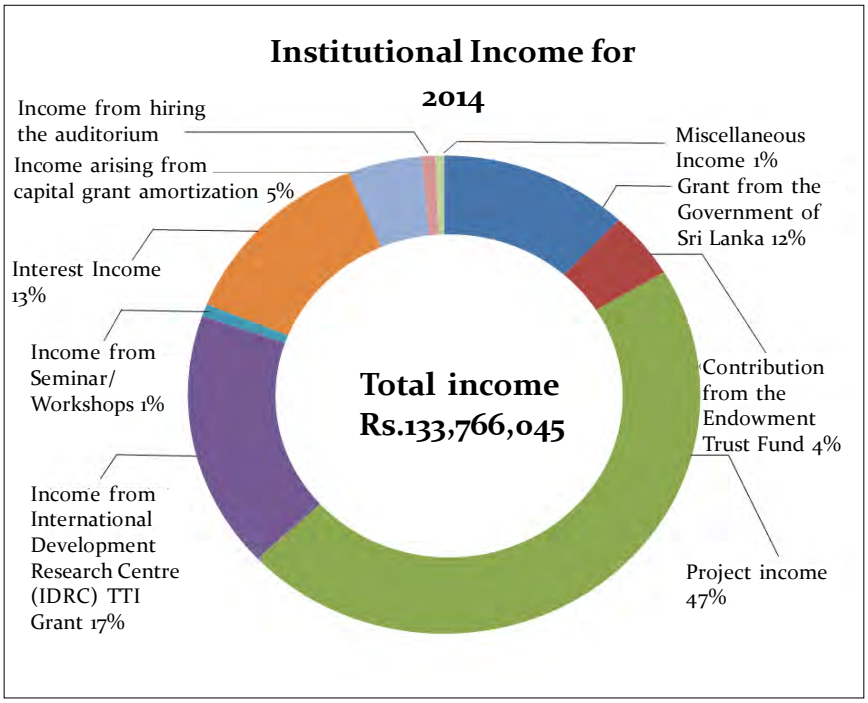
Finance and Administration

Our financial strength

IPS has been able to secure a number of high profile projects in 2014, which has resulted in an increase of project income of about 50% as compared to the same period in 2013. Due to the dedication and the strenuous work of our staff, the Institute managed to secure TTI Phase II funding. Income earned from TTI funding accounts to more than 17% of the total income earned in 2014.

Within the year, interest rates were further slashed and due to which the Institute also had a set-back on its income earned from investments. 2014 saw the institute experience a 25% lessening on income earned from its investments.

A key venue for many conferences and business functions, the IPS Auditorium has been enjoying continuous revenue growth from its launch back in 2011. The growth in the revenue is significant given the fact that the venue is still at its infancy. For the first time, the revenue generated from the renting of the auditorium crossed the Rs.1 million mark in 2014.



Improvements to our processes

With the changing business environment, the need for a time tracking system for human resources was apparent. The latter part of 2014 saw the Institute implement the Peoples HR system. The system is aimed at strengthening the current HR activities at IPS whist lending a helping hand to the smooth tracking of project related activities.

L-R : Nilanthi Alahakoon (Secretary to ED), Ranushi Jayatilaka, (Accountant), Tuan Bangsajayah (Maintenance Officer), G. L. B. Pooliyadda (Administrative Officer), Bernedette Prabaloginy (Receptionist), Niluka Perera (Accounts Assistant), Jayani Ladduwahetty, Director Finance & Administration (not in picture), Deepika Nawavickrama, Administrative Assistant (not in picture)

Communications & Outreach

Expanding research outreach through effective use of communication channels is one of the key objectives of the Institute, and is mainly led by the Publications and Communications Unit (PCU) of the IPS. The PCU is overall responsible in disseminating the multi-dimensional research activities of the Institute to the outside world through mediums including publications, print and broadcast media, digital and social media, as well as events and dialogues.

Research Dissemination through Publications

Publications are one of the main methods in which the Institute disseminates its research findings, and informs policy makers on issues related to socio-economic policy development in the country. The PCU, which oversees the production and dissemination of IPS publications, not only ensures that the quality is maintained, but also ensures that wider accessibility and audience engagement is received, both locally and internationally.

Sales of IPS publications are generally carried out at the IPS premises, and also through selected dealers island-wide. Apart from overall monitoring of the publications dealers, necessary follow-ups are also carried out by the PCU. Various marketing strategies have also been adopted, to achieve the targets of the publications sales of IPS.

Outreach through a Strategic Relationship with Media

Over the years, the Institute has maintained a close relationship

L-R : Ayoni Rangala (Coordinating Secretary/HR Assistant), Nayomi Jayakody (Secretary), Charmaine Wijesinghe (Manager, Publications and Events), Amesh Thennakoon (Publications Officer), Asuntha Paul (Secretary), Dishnika Perera, (Manager, Communications and Strategic Outreach), Savani Jayasuriya (Communications Officer) - not in picture.

with print and broadcast media in Sri Lanka. Since visibility and dissemination are key priorities of the Institute, this strategic partnership with the media has facilitated to a great extent in propagating the socio-economic policy research of IPS to a wider audience both within Sri Lanka and beyond. IPS news shared in the form of press releases and research articles are well received by the readers, with IPS receiving wide coverage for IPS events and activities in the media.

Other Channels

The PCU is also engaged in the re-packaging of IPS academic research into more accessible formulations such as Policy Insights, with the aim of effectively engaging with the target audiences - national, regional and international stakeholders, of the Institute.

Regular review meetings to discuss and obtain feedback on contemporary IPS work and more informal round table discussions with key stakeholders are among the measures that will be looked into by the PCU. In addition, we are targeting the vernacular language audiences through options such as TV documentaries and regular panel discussions.

Social Media

Aside from the traditional mediums of outreach, the Institute has also embraced a series of social and digital media channels to generate wider interest around IPS and to communicate key insights on socio-economic policy issues. The IPS blog 'Talking Economics' is one of the main modes of outreach – with regular posting of 'long-read' essays, op-eds and rapid-response articles. In 2014, Talking Economics carried 41 articles, which were also published by local print media. Further, the Institute has been actively using channels such as Facebook, Twitter YouTube, Scribd , etc., to reach a wider audience. In 2014, the Institute Facebook reached over 1100 Page Likes, while the followers on the Twitter @TalkEconomicsSL went up over 850.

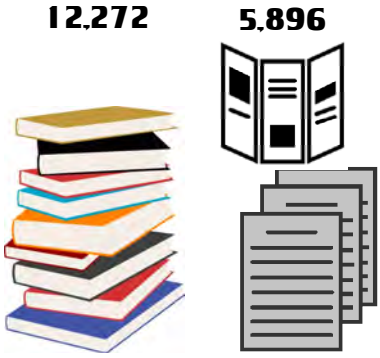
Library

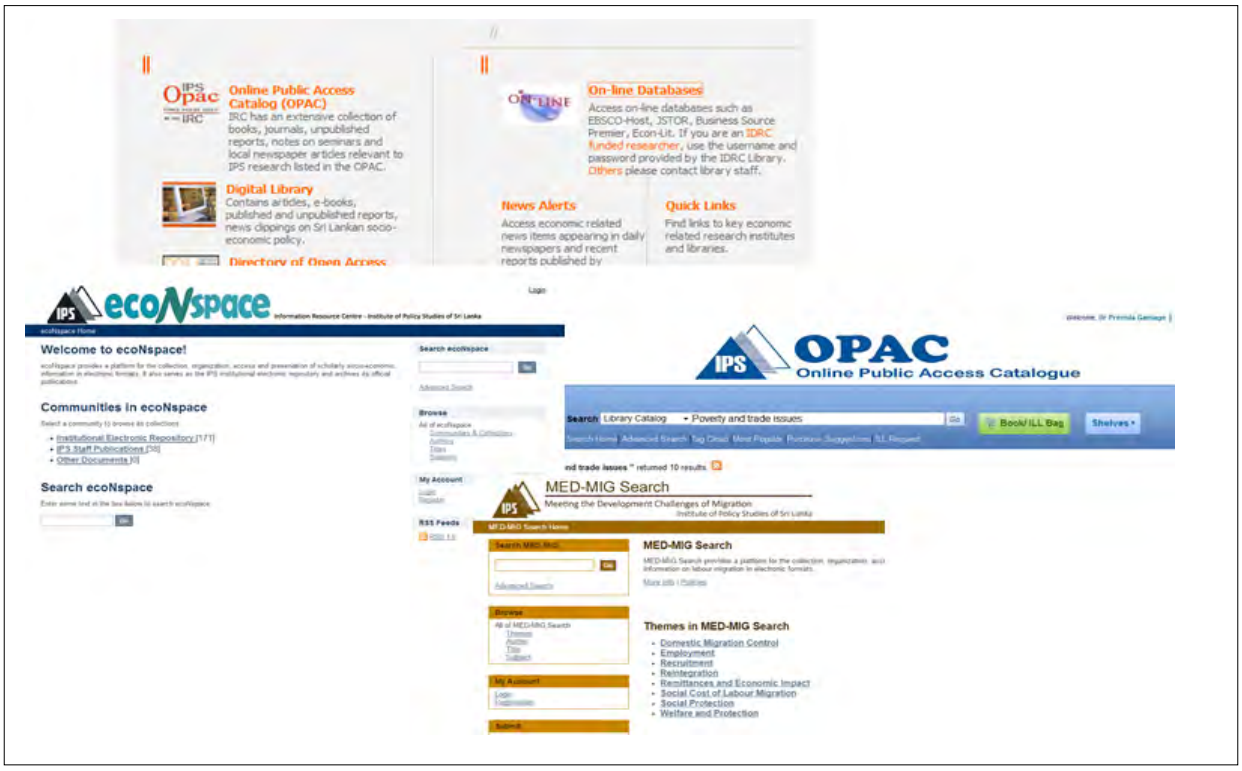
The Library continues to develop both its collections and services to ensure that it contributes to advance the Institute's research. Working closely with the Institute's researchers and applying various methods to assess and monitor their needs, library considerably expanded its collection in 2014. In addition to direct purchasing, the library obtained publications through exchange programmes and gifts from various local, regional and international organizations. Library also continued its subscriptions to local, and international print journals. The repository, which the library maintains on Sri Lankan economic and sectoral policy also grew to a large extent in 2014.

Providing continuous access to online full-text databases is a huge challenge faced by librarians all over the world. Thanks to IDRC/ Think Tank Initiative (TTI), as a grantee Library was able to gain access to a range of online full-text databases. However, it was observed that full-text access is not always available through these databases. Thus, library has to request full-text from IDRC but due to reasons such as time differences, holidays etc., it causes delay in fulfilling researchers' requests for such items. This was discussed at Library Committee meetings and currently Library is considering to reactivate its subscription to JSTOR as requested by researchers.

As a result of Library's continuous user education activities, usage of library OPAC, Intranet and digital library (ecoNspace) has increased. More and more researchers started uploading their research publications to ecoNspace. In order to further enhance services, a user survey will be carried out in early 2015.

Collection Development 2014





As in previous years, a considerable number of national and international professionals and students used its services by visiting the library.

Whilst actively participating and strengthening its national and international networks such as Economics and Banking Network of Sri Lanka (EBankNet), Sri Lanka Science and Technology Information Network (SLSTINET) and Programme for the Enhancement of Research Information (PERI), the library also sought the feasibility of becoming a member of other relevant networks such as Health Literature Libraries and Information Services (HELLIS) network and Agricultural Information Network (AgriNet).

Priorities for the Coming Year

The main concern of the library is delivering an efficient and effective information service to advance the Institute's research. Priorities in 2015 would be to advance the Institute's research by facilitating the availability and accessibility of information resources irrespective of format and location and to create a team of highly skilled, trained and motivated staff in sufficient numbers to carry out library services and activities.

The Librarian attended the meeting of Regional Standing Committee of Asia and Oceania (RSCAO) of the International Federation of Library Associations and Institutions (IFLA) and also presented a paper at the World Library and Information Conference of IFLA, during 15-22 August, in Lyon, France.

Premila Gamage, Librarian at the meeting of Regional Standing Committee of Asia and Oceania (RSCAO) of the International Federation of Library Associations and Institutions (IFLA) in Lyon, France.

Library Staff: *Premila Gamage, (Librarian), Dilrukshi Ariyaratne, (Assistant Librarian), Subhashini Jayaweera (Assistant Librarian), Lalani Premasinghe (Library Assistant), Udari Chathurika (Library Assistant)*

Information Systems

The Information Systems Unit (ISU) of the IPS plays a pivotal role in execution of all IT activities such as Software, Hardware, Networking and IT Infrastructure Management, Web Development, Maintenance and Information Dissemination, Database Development, Maintenance and Management. Thereby it supports the Institute to remain competitive as a regional centre of excellence.

A completely new Local Area Network (LAN) was conceptualized and implemented with the objective of meeting the IPS ICT demands. An integrated unified communication network with IP phones was put in place improving communication, conferencing and connectivity, and at the same time, reducing the cost of installing a separate telephone network.

The newly introduced Virtual Private Networking system facilitates the researchers to securely connect to the IPS network from various locations outside IPS premises (e.g., while at conferences abroad, in the field, or working from home) and gain access to necessary resources, communicate remotely via soft phones thereby enabling researchers to collaborate and engage in virtual team work.

Researchers at an Audio conference in the IPS conference room

Audio and Video conferencing facilities were also integrated to the network so that this facility could be used by the staff when they are in the Conference rooms and Auditorium. New server systems running on virtualization system have helped to minimize the number of physical servers as well as running multiple operating systems and multiple applications on the same physical servers. The un-interrupted power for these servers is being supplied by two on-line UPS.

IPS new Web, Intranet & IPS Blog were launched in September 2014 thereby giving access to social networks, Twitter, Facebook, YouTube and Flicker.

Priority in 2015 would be to modify the appearance of the existing web.

L-R : Nalaka Liyanapathirana, (Web Manager), Nandaka Pothuwewa, (Head of Information Systems), Roshan Kaluarachchi (Web Developer cum Network Assistant), Mohammed Mufaris (Data Base Manager)

IPS PUBLICATIONS 2014

Repositioning in the Global Apparel Value Chain in the Post-MFA Era: Strategic Issues and Evidence from Sri Lanka
by Prema-Chandra Athukorala and Raveen Ekanayake
International Economic Series No. 10, November.

Recent Trends in International Trade: Implications for Sri Lanka
Inaugural Gamani Corea Memorial Lecture by Saman Kelegama, November.

Towards a Stronger, Dynamic and Inclusive South Asia
Edited by Saman Kelegama and Anushka Wijesinha, October.

Sri Lanka State of the Economy 2014 Report
Theme: Rising Asia - Opportunities and Challenges for Sri Lanka
October.

Female Employment for Inclusive Growth: Trends, Issues and Concerns of Female Labour Force Participation in Sri Lanka
by Sunimalee Madurawala
Labour Economic Series No. 16
September.

Can People in Sri Lanka's Estate Sector Break Away from Poor Nutrition: What Causes Malnutrition and How It Can Be Tackled
by Priyanka Jayawardena
Health Economic Series No.1
September.

Sri Lanka National Health Accounts 2010-2011,
September.

South Asia Economic Journal Vol. 15 No.1
March, and **Vol .15 No.2**
September.

Sri Lankan Female Domestic Workers in the Middle East: Does Recruitment through an Agent Minimize Vulnerability?
by Bilesha Weeraratne
Labour Economic Series No.18
September .

Returning Home: Experiences & Challenges
by Suwendrani Jayaratne, Nipuni Perera, Neluka Gunasekera and Nisha Arunatilake
Labour Economic Series No.17
September.

Labour Migration in Sri Lanka: Select Annotated Bibliography
Compiled by: Dilmani Warnasuriya and Premila Gamage
Labour Economic Series No.15
August.

Female Entrepreneurship and the Role of Business Development Services in Promoting Small and Medium Women Entrepreneurs in Sri Lanka
Jointly Published with Oxfam International, Sri Lanka,
May.

Talking Economics Digest (July – Dec 2013) March.

STAFF ACHIEVEMENTS

Executive Director, was conferred with an **Honorary Fellowship** by the Sri Lanka Economic Association (SLEA), Centre of Banking Studies,Central Bank of Sri Lanka, 24 October.

Kanchana Wickramasinghe received **President's Award for Scientific Publications** for her research paper titled 'Cost to government health-care services of treating acute self-poisonings in a rural district in Sri Lanka', published in the Bulletin of the World Health Organization in 2009.

Kanchana Wickramasinghe won the **Top Outstanding Young Persons (TOYP) in Sri Lanka Award 2014 for Personal Accomplishment** in November 2014. The programme is organized by the Junior Chamber International (JCI) Sri Lanka. The Programme serves to recognize ten outstanding individuals, whose personal and professional achievements in a chosen field are exemplary, outstanding and nationally beneficial. Kanchana Wickramasinghe was the only female to win the TOYP Award in the year.

Kanchana Wickramasinghe won the **First Prize for the Japanese Award for Outstanding Research on Development** (ORD) in the Global Development Awards and Medals Competition of the Global Development Network (GDN). This year, 388 submissions from 72 countries had been received for the Competition. The ORD is a competitive research grant programme that identifies and funds outstanding research proposals in developing countries and transition economies with high potential for excellence in research and clear policy implications for addressing development issues. The winners were selected by an eminent jury at GDN's 15th Annual Global Development Conference held in Accra, Ghana during 18-20 June, 2014, attended by over 500 practitioners in the field of development where finalists presented their proposals. Kanchana's research proposal was on "Demand for Climate Insurance by Dry Zone Farmers in Sri Lanka".

Ranushi Jayatilake, Accountant, IPS, obtained her **Masters** in 2014 (Master of Business) from the University of Kelaniya.

Executive Director honoured by SLEA

Kanchana receving the Presidential Award

Kanchana receving the TOYP Award

Kanchana with GDN Medal and Certificate

Ranushi capped with Masters

Trade Along the New Silk Road: Promoting Regional Integration through Economic Development

Janaka Wijayasiri, Research Fellow, and Raveen Ekanayake and Suwendrani Jayaratne, Research Officers of the IPS were selected to participate in the, 'Trade Along the New Silk Road: Promoting Regional Integration through Economic Development' organized by the U.S. Department of State's International Visitor Leadership Programme (IVLP) in 2014.

Raveen participated in the 17 May-7 June 2014 programme while Janaka and Suwendrani participated in the 3-21 November 2014 programme.

This project, designed to strengthen economic cooperation and trade relationships among South and Central Asian countries in support of the "New Silk Road Initiative", gave the participants an understanding of the domestic and international economic forces that influence U.S. trade policy and the policy-making process. Through meetings and site visits over 3 weeks, the participants examined the ideal conditions, and challenges, for facilitating and sustaining cross border commerce, including policy formulation, political relationships, border security, and land and inland water port operations.

The U.S. experience with the North American Free Trade Agreement among the United States, Canada, and Mexico, which created the world's largest free trade area, was also closely examined.

Raveen Ekanayake participating at the IVLP programme

Janaka Wijayasiri and Suwendrani Jayaratne participating at the IVLP programme

IN-HOUSE SEMINARS

JANUARY

Guest lecture on '**Energy Policy Issues in South Asia: Implications for Sri Lanka**' by Dr. Herath Gunatilake, Principal Energy Economist, ADB, 19 January.

'**Changing Incomes and Food Prices: The Implications for Rural and Urban Food Security in Sri Lanka**' by Dr. Shyama Ratnasiri, Lecturer, Department Accounting Finance and Economics, Griffith University, Australia, 8 January.

FEBRUARY

'**Why the Emperor's New Clothes are Made in Sri Lanka**' by Raveen Ekanayake, Research Assistant, 26 February.

'**Driving Research and Innovation Strategy: Lessons from Korea's 'Project Han'** by Prof. Heeseung Yang, Graduate School of management, Sejong University, Korea, IPS, 7 February.

MARCH

'**Environmental Management Practices in the Hotel Sector**' by Kanchana Wickramasinghe, Research Officer, IPS, 27 March.

APRIL

'**Future Risks of Climate Change: A Review of Recent Assessments Presented in Fifth Assessment Report (AR 5) of IPCC**' by Athula Senaratne, Research Fellow, IPS, 24 April.

MAY

'**A Micro Analysis of Contextual Determinants of Labour Migration in Sri Lanka**' by Dr. Bilesha Weeraratne, Research Economist, IPS, 29 May.

JUNE

'**The Effect of Subsidized Health Insurance on Women's Healthcare Use in Indonesia**' by Shanika Samarakoon, Research Economist, IPS, 26 June.

JULY

'**National Medicinal Drug Policy: Implication for Health System**', by Dr. Manuj Weerasinghe, Visiting Fellow, IPS, and Samanthi Bandara, Research Officer, IPS, 23 July.

'**Will South Asian Economies Benefit from Pan-Asian Integration? The Challenge for the Modi Government**', by Dr. Ganeshan Wignaraja, Director of Research, Asian Development Bank Institute (ADBI), Tokyo, 7 July.

AUGUST

'**Demand for Climate Insurance by Dry Zone Farmers in Sri Lanka**', by Kanchana Wickramasinghe, Research Officer, IPS, 19 August.

SEPTEMBER

'**Can People in Sri Lanka's Estate Sector Break Away from Poor Nutrition?**', by Priyanka Jayawardena, Research Officer, IPS, 24 September.

OCTOBER

'**Female Employment for Inclusive Growth: Trends, Issues and Concerns of Female Labour Force Participation in Sri Lanka**', by Sunimalee Madurawala, Research Officer, IPS, 28 October.

NOVEMBER

'**Accessibility and Affordability of Milk and Milk Products in Sri Lanka**', by Dilani Hirimuthugodage, Research Officer, IPS, 27 November.

DECEMBER

'**The Social Protection Index 2012: Assessing the Results for Sri Lanka**', by Sahan Jayawardena, Research Assistant, IPS, 18 December.

IPS EVENTS

EVENTS ORGANIZED BY IPS

Launch of the '**Meeting the Development Challenges of Migration (MED_MIG) Project**', organized by IPS, IPS Conference Room, 6 March.

Seminar on '**Dr. Gamani Corea's Contribution to Domestic & International Economic Policy**', organized by the Gamani Corea Foundation (GCF), IPS and the Marga Institute, IPS Auditorium, 3 April.

Launch of IPS and Oxfam Joint Publication '**Female Entrepreneurship and the Role of Business Development Services in Promoting Small and Medium Women Entrepreneurs in Sri Lanka**', IPS Conference Room, 9 May.

Regional workshop on '**Establishing a Centre of Excellence (CoE) on Ocean Sciences and Environment for the Indian Ocean Rim Countries**', in collaboration with the Ministry of External Affairs, Hilton Colombo, 30 June to 1 July.

International Conference on '**Policies for Mainstreaming Migration into Development in Sri Lanka**', IPS Auditorium, 14 August.

Advisory Committee Meeting for the study on '**South Asian Country Study on Products with Regional Trade Potential and Associated Non-tariff Barriers, with Special Focus on Women Micro Small and Medium Enterprises (WMSMEs): A Case of Sri Lanka**', IPS Conference Room, 14 October.

Dissemination workshop on '**Environmental Management Practices in Hotel Sector in Sri Lanka**', IPS Auditorium, 14 October.

Workshop on '**Trade Analysis and Economic Integration in Pakistan-India Relations: The Regional Dimension**', IPS jointly organized with Inter Analysis Ltd., IPS Conference Room, 11 to 15 November.

Round Table Discussion on '**Digital Dynamism**', conducted by IPS in partnership with Google as a follow up to a previously published IPS Working Paper titled '**Fostering Innovation to Fast-forward Growth in Sri Lanka**', IPS Conference Room, 10 December.

Dissemination meeting on '**An Evaluation of the Implementation of Guidelines in School Canteens**', based on a study conducted by IPS, Ministry of Educational Services, 15 December.

IPS EVENTS

EXECUTIVE DIRECTOR'S PARTICIPATION AT CONFERENCES

Hambantota District Chamber of Commerce - 20th Anniversary, Sri Lanka Singapore Conference Hall, Siribopura, Hambantota, 27th January

SAARC Development Fund (SDF) Brainstorming Workshop, Le-Meridien, New Delhi
12 – 14 February

Conference on the 'Political Economy of Maritime Africa in the Indian Ocean Region' Inter-continental Hotel, Nairobi, Kenya, 12-14 March

International Conference on 'Financial Inclusion, Regulation and Education', Asian Development Bank Institute, Tokyo, Japan, 23 April

Regional Workshop on 'WTO and Post-Bali Work Programme for Asia', Ruposhi Bangla Hotel, Dhaka, Bangladesh,5-6 May

A presentation on 'China as a Balancer in South Asia: An Economic Perspective' at the Centre for Policy Dialogue, Dhaka, Bangladesh, 7 May

Second Asian Think Tank Summit on the theme 'Promoting Regional Economic Cooperation and Integration' at the Asian Development Banking Institute (ADBI), Tokyo, Japan, 20-22 May

Chinese Academy of Social Sciences (CASS) Forum 2014, Beijing, China, 27-28 May

'Sri Lanka 2.0 & Beyond: Fast Tracking Economic Development 2020', CMA International Management Accounting Conference 2014, Taj Samudra Hotel, Colombo, 18-20 June

'Financial Inclusion in Sri Lanka: Issues and Challenges', Association of Professional Bankers of Sri Lanka, Bank of Ceylon Auditorium, Colombo, 9 September

Asia-Pacific Trade Economists' Conference on 'Trade in the Asian Century – Delivering the Promise of Economic Prosperity' ESCAP Secretariat, Bangkok, Thailand 22-23 September

Dhaka Round Table on 'Reviving the Multilateral Trading System: Post-Bali Issues', Westin Hotel, Dhaka, 22-24 November

South Asian Association of Regional Cooperation (SAARC) Charter Day
8 December

RESEARCH STAFF PRESENTATIONS IN 2014 (Domestic)

Presentation on 'Intellectual Property Rights in Protecting New Plant Varieties : The Case of Seed Paddy in Sri Lanka', International Conference of Agricultural Sciences, University of Sabaragamuwa, 9 and 10 January (By: Dilani Hirimuthugodage).

Presentation on 'Microfinance as a Tool for Empowering the Conflict Affected Communities' at the seminar on Microfinance for Conflict affected Communities' organized by the Pathfunder Foundation, BMICH, 10 January (By: Ganga Tilakaratne).

Guest lecture on 'Payments to Eco-system Services' at Sri Lanka Association for the Advancement of Science (SLAAS) organized by the Ministry of Agriculture, 25 to 27 March (By: Athula Senaratne).

Presentation on 'Youth, Technology and Agriculture in Sri Lanka' at the World Conference on Youth 2014, BMICH, 8 to 10 May (By: Anushka Wijesinha).

Presentation on 'Female Entrepreneurship and the Role of Business Development Services in Promoting Small and Medium Women Entrepreneurship in Sri Lanka', IPS, 9 May (By: Sunimalee Madurawala).

Presentation on 'Developing a System for University-Business Linkages in Sri Lanka' at the seminar on 'Strengthening University-Business Linkages', organized by GIZ, Cinnamon Grand, Colombo, 23 May (By: Anushka Wijesinha).

Guest lecture on 'Has E-Waste Devastated the Country? A Review of the Impact of E-waste in Sri Lanka' for the meeting of Rotary Club of Colombo Regency (RCCR), Royal Colombo Golf Club, Borella, 23 May (By: Samanthi Bandara).

Presentation on 'An Overview on Ocean Resources, Energy Resources and Bio-security in the Indian Ocean Rim Region" at the regional workshop on "Establishing a Centre of Excellence on Ocean Sciences and Environment for the Indian Ocean Rim Countries', Hilton, Colombo, 30 June (By: Kanchana Wickremasinghe).

Presentation on 'Climate Change Challenges Faced by Indian Ocean Rim Countries' at Indian Ocean Rim Association (IORA) workshop in Colombo, 30 June (By: Athula Senaratne).

Presentation on 'SME Credit Guarantee Scheme' to members of Central Bank Financial System Stability Consultative Committee, CBSL Conference Room, 5 June (By: Anushka Wijesinha).

Presentation on 'Innovation Policy Landscape' to visiting WIPO delegation, Registrar of Companies Conference Room, 6 June (By: Anushka Wijesinha).

Presentation on 'Socio-economic Determinants of Child and Maternal Malnutrition in the Estate Sector of Sri Lanka' at the Second International Conference on 'Global Public Health', Negombo, 3 to 4 July (By: Priyanka Jayawardena).

Sunimalee Madurawala making a presentation at the IPS-Oxfam book launch

Athula Senaratne at the IORA workshop in Colombo

Samanthi Bandara making a presentation in Kandy

IPS EVENTS

RESEARCH STAFF PRESENTATIONS IN 2014 (Domestic)

Presentation on 'Constraints for Adoption of Environmental Management Practices in the Hotel Sector in Sri Lanka', at 'Tropical Tourism Outlook Conference: Nature, Culture and Networking for Sustainable Tourism', Hotel Kandalama, 9 to 10 August (By: Kanchana Wickremasinghe).

Presentation on 'Reintegration of Returnee Migrant Workers in Sri Lanka' at the Conference, 'Policies for Mainstreaming Migration into Development in Sri Lanka', IPS, 14 August (By: Suwendrani Jayaratne).

Presentation on 'Female Domestic Workers in the Middle East: Does Recruitment through an Agent Minimize Vulnerability?' at the conference on 'Policies for Mainstreaming Migration into Development in Sri Lanka' IPS, 14 August (By: Bilesha Weeraratne).

Presentation on 'Accessing New Employment Markets Abroad' at International Conference on 'Policies for Mainstreaming Migration into Development in Sri Lanka', IPS, 14 August (By: Janaka Wijayasiri).

Presentation on 'Impact of Migration and Remittances on Social Mobility in Sri Lanka' at the workshop on 'Asian Approaches to Social Mobility Experience, Lessons and Opportunities for Cooperation', Cinnamon Grand, 21 August (By: Nisha Arunatilake).

Presented the research proposal on 'Why Poverty has Increased in Monaragala' to the Chief Secretary and other officials of the Uva Provincial Council, 15 October (By: Ganga Tilakaratne).

Presentation on 'Determinants of Milk Consumption in Sri Lanka', at the 'Annual Research Forum of Sri Lanka Agricultural Economic Association', Hector Kobbekaduwa Agrarian Research and Training Institute (HARTI), 12 December (By: Kanchana Wickremasinghe).

Presentation on 'Improving Market Affordability and Accessibility of Milk and Milk Products in Sri Lanka', at the '8th Annual Research Forum of Sri Lanka Agricultural Economic Association', Hector Kobbekaduwa Agrarian Research and Training Institute, 12 and 13 December (By: Dilani Hirimuthugodage).

Presentation on 'Technology Disposal: An Exploratory Study of the E-waste Management in Sri Lanka', at the 5th International Conference on Sustainable Built Environment (ICSBE), Kandy, 14 December (By: Samanthi Bandara).

Dilani Hirimuthogodage making a presentation at HARTI

Janaka Wijayasiri making a presentation at the Migration Conference

Nisha Arunatilake at the Impact of Migration Conference in Colombo

RESEARCH STAFF PRESENTATIONS IN 2014 (Overseas)

Presentation on 'Agricultural Adaptation Practices in Sri Lanka' at SAWTEE workshop Kathmandu, 11 to 15 March (By: Athula Senaratne).

Presentation on 'Think Tanks: Contributions, Challenges and Solutions' at a conference on 'The Status and Role of Social Science Research in Asia: Emerging Challenges and Policy Issues' organized by the Indian Council of Social Sciences, New Delhi, India, 13 to 15 March (By: Dushni Weerakoon).

Presentation on 'Gender Equality and Empowering Young Women in Sri Lanka', at the South Asian Regional Conference on 'Women, Work and Poverty', Islamabad, Pakistan, 17 and 18 April (By: Sunimalee Madurawala).

Presentation on 'Integrating Traditional Agro-Ecosystems and Technology Management for Assurance of Food and Nutritional Security : Village Tank Aquaculture and Divi Neguma Programmes in Sri Lanka' at National Institute of Rural Development NIRD - Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP) workshop, Hyderabad, 19 to 21 May (By: Athula Senaratne).

Presentation on 'Demand for Climate Insurance in Sri Lanka: Comparative Study of Dry Zone Rain-fed Farmers and Coastal Fishers' at the 'Fifteenth Annual Global Development Conference of the Global Development Network (GDN)' Accra, Ghana, 18 to 20 June (By: Kanchana Wickremasinghe).

Presentation of the 1st draft of the Trade Facilitation Sri Lanka Case Study at the 'Project Advisory Committee Meeting and the Researchers Meeting' of the South Asian Trade and Transport Facilitation Audit Project, Nepal, 3 and 4 July (By: Suwendrani Jayaratne).

Presentation on 'Water - Energy Nexus' at TERI workshop, New Delhi, 1 to 4 September (By: Athula Senaratne).

Presentation on 'A quasi-Experiment on the Effect of E-learning on Students' Mathematics Scores and Attitudes in Sri Lanka', (in absentia)' at the conference 'Making Impact Evaluation Matter: Better Evidence for Effective Policies and Programmes', Philippines, 5 September (By: Bilesha Weeraratne).

Presentations on 'Female Domestic Workers in the Middle East: Does Recruitment Through an Agent Minimize Vulnerability?' and '**A** Quasi-experiment on the Effect of E-learning on Students' Mathematics Scores and Attitudes in Sri Lanka' at 'New York State Economic Association - Annual Conference', Albany, New York, USA, 11 October (By: Bilesha Weeraratne).

Sunimalee Madurawala presenting at the South Asian Regional Conference in Pakistan

Suwendrani Jayaratne presenting the 1st draft of Trade Facilitation; Sri Lanka Case Study in Nepal

RESEARCH STAFF PRESENTATIONS IN 2014 (Overseas)

Dushni Weerakoon moderated a session on 'Addressing Poverty and Inequality' at the 2nd ADB Think-Tank Development Forum 2014 on 'Promoting Innovation and Inclusion for a Prosperous Asia' organized by the ADB and Korea Development Institute (KDI), Seoul, Korea, 21-22 November.

Presented a paper on 'Migration and Social Mobility in Sri Lanka' at the workshop on 'Social Mobility: Experiences and Lessons from Asia', Seoul, Korea, 24 and 25 November (By: Nisha Arunatilake).

Presentation on 'The Labour Market in Sri Lanka' at the ICRIER-World Bank Conference on 'Jobs for Development: Challenges and Solutions', India Habitat Centre, New Delhi, 1 to 2 December (By: Nisha Arunatilake).

Presentation on 'Labour Migration and Development: Perspectives from Sri Lanka' at the conference on 'Jobs for Development: Challenges and Solutions', organized by ICRIER, New Delhi, India, 2 December (By: Bilesha Weeraratne).

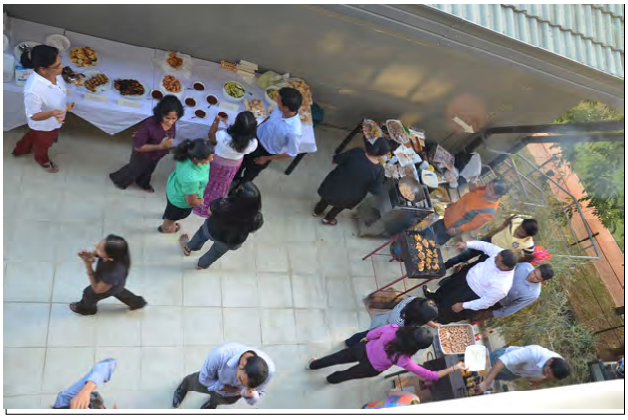
Presented the country paper on 'Social Protection in Sri Lanka' at the international conference on 'Meeting the Challenges of Employment and Social Protection in South Asia', New Delhi, India, 14 to 16 December (By: Ganga Tilakaratna).

Dushni Weerakoon moderating a session at the ADB Think Tank Development Forum

Ganga Tilakaratna presenting the country paper on 'Social Protection in Sri Lanka', in New Delhi

Bilesha Weeraratne making a presention in New Delhi

Going Beyond Research...



Doing our own thing - the IPS staff had the privilege of doing a BBQ evening in July which was a team building event

Participants attending the Five Day workshop on 'Trade Analysis and Economic Integration' organized by IPS and InterAnalysis Ltd. were taken on a city tour and were also hosted to a dinner at the Executive Lounge in November

IPS year end party took place at the Executive Lounge in December. The staff was treated to a whole new experience of games and a hamper draw

FINANCIAL STATEMENT

31st December 2014

The Auditor General's (AGs) Final Report was not available at the time of publication of the Annual Report. The AGs report will be uploaded in the IPS website (www.ips.lk) when it is available.

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December 2014	Note	2014 Rs.	2013 Rs.
Revenue			
Grant from the Government of Sri Lanka	2	16,000,000	15,000,000
Contribution from the Endowment Trust Fund	23	6,000,000	1,500,000
Project Income	3	62,221,525	41,399,592
Income from International Development Research Centre (IDRC) TTI Grant	4	23,238,010	27,582,588
Income from Seminar/Workshops	5	1,108,243	43,853,345
Interest Income		17,101,674	22,863,708
Income arising from Capital Grant Amortization	20	6,242,013	6,242,013
Income from Hiring the Auditorium		1,152,797	705,215
Miscellaneous Income	6	701,783	1,093,897
Total Revenue		**133,766,045**	**160,240,358**
Expenses			
Employee Cost	7	57,704,329	55,199,026
Depreciation on Property, Plant and Equipment	14	28,793,814	26,934,280
Research Cost	8	12,650,336	12,157,471
Seminar and Workshop Cost		678,903	36,269,925
Utility Expenditure		19,548,404	16,661,635
Travel Expenses		2,197,176	1,797,699
Other Operating Expenses	9	10,179,517	8,726,596
Hire of Auditorium		778,534	136,575
Loss on Disposal of Fixed Asset		0	15,995
Exchange Loss		490,067	692,248
Total Expenses		**133,021,080**	**158,591,450**
Surplus/(Deficit) Before Taxation		744,965	1,648,908
Income Tax Expense	10	0	0
Surplus/(Deficit) for the Period		**744,965**	**1,648,908**

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2014 Rs.	2013 Rs.
ASSETS			
Current Assets			
Cash and Cash Equivalent	11	59,472,160	1,573,411
Investments	15	160,703,987	209,142,541
Trade receivables	16	9,504,263	20,637,902
Inventories - Publications		1,191,418	1,115,523
Deposits and Prepayments	12	3,949,414	2,347,883
Interest Receivable		3,981,440	302,741
VAT Receivable		4,560,012	4,096,790
Other Receivables	13	2,532,254	2,221,013
Total Current Assets		**245,894,948**	**241,437,804**
Non Current Assets			
Property, Plant and Equipment	14	326,167,218	348,312,983
Total Non Current Assets		**326,167,218**	**348,312,983**
Total Assets		**572,062,166**	**589,750,787**
LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	8,046,634	7,834,415
Advance Receipts on Projects	18	27,170,230	40,713,975
Total Current Liabilities		**35,216,864**	**48,548,390**
Non Current Liabilities			
Employee Benefits	19	10,999,341	9,980,365
Staff Welfare Fund		1,544,283	1,423,306
Deferred Income- Capital Grants	20	287,132,587	293,374,600
Total Non Current Liabilities		**299,676,211**	**304,778,271**
Total Liabilities		**334,893,075**	**353,326,661**
Net Assets		**237,169,091**	**236,424,126**
NET ASSETS/EQUITY			
Contributed by;			
Initial Transfer of Assets from Government/Grantor		2,144,144	2,144,144
Accumulated Surplus		235,024,947	234,279,982
		237,169,091	**236,424,126**

The annexed notes to the financial statements are an integral part of these financial statements.

These financial statements have been prepared in accordance with the
Sri Lanka Public Sector Accounting Standards.

Chief Financial Officer

Executive Director

The Board of Governors of the Institute is responsible for the preparation and presentation of these financial statements.

06th February 2015

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the year ended 31st December 2014

	Initial Transfer of Assets by Government/Grantor	Accumulated Surplus/ (Deficits)	Total
	Rs.	Rs.	Rs.
Balance as at 31st December 2012	**2,144,144**	**232,631,074**	**234,775,218**
Surplus of income during the year	0	1,648,908	1,648,908
Balance as at 31st December 2013	**2,144,144**	**234,279,982**	**236,424,126**
Surplus of income during the year	0	744,965	744,965
Balance as at 31st December 2014	**2,144,144**	**235,024,947**	**237,169,091**

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CASH FLOW

For the year ended 31st December	2014 Rs.	2013 Rs.
Cash Flow From Operating Activities		
Surplus/(Deficit) Before Taxation	**744,965**	**1,648,908**
Adjustments for;		
Contribution from Staff Welfare Fund	120,977	135,635
Depreciation on Property, Plant and Equipment	28,793,814	26,934,280
Income arising from Capital Grant Amortization	(6,242,013)	(6,242,013)
Provision for Gratuity	1,650,596	3,330,319
Interest Income	(17,101,674)	(22,863,708)
(Increase)/Decrease in Provision for Bad debt	(1,595,699)	(885,072)
Loss on Disposal of Fixed Asset	-	15,995
Provision for Impairment of Property, Plant & Equipment	211,344	
Net cash inflow/(outflow) Before Working Capital Changes	**6,582,310**	**2,074,344**
(Increase)/ Decrease in Trade Receivables	12,729,338	(12,350,719)
(Increase) /Decrease in Inventories	(75,895)	254,421
(Increase)/Decrease in Deposits and Prepayments	(1,601,531)	16,318,511
(Increase)/ Decrease in Vat and Other Receivables	(774,463)	(2,051,114)
Increase/(Decrease) in Advance Receipts	(41,474,422)	(18,533,431)
Increase/(Decrease) in Trade and Other Payables	212,218	(1,492,134)
Net cash inflow/(outflow) Generated From Operations	**(24,402,445)**	**(15,780,122)**
Gratuity Paid	(631,620)	(2,834,210)
Net Cash inflow/(outflow) From Operating Activities	**(25,034,065)**	**(18,614,332)**
Cash Flow From Investing Activities		
Purchase of Property, Plant and Equipment	(6,859,394)	(34,107,102)
Accounting Adjustment	-	349,350
(Increase)/Decrease in Capital Work in Progress	0	0
Interest Received	16,380,683	26,843,398
Sales Proceeds from Disposal of Property, Plant and Equipment	0	0
Purchase of Investments	(83,103,297)	(16,364,528)
Proceeds from Sale of Investments	70,947,485	13,391,840
Net cash inflow/(outflow) From Investing Activities	**(2,634,523)**	**(9,887,042)**
Cash Flow From Financing Activities		
Grants Received	27,930,677	26,025,827
Net cash inflow/(outflow) from Financing Activities	**27,930,677**	**26,025,827**
Net (Decrease)/Increase in Cash and Cash Equivalents	262,089	(2,475,547)
Cash and Cash Equivalents at the beginning of the year (Note 11)	1,573,411	4,048,958
Cash and Cash Equivalents at the end of the year	**1,835,500**	**1,573,411**
a) Reconciliation of Cash and Cash Equivalents		
Cash at Bank	1,795,500	1,533,411
Cash in Hand	40,000	40,000
	1,835,500	**1,573,411**

1. Domicile and legal form

Institute of Policy Studies was established by the Parliament Act No.53 of December 1988, and was formally set up as a legal entity by gazette notification in April 1990. The Institute of Policy Studies of Sri Lanka (IPS) registered office and the principal place of service is situated at 100/20, Independence Avenue, Colombo 07- Sri Lanka.

1.1 Principal activities and nature of operations

The principal activity of Institute of Policy Studies is to promote policy-oriented economic research and medium term policy analysis in Sri Lanka.

1.2 Basis of preparation

1.2.1 Statement of compliance

The financial statements of the Institute of Policy Studies comprise of, the statement of financial performance, statement of financial position, statement of changes in equity, statement of cash flow and notes to the financial statements. These statements are prepared in accordance with the Sri Lanka Public Sector Accounting Standards (SLPSAS) for public sector entities published jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Ministry of Finance and Planning.

1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

1.2.3 Going concern

The Board of Governors are satisfied that the Institute has adequate resources to continue its operations in the foreseeable future. Accordingly the Financial Statements are prepared based on the going concern basis.

1.3 Summary of significant accounting policies

The policies have been consistently applied to all the years presented.

(a) Foreign currency transactions

These financial statements are presented in Sri Lankan Rupees, which is the Institute's functional currency.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Such balances are translated at the financial year end exchange rates.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the statement of financial performance as an expense as incurred.

Depreciation is calculated on the straight line method using the following rates per annum; based on the estimated useful economic life of the asset

Computer Equipment	33 %
Web Page Design	33 %
Motor Cycle	20%
Furniture	20%
Office Equipment	20%
Motor Vehicles	20%
Library Books	25%
Buildings	2%

Depreciation of an asset begins when the asset is available for use, whereas depreciation of the asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Impairment

Carrying value of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(c) Leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Payments under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

(d) Investments

These investments comprise of Fixed Deposits, Treasury Bills, Bonds and Repurchase Agreements.

i. Fixed Deposits

The Investments in Fixed Deposits are accounted at cost. Interest accrued as at the statement of financial position date is shown as interest receivable.

ii. Treasury Bills/Treasury Bonds/Repurchase Agreements

The Investments in Treasury bills and bonds are stated at cost plus interest as at the statement of financial position date.

(e) Capital grants

Grants relating to the purchase of property, plant and equipment are included under non-current liabilities as deferred income and credited to the statement of financial performance on a basis consistent with the basis of depreciation of the related assets.

(f) Inventories

Inventory consists of stock of Publications. Publications are stated at cost. Any publications held for more than 10 years are being treated as slow moving and has been written off.

(g) Receivables

Receivables are carried at anticipated realizable value. Debtors are reviewed on an ongoing basis. Debts which are known to be uncollectable are written off during the year in which they are identified.
Debtors are provided as follows:

Age(months)	Provision
3-6	10%
6-12	50%
Above 12	100%

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash at bank, cash in hand and call deposits held with banks, net of bank overdrafts. In the Balance Sheet, bank overdrafts are included under current liabilities.

(i) Liability and provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the statement of the financial position date. Non-current liabilities are those balances that fall due for payment after one year from the balance sheet date. All known liabilities have been accounted for in preparing these financial statements.

Provision for liabilities is recognized when the group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) Employee benefits

i. Defined contribution plans

All the employees of the Institute are members of the Employees Provident Fund and Employees Trust Fund to which the Institute contributes 12% and 3% respectively of such employees' basic wage or salary.

ii. Defined benefit plan

The Institute measures the present value of the retirement benefits of gratuity, which is a defined benefit plan with the advice of an actuary using projected unit credit method (PUC). Actuarial gains and losses are recognized as income or expenses over the expected average remaining working lives of the participants of the plan.

(k) Revenue recognition

i. Contribution from the Government of Sri Lanka

The contribution from the Government of Sri Lanka is recognized on an accrual basis.

ii. Project income

Revenue is recognized based on the stage of completion of the projects undertaken. Advance receipts arising from the project are classified as deferred income and presented as current liabilities in the statement of financial position.

iii. Income from seminars/workshops

The Income from Seminars and Workshops is recognized once the seminars and workshops have been conducted on an accrual basis.

iv. Interest income

Interest Income is accounted for on an accrual basis.

(l) Recognition of capital expenditure

Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature by means of which to carry on the business or for increasing the earning capacity of the business has been treated as capital expenditure.

Classification of expenditure

For the purpose of presentation of statement of financial performance, the governors are of the opinion that the nature of expense method presents fairly, the elements of the Institute's performance and hence such presentation method adopted.

As at 31st December

2 Grant from the Government of Sri Lanka

Represents the grant received from the Government of Sri Lanka for utilities and maintenance of the Institute.

		2014 Rs.	2013 Rs.
3	**Project Income**		
	Income from projects-Institutions	62,221,525	41,399,592
		62,221,525	41,399,592
4	**Income from International Development Research Centre (IDRC) TTI Grant**		
	Income from International Development Research Centre (IDRC) TTI Grant	23,238,010	27,582,588
		23,238,010	**27,582,588**

This relates to the portion of income recognised from the IDRC Think Tank Initiative (TTI) Phase 1 and Phase 2 grants during January to September and October to December, 2014 respectively. The Institute qualified for the second phase of the grant amounting to Canadian Dollars 950,000 effective from 1 October 2014 for a period of 4.5 years. This grant will be used to enhance research quality,organisational performance and improve policy linkages and communication and outreach.

5 Income from Seminars and Workshops

This consists of income generated from seminars and workshops conducted on the request of donors and, as a form of dissemination of the research work carried out. In 2013, the 6th South Asia Economic Summit was hosted by the IPS which resulted in an increase in Income by Rs. 26,840,558 in that year.

6	**Miscellaneous Income**		
	Sale of Publications	605,409	606,166
	Other Income	96,374	487,731
		701,783	**1,093,897**
7	**Employee Cost**		
	IPS Staff Salary	44,441,470	40,253,919
	EPF	4,818,979	4,409,986
	ETF	1,206,756	1,138,574
	Honorarium (Note 7.1)	3,866,584	3,819,984
	Staff Welfare Cost	1,588,262	2,018,917
	Other Benefits	131,682	227,327
	Provision for gratuity (Note 19)	1,650,596	3,330,319
		57,704,329	**55,199,026**
7.1	**Honorarium**		
	Includes payments made to Board of Governors	600,000.00	600,000
8	**Research Cost**		
	Printing & Typesetting Publication Cost	2,176,920	3,686,499
	Internet Charges	2,258,761	2,347,203
	Consultation Charges	3,493,923	978,926
	Other Research Costs	4,720,732	5,144,843
		12,650,336	**12,157,471**
9	**Other Operating Expenses**		
	Registration and Membership Fees	291,910	152,312
	Office Costs	3,002,580	1,972,083
	Consumables	324,694	683,003
	Professional and Legal Fees	2,426,544	2,724,052
	Audit Fees	280,400	273,000
	Advertisements	36,480	113,300
	Bank Charges/Commission	164,536	183,331
	Other Admin Related Costs	1,511,721	515,338
	Lease Rental	1,170,000	1,170,000
	Miscellaneous Expenses	48,681	55,105
	Bad Debts	710,627	885,072
	Impairment of Assets	211,344	-
		10,179,517	**8,726,596**

As at 31st December		2014 Rs.	2013 Rs.
10	**Income Tax Expense**		
	Current tax Expense		
	The profits and the income of the Institute of Policy Studies are exempt from tax as per section 19(4) of the IPS Sri Lanka Act No. 53 of 1988.		
11	**Cash and Cash Equivalents**		
	Cash at Bank	1,795,500	9,033
	Cash in Call Account	0	1,500,000
	Cash at Bank-Foreign Currency (Note 11.1)	0	24,378
	Petty Cash	40,000	40,000
	Investments held for less than 01 month		
	Repurchase Agreements	45,916,911	-
	Repurchase Agreement - Gratuity Fund	11,719,749	-
		59,472,160	**1,573,411**
	Refer Note 15.1 for Market Value of Investments		
11.1	**Cash at Bank-Foreign Currency**		
	Account in EURO	0	24,378
		0	**24,378**
12	**Deposits and Prepayments**		
	Prepayments (Note 12.1)	3,257,178	1,876,883
	Deposits	309,750	306,000
	Other Advances	382,487	165,000
		3,949,414	**2,347,883**
12.1	**Prepayments**		
	Medical Insurance	0	229,371
	Other Insurance	652,607	646,411
	Other Pre-Payments	2,604,571	1,001,101
		3,257,178	**1,876,883**
13	**Other Receivables**		
	Other Receivables (Note 13.1)	841,828	562,045
	Provision for Bad Debt	(313,900)	(313,900)
		527,928	248,145
	Staff Debtors	2,004,326	1,972,868
		2,532,254	**2,221,013**
13.1	**Other Receivables**		
	Air ticket reimbursements for staff travel from Donors	742,700	418,400
	Others	99,128	143,645
		841,828	**562,045**

As at As at 31st December

14 Property, Plant and Equipment

	Building	Computer Equipment	Motor Vehicles	Furniture & Fittings	Office Equipment	Library Books	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost							
Balance as at 01st January 2014	320,204,415	70,336,980	10,604,125	19,100,248	22,361,705	1,243,116	443,850,589
Additions	2,856,649	2,749,535	0	36,331	670,700	546,179	6,859,394
Less: Disposals	0	0	0	0	0	0	0
Balance as at 31st December 2014	**323,061,064**	**73,086,515**	**10,604,125**	**19,136,579**	**23,032,405**	**1,789,295**	**450,709,983**
Accumulated Depreciation							
Balance as at 01st January 2014	18,845,980	40,282,865	10,604,125	12,023,624	12,553,406	1,227,606	95,537,606
Depreciation Charge	6,613,641	14,001,392	-	3,714,322	4,429,013	35,446	28,793,814
Less: Disposals	0	0	0	0	0	0	0
Balance as at 31st December 2014	**25,459,621**	**54,284,257**	**10,604,125**	**15,737,946**	**16,982,419**	**1,263,052**	**124,331,421**
Carrying Value							
Less: Impairment provision for Property, Plant & Equipment					(211,344)		(211,344)
As at 31st December 2014	**297,601,443**	**18,802,258**	**0**	**3,398,633**	**5,838,642**	**526,243**	**326,167,218**

Note:

1. Building additions include Rs.2,414,434.00 of retention money paid to the building contractor K.D Ebert and Sons during the year. As a result prior year depreciation charge of Rs.159,755.00 was charged to the current year.
2. An Impairment provision has been created for a component in the auditorium projector which is not functioning. The cost of the repair is estimated to be Rs.211,344.

As at 31st December		2014	2013
		Rs.	Rs.
15	**Investments**		
	Repurchase Agreements		119,364,591
	Treasury Bills		8,833,305
	Treasury Bills - Gratuity Fund		10,918,950
	Treasury Bills - Staff Welfare Fund		1,435,859
	Fixed Deposit - Staff Welfare Fund	1,508,246	0
	Fixed Deposits	159,195,741	68,589,836
		160,703,987	**209,142,541**
15.1	**Market Value of Investments**		
	Treasury Bills & REPO's	60,000,000	145,174,249
		60,000,000	**126,588,081**
16	**Trade Receivables**		
	Trade Receivables Projects	7,044,553	7,913,037
	Amount Receivable from the Ministry of Finance & Planning	3,741,509	13,296,037
	Provision for Bad Debts	(1,281,799)	(571,172)
		9,504,263	**20,637,902**

As at 31st December		2014	2013
17	**Trade and Other Payables**		
	Creditors	806,872	2,225,650
	Accruals (Note 17.1)	5,515,026	4,750,614
	EPF & ETF Payable	800,968	723,985
	NBT Payable	4,938	22,511
	PAYE payable / Stamp Duty Payable	192,586	111,655
	Witholding Tax Payable	726,244	0
		8,046,634	**7,834,415**
17.1	**Accruals**		
	Research Project Expenses	1,445,000	1,367,573
	Telephone/Internet Charges	209,232	273,200
	Audit Fees	718,300	678,000
	Electricity	606,092	667,213
	Other Office Costs	2,384,794	1,650,203
	Fuel	151,608	114,425
		5,515,026	**4,750,614**
18	**Advance Receipt on Projects**		
	Balance as at 01 January	40,713,975	33,221,579
	Receipts during the year	56,471,032	148,579,787
	Amount Receivable from the Ministry of Finance & Planning	3,741,509	13,296,037
	Income recognized	(70,014,776)	(141,087,391)
	Advance returned to the Ministry of Finance & Planning	(3,741,509)	(13,296,037)
	Balance as at 31 December	**27,170,230**	**40,713,975**

The advance receipts on projects relate to income on incomplete projects deferred in the Balance Sheet to be recognized as income over the period of projects. Amount carried forward together with expected future receipts on projects are estimated to be sufficient to meet the future expenses of these projects. Rs.3,741,509/- refers to the amount returned to the Ministry of Finance & Planning for a UNICEF funded project which is expected to be received in 2015.

As at 31st December		2014 Rs.	2013 Rs.
19 Employee Benefits			
Balance as at 01 January		9,980,365	9,484,256
Expense recognized during the year	(Note 19.1)	1,650,596	3,330,319
Payments made during the year		(631,620)	(2,834,210)
Balance as at 31 December		**10,999,341**	**9,980,365**

Number of employees of the Organization as at 31 December 2014 is 57.
Number of employees of the Organization eligible for Employee Benefits as at 31 December 2014 is 47 (2013 - 48).
The liability is funded and has been valued by a professional actuarial company.
The following assumptions are used in determining the cost to the institute of providing these benefits:

Discount Rate	8%
Increase in rate of salary	5%
Rate of Staff Turnover	7%

	2014 Rs	2013 Rs
19.1 Expense recognized during the year		
Current Service Cost	972,386	914,352
Interest Cost	998,036	1,043,268
Actuarial (Gain)/Loss	(319,826)	1,372,699
	1,650,596	**3,330,319**

	2014 Rs.	2013 Rs.
20 Deferred Income-Capital Grants		
Balance as at 01 January	293,374,600	299,616,613
Grants obtained during the year represents	0	0
Grant from the State of the Netherlands	0	0
Grant from the Endowment Fund	0	0
Amortized during the year	(6,242,013)	(6,242,013)
Balance as at 31 December	**287,132,587**	**293,374,600**

21 Lease Commitment

The Institute has a commitment to make annual repayment of Rs.780,000 p.a for the period 2005 to 2009 and Rs. 1,170,000 p. a for the period 2010 onwards as a rental for the construction of building on land owned by the Land Commissioner on an operating lease arrangement for a period of 30 years.All payments due upto 2013 have been made. A provision has been created for rental due in 2014. However steps are being taken to obtain the land on an outright grant from the Government of Sri Lanka.

The total of future minimum lease payments under operating leases for each of the following periods are as follows;

Less than one year	Rs. 1,170,000
Between 1-5 years	Rs. 5,850,000
More than 5 years	Rs. 16,380,000

22 Capital Commitment

No capital commitments as at the Balance Sheet date.

23 Related Party Transactions

The Institute's Endowment Trust Fund had a net assets value of Rs. 506,131,480 as at 31 December 2013. Sperate accounts are maintained for the Endowment Trust Fund which is audited separatey. It consists of five Trustees of which two are Ex-Officio members (Chairman and Executive Director of IPS). During the year the Institute received Rs. 6,000,000.00 as a contribution for the operations of the Institute from the Endowment Trust Fund.

The Institute is granted Rs. 15,000,000 from the Government of Sri Lanka for recurrent expenditure.
The Secretary to the Treasury, Governor of the Central Bank and the Director General of the National Planning Department are Ex-Officio members of the Board of the IPS.

24 Contingent Liabilities

There were no contingent liabilities as at the balance sheet date.

25 Events occurring after the Balance Sheet Date

No events occurred after the balance sheet date which require adjustments to or disclosures in the financial statements.

26 Comparative Figures

Comparative figures have been restated where necessary for the purpose of presentation.

27 Board of Governors' Responsibility

The Board of Governors is responsible for the preparation and presentation of these financial statements in accordance with SLPSAS.

The 2014 Annual Report was prepared under the supervision of the Executive Director of IPS by the Annual Report Committee Chaired by Dr. Ganga Tilakaratne. The Committee consisted of the following members: Dr. Janaka Wijayasiri, Suwendrani Jayaratne, Sunimalee Madurawala and Dishnika Perera. Compiling, formatting and design was done by Charmaine Wijesinghe.

INSTITUTE OF POLICY STUDIES OF SRI LANKA
100/20, Independence Avenue
Colombo 7
SRI LANKA
Tel: 94 11 2143100, Fax: 94 11 2665065
Email: ips@ips.lk, Website:www.ips.lk
Blog: 'Talking Economics' - http://ipslk.blogspot.com
Twitter: www.twitter.com/TalkEconomicsSL