

ANNUAL REPORT 2018



Policy Reforms and
Competitiveness



Private Sector
Development



Poverty and
Vulnerability



Environment, Natural
Resources and
Agriculture



Human Resources for
Sustained Development



Migration and
Urbanization



INSTITUTE OF POLICY STUDIES OF SRI LANKA

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About us

The Institute of Policy Studies of Sri Lanka (IPS) is the apex economic policy research organisation in Sri Lanka. It aims to promote policy-oriented economic research and strengthen the capacity for medium-term policy analysis in the country. Through its substantive body of rigorous research spanning more than 25 years, the IPS has acquired a unique position as an authoritative independent voice in economic policy analysis, working closely with the government, private sector, academia and civil society.

Over the years, the IPS has substantially expanded its research activities with the systematic strengthening and capacity building of its research staff. This expansion in research output has been complemented by an expansion of professional in-house support services in overall finance and administration management and in the provision of information and resources through the Institute's own library, publications, communications and outreach, and information system units.

Vision

To be a globally-recognised research institute that is a catalyst for Sri Lanka's socio-economic transformation.

Mission

Conducting high-quality, independent, policy-relevant research that provides trusted insights on socio-economic issues to inform our stakeholders and shape policy agendas to positively impact the lives of all Sri Lankans.

Board of Governors

(Up to October 2018)

Dr. Razeen Sally, Chairman
Associate Professor, Lee Kuan Yew School of Public Policy, Singapore

Dr. Indrajit Coomaraswamy, Member
Governor, Central Bank of Sri Lanka (Ex-Officio)

Mr. K.D.S. Ruwanchandra, Member
Secretary, Ministry of National Policies and Economic Affairs (Ex-Officio)

Mr. S.S. Mudalige, Member
Director General, National Planning Department (Ex-Officio)

Dr. Sarath Rajapatirana, Member
Economic Advisor to the President

Dr. Gishan Dissanaiké, Member
Adam Smith Professor of Corporate Governance, University of Cambridge, UK

Dr. Roshan Perera, Member
Additional Director, Central Bank of Sri Lanka

Dr. Dushni Weerakoon, Executive Director
Institute of Policy Studies of Sri Lanka

Highlights - 2018

JANUARY

International Forum on Migration Statistics (IFMS)
15 – 16 January, OECD Conference Centre, Paris, France

Dr. Bilesha Weeraratne, Research Fellow, made a presentation on 'Tracing Informal Recruitment Relationships through a Panel Survey of Migrants' at the first International Forum on Migration Statistics (IFMS) organised by the Organisation for Economic Co-operation and Development (OECD), France, International Organisation for Migration (IOM) and United Nations Department of Economic and Social Affairs (UN DESA).



FEBRUARY

New Thinkers' Symposium
27 February, Dr. Saman Kelegama Auditorium, IPS, Colombo

Ashani Abeyasekera made a presentation on "Education in Sri Lanka" at the 'New Thinkers' Symposium on the National Economic Policy Outlook, organised by the IPS. The objective behind the symposium was to provide a platform for public policy practitioners under 35 years to network on a common platform to discuss national economic policy issues.



MARCH

18th Annual Global Development Conference
21 – 23 March, New Delhi, India

Kanchana Wickramasinghe, Research Economist, made a presentation on "Climate Insurance for Dry Zone Farmers in Sri Lanka" at the conference organised by the Global Development Network (GDN).



APRIL

12th International Conference on Institute of South Asian Studies (ISAS)
6 April, National University of Singapore (NUS), Singapore

Dr. Dushni Weerakoon, Executive Director, IPS, delivered a paper on 'Sri Lanka: Post-war Economic Development in a Changing Global Landscape' highlighting challenges of sustaining growth in the face of Sri Lanka's growing indebtedness.

MAY

Stakeholder Consultation Meetings on Formulation of Intellectual Property Policy for Sri Lanka
28 May, IPS, Colombo

The IPS, together with the Ministry of Industry and Commerce (MIC) of Sri Lanka, organised a series of stakeholder consultation meetings relating to the study on 'Formulation of Intellectual Property (IP) Policy for Sri Lanka'.



JUNE

Dr. Saman Kelegama Memorial Lecture
25 June, Dr. Saman Kelegama Auditorium, IPS, Colombo

Dr. Indrajit Coomaraswamy, Governor of the Central Bank of Sri Lanka (CBSL), delivered the inaugural Memorial Lecture on 'Opportunities and Challenges for Stability and Growth'.



JULY

Sri Lanka Voluntary National Review (VNR) on SDGs
18 July, Ministry of Sustainable Development and Wildlife (MSDW), Colombo

IPS partnered with the United Nations Development Programme (UNDP) and the Ministry of Sustainable Development and Wildlife (MSDW) to finalise Sri Lanka's Voluntary National Review (VNR) of SDGs for submission at the United Nations (UN) High Level Political Forum in July 2018.



AUGUST

ADB-Asian Think Tank Development Forum 2018
22 -23 August, Australian National University, Canberra, Australia

Dr. Nisha Arunatilake, Director of Research presented a paper on 'Policies to Meet the Future Demand for Science and Technology Workers in Sri Lanka' at the ADB Forum on 'Upgrading Human Capital and Skills Development for Future Asia'.



OCTOBER

Release of the 'Sri Lanka: State of the Economy 2018' Report
15 October, Dr. Saman Kelegama Auditorium, IPS, Colombo

IPS draws attention to Sri Lanka's economic outlook and interlinked challenges of addressing issues on 'Climate Change, Food Security and Disaster Risk Management' in this year's report.



SEPTEMBER

Public-Private Dialog on National Single Window (NSW)
26 September 2018, Colombo

IPS researchers made presentations on the 'Operational Models for Sri Lanka's NSW' and 'Governance Mechanism of a NSW in Sri Lanka', at the Dialogue organised by the International Trade Centre (ITC) in collaboration with the National Trade Facilitation Committee (NTFC).



NOVEMBER

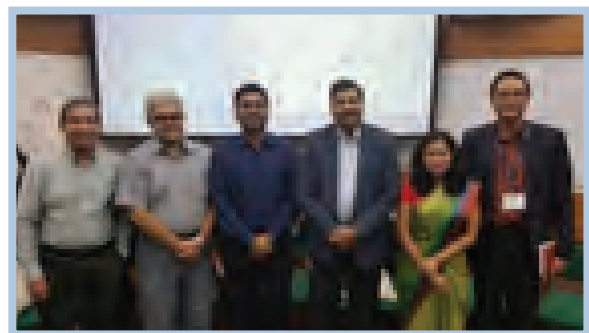
International Forum on China's Reform and Opening Up and Poverty Reduction
01 - 02 November, Beijing, China

Dr. Athula Senaratne, Research Fellow and Dr. Manoj Thibbotuwawa, Research Fellow made presentations on 'Sri Lanka's Progress in Poverty Reduction Since Opening up the Economy, and What to Gain from the Experience of Chinese Reforms' at the Lessons Sharing Forum.

DECEMBER

Indian Society of Labour Economics (ISLE)
19 - 21 December, Mumbai, India

Dr. Ganga Tilakaratna, Research Fellow, presented a paper titled 'Labour Force Participation of Elderly in Sri Lanka: Patterns and Determinants', highlighting the challenges faced by Sri Lanka's ageing population.



Executive Director's Report

Research sits at the core of IPS' work to provide an authoritative analysis and influence public policy in Sri Lanka. In 2018, the priority focus was to reset our research programme to be aligned with emerging economic issues facing Sri Lanka in an environment of changing domestic and global challenges.

Critical constraints on growth such as policy inconsistencies, inadequate infrastructure, weak public service delivery in health and education, a dearth of skills, rising costs of energy, and barriers in accessing finance and land, amongst others, require rigorous analysis. Persistent inequalities of income and wealth, environment damage and the depletion of natural resources, the well-being of the elderly and other vulnerable populations, etc., require a continuous review of key economic concepts, models, and indicators with a view to reformulating policy.

IPS' role within this policy landscape is to contribute evidence to inform decision making and help our stakeholders understand the implications of various policy options.

To this end, our revised research programme looked at some critical issues in 2018. In the area of macroeconomics, trade and competitiveness, our research aims to support policies to achieve a private investment and export led growth process for the country. Some of our studies examined the underlying causes of Sri Lanka's twin deficit phenomenon for macroeconomic stability; identified the gaps and challenges in establishing a national single window to promote trade, and looked at potential benefits to be gained from engagement in free trade agreements. In addition, research on emerging issues such as Sri Lanka's nascent e-commerce ecosystem and its potential for crossborder e-commerce got underway.

IPS' research in the area of labour, education, and health aims to support Sri Lanka's attempts to transition to a competitive, knowledge-based economy. Some of our key studies in 2018 looked at worker's adjustments to trade shocks in Sri Lanka and ways to mitigate adjustment costs. In the area of education, special emphasis was given to examining issues of skills, analysing Sri Lanka's youth population not in education, employment or training; and evaluating the performance and effectiveness of Sri Lanka's grade five scholarship exam. In the area of health, a baseline survey on maternal, child health and nutrition was carried out to provide tailored policy interventions in vulnerable communities such as the estate sector.

Addressing the needs of migrants whilst balancing the needs of Sri Lanka's labour market developments with government efforts to raise remittance earnings is at the core of IPS' research in the area of migration and urbanisation. In 2018, much of the research focus was on finding ways and means of reducing remittance costs for migrant workers, and to understand how remittances alter the saving and borrowing behaviour of families left behind in Sri Lanka. Another issue that received attention was the evolving role of recruitment intermediaries such as sub-agents in Sri Lanka's temporary migration process.



Dushni Weerakoon
Executive Director

In the area of poverty and social welfare, IPS research aims to support government efforts to lower absolute poverty, and address issues of inequality and vulnerability in view of evidence to suggest widening inequities in the country. A key focus of research in 2018 was in linking the national agenda on these to the UN Sustainable Development Goals (SDGs). Some of the work carried out included the preparation of Sri Lanka's Voluntary National Review (VNR) of SDGs and attempts to interpret SDGs within a regional framework for South Asia. Additionally, a country diagnostic on mutual micro insurance was carried out as well in view of rising vulnerabilities related to climate and other natural disasters.

IPS' research in the area of environment, natural resources and agriculture aims to support government efforts to achieve sustainable development outcomes for the country. Considerable focus was spent in 2018 on research that aimed to improve the provision of climate information to farmers, support climate change adaptation in Sri Lanka's agriculture sector, and assess ways of improving value chain interventions in agriculture. Attention was also paid to addressing pressing issues such as Sri Lanka's human-elephant conflict by making available commercial insurance to farmers.

With the aim of maximising our impact on policy through excellence in research quality, the IPS continued to bring out its research through peer-reviewed IPS publications, and externally, with reputed international publishers in the form of international journal articles, working papers and book chapters. The details of these are available in the rest of the report.

Our efforts to strengthen IPS' policy impact by bringing our research to the attention of relevant policymakers and other stakeholders were strengthened in 2018. Six Policy Engagement Forums in critical areas were held to inform a wide cross section of our stakeholders on recent research findings and future research priorities. The feedback was vital in refining IPS' medium term research programme and building collaborative partnerships for policy influence. IPS' blog – Talking Economics – featured more than – opinion pieces with wide uptake by print and electronic media. As in the past, we hosted high profile conferences in 2018, including a two-day international conference on 'Managing

Domestic and International Challenges and Opportunities in Post-Conflict Development: Lessons from Sri Lanka' dedicated to the memory of IPS' former Executive Director, Dr. Saman Kelegama.

The success of our continued efforts to inform and influence policy is evident by the representation in many standing committees of both the government and private sector. These include the Committee of Experts to Formulate the National Sustainable Development Vision of Sri Lanka – 2030; Steering Committee to Develop a National Financial Inclusion Strategy; Standing Committee on Higher Education; Taskforce on Labour Immigration; Taskforce for the Sri Lanka Voluntary National Review 2018 on Sustainable Development Goals; and Committee to Prepare Study on Sri Lanka-Thailand Free Trade Agreement, amongst others.

IPS' successes in meeting its key objectives in the research arena in 2018 are reflected in our financial performance. Strategic collaboration to facilitate knowledge transfer and higher quality analysis saw a significant improvement in research grant funding to allow the Institute to post a healthy surplus income. As a result, we are confident of making a successful transition as one of our key programmes – core funding received under the global Think Tank Initiative (TTI) administered by the International Development Research Centre (IDRC) of Canada – draws to an end. The IPS benefited immensely from being a successful applicant to both Phase 1 and Phase 2 of TTI funding since 2010. I take this opportunity to place on record our sincere appreciation to the funders and administrators of the TTI, as well as the peer group of nearly 50 global think tanks for the many opportunities for peer learning, collaborative work and networking.

IPS' many achievements in 2018 – summarised in my message and detailed in the rest of the report – would not have been possible without the commitment and dedication of our staff. In recognising the importance of our staff to IPS' successful growth in the future, we have continued to invest in staff training offered in-house, as well as at training opportunities in Sri Lanka and abroad. These are intended to make sure that our research and support staff are offered opportunities to acquire the necessary skill sets to meet evolving requirements in each of their areas of work. In 2018, we also bid farewell to a few of our colleagues who retired after long years of service; some had been with IPS for over two decades, helping the Institute to develop and expand its activities and services in critical areas. We remember their contribution to IPS' growth with gratitude and wish them well in their retirement.

In 2018, IPS also lost one of its committed supporters with the demise of Dr. Wickrema Weerasooria, Chairman of our Endowment Trust since 2013. Dr. Weerasooria was exceptionally generous to the IPS with both his time and advice, and worked tirelessly to help the Institute to progress towards achieving its goal of long term financial sustainability. I gratefully extend our immense appreciation for Dr. Weerasooria's unstinting support and encouragement to IPS over the years.

I take this opportunity to thank the Governing Board and all my colleagues for their support and commitment to mark another successful year for IPS, and look forward to strengthening the Institute's role and relevance as Sri Lanka advances to meet its development aspirations.

Dushni Weerakoon

Tribute to Dr. Wickrema Weerasooria Chairman of the Endowment Trust, IPS



There are many reasons why Dr. Weerasooria will be remembered as a giant in legal and business studies, providing his expertise as a Senior Consultant at the Postgraduate Institute of Management (PIM) and as Sri Lanka's Insurance Ombudsman at the time of his demise, amongst an array of other positions held during a long and distinguished career in the academia, government and private sector.

Dr. Weerasooria became the Chairman of IPS' Endowment Trust in 2013. IPS' then Executive Director, the late Dr. Saman Kelegama nominated and appointed Dr. Weerasooria to this key post to obtain his expertise and advice to better manage and steer the Institute towards greater financial sustainability. In this role, Dr. Weerasooria proved to be exceptionally generous to the IPS with both his time and advice.

Dr. Weerasooria's brought in his razor sharp intellect and attention to detail, and the commitment and professionalism to carry out his responsibilities. But as detailed and demanding as he was in administering the Endowment Trust matters, he was equally concerned about the welfare of IPS' staff, research efforts and progress, and the challenges IPS faced as an organisation.

Dr. Weerasooria worked tirelessly to ensure the sustainability of IPS. Aside from his role as a Trustee, he was always ready to provide advice and perspective on any issue. With his vast expertise, he knew how organisations should work in order to be effective and impactful. The IPS benefitted greatly from this wealth of knowledge and experience. His guidance, his passion to pass on learning, and his presence will be sorely missed.

Research Programme

Research sits at the core of IPS' work to provide authoritative analysis and influence public policy in Sri Lanka. The Institute's research programme aims to analyse current and emerging economic issues facing Sri Lanka in an environment of changing domestic and global challenges, focusing on ideas to achieve sustainable broad-based economic growth, and promote social progress. We aim to maximize our impact on policy through excellence in research quality.

The research programme spans across 1) macroeconomic policy; 2) international economic policy; 3) labour, employment, and human resources development policy; 4) industry, competitiveness and regulatory policy; 5) poverty and social welfare policy; 6) agricultural economic policy; 7) environmental economic policy; and 8) health economic policy. These policy issues are examined under the following six thematic areas:

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

Policy Reforms and Competitiveness

Decelerating growth and a rising external debt overhang calls for urgent reforms to reorient the Sri Lankan economy towards a private investment and export driven growth process. Sri Lanka's export composition remains stagnant and dependent on a few low complexity products while export markets are undiversified. As a small domestic market with a population of 20 million, the country must rely on external demand for sustained, high, and long-term growth. By introducing reforms to strengthen Sri Lanka's export competitiveness, including reforms to ensure a stable macroeconomic environment, it is hoped that the country will be able to raise earnings from exports of goods and services to support debt sustainability and lift economic growth.

Macroeconomic Policy

As Sri Lanka's foreign debt exposure climbs steadily, the country is faced with a growing problem of tackling debt sustainability and reviving economic growth. It has historical antecedents in the form of sustained high fiscal and external current account deficits over the past five decades. The prevalence of twin (or double) deficits implies fundamental economic imbalances; these signal that a country's national expenditure exceeds its national income, and that its production of tradable goods and services is inadequate. Such economies can be beset by high levels of debt, a heavy reliance on foreign capital inflows, a steady depreciation of its currency and high interest rates.

Research Studies

A study on Sri Lanka's Macroeconomic Challenges from Perspective of Twin Deficits, 1970-2016 by Dushni Weerakoon examines the underlying causes of this phenomenon in Sri Lanka, the policy responses adopted, and the challenges yet to be overcome if the country is to place its economy on a more sustainable growth path. The study was funded by the Asian Development Bank (ADB), Manila.

The IPS' annual flagship report Sri Lanka: State of the Economy 2018 provides a more near-term assessment of the country's economic performance in 2018 and the prospects for growth and macroeconomic stability in 2019. The report also draws attention to 'Climate Change, Food Security and Disaster Risk Management' as its main thematic focus to examine the many interrelated socio-economic impacts as Sri Lanka's vulnerability to climatic-related shocks rises. Massive losses due to disasters within a relatively short time period have seen the country climb up the ranks to fourth place in the Global Climate Risk Index for 2018.

Chapters were written on Macroeconomic Performance and Outlook by Dushni Weerakoon and Public Investments for Improving the Rural Economy by Nisha Arunatilake for the "Sri Lanka: State of the Economy 2018" report.

Aimed at supporting more informed decision-making by leaders, the IPS and the World Economic Forum (WEF) co-curated the Transformation Map for Sri Lanka. Mapping Global Transformations are a dynamic knowledge tool that incorporates expert and machine-curated knowledge allowing users to visualise and understand various topics and the interconnections and interdependencies between them. It was presented to Sri Lanka's Prime Minister at the WEF Annual Meeting in Davos, 2017.

Publications

- Weerakoon, Dushni (2018). "Macroeconomic Stability, Growth and Debt Sustainability", Sri Lanka Economic Journal, 14(4):1-19.
- Weerasekera, Harini (2018). "Tax Rates and Tax Evasion: An Empirical Investigation of Border Tax Evasion in Sri Lanka", South Asia Economic Journal.
- Hewage, Kithmina and Weerasekera, Harini (forthcoming). "Changing Landscape of Development Finance in Post Conflict Sri Lanka", in Changing Landscape of Development Finance: Lessons from South Asia, RIS, India.

Policy Engagements

Committees

- Dushni Weerakoon is a member of the Committee of Experts to Formulate the National Sustainable Development Vision of Sri Lanka – 2030, Presidential Secretariat.
- Dushni Weerakoon is a member of the Steering Committee to Develop National Financial Inclusion Strategy, Central Bank of Sri Lanka.
- Dushni Weerakoon and Nisha Arunatilake are members of the Steering Committee on Economic Policy, Ceylon Chamber of Commerce.

Presentations and Panels

- Dushni Weerakoon delivered a lecture on "Sri Lanka: Macroeconomic Outlook" to the Faculty of the Postgraduate Institute of Management (PIM), Colombo, 2 April.
- Dushni Weerakoon was a discussant at dialogue on "Integrated Development Impact through Partnerships and Innovation" organised by the UNDP, Colombo, 4 April.
- Dushni Weerakoon delivered a paper on "Sri Lanka: Post-war Economic Development in a Changing Global Landscape" at the 12th ISAS International Conference on South Asia, National University of Singapore (NUS), Singapore, 6 April.

- Dushni Weerakoon was a discussant to a lecture on “Singapore’s Development Experience: Lessons for Sri Lanka”, organised by the Gamani Corea Foundation, Colombo, 8 May.
- Dushni Weerakoon was a panellist at the CT CLSA Asia Frontier Forum on “Insights into the Current Government’s Policy Framework and Outlook”, organised by the CT CLSA Securities, Colombo, 9 May.
- Bilesha Weeraratne was a panellist at the session on “Towards a High Middle-Income Economy” at the “Dr. Saman Kelegama Memorial Conference”, organised by the IPS, Colombo, 29 and 30 June.
- Dushni Weerakoon made a presentation on “Sri Lanka: Economic Performance and Outlook” at the launch of the “Sri Lanka: State of the Economy 2018” report, Dr. Saman Kelegama Auditorium, IPS, 15 October.
- Dushni Weerakoon was a guest presenter on the “Current State of the Sri Lankan Economy”, at the EU Economic and Commercial Counsellors’ meeting, EU Mission, 16 October.
- Dushni Weerakoon was panellist at a session on “Prospects and Challenges in Sri Lanka’s Economic Policy” at the “Sri Lanka Foreign Relations and Economic Diplomacy Programme 2018”, organised by the Ministry of Foreign Affairs, Lakshman Kadirgamar Institute (LKI), 17 October.
- Dushni Weerakoon was panellist at a discussion on the “Fundamentals of the Economy: Are we on the Right Track?” organised by the Sunday Times Business Club, Colombo, 17 October.
- Dushni Weerakoon was the keynote speaker on “Sri Lanka: Economic Performance and Currency Outlook” at a seminar on “Currency Outlook and Forecast”, organised by the Merchant Bank of Sri Lanka & Finance PLC, LKI, 1 November.
- Dushni Weerakoon was panellist at a session on “Fiscal Policies in South Asia: Why is Revenue Mobilisation so Challenging?” at the “Eleventh South Asia Economic Summit”, organised by the Sustainable Development Policy Institute (SDPI) Islamabad, Pakistan, 4 to 6 December.
- Sooriyamudali, Chinthani (2018, 4 September) “Dissecting Sri Lanka’s Post-conflict Growth: Is Sustainability Attainable?” Talking Economics, IPS.
- Weerakoon, Dushni (2018, October 16) “Sri Lanka’s Depreciating Rupee: Avoiding a Money-Go-Round”, Talking Economics, IPS.
- Weerasekera, Harini (2018, November 13) “Chickens, Turkeys, and Tariffs – A First Attempt at Measuring Border Tax Evasion in Sri Lanka”, Talking Economics, IPS.

Media

- Kithmina Hewage took part in a live TV discussion on Art TV on “Sri Lankan Economic Climate”, 10 February.
- Kithmina Hewage and Harini Weerasekera made a TV appearance, MTV/TV1 Biz 1st 360 Review on “Factors Undermining Economic Reforms in Sri Lanka”, 29 March.

Trade Facilitation

Trade liberalisation has brought down tariffs and policy makers are now looking at how best to facilitate trade, in order to further reduce trading costs and make countries competitive in the global supply chains. As such, measures to actively facilitate trade are seen as essential to expand trade in developing countries. Improved trade facilitation will enable more seamless trade flows, and thereby catalyse export growth.

Research Studies

The Government of Sri Lanka (GOSL) has committed to establish a National Single Window (NSW) as a priority in line with fulfilling its obligation under the WTO Trade Facilitation Agreement. The objective of the NSW is to set up a facility that allows parties involved in trade and transport, to lodge information and documents with a single entry point to full all trade related regulatory requirements. In the context of the EU Sri Lanka Trade Related Assistance project, the International Trade Centre (ITC) in coordination with the National Trade Facilitation Committee (NTFC) together with the IPS organised four public-private consultations to exchange views and seek recommendations from stakeholders on key topics in relation to the establishment of the National Single Window for Trade. The recommendations from the consultations will be shared with the NTFC and the World Bank, which is involved in the development of a Single Window Blueprint that will formulate recommendations for consideration by the Government of Sri Lanka (GOSL). The IPS team included Janaka Wijayasiri, Kithmina Hewage, and Nuwanthi Senaratne.

Four discussions paper were prepared by the IPS on Functional Scope of the National Single Window (NSW) for Trade, Governance Mechanism of the National Single Window for Trade, Operator

Blogs

- Weerakoon, Dushni (2018, January 18) “Stability Reigns but Sri Lanka Might Stay in Chains”, East Asia Forum, Australian National University.
- Hewage, Kithmina and Weerasekera, Harini (2018, March 22) “Economic Reforms in Sri Lanka: Salvation or a Recipe for Inaction”, Talking Economics, IPS.
- Weerasekera, Harini (2018, July 24) “Towards a High Middle-Income Sri Lanka: Recipe for Transition”, Talking Economics, IPS.

Models for Sri Lanka, and Implementation Issues Concerning the National Single Window for Trade in Sri Lanka. This includes Discussion Papers prepared by Janaka Wijayasiri for the International Trade Centre (ITC) on Operational Models for Sri Lanka and on Implementation Issues Concerning the National Single Window for Trade in Sri Lanka.

IPS flagship publication “Sri Lanka : State of the Economy 2018” report includes chapters on China’s Belt and Road Initiative and Sri Lanka written by Janaka Wijayasiri and Nuwanthi Senaratne and International Economic Environment by Kithmina Hewage and Harini Weerasekera.

Policy Engagements

Presentations and Panels

- Janaka Wijayasiri made a presentation on “Functional Scope of the National Single Window for Trade in Sri Lanka” at the ‘Public-private Dialogue on the Functionalities of National Single Window (NSW)’, organised by the International Trade Centre (ITC) in collaboration with the National Trade Facilitation Committee (NTFC), Colombo, 5 April.



- Janaka Wijayasiri and Nuwanthi Senaratne carried out presentations pertaining to Discussion Papers on the “Operational Models for the Sri Lanka’s National Single Window” and “Governance Mechanism of Single Window (NSW) in Sri Lanka”, Public-private Dialogue on the NSW Implementation for Sri Lanka, organised by the ITC in collaboration with the NTFC, Colombo, 24 July, Colombo, 26 September.

Blogs

- Wijayasiri, Janaka (2018, April 26) “Walk Before You Run: Defining the Scope of the ‘Single Window’ for Trade in Sri Lanka”, Talking Economics, IPS.
- Wijayasiri, Janaka (2018, August 20) “Explore All Options! Single Window Operational Models for Sri Lanka”, Talking Economic, IPS.

- Wijayasiri, Janaka (2018, November 21) “Do Not Bite Off More than You Can Chew: Single Window Implementation Process in Sri Lanka”, Talking Economics, IPS.

Trade Agreements

Whilst it is important to undertake unilateral trade reforms, Sri Lanka needs to improve its access to markets abroad through deeper trade agreements. Efforts to access regional and international markets will be key to boosting exports, and diversifying markets. So far, Sri Lanka has lagged behind its neighbouring countries in South and Southeast Asia in pursuing preferential access for its exports in recent years.

Research Studies

To date, Sri Lanka has only four preferential trade agreements (PTAs) in force. The government has expressed its interest in pursuing and concluding new trade agreements. As per the request of the Ministry of Development Strategies and International Trade (MODSIT), four separate reports assessing the Current Trade and Potential Trade between Sri Lanka and Four South East Asian Countries (Indonesia, Malaysia, Thailand, Vietnam) were undertaken by Janaka Wijayasiri and Nuwanthi Senaratne. The reports assessed the potential for bilateral trade using commonly utilised trade indicators and a partial equilibrium model to analyse the impact of trade liberalisation between Sri Lanka and the four countries separately.

Publications

- Wijayasiri, Janaka and Senaratne, Nuwanthi (2018). “China’s Belt and Road Initiative (BRI) and Sri Lanka” In García, A (Ed.) China: BRI o el nuevo camino de la seda, Mexico City, National Autonomous University of Mexico.
- Kathuria, S., Boffa, M. Rizwan, N. Ekanayake, R. Subramaniam, V. and Wijayasiri, J (2018). “Reducing Connectivity Costs: Air Travel Liberalisation between India and Sri Lanka” In Kathuria, S. (Ed.) A Glass Half Full: The Promise of Regional Trade in South Asia, World Bank, Washington D.C.

Policy Engagements

Committees

- Dushni Weerakoon is a member of the Committee on Trade Policy Formulation, Ministry of Development Strategies and International Trade.
- Dushni Weerakoon and Janaka Wijayasiri are members of the Committee to Prepare Study on Sri Lanka-Thailand Free Trade Agreement, Ministry of Development Strategies and International Trade.

- Janaka Wijayasiri is a member of the Trade Liberalisation Steering Committee, Ceylon Chamber of Commerce.
- Janaka Wijayasiri is a member of the Joint Feasibility Study of Sri Lanka-Bangladesh Free Trade Agreement, Ministry of Development Strategies and International Trade. .
- Janaka Wijayasiri is a member of the Break into India' Strategy Committee, Ministry of Development Strategies and International Trade.

Presentations and Panels

- Dushni Weerakoon was a panellist at a session on "Institutions, Governance and Trade in the Context of Emerging Global and Regional Challenges" at the 3rd SANEM Annual Economists' Conference 2018, organised by the South Asia Network of Economic Modeling (SANEM), Dhaka, Bangladesh, 17 and 18 February.



- Janaka Wijayasiri made a presentation on "The Tea Industry in Sri Lanka", at a seminar on "Global Value Chains and Standards for Trade in Asia", organised by the Institute of Developing Economies, Japan External Trade Organisation (IDE-JETRO) and the Ministry of Development Strategies and International Trade, Dr. Saman Kelegama Auditorium, IPS, 29 March.
- Dushni Weerakoon was a panellist at a session on 'Trade and Economic Integration' at the 'Regional Conference on Advancing BIMSTEC Cooperation', organised by the Delhi Policy Group (DPG) and the Asia Foundation, New Delhi, 26 and 27 April.
- Dushni Weerakoon was a discussant to a session on "WTO Issues of Interest to Commonwealth Asian Countries" at the "Commonwealth Consultation on Multilateral, Regional and Emerging Trade Issues for Asia", New Delhi, India, 5-6 June.
- Dushni Weerakoon moderated a session on "Building a Community of Common Destiny between China and South and Southeast Asian Countries" at the 6th China-South and

Southeast Asian Think-Tank Forum (CSSA-TTF), Kunming, China, 14 and 15 June.

- Janaka Wijayasiri made a presentation on "Challenges to the BIMSTEC FTA: A Sri Lankan Perspective" at a regional conference on "Advancing BIMSTEC Cooperation", organised by the Delhi Policy Group (DPG) and The Asia Foundation, Yangon, Myanmar, 14 and 15 June.
- Janaka Wijayasiri was a discussant on the panel "Strategic Positioning: Create A Value for Economic Integration in South Asia" at the "Dr. Saman Kelegama Memorial Conference", organised by the Institute of Policy Studies of Sri Lanka (IPS), Colombo, 29 and 30 June.
- Dushni Weerakoon was a panellist at a discussion on "Which Way are Trade Winds Blowing? – Current and Future International Trade Scenario" hosted by the Export Development Board (EDB), Colombo, 20 July.
- Janaka Wijayasiri made a presentation on "Trade and Economic Integration" at 'Regional Conference on Advancing BIMSTEC Cooperation', organised by the Delhi Policy Group (DPG) and The Asia Foundation, Colombo, 3 August.
- Kithmina Hewage was a panellist at "Round Table Discussion on Role of Sri Lanka in BIMSTEC", organised by the Institute of National Security Studies Sri Lanka (INSSSL), Colombo, 20 September.
- Dushni Weerakoon was a panellist at a session on "South Asian Development" at the "Peradeniya International Economics Research Conference", University of Peradeniya, 8 November.

Blogs

- Wijayasiri, Janaka (2018, January 4) "FTA with Malaysia: Will it Lead to an Expansion in Flow of Trade and Investment with Sri Lanka?", Talking Economics, IPS.
- Wijayasiri, Janaka and Hewage, Kithmina (2018, January 28) "Straight Talk on Sri Lanka – Singapore FTA: What it Means for Trade and Investment Flows", Talking Economics, IPS.

Media

- Kithmina Hewage made an appearance on MTV/TV1 Biz 1st Infocus to discuss "Trade Strategy for Sri Lanka", 9 January.
- Kithmina Hewage spoke on "Singapore Sri Lanka FTA" on MTV/TV1 Biz 1st 360 Review on, 26 January.
- Kithmina Hewage made a TV appearances at Face The Nation on TV1/MTV to discuss "The Benefits and Harms of FTAs to the Sri Lankan Economy", 20 August.

Private Sector Development

Maintaining an investor-friendly policy environment and minimising regulatory barriers for the entry of foreign direct investment (FDI) in unison with an export-oriented strategy, is imperative for Sri Lanka to achieve sustainable and durable growth. Thus, the onus is on private sector development, such that the sector is equipped to spearhead the reform process. Three key areas with potential for private sector expansion can arise from addressing regulatory barriers to local and foreign investment, exploring the potential of public-private partnerships (PPP's) in the SOE reform process, and focusing on different models of investment incentives through investment zones and parks.

Foreign Direct Investment

Sri Lanka received a record high level of Foreign Direct Investment (FDI) in 2018, while simultaneously making gains in the Ease of Doing Business Index. However, it still lags behind its regional competitors. Creating an enabling environment for FDI through improvements in economic competitiveness is vital for the country's economic fortunes.

Research Studies

A study on Global Competitiveness Report 2018 funded by the World Economic Forum (WEF) This Annual Global Competitiveness Report assesses the economic competitiveness of individual countries for trade and investment. The IPS was the partner institute for the Sri Lanka component of this study and was carried out by Kithmina Hewage.

A research study on The Policy Environment and its Impacts on FDI Flows: Evidence from Sri Lanka funded by the TTI, analyses trends and patterns of FDI into Sri Lanka over the last one and half decades, in the manufacturing sector. Trends and patterns are analysed using firm level data from the Board of Investment (BOI) for the years 2002, 2009, and 2016. The composition of firms, their entry and exit patterns, and ease of doing business are some of the firm-level factors analysed, in an effort to understand the overall FDI policy environment and investment climate in Sri Lanka. The IPS team included Kithmina Hewage and Harini Weerasekera.

A study examining Regional Investments and Value Chains in South Asia - Maldives, was funded by the World Bank (WB) The study identifies factors that have accommodated and inhibited intra-regional investments and value chain creation in South Asia and was carried out by Kithmina Hewage.

South - South Cooperation Flows to Sri Lanka Since 2010, a study funded by the Research and Information System for Developing Countries (RIS) analyses the contribution of south-south cooperation towards foreign financial assistance to Sri Lanka. Based on disaggregated data into the sources of development assistance from other countries, the study highlights some distinct differences in source and purpose based on the donor. The study

also takes a more specific look into development assistance from India and China. Kithmina Hewage and Harini Weerasekera were involved in this study from the IPS.

Publications

- Hewage, Kithmina and Weerasekera, Harini (2018). "Firm-Level Analysis of Manufacturing Sector Investment in Sri Lanka", IPS Working Paper Series No. 29, August.
- Wijayasiri, J., Arunatilake, N., with Kelegama, S. (2018). "Sri Lankan Tea Industry in Transition : 150 Years and Beyond", IPS.

Policy Engagements

Media

- Kithmina Hewage and Harini Weerasekera published articles on "Firm-Level Analysis of Manufacturing Sector Investment in Sri Lanka", Daily Mirror, 18 September; Economynext, 20 September; Daily FT, 28 September.
- Kithmina Hewage published an article in Echelon magazine based on research conducted on the "Manufacturing Sector Investments", 2 October.

Technology and Digitalisation

The emergence of the fourth industrial revolution (4IR) has heightened the importance of technology and digitalisation in economic activities. Successfully integrating technology and digitalisation not only improves economic efficiency, but also provides solutions to many structural issues such as gender and geographical inequality.

A study looking at Cross Border E-Commerce Ecosystem in Sri Lanka, was funded by the Confederation of Indian Industry (CII). Sri Lanka's e-commerce sector faces similar constraints and is relatively limited and new, compared to its comparators in the Asian region. That said, the e-commerce sector has experienced considerable growth in recent years and has been identified by policymakers as a key driver of future economic activity. High levels of mobile phone usage, a growing technologically literate population, the use of e-commerce platforms by well-established firms and the rise of e-commerce start-ups have facilitated this growth. Hence, this study gives an overview of Sri Lanka's e-commerce ecosystem and its potential for crossborder e-commerce. The IPS team included Kithmina Hewage and Harini Weerasekera.

A study on Social Media for Business was funded by the IPS, emphasising the evolving role of social media for business. As Sri Lanka steps into a phase of development where digitalisation of services is being prioritised (government services, doing business procedures, etc), the role that social media platforms play as enablers of business activity should not be underestimated.

Particularly for segments such as MSMEs and youth, social media platforms are increasingly becoming the primary engagement platform for business activities such as advertising, selling and delivery. The rapid growth in mobile phone penetration in Sri Lanka is an area that can be further leveraged. In this context, a preliminary scoping study of the social media landscape for business (limited to Facebook and Instagram) was carried out using both quantitative and qualitative components. The IPS team included Kithmina Hewage and Harini Weerasekera.

Policy Engagements

Presentations and Panels

- Kithmina Hewage carried out a presentation at the roundtable on “E-Commerce in South Asia”, organised by the Confederation of Indian Industries, Colombo, 13 October.
- Harini Weerasekera carried out a presentation on “Sri Lanka’s E-commerce Sector” at a regional workshop on “Building Bridges Digitally – E-Commerce and its Potentials in South Asia”, organised by the SAARC Chamber of Commerce and Industry, Colombo, 14 October



Human Resources for Sustained Development

The IPS research on Human Resources for Sustained Development addresses the constraints to strengthening Sri Lanka's human resources to meet the changing demands of a globalised economy. Improving access to high quality tertiary level education, meeting gaps in the quality and access to general education, and addressing health concerns such as nutrition and prevalence of non-communicable diseases (NCDs) are important to ensure success in education and greater productivity in work life. The challenges are compounded by demographic transitions reflected in a shrinking working age population and a growing older population that require improvements in productivity and labour force participation rates.

Skills and Education

The IPS research on skills and education focuses on issues relating to access to quality and inclusive education in Sri Lanka, and skills gaps of those graduating from the education system. In particular, recent studies have identified the unequal distribution of school-level resources as contributing to poor performance at the secondary education level. Research also shows that the failure of the education system in cultivating employable skills among graduates, such as soft skills, is largely responsible for high youth unemployment rates in the country.

Research Studies

A study examining Sri Lanka's Grade Five Scholarship Exam: Evaluating Performance and Effectiveness, funded by the International Development Research Centre (IDRC), evaluates the effectiveness and relevance of Sri Lanka's Grade Five Scholarship Exam to identify specific reasons as to why the scholarship examination has failed in achieving its broad objectives. It also examines perceptions of the exam in terms of its validity and relevance and positive and negative aspects based on interviews with recent scholarship exam takers. The IPS team included Nisha Arunatilake and Ashani Abayasekara.

A study on Data Harmonising for CEQ Study funded by the Global Development Network (GDN), involves creating fiscal equity information and monitoring system with summary statistics and a harmonised database to assess the impact of fiscal systems on inequality and poverty. The primary outcome of this project is to prepare detailed and comprehensive summary statistics and harmonised data—including data on who bears the burden of various taxes and who benefits from transfer programmes, subsidies, and public spending on health, education, and housing to be used by researchers, policymakers, government watchdogs, development agencies and nongovernmental organisations worldwide to monitor governments' fiscal redistribution. The IPS team led by Nisha Arunatilake comprised of Priyanka Jayawardena and Ashani Abayasekara.

Publications

- Arunatilake, Nisha and Abayasekara, Ashani (2018). "Providing Quality Teachers for All Classrooms in Sri Lanka", IPS Policy Insights.
- Abayasekara, Ashani and Arunatilake, Nisha (2018). "School-level Resource Allocation and Education Outcomes in Sri Lanka", International Journal of Educational Development, 61, 127–141.
- Weeraratne, Bilesha and Chin, B. (2018). "Can Khan Academy E-learning Video Tutorials Improve Mathematics Achievements in Sri Lanka?", International Journal of Education and Development using Information and Communication Technology, 14(3).
- Jayawardena, Priyanka and Miller, Ronald (2018). "Bridging Skills for Employment in Sri Lanka" in Sri Lanka Fostering Workforce Skills through Education - Employment Diagnostic Study, Asian Development Bank and the International Labour Organisation Regional Office for Asia and the Pacific.

Policy Engagements

Committees

- Nisha Arunatilake is a member of the Research Supervision Committee, Ministry of Science, Technology and Research.
- Nisha Arunatilake is a member of the National Education Commission (NEC) on Standing Committee on Higher Education.

Presentations and Panels

- Ashani Abayasekara carried out a presentation on "Education in Sri Lanka" at the New Thinkers' Symposium on the National Economic Policy Outlook, organised by the IPS, 27 February.
- Bilesha Weeraratne carried out a presentation on "Impact Evaluation of Math Cloud in Sri Lanka" at the 'South Asia Regional Symposium on ICT for Education', jointly organised by the Asian Development Bank (ADB) and UNESCO's Asia-Pacific Regional Bureau for Education (UNESCO Bangkok), Colombo, 28 February.
- Nisha Arunatilake made a presentation on "Quality Teachers for All Class Rooms in Sri Lanka", organised by the National Science Foundation (NSF), Colombo, 13 March.
- Ashani Abayasekara and Nisha Arunatilake made a presentation on findings of two IPS publications on "Better Schools for Better O-Level Results in Sri Lanka" and "Are there Good Quality Teachers for All Classrooms in Sri Lanka?" at a seminar organised by the Ministry of Education, Colombo, 11 April.

- Ashani Abayasekara carried out a presentation on “School Resources and Education Outcomes: Evidence from Sri Lanka” at the ‘Australasian Development Economics Workshop (ADEW 2018)’, organised by the Australian National University (ANU), Canberra, Australia, 6 and 7 June.

Blogs

- Abayasekara, Ashani and Weerasekera, Harini (2018, February 15) “Improving Education in Sri Lanka: Priority Areas for Action”, Talking Economics, IPS.
- Arunatilake, Nisha and Abayasekara, Ashani (2018, February 22) “Towards a Knowledge Based Economy: Start with Quality STEM Teachers for Every Child!”, Talking Economics, IPS.
- Abayasekara, Ashani and Arunatilake, Nisha (2018, March 29) “Improving the Quality of Education in Sri Lanka”, GlobalDev, GDN, India.
- Abayasekara, Ashani (2018, April 23) “Building a More English-Literate Sri Lanka: The Need to Combat Inequities”, Talking Economics, IPS.
- Abayasekara, Ashani (2018, August 6) “Improving Sri Lanka’s Learning Outcomes: Get the ABCs Right before Following Others!”, Talking Economics, IPS.
- Jayawardena, Priyanka (2018, August 3) “Education Matters: Addressing Inequities and Skills Development Gaps in Sri Lanka”, Talking Economics, IPS.
- Arunatilake, Nisha (2018, October 22) “Sri Lanka’s Human Capital Progress: Still Less than its Full Potential”, Talking Economics, IPS.
- Abayasekara, Ashani (2018, October 25) “Is Sri Lanka’s Grade Five Scholarship Exam an Accurate Predictor of Intellectual Ability?”, Talking Economics, IPS.
- Arunatilake, Nisha (2018, November 8) “Weathering the Storm: Improving Disaster Resilience of Rural Workers in Sri Lanka”, Talking Economics, IPS.
- Abayasekara, Ashani (2018, December 3) “How Disability-Inclusive is Education in Sri Lanka? A Preliminary Look”, Talking Economics, IPS.

Health

Sri Lanka has been committed to providing better health care services for decades. However, there are some prevailing health issues which have not been overcome yet, such as higher prevalence of malnutrition in the country, uncontrolled epidemics such as Dengue fever etc. Also, there are emerging health issues with demographic changes as well as changing lifestyles of people; these include long term care for elders, and NCDs which need

special attention. These issues lead to many challenges in terms of having a healthy workforce, health care financing, provision of effective and efficient health care service etc. Given the importance of the issues, IPS’ health research focuses on three main issues -- identifying policies to combat malnutrition, policy options for long term care for elderly, and price controls for private sector health care providers – with the aim of improving fair access to health care service delivery in Sri Lanka.

Research Studies

A study examining Policy Research Institutions and the Health SDGs: Building Momentum in South Asia, was funded by the Sustainable Development Policy Institute (SDPI). This country study (Sri Lanka) highlights the role that health policy research institutions play with respect to SDGs. It assesses the role of national level institutional arrangements that already exists for SDG implementation; analyses the priorities and sectoral primacy accorded to the SDGs; evaluates the stakeholders involved in the implementation and monitoring of the health related SDGs in the country. The IPS team included Yolanthika Ellepola and Wimal Nanayakkara.

A study supporting The Technical Assistance SRI: Preparing the Health System Enhancement, was funded by the Asian Development Bank (ADB). It aims to contribute to the government’s development objective to ensure a healthier nation by supporting the development of a more responsive and comprehensive primary health care (PHC) system in Sri Lanka, and focuses to enhance planning and delivering of essential PHC to geographically and socioeconomically deprived populations of Central, North Central, Sabaragamuwa, and Uva provinces. Samantha Bandara from the IPS research team was involved in this study.

A study examining the Causes of Malnutrition by Socio-economic Groups in Sri Lanka, to combat malnutrition in the country with an appropriate set of interventions, indicates that policy makers need to have a better understanding of the causes of malnutrition among different socio-economic groups. In this context, this study examines the socio-economic determinants of malnutrition by socio economic groups. It also reviews the existing food and nutrition policies, strategies and programmes in the country with a view to assess the adequacy and efficacy of interventions and programmes in order to address the economic burden posed by malnutrition. Priyanka Jayawardena was involved in the study.

A Baseline Survey on Maternal, Child Health and Nutrition funded by Save the Children, Sri Lanka, was carried out to analyse the situation prior to intervention at the intervention site, and it aims to establish a benchmark against which the progress and achievements of a project can be measured and assessed. The project determines the estate community’s health and nutritional practices; assesses the current policies and the level of utilisation of available nutritional and child care services; and identifies entry points for addressing gaps and improving conditions. The IPS team was led by Priyanka Jayawardena and included Chathurga Karunanayake.

A study examining The Public Expenditure Review (PER) for Nutrition in Sri Lanka funded by the World Bank (WB), aims to investigate whether the government is spending appropriately on the

priority nutrition specific and sensitive interventions specified in national policies and guidelines. This study is part of a regional exercise undertaken by the World Bank that aims to investigate the public spending on nutrition in four countries: Bhutan, India, Nepal and Sri Lanka. IPS' Priyanka Jayawardena was the lead researcher for this study.

Policy Engagements

Presentations and Panels

- Priyanka Jayawardena made a presentation on "Socio-Economic Determinants of Child Malnutrition and Disproportionate Burden on the Poor" at the Annual Scientific Sessions of the Nutrition Society of Sri Lanka on 'Investing in Nutrition for Economic Prosperity', Colombo, 27 and 28 January.



- Priyanka Jayawardena made a presentation on "Nutrition Interventions and Data Collection Tool for Public Expenditure Review for Nutrition in Sri Lanka", at a technical working group workshop organised by the National Planning Department (NPD) and World Bank, Colombo, 12 December.

Blogs

- Jayawardena, Priyanka (2018, April 9) "Malnutrition in Sri Lanka: A Persistent Problem", Talking Economics, IPS.

Employment and Labour Markets

IPS research on employment and labour markets focuses on the quality of jobs, both formal and informal, and examines reasons for issues such as high unemployment and low labour force participation rates among different population groups. Recent research has examined determinants of youth disengagement from both education and employment, dynamics pertaining to night work among non-professional women, and living wage estimates for plantation sector workers.

Research Studies

A Living Wage Study - Estimation of the Living Wage in the Plantation Sector, funded by the Global Living Wage Coalition (GLWC), estimates a living wage for the workers in the tea plantation industry in Sri Lanka in December 2015, carried out using the Anker methodology. The methodology estimates the per capita cost of a basic, but decent, quality life style, which includes the cost of a low cost, nutritious diet, cost of basic housing with acceptable quality, cost of providing adequate clothing and footwear, cost of health and education for the family, cost of other expenses such as transportation, cultural activities, communications, personal care and other unforeseen contingencies. The IPS team led by Nisha Arunatilake comprised of Manoj Thibbotuwawa, Priyanka Jayawardena and Neluka Gunasekera.

A study on Demand for Female Labour by Firms, funded by the IPS in collaboration with the National Institute of Labour Studies and UN-Women, examines the female labour force participation in Sri Lanka which has remained stagnant at a rate around 30 - 35 % of working age women, in recent decades. The study finds that training females, especially targeting occupations with high future labour demand and a high share of female workers are likely to improve female labour force participation. The team led by IPS' Nisha Arunatilake consisted of A. Wimalaweera (Ministry of Labour, Trade Union Relations and Sabaragamuwa Development), E. L. K. Dissanayake (Manpower Planning, Development and Research) and H. R. S. L. Ranathunga (Department of Census and Statistics). A study looking at Worker's Adjustments to Trade Shocks in Sri Lanka, funded by the World Bank, examines the impact of trade on employment in Sri Lanka, in the context of global policy trends. The study finds that trade has not influenced unemployment rates much in the country, but it has created new jobs and shifted sources of employment away from agriculture towards industries and services. The main sectors that benefitted were the light manufacturing sector, especially the textiles, garments and leather industries, whereas the main beneficiaries of these employment opportunities were young low-skilled females. The IPS team was led by Nisha Arunatilake.

A study on Sri Lanka's NEETs: An Analysis of Youth not in Education, Employment or Training, funded by the TTI / International Development Research Centre (IDRC), examines Sri Lanka's youth population who are neither engaged in education, employment or training (NEET). The findings of the study will be used to inform policy discussions on reducing the NEET rate in Sri Lanka and engaging more youth in education and in the labour force. The IPS team included Ashani Abayasekara and Neluka Gunasekera.

A study examining Night Work, Respectable Femininity and Women's Careers in Sri Lanka, funded by the University of Warwick, UK explores the dynamics pertaining to night work among non-professional women in the health and super market sectors in Sri Lanka, with a view to foster opportunities for safe and productive employment and addressing challenges faced by women who work in the night. The IPS team was led by Nisha Arunatilake.

Policy Engagements

Committees

- Nisha Arunatilake was a member of the Taskforce on Labour Immigration coordinated by the National Human Resource Development Council, Colombo October -December.

Presentations and Panels

- Priyanka Jayawardena carried out a presentation on "Precarious Employment Practices in Sri Lanka and Protecting Labour Rights" at the conference on 'Addressing Labour's Precariousness in Sri Lanka and Beyond', organised by the International Centre for Ethnic Studies (ICES), Colombo, 1 and 2 February.
- Nisha Arunatilake was a panelist at a discussion on "More and Better Jobs for an Upper Middle-income Country" at the Sri Lanka Development Update Conference, organised by the World Bank, Colombo, 28 June.
- Dushni Weerakoon chaired a session on "Jobs, Skills Gap and Skills Development" at the 6th ADB-Asia Think Tank Development Forum 2018 on "Upgrading Human Capital and Skills Development for Future Asia", Australian National University (ANU), Canberra, Australia, 22 and 23 August.
- Nisha Arunatilake made a presentation on "Policies to Meet the Future Demand for Science and Technology Workers in Sri Lanka", at the ADB-Asian Think Tank Development Forum 2018 on the theme 'Upgrading Human Capital and Skills Development for Future Asia', Australian National University (ANU), Canberra, 22 and 23 August.
- Nisha Arunatilake made a key note speech on "Labour Market Information – Issues in Collection, Analysis and Dissemination", at a seminar on 'Establishment of a National Labour Market Information System', organised by the Department of Manpower and Employment, Colombo, 18 September.
- Nisha Arunatilake made a presentation on "Importing of Foreign Labour into Sri Lanka: Is It a Viable Option?", at the forum on 'Bringing Skilled Foreign Workers into Sri Lanka: Is it a Viable Option?', organised by the National Human Resources Development Council (NHRDC), Institute of Chartered Accountants of Sri Lanka, Colombo, 2 October.



- Ganga Tilakaratne made a presentation on "Labour Force Participation of Elderly Population in Sri Lanka: Patterns and Determinants", at the UNESCAP-SANEM session on "Emerging Labour Markets and Employment Challenges in South Asia in the Context of SDGs", at the "60th Annual Conference of the Indian Society of Labour Economics", Mumbai, India, 19 - 21 December.

Blogs

- Weerasekera, Harini (2018, January 29) "Where have all the Workers Gone? 'Sectoral Mismatch' between Labour Demand and Supply in Sri Lanka", Talking Economics, IPS.
- Madurawala, Sunimalee (2018, February 6) on "Lead like a Girl: Empowering Sri Lanka's Female Leadership", Talking Economics, IPS.
- Madurawala, Sunimalee (2018, March 6) "Economically Empowering Sri Lankan Women: One Strategy Does not fit All", Talking Economics, IPS.
- Arunatilake, Nisha (2018, October 22) "Sri Lanka's Human Capital Progress - Still Less than its Potential", Talking Economics, IPS.

Media

- Nisha Arunatilake wrote an article on "Labour Shortages in Sri Lanka", Sri Lanka Exporter, Issue No: 102, October - December 2018.
- Sunimalee Madurawala wrote an article on "Economically Empowering Sri Lankan Women: Different Strategies for Different Settings", Sri Lanka Exporter, Issue No: 102 October - December 2018.

Migration and Urbanisation

Migration and urbanisation are growing in their importance in the policy arena in Sri Lanka. The change in scope and composition of labour migration, growing importance of immigrant labour and slowing down of remittances are reshaping the migration policy priorities, while a growing urban population due to internal migration, state efforts to change the urban geography, and investments in urban infrastructure are contributing towards transitioning Sri Lanka to a leading urban economy in the region. The interwoven nexus between internal and international migration and urbanisation has opened up many areas to focus on for economic policy research.

As such in 2018, IPS research on the theme of Migration and Urbanisation focused on migration governance, remittances, recruitment, labour immigration, urban housing, and planned urbanisation.

Remittances and Macroeconomy

Traditionally, migration from Sri Lanka has been dominated by migrant workers. Presently, migration is expanding beyond labour migration to include other flows such as tied migration of spouse and children of skilled migrants and student migration. Moreover, future phases of migration from Sri Lanka would involve more of temporary migrants, who resemble global citizens rather than those who plan to return to Sri Lanka after some point in time. As such, migration and related remittances to Sri Lanka are expected to experience new patterns and trends. Research under this sub-theme aims to cover macro level research related to this dynamism in migration and remittances, and its regulatory framework.

Research Studies

A comprehensive study on Remittance Patterns with a View to Reduce Remittance Costs for Migrant Workers, to better understand regulatory frameworks, patterns and channels of remittances, cost of remittances, and use of remittances by migrant households, was funded by the International Labour Organisation (ILO). This research aims to generate evidence-based findings for remittances in Sri Lanka, to guide decision-makers to identify ways to reduce the cost of remittance and to improve the socioeconomic position of households and help achieve the goals and aspirations of migration that are highly linked to the behaviour of migrants as well as those of the left behind families. The IPS team included Bilesha Weeraratne and Harini Weerasekera.

Another study on remittances which is co-funded by the Sri Lanka Bureau of Foreign Employment (SLBFE) and IPS, on Does Remittances Alter Saving and Borrowing Behaviour of Family Left Behind focused on the causal impact of migration on savings and borrowing behaviour of members in the migrant household. The study was conducted by Bilesha Weeraratne.

Studies were carried out on Recruitment Business Processes, funded by the International Labour Organisation (ILO), Geneva and Recruitment Intermediaries in the Foreign Employment Industry - Sri Lanka, funded by the International Organisation for

Migration (IOM). The IPS team included Bilesha Weeraratne and Harini Weerasekera.

In the context of growing significance of climate change and natural disasters, with possible overlap implications of climate change and natural disasters with migration and receipt of remittances among households in Sri Lanka, a chapter on Linkages in Climate Change, Migration and Remittances in Sri Lanka for the IPS' "Sri Lanka: State of the Economy 2018" report was written by Bilesha Weeraratne.

To facilitate evidence-based policy planning on regulating sub-agents in the recruitment process for labour migration from Sri Lanka, a study was conducted on Recruitment of Temporary Migrant Workers & the Evolving Role of Sub-Agents in Sri Lanka. This study was an endorsement of the Ministry of Foreign Employment and conducted with funding from Research & Empirical Analysis of Labour Migration Program ('REALM Program') of New York University Abu Dhabi and Columbia University in New York. IPS' Bilesha Weeraratne was involved in this study.

While the REALM funded project focused on sub-agents from the point of view of migrants, a second study funded by the International Organisation for Migration (IOM) was carried out focusing on sub-agents themselves in detail to regularise recruitment intermediaries in Sri Lanka, and to gain an understanding of the current situation of recruitment intermediaries in order to facilitate evidence based policy formulation on regulating recruitment intermediaries and contributing to the implementation of measures outlined in the Cabinet Paper (No: 03/2017; Reference No: MFE/DEV/6/7 (i)). The survey involved 405 sub-agents from nine districts representing the nine provinces in Sri Lanka. Bilesha Weeraratne submitted the study report on REALM to the Secretary of the Ministry of Foreign Employment (MFE).

Publications

- Weeraratne, Bilesha, Wijayasiri Janaka, and Jayaratne, Suwendrani (2018). "Cost of Low-Skilled Migration to Saudi Arabia, South Korea and Malaysia: Value Chain Analysis - Sri Lanka", IPS Labour Economic Series No. 20, February.
- Wijayasiri, Janaka (2018). "Cost of Low-Skilled Migration to Saudi Arabia, South Korea and Malaysia: Value Chain Analysis - Sri Lanka", IPS Policy Insights.
- Weeraratne, Bilesha (2018). "Migration and Development - Role of Remittances", Routledge Handbook on Migration and Globalisation (Ed.) by Triandafyllidou, A., Routledge.
- Weeraratne, Bilesha (2018). "Regulating Sub Agents for Better Migration from Sri Lanka", IPS Labour Economic Series No. 21, September.
- Organisation for Migration (2018). "Recruitment Intermediaries in the Foreign Employment Industry in Sri Lanka", Organisation for Migration (IOM).

Policy Engagements

Committees

- IPS Research Director Nisha Arunatilake and Research Fellow Bilesha Weeraratne are serving in the Expert Group for Formulating the Revised National Labour Migration Policy.
- Nisha Arunatilake serves in the Taskforce Meeting on Labour Immigration (TFLI) of the National Human Resources Development Council (NHRDC) of Sri Lanka, in formulating an immigration policy for Sri Lanka.
- Bilesha Weeraratne is a member at the National Advisory Committee (NACLM) on Labour Migration.
- Bilesha Weeraratne is a member at the Programme Advisory Committee (PAC) on Labour Migration.

Presentations and Panels

- Bilesha Weeraratne made a presentation on “Tracing Informal Recruitment Relationships through a Panel Survey of Migrants”, at the first International Forum on Migration Statistics (IFMS), organised by the Organisation for Economic Co-operation and Development (OECD), France, International Organisation for Migration (IOM) and United Nations Department of Economic and Social Affairs (UN DESA), OECD Conference Centre, Paris, France, 15 and 16 January.
- Bilesha Weeraratne made a presentation on the preliminary findings of the ongoing study on “Recruitment Intermediaries in the Foreign Employment Industry in Sri Lanka”, to the Secretary of the Ministry of Foreign Employment (MFE), Gamini Seneviratne, and other officials of the MFE and donors, Colombo, 25 January.
- Bilesha Weeraratne made a presentation at the ‘Partner Exchange Platform on Ethical Recruitment’, organised by the International Organisation for Migration (IOM), Colombo, 19 February.
- Bilesha Weeraratne was a panelist at the “National Multi-sector Policy Forum on Labour Migration”, organised by the International Labour Organisation (ILO), Colombo, 2 October.

Blogs

- Weeraratne, Bilesha (2018, May 18) “Regulating Inbound Migration: In’s and Out’s of Sri Lanka’s Policy Framework”, Talking Economics, IPS.
- Weeraratne, Bilesha (2018, May 22) “Sub-Agents and Migrants: Dissecting their Relationship to Guide Regulation”, Talking Economics, IPS.
- Weeraratne, Bilesha (2018, December 18) “Sending Sri Lankans and Receiving Chinese Workers: Emerging Trend of Labour Migration in Sri Lanka”, Talking Economics, IPS.

Media

- Bilesha Weeraratne engaged in a TV discussion in MTV/TV1 News 1st on “Regulating Immigrants to Sri Lanka”, based on

the blog on “Regulating Inbound Migration: ‘In’s and ‘Out’s of Sri Lanka’s Policy Framework”, 17 May.

- Bilesha Weeraratne engaged in a TV discussion in TV1/MTV ‘Face the Nation’ (FTN) discussing “Rights of Female Migrants”, 9 July.

Urbanisation

Urbanisation is a growing aspect of the Sri Lankan economy. The official definition and related estimates fail to reflect the true picture of urbanisation in the country. Alternative estimates indicate that nearly 44 % of Sri Lankans live in urban areas, which will increase to 60 % in the near future. A change in the majority of the nation’s population from rural dwellers to urban dwellers would involve many socio-economic issues that necessitate new research. This sub theme focuses on such issues.

Research Studies

The issues of under-urbanisation and inadequate urban planning are byproducts of suppressed growth and development during the conflict years in Sri Lanka. The end of the conflict in May of 2009 opened up many opportunities for urban development. A study examining Transitioning to Middle Income: Profiting from Planned Urbanisation, was funded by the IPS. This study focuses on Sri Lanka’s urbanisation trajectory in the post-conflict setting, by exploring the degree of underdevelopment in urbanisation due to the conflict, and the rapid urbanisation efforts in the immediate period after the end of the conflict. The study also examines the military involvement in urbanisation efforts, its consequences in Sri Lanka and the political economy of urbanisation. IPS’ Bilesha Weeraratne was involved in this study.

Growing concerns in urban Sri Lanka can be identified in the areas of housing and solid waste management. At the national level, housing paints a positive picture, in terms of affordability, home-ownership and housing characteristics. Nevertheless, a detailed analysis into Urban Housing in Sri Lanka was conducted with IPS funding. This study aims to examine in the status quo in the dichotomy between high-end and low-end urban housing and their affordability in Sri Lanka, with the view to provide policy recommendations to steer Sri Lanka towards an urban population with minimal housing issues. IPS’ Bilesha Weeraratne was involved in this study.

Policy Engagements

Presentations and Panels

- Bilesha Weeraratne carried out a presentation on “Sustainable Financing for Urban Solid Waste Disposal Services in Sri Lanka”, at a seminar organised by the Central Environment Authority (CEA), Battaramulla, 7 November.

Blogs

- Wickramasinghe, Kanchana and Karunanayake, Chathurga (2018, August 27) “Building the Future: Sustainable Condominiums in Sri Lanka”, Talking Economics, IPS.

Poverty and Vulnerability

Sri Lanka has made significant progress in reducing poverty over the past decade: the poverty head count ratio (HCR) at the national level has declined from 15.2% in 2006/2007 to 4.1% in 2016, with all the three sectors - urban, rural and estate - showing a fall in their poverty levels. Nevertheless, inequality and vulnerability continue to be issues of great concern in Sri Lanka. The Gini co-efficient of household income, although it has declined marginally in recent years from 0.48 in 2012/2013 to 0.45 in 2016, remains at a high level over the past two decades. In addition, there are disparities in terms of access to basic services and infrastructure facilities such as education, health, water and sanitation and financial services, which may also have contributed to the prevailing high levels of income inequality in the country. In this context, the IPS' research on poverty and vulnerability focuses on a number of areas including sustainable development goals (SDGs), poverty and inequality, social protection and financial inclusion and ageing population.

Sustainable Development Goals (SDGs)

Sri Lanka is among the several countries that have committed to achieve the SDGs by 2030. SDGs include 17 goals and 169 targets that range from ending poverty and hunger in ensuring healthy lives, achieving gender equality and protecting environment and natural resources. The Government of Sri Lanka (GOSL) has taken a number of initiatives to mainstream SDGs in the country; nevertheless, there are many implementation challenges.

Research Studies

The report on Voluntary National Review (VNR) on the Status of Implementing the Sustainable Development Goals – Sri Lanka (with the Ministry of Sustainable Development, Wildlife and Regional Development) was prepared by the IPS. The VNR Report was presented at the High-Level Political Forum (HLPF) in July 2018. The VNR Report analysed in detail the policy and enabling environment for SDGs in Sri Lanka and the current status, gaps and challenges for each of the 17 SDGs. During the VNR process, IPS was also engaged in organising a number of multi-stakeholder consultative workshops. The IPS research team included Ganga Tilakaratna, Athula Senaratne, Manoj Thibbotuwawa, Kanchana Wickramasinghe, Chinthani Sooriyamudali and Ashani Abayasekara.

Another study on Data Constraints in Monitoring SDGs for South Asia, analyses the extent of availability of data for monitoring the 17 SDGs in the eight South Asian countries, authored by Ganga Tilakaratna. The study highlights the importance of improving the availability of high quality, timely, reliable and appropriately disaggregated data for SDGs and the need for improving the statistical capacity and strengthening regional cooperation in this regard. The IPS also initiated a study on Interpreting SDGs for South Asia: In Search of a Regional Framework with the Southern Voice Secretariat on Post-MDGs International Development Goals, funded by the UNESCAP South and South-West Asia Office (UNESCAP-SSWA),

New Delhi. The study aimed at analysing the SDG implementation challenges and priority areas for regional cooperation in the context of SDGs. The initial findings of the Sri Lanka country study were presented by Ganga Tilakaratna at the Research Policy meeting organised by the Centre for Policy Dialogue (CPD) held on 20-21 November 2018 in Dhaka, Bangladesh.

Publications

- Tilakaratna, Ganga (2018). 'Data Constraints in Monitoring SDGs' In "South Asian Cooperation : Issues Old and New" (Ed.) Paras Kharel, South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu (http://sawtee.org/publications/South_Asian_cooperation_Book.pdf)
- Arunatilake, Nisha (2018). "Post-disaster Housing: Lessons Learnt from the 2004 Tsunami of Sri Lanka", In Reddy, S. (Ed.), The Asian Tsunami and Post-Disaster Aid, New Delhi: Springer.

Policy Engagements

Committees

- Ganga Tilakaratne, Manoj Thibbotuwawa and Chinthani Sooriyamudali sat on the Taskforce meetings for the Sri Lanka Voluntary National Review (VNR) on Sustainable Development Goals 2018 Report, organised by the Ministry of Sustainable Development and Wildlife (MSDW).

Presentations and Panels

- The IPS team was engaged in preparation of the Voluntary National Review (VNR) on the Status of Implementing the Sustainable Development Goals (with the Ministry of Sustainable Development, Wildlife and Regional Development) that was presented by the Government at the High-Level Political Forum (HLPF) in July.



- Chinthani Sooriyamudali was a panellist at a session on "Review of Selected Goals for HLPF 2019 in South Asia" at the "South Asia Forum on the Sustainable Development Goals" organised by the UNESCAP in New Delhi (4-5 October) and at a session titled "Round-table on Think-tanks Cooperation for Achievement of SDGs in South Asia of the Regional Policy

Dialogue on Unlocking the Potential of Regional Cooperation in South Asia”, also organised by the UNESCAP in New Delhi, 6 October.

- Dushni Weerakoon was a discussant to session on “Sub Regional and National Perspectives” at the “ESCAP Expert Group Meeting on Investment Needs for Achieving the Sustainable Development Goals in Asia and the Pacific”, UN-ESCAP, Bangkok, 15 November.
- Ganga Tilakaratna made a presentation on “Interpreting SDGs for South Asia: In Search of a Regional Framework – The Case of Sri Lanka” at the Research Policy meeting SDGs organised by the Centre for Policy Dialogue (CPD), Dhaka, Bangladesh, 20-21 November.



- In the Study tour to Korea on Sustainable Development of Middle-Income Countries- Korea's Experience and Practices organised by The Asia Foundation, 21-31 October, IPS' Ganga Tilakaratna was a participant.

Blogs

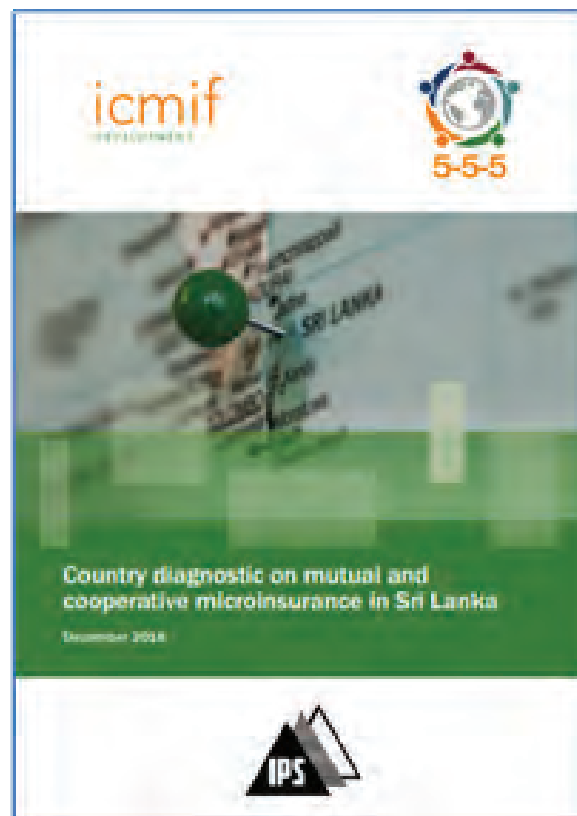
- Tilakaratna, Ganga and Sooriyamudali, Chinthani (2018, July 11) “Sri Lanka's Sustainable Development Act: Improving Institutional Coherence for SDGs”, Southern Voice.
- Ellepola, Yolanthika (2018, July 17) “Raising Awareness of the UN Sustainable Development Goals in Sri Lanka”, Southern Voice.

Financial Inclusion

Access to quality financial services is an important instrument to reduce poverty, vulnerability and inequality and to support income generation activities. Although about 83 % of Sri Lanka's adult population has bank accounts at financial institutions, there are many challenges in achieving financial inclusion in Sri Lanka. These include poor quality and high costs of financial services, particularly those which affect low income groups, low access and utilisation of financial services such as insurance, remittance and digital financial services, and inadequate access to credit by the SMEs.

Research Studies

A study was carried out regarding Country Diagnostic on Mutual Microinsurance in Sri Lanka to provide a detailed analysis of the current context of mutual and co-operative microinsurance in Sri Lanka, particularly focusing on the demand, supply and regulatory aspects, and to identify issues and constraints for the development and growth of the microinsurance sector. This study was funded by the International Co-operative and Mutual Insurance Federation (ICMIF), UK under the ICMIF's 5-5-5 strategy, which aims to extend mutual microinsurance to Rs 5 million which was previously uninsured - for low-income households in five emerging market countries (Colombia, India, Kenya, the Philippines and Sri Lanka) over a period of five years. The Sri Lanka country report was formally launched at the ICMIF Asia and Oceania Association (AOA) Seminar held in Hong Kong on 6-7 December. The IPS research team included Ganga Tilakaratna, Chinthani Sooriyamudali, Manavee Abeyawickrama and Anarkalee Perera.



A chapter on Managing Risks through Sri Lanka's Microinsurance System for the IPS' “Sri Lanka: State of the Economy 2018” report written by Ganga Tilakaratna, provides a detailed analysis of Sri Lanka's microinsurance landscape and discusses the importance of microinsurance as a risk management tool among low-income households.

Committees

- Ganga Tilakaratne is a member of the Working Group of the National Financial Inclusion Strategy, Central Bank of Sri Lanka.

Publications

- Tilakaratna, Ganga., Sooriyamudali, Chinthani., Abeyawickrama, Manavee., and Perera, Anarkalee (2018). "Country Diagnostic on Mutual and Corporate Microinsurance in Sri Lanka", International Cooperative and Mutual Insurance Federation (ICMIF) UK. <https://downloads.icmif.org/Country-diagnostic%20on-mutual-and-cooperative-microinsurance-in-Sri-Lanka.pdf>

Social Protection

Despite the multitude of social protection programmes, there are several gaps and weaknesses in the current social protection system such as low coverage, poor targeting, and fragmented nature of the system, and lack of coordination among programmes. These issues along with the emerging demographic and labour market challenges such as an ageing population, large informal sector and low female labour force participation, stress the need for reforming Sri Lanka's social protection system in a number of areas.

Research Studies

A policy brief on Social Protection and Disaster Risk Management in Sri Lanka, for IPS' "Sri Lanka: State of the Economy 2018" report was written by Chinthani Sooriyamudali.

Poverty and Inequality

Despite Sri Lanka's achievement in poverty reduction, there are regional disparities and 'pockets of poverty'. Moreover, inequality has remained high with a Gini-coefficient of household income in the range of 0.45 – 0.49 over the past two decades. The share of household income in the poorest quintile has also remained 4-5% while that of the top quintile has remained over 50%, indicate considerably high levels of inequality in the country.

Research Studies

A study was carried out on Child Poverty in Sri Lanka and Issues Related to their Education and Access to Safe Water and Sanitation which identifies the locations and socio-economic groups of poor and vulnerable children who leave formal school education, particularly after the age for compulsory education (14 years), those who are faced with various deprivations related to their education, access to safe water and sanitation. The team included Wimal Nanayakkara and Yolanthika Ellepola.

A paper on Achieving Equity in Post-Conflict Development in Sri Lanka considers the impact of conflict on poverty, inequality and vulnerability and post conflict efforts to enhance equity and their implications. This paper was prepared by Ganga Tilakaratna.

Publications

- Nanayakkara, Wimal (2018). "Child Poverty in Sri Lanka: Issues Related to their Education and Access to Safe Water and Sanitation". IPS. <http://www.ips.lk/child-poverty-sri-lanka-issues-related-education-access-safe-water-sanitation/>

Policy Engagements

Blogs

- Nanayakkara, Wimal (2018, July 30) "Digging Deep: A Closer Look at Income Poverty in Sri Lanka" Talking Economics, IPS.
- Nanayakkara, Wimal (2018, November 30) "Weather Related Disasters in Sri Lanka: Most Vulnerable and Where to Find Them", CLIMATEnet, IPS.
- Nanayakkara, Wimal (2018, December 27) "A Balancing Act: Can Sri Lanka Overcome Regional Income Inequalities?", Talking Economics, IPS.

Environment, Natural Resources and Agriculture

Sri Lanka is traversing a path of reform when the world is entering an era of sustainable development goals (SDGs). Achieving sustainable development is a delicate balancing act that needs to be guided by wise policy decisions. The looming threat of global climate change has imposed added conditions that growth models should pay attention to low carbon and climate resilient mechanisms. Sri Lanka has to pay attention towards minimising the cost of negative environmental consequences of the growth process. Among the major economic sectors, the agriculture sector depends on environment and natural resources to the highest extent. While the domestic agricultural sector is plagued with low productivity, inefficient usage of resources, food insecurity and unsustainable agricultural practices, the plantation sector too is in a crisis owing to low productivity, volatile commodity prices and high production costs. Food security, agricultural value chains, agricultural trade and land policy have become important areas that need attention.

Climate Change

Combatting climate change is a major challenge to be faced in years to come. Adaptation is the key strategy to face the challenge. The IPS has assisted the Climate Change Secretariat of the Ministry of Mahaweli Development and Environment to prepare the National Adaptation Plan for Climate Change Impacts in Sri Lanka 2016-2025 and has been involved in a number of other relevant initiatives with government organisations and donor agencies. Successful adaptation to climate threat requires formulating effective policies that can fill existing gaps in the areas of information, technology, policy, institutions and resource mobilisation. Overcoming these gaps is constrained by high levels of risk and uncertainty associated with climate change impacts at all levels. The IPS continued its research on climate change based on an adaptive policy making framework for overcoming major gaps concerning institutions, technology, policy, institutions and resource mobilisation.

Research Studies

A study on Climate Insurance for Dry Zone Farmers in Sri Lanka, funded by the Global Development Network (GDN) was conducted to assess existing crop insurance programmes, risk management strategies and potential role of climate insurance in managing climate related risks for farmers, given the increasing variations in climate patterns and resultant impacts affecting the agriculture sector. The findings show that there is a technical possibility for implementing rainfall index-based insurance in Sri Lanka and call for improvements in availability of timely and accurate rainfall data. IPS' Kanchana Wickramasinghe was engaged in this study. A study conducted on Challenges for Adaptation to Climate Change: Bridging the Information and Communication Gap, is an action research programme designed to demonstrate interventions which can reduce the vulnerability of the farming community to climate risks while improving the overall adaptive capacity of all stakeholders involved. Led by the IPS, this project expects to establish an Integrated Climate Information Management

Systems (ICIMS) that can harness both the strengths of local knowledge systems and advances in modelling techniques in climate sciences. The ICIMS models are pilot tested in vulnerable farming communities in Sri Lanka with potential applications in other developing regions too. A team led by Athula Senaratne is engaged in this study.

Chapters on Transitioning Sri Lanka Towards a Climate Resilient Low Carbon Economy, by Athula Senaratne and Climate Change and Disasters: Managing the Risks in Sri Lanka, by Kanchana Wickramasinghe were authored for the IPS' "Sri Lanka: State of the Economy 2018" report.

Publications

- Senaratne, Athula (2018). "Climate Change Issues in Sri Lanka; Special Issue, Vol (3) on Integrated Climate Information Management Systems (ICIMS)", IPS.
- Wickramasinghe, Kanchana (2018). "Index-based Insurance and Climate Information in Sri Lanka: Prospects for Community-based Rainfall Stations", Climate Change Issues in Sri Lanka, Vol (3): Special issue, IPS.
- Hirimuthugodage, Dilani (2018). "Sri Lankan Farmers' Traditional Knowledge and Climate Change Predictions", Climate Change Issues in Sri Lanka, Vol (3): Special issue, IPS.

Policy Engagements

The International Knowledge-Sharing Conference on Innovative Models for Inclusive and Sustainable Agribusiness Development through Public Private Producer Partnerships (4Ps) was co-organised by Manoj Thibbotuwawa and Dilani Hirimuthugodage, together with the Presidential Secretariat of Sri Lanka, through its National Agribusiness Development Programme (NADeP), and the International Fund for Agricultural Development (IFAD) in Colombo in June.

A Regional Consultation Workshop on Export Promotion and Market Access for Agriculture and Food Products in Major Global Markets, was co-organised by Manoj Thibbotuwawa and Dilani Hirimuthugodage together with the SAARC Agriculture Centre (SAC) in Colombo in September.

Presentations and Panels

- Manoj Thibbotuwawa chaired a session on "Climate Smart Agriculture: Key to Ensuring Food Security and Rural Livelihood in Sri Lanka", CLIMATEnet, 6 March
- Kanchana Wickramasinghe was a panellist at the discussion on the "Effectiveness of Index-based Insurance as a Tool to Manage Weather Risks and Building Knowledge Network in Sri Lanka" at the technical workshop on "Agricultural Insurance in Sri Lanka – Building Knowledge Network and Partnerships" organised by the International Water Management Institute (IWMI) in collaboration with Epic Lanka and Fairfirst Insurance, IWMI, Battaramulla, 9 March.

- Athula Senaratne made a presentation on “Climate Information and Farmers: Socio-economic Aspects”, at the ‘Lesson Sharing Workshop on Bridging the Climate Information and Communication Gaps for Effective Adaptation Decisions: An Integrated Climate Information Management System (ICIMS)’, organised by the IPS, in collaboration with Janathakshan and the Department of Meteorology of Sri Lanka (DOM), Kalutara, 30 and 31 August.



- Manoj Thibbotuwawa made a presentation on “Climate Change Challenges” at the “Asia Pacific Regional Forum on Inclusive and Sustainable Rural Transformation”, Yogyakarta, Indonesia in October.

Blogs

- Wickramasinghe, Kanchana (2018, May 7) “Climate Insurance for Sri Lankan Farmers: Potential and Practicalities”, GlobalDev, GDN, India.
- Hirimuthugodage, Dilani (2018, July 16) “Sri Lankan Farmers’ Traditional Knowledge and Climate Change Predictions”, CLIMATEnet, IPS.
- Perera, Anita and Maddumage, Geethika (2018, August 9) on “Climate Information Needs of Farmers: What is in Demand?”, CLIMATEnet, IPS.
- Wickramasinghe, Kanchana (2018, August 21) “Index-based Insurance and Climate Information in Sri Lanka: Prospects for Community-based Rainfall Stations”, CLIMATEnet, IPS.
- Thibbotuwawa, Manoj and Dissanayaka, Nimesha (2018, August 29) “For Whom the Mobile Phones Ring? Future of Climate Information Delivery in Sri Lanka”, CLIMATEnet, IPS.
- Senaratne, Athula and Wickramasinghe, Kanchana (2018, September 20) “Research-based Inputs: Key to Climate Adaptation in Sri Lanka”, Talking Economics, IPS.
- Nanayakkara, Wimal (2018, November 26) “Weather Related Disasters in Sri Lanka: Most Vulnerable and Where to Find Them”, CLIMATEnet, IPS.

Media

- Athula Senaratne shared his views on the impacts of climate change on the economy and the importance of environmental economics, while participating in a discussion at the Biz 1st In Focus’ on TV1/MTV.
- The Echelon magazine interviewed Athula Senaratne, Manoj Thibbotuwawa and Kanchana Wickramasinghe regarding the issue of climate change in Sri Lanka’s current economic policies.

Green Economy

There is an increasing emphasis on “greening” the economies worldwide. The essence of SDGs too is to transform the global economy towards a green economy. The economic strategy and policies of Sri Lanka need to adopt the concepts of sustainability, in order to capitalise on growing global opportunities of the green economy. Innovative green economy policies and technologies are critical elements in this process. Safeguarding ecosystem services and ensuring a sustained base of natural capital should be the bottom-line of all green economic policies. The IPS continued its research on green economy focusing on policy innovations that can ensure sustained flow of ecosystem services from the natural capital of the country, while capturing the globally emerging opportunities for a green economy.

Research Studies

A study examining the National Policy on Natural Gas for Sri Lanka with the Ministry of Petroleum Resource Development involved reviewing the draft policy document along with other relevant policies and inputs from stakeholders and finalising the National Policy on Natural Gas. Accordingly, it is expected that the policy will address issues involved either with the development of indigenous natural gas resources or use of imported liquefied natural gas (LNG). There is substantial evidence to indicate that Sri Lanka can reap significant economic, social and environmental benefits from using natural gas as a source of energy in power, industrial, transportation, household and commercial sectors, and as a raw material for industrial purposes. Athula Senaratne and Kanchana Wickramasinghe were engaged in this study.

An action research study focusing on Commercial Insurance for Farmers for Human Wildlife Conflict by Elephants, was funded by the Darwin Institute and International Institute for Environment and Development (IIED), UK. The study aims to test how private insurance can help farmers mitigate the human elephant conflict based on pilot level interventions that will be launched in selected study sites in Kurunegala and Anuradhapura. Athula Senaratne and Kanchana Wickramasinghe are engaged in this study.

A study on the Economic Analysis of Land and Transport Sector Issues was initiated by the Millennium Challenge Corporation (MCC) of the US as a partner. This assesses the situation and needs of land and transport sectors, and identifies potential improvements based on a comprehensive survey of the land and transport sec-

tor stakeholders at the firm and household levels throughout the country. The study can be directly utilised to make development decisions for improvements in inland and transport sectors in Sri Lanka. The IPS' team was led by Athula Senaratne.

Policy Engagements

Presentations and Panels

- Manoj Thibbotuwawa served as the Moderator of 11th Annual Research Forum of Sri Lanka Agricultural Economic Association (SAEA) under the theme "Natural Disasters, Risk and Agriculture", Peradeniya, 13 January.
- Kanchana Wickramasinghe and Manoj Thibbotuwawa carried out a presentation on "Risk Management Strategies of Farmers and Innovations" at the workshop on 'Development of an Algorithm for Drought Related Crop Insurance Products', organised by the Sri Lanka Association for Advancement of Sciences (SLAAS), Colombo, 22 May.
- Kanchana Wickramasinghe was a panellist at the technical session on "Disaster Management" at the "Dialogue of BIMSTEC Think Tanks on Regional Security", New Delhi, India, 13 -14 November.



Food Security

Despite having made significant progress on several human development and health indicators, Sri Lanka continues to struggle with respect to food security and nutrition. In 2017, The Global Hunger Index (GHI) and Global Food Security Index (GFSI) ranks Sri Lanka 85 out of 119 countries, and 66 out of 113 countries indicating moderate performance in food security and a serious hunger situation, respectively. The National Strategic Review for Food Security and Nutrition (NSRFSN) Leading to Zero Hunger in 2017 conducted by the IPS and World Food Programme (WFP) clearly reveals that food and nutrition security in Sri Lanka, as targeted by SDG2, remains an unachieved social and economic goal in spite of numerous interventions by the government and development partners. Within this background, IPS continued its research on various aspects of food security with the aim of improving the food security situation of the country.

Research Studies

A research on the Impact of New Processing Plant of North Lanka Family Food (Pvt) Limited: Baseline Study for the future assessment and documentation of the results, changes and impacts (intended and unintended) caused by the construction of the multi-faceted medium sized processing plant was conducted in the Kilinochchi District and funded by Aavishkaar Frontier Fund's Technical Assistance Facility (AFF-TAF). The preliminary findings of the study emphasised that modern farming techniques and value addition in agriculture are rarely practiced in these areas and suggested the importance of adopting the public-private-producer-partnership (4P) model to this project. The IPS research team was led by Manoj Thibbotuwawa.

A chapter for the IPS' "Sri Lanka: State of the Economy 2018" report on Climate Change, Food Security and Rural Livelihoods in Sri Lanka, was authored by Manoj Thibbotuwawa.

Publications

- Wickramaarachchi, W.A.R.T., and Thibbotuwawa, Manoj (Eds.) (2018). "Export Promotion and Market Access for Agriculture and Food Products in Major Global Markets". SAARC Agriculture Centre, Dhaka, Bangladesh.
- Wijayasiri, Janaka, Thibbotuwawa, Manoj, and Hirimuthugodage, Dilani (2018). "Value Chain Analysis of Pepper, Cinnamon and Cardamom". IPS, Department of National Planning and Japan International Cooperation Agency (JICA), Colombo.
- Thibbotuwawa, Manoj (2018). "Tackling Food Security and Malnutrition in Sri Lanka", Proceedings of the Annual Session 2017, Sri Lanka Economic Association, Colombo.

Policy Engagements

- The IPS organised two policy engagement forums in May (Climate Change) and November (Food Security) 2018, with

the participation of experts representing the government, the non-government, and the private sectors.

Presentations and Panels

- Manoj Thibbotuwawa was a moderator at the 11th Annual Research Forum of Sri Lanka Agriculture Economic Association (SAEA) under the theme “Natural Disasters, Risk and Agriculture”, Peradeniya, 10 and 13 January.
- Manoj Thibbotuwawa made a presentation on “Agriculture and Food Security Research Priorities” at the Stakeholder and Policy Engagement Forum on “Food Security”, IPS Conference Room, 29 November.



- Manoj Thibbotuwawa made a presentation on “Food Security” at the Annual Academic Sessions of the Nutrition Society of Sri Lanka, Colombo, 29 November.

Blogs

- Thibbotuwawa, Manoj (2018, March 6) “Climate Smart Agriculture: Key to Ensuring Food Security and Rural Livelihood in Sri Lanka”, CLIMATEnet, IPS.
- Hirimuthugodage, Dilani (2018, July 16) “Sri Lankan Farmers’ Traditional Knowledge and Climate Change Predictions”, CLIMATEnet, IPS.

Agricultural Value Chains

Inclusive agribusiness is a powerful tool for raising rural incomes, creating jobs and helping communities adapt to climate change. IPS has been researching on how the rural poor can benefit more from integration into markets and trade during the last few years. On the basis of the experience and lessons learned, some of the important questions that have to be addressed include; how public-private-producer partnerships can be expanded; what are the opportunities and challenges to enhance access to input and output markets and improve infrastructure; what is the role

that government and other partners need to play in creating an enabling policy and institutional environment to promote lasting rural transformation and growth. This complexity of the changing environment has created uncertainty around as how to promote inclusive and sustainable approaches and public-private-producer partnerships to generate impact at scale. Thus, IPS continued its value chain research to analyse the different value chain interventions in the country.

Research Studies

Evaluating the Performance of the Value Chain Intervention by the Fund for Agricultural Development (IFAD) was a study conducted to assess the targeting approach, effectiveness, results and changes from value chain development interventions for selected commodities. More specifically, this analysis aims for a detailed understanding of the pre-intervention and current situation of the farmer community in selected areas and to evaluate the impact of the interventions on productivity, farm income, marketing and other livelihood activities. The IPS team led by Manoj Thibbotuwawa included Samanthi Bandara, Nimesha Dissanayaka and Chathurga Karunanayake.

IPS was engaged in a study on Formulating Intellectual Property (IP) Policy for Sri Lanka which was funded by the Ministry of Industry and Commerce. The objective of the study was to prepare a comprehensive Intellectual Property Policy for Sri Lanka along with sound implementation strategies that are in line with the economic and innovation aspirations of the country. The draft IP policy was prepared based on literature review, stakeholder consultations with legal, academia, policy makers, private sector, civil organisations and with the support from the members of the IP Policy formulation sub-committee. The draft policy document was presented at the validation workshop and submitted to the Ministry of Industry and Commerce. IPS’ Dilani Hirimuthugodage was engaged in this study, which included Dr. Sampath Punchihewa (Senior Lecturer, Faculty of Law, University of Colombo) and Dr. Parakrama Samarasinghe (Retired Research Fellow, IPS).

A report on “Innovative Model for Inclusive and Sustainable Agribusiness Development through Public Private Producer Partnerships (4Ps)” presented on proceedings of the international conference, Colombo, 21 - 23 March, was prepared by Manoj Thibbotuwawa which included W. C. Dheerasekera.

A report on “Export Promotion and Global Market Access for South Asian Agricultural and Food Products”, for SAARC Agriculture Centre (SAC), Dhaka, Bangladesh was prepared by Manoj Thibbotuwawa which included W. A. R. T. Wickramaarachchi.

Publications

- Wijayasiri, Janaka., Arunatilake., Nisha and Kelegama, Saman (Eds.) (2018). “Sri Lanka Tea Industry in Transition: 150 Years and Beyond”, IPS.
- Wijayasiri, Janaka., Thibbotuwawa, Manoj., and Hirimuthugodage, Dilani (2018). “Analysis of Cinnamon, Pepper and Cardamom Value Chains in Sri Lanka”, IPS.

Policy Engagements

Committees

- Dilani Hirimuthugodage is a member on the Development of a National Policy for Primary Industries for Sri Lanka, Ministry of Primary Industries in March.
- Manoj Thibbotuwawa served as a member of the Technical Evaluation Committee of National Agribusiness Development Programme (NADeP), President Secretariat in 25 June.
- Manoj Thibbotuwawa is a member of the Committee on Socio Economic Research, Council for Agricultural Research Policy (CARP), Ministry of Agriculture.
- Manoj Thibbotuwawa is a member of the Technical group of Food and Nutrition Gap (FNG) study at the World Food Programme (WFP) Conference room in September.
- Manoj Thibbotuwawa is a member of the Working Group of Technical Assistance to Modernization of Agriculture Project (TAMAP), Ministry of Agriculture hosted by the National Planning Department, 7 December.

Presentations and Panels

- Dilani Hirimuthugodage carried out a presentation on “Analysing Quality Constraints in Cinnamon Value Chain in Sri Lanka” at the Sri Lanka Agriculture Economics Association’s 11th Annual Research Forum on - Natural Disasters, Risk and Agriculture, Peradeniya, 10 - 13 January.
- Janaka Wijayasiri made a presentation on “The Tea Industry in Sri Lanka”, at a seminar on “Global Value Chains and Standards for Trade in Asia”, organised by the Institute of Developing Economies, Japan External Trade Organisation (IDE-JETRO) and the Ministry of Development Strategies and International Trade, Dr. Saman Kelegama Auditorium, IPS, 29 March.
- Manoj Thibbotuwawa moderated a session at the “Lesson Sharing Workshop on Bridging the Climate Information and Communication Gaps for Effective Adaptation Decisions: An Integrated Climate Information Management System (ICIMS)”, organised by the IPS, in collaboration with Janathakshan and the Department of Meteorology of Sri Lanka (DOM), Kalutara, 30 -31 August 2018.
- Manoj Thibbotuwawa was a group facilitator of the “Climate Adaptation Group” and also the presenter at the “Fill the Nutrient Gap” workshop organised by the Ministry of Health and World Food Programme, September.
- Athula Senaratne made a presentation “Sri Lanka’s Progress in Poverty Reduction since Opening up the Economy, and What to Gain from the Experience of Chinese Reforms” at the “International Forum on China’s Reforms, Opening Up and Poverty Reduction” in Beijing, China, November.

- Manoj Thibbotuwawa discussed “Lessons to be Learnt from Chinese Reforms” at the “International Forum on China’s Reform and Opening Up and Poverty Reduction”, in Beijing, China, November.
- Manoj Thibbotuwawa was a panelist at the “National Experience Sharing Forum on Shaping Local Economy through Lessons Learnt”, organised by the Industrial Services Bureau (ISB) at the Centre for Banking Studies, Rajagiriya, November.
- Manoj Thibbotuwawa presented Agriculture Research at the IPS to a group of students and staff from the Uva Wellassa University, November.
- Manoj Thibbotuwawa made a lecture on “Evolution of Agricultural Policies in Sri Lanka” at the workshop organised for the undergraduates from the University of Jaffna at HARTI, December.
- Janaka Wijayasiri shared “Experience of Using Value Chain Analysis (VCA) at IPS”, at a workshop on “TAMAP Harmonising Methodologies for Agriculture Value Chain Assessments in Sri Lanka”, Colombo, 7 December.

Blogs

- Thibbotuwawa, Manoj (2018, March 3) “Climate Smart Agriculture: Key to Ensuring Food Security and Rural Livelihood in Sri Lanka”, CLIMATEnet, IPS.
- Thenuwara, H., and Arunatilake, Nisha (2018, April 3) “Trouble Brewing? How Sri Lanka’s Tea Industry Can Prepare for Future Challenges”, Talking Economics, IPS.
- Dissanayaka, Nimesha (2018, October 11) “Contract Farming: A Way to Even the Playing Field?”, Talking Economics, IPS.

Media

- Nisha Arunatilake and H. Thenuwara wrote a newspaper article on “Sri Lanka’s Tea Industry: Future Challenges”, Sunday Observer, 8 April.
- Dilani Hirimuthugodage produced a short video to commemorate World IP day -2018 on “Powering Change: Women in Innovation and Creativity”, IPS Expert Insights, April.
- Manoj Thibbotuwawa had a media interview with Mr. Bhanuka Amarasinghe on Food Security Challenges, ‘Ada’ newspaper.
- Manoj Thibbotuwawa was interviewed by Mr. Devan Daniel on Climate Change and Food Security, Echelon magazine, November.

Research Team Leaders



L-R: Ganga Tilakaratna, PhD (Manchester), Nisha Arunatilake, PhD (Duke), Manoj Thibbotuwawa, PhD (Western Australia), Athula Senaratne, PhD (Deakin), Bilesa Weeraratne, PhD (CUNY), Janaka Wijayasiri, PhD (Monash), Dushni Weerakoon, PhD (Manchester)

Research Staff



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



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



Sunimalee Madurawala
BA (Colombo), MEcon (Colombo)
Research Economist



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



Kithmina Hewagea
BA (Johns Hopkins), MSc (UCL)
Research Officer



Ashani Abayasekara
BA (Peradeniya), MA (ANU)
Research Officer



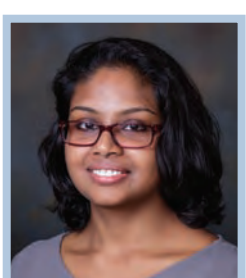
Samantha Bandara
BA (Colombo), MSc (Chulalongkorn)
Research Officer



Nipuni Perera
BA (Colombo), MPPECOPOL (ANU),
CIM (UK)
Research Officer



Neluka Gunasekara
BA (Colombo)
Research Officer



Chinthani Sooriyamudali
BA (Colombo)
Research Officer



Harini Weerasekera
BA (Colombo), BSc (Uolip), MSc (Warwick)
Research Officer



Nuwanthi Senaratne
BSc (University of Southampton),
MSc (University of Surrey)
Research Assistant



Chathurga Karunanayake
BA (Colombo)
Research Assistant



Nimesha Dissanayaka
BSc (Peradeniya)
Research Assistant



Wimal Nanayakkara
BSc (Peradeniya)
Senior Visiting Fellow

Remembering Dr. Saman Kelegama

Saman Kelegama Memorial Lecture on 'Opportunities and Challenges for Stability and Growth'

25 June, Dr. Saman Kelegama Auditorium, IPS



Delivering the inaugural Saman Kelegama Memorial Lecture, Governor of the Central Bank of Sri Lanka (CBSL), Dr. Indrajit Coomaraswamy noted that Dr. Kelegama was an embodiment of many qualities, both professional and human; despite his many accolades and achievements, he was always modest, kind, unassuming, and humane, the Governor further highlighted.

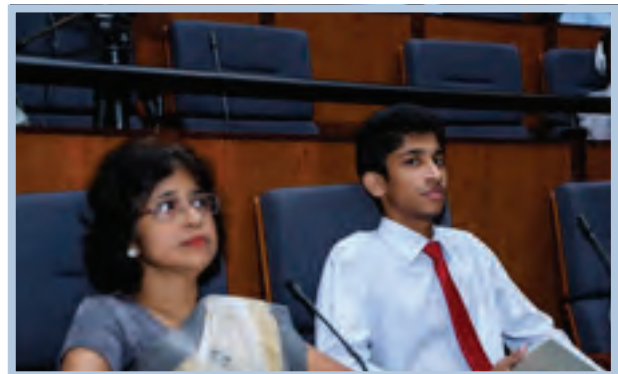
The lecture was held on the theme 'Managing Domestic and International Opportunities and Challenges for Stability and Growth' on 25 June 2018, at the Dr. Saman Kelegama Auditorium of the IPS.

Reminiscing on Dr. Kelegama's role as a leading trade policy economist and the Chairman-designate of the Agency for International Trade of the Ministry of Development Strategies and International Trade, Dr. Coomaraswamy noted that trade and investment are especially vital to drive growth, as Sri Lanka is facing the challenge of an ageing population at an early stage of its development trajectory.

The First Saman Kelegama Memorial Research Grant Awarded to Thisali de Silva

The first Saman Kelegama Memorial Research Grant, established to honour Dr. Saman Kelegama's legacy of independent research and public policy engagement in the arena of socio-economic development in Sri Lanka and the wider South Asian region, was awarded to Thisali de Silva, a student of the University of Colombo. Prime Minister, Ranil Wickremesinghe awarded the grant to Ms. de Silva at the inaugural session of the Saman Kelegama Memorial Conference on 29 June 2018.

She was awarded a one-time research grant of Rs. 150,000 to carry out her research into the Tuk Tuk culture of Sri Lanka and a six-month internship at the IPS.



The Saman Kelegama Memorial Research Grant is an annual, merit-based grant awarded to an outstanding undergraduate studying in a university in Sri Lanka. The grant aims to promote policy entrepreneurship among undergraduate students by encouraging policy relevant, rigorous, and innovative socio-economic research.

Saman Kelegama Memorial Conference on 'Managing Domestic and International Challenges and Opportunities in Post-Conflict Development: Lessons from Sri Lanka'

29 - 30 June, Taj Samudra, Crystal Ballroom



delivering the opening remarks at the conference paid tribute to Dr. Kelegama, who made a tremendous contribution to the country's economic policy, especially trade policy of Sri Lanka.

The conference was organised by the IPS to mark the first year death anniversary of its former Executive Director, late Dr. Saman Kelegama, around the theme 'Managing Domestic and International Challenges and Opportunities in Post-Conflict Development: Lessons from Sri Lanka.'

It was attended by eminent economists both in Sri Lanka and overseas, including economists of Sri Lankan origin in Australia and the US and key figures from South Asian think tanks and international agencies.

Delivering the Keynote Address at the Saman Kelegama Memorial Conference, Prime Minister, Ranil Wickremesinghe, noted that Sri Lanka has to address weaknesses in trade competitiveness, eliminate trade barriers, tackle anti-dumping legislation, and help domestic industries become competitive. Minister of Development Strategies and International Trade, Malik Samarawickrema,

Concept Note

Managing Domestic and International Challenges and Opportunities in Post-Conflict Development: Lessons from Sri Lanka

Background

The heightened volatility in the global economy since the global financial crisis, the emergence of China as a dominant economic and military power, and intensifying geopolitical rivalries and tensions pose complex economic and political policy challenges for small countries embarking on post-conflict development. This international context brings both challenges and opportunities, and requires economic, political and diplomatic policy skills of a high level of sophistication and flexibility to ensure that a country can embark on a path of sustainable growth and development.

These issues are nowhere better exemplified as in the case of Sri Lanka, which for over thirty years suffered from a violent conflict which weakened security, drained resources, damaged infrastructure, destroyed communities, and undermined development. The ending of the conflict in 2009 opened the door for reconstruction and economic development. However, choosing development strategies that can consolidate peace and transform the country into a dynamic modern economy was challenging due to both internal and external forces. On one hand, prudence was needed in decision making in the ethnically and culturally diverse democratic Sri Lanka. On the other, caution was required in managing the economic and political forces in a volatile world economy and a region increasingly caught up in geo-political rivalries and tensions.

The aftermath of the conflict was ripe with opportunities, but also posed daunting challenges. To sustain peace, post-conflict development needed to be broad based and inclusive. It needed to rapidly reconstruct and rebuild the war-devastated regions, restore macroeconomic stability, while delivering a 'peace dividend' and better living standards for all. It had to attract capital and assistance for rebuilding, and restore preferential access to international markets such as the EU. It had to maintain the political goodwill and support of the international community, including the rising Asian giants, China and India.

Sri Lanka quickly attracted the favourable attention of global investors. Tourism boomed with the end of the war. Helped by an inflow of foreign funds, particularly from China, public spending surged and the economic growth rate accelerated rapidly. The country seemed poised for 'take off' and rapidly achieve the long-hoped for middle income status.

However, external economic shocks, emanating from the depressed global economy in the aftermath of the 2008 Global Financial Crisis, clouded the environment for export growth, escalating fiscal deficits driven by political pressures to deliver a quick peace dividend undermined fiscal sustainability and macroeconomic stability. On the other hand, a resilient Asia was providing new markets and investment opportunities for industrial linkages, as well as new sources of development finance, particularly from China.

But coping with adverse shocks while exploiting the new opportunities has proved not to be easy. This conference draws lessons from the story of post-conflict development of Sri Lanka in the context of a struggle for socio-political reconciliation, a turbulent world economy, and managing difficult internal and external economic challenges.



Saman Kelegama Memorial Research Grant 2018

Call for Proposals

The Institute of Policy Studies of Sri Lanka (IPS) is pleased to announce the first call for proposals for the **Saman Kelegama Memorial Research Grant**.

The Grant is established to honour Dr. Saman Kelegama's legacy of independent research and public policy engagement in the arena of socio-economic development in Sri Lanka and the wider South Asian region. He was the Executive Director of the IPS from 1995 until his unexpected demise on 23rd June, 2017. During his tenure, Dr. Kelegama transformed the IPS into a reputed regional center of research excellence. With a global outreach, the IPS intends to honour his role as an eminent economist, policy advisor, and public policy advocate by fostering independent research nationally.

The Saman Kelegama Memorial Research Grant is an annual, merit-based grant awarded to an outstanding undergraduate studying in a university in Sri Lanka. The Grant aims to promote policy entrepreneurship among undergraduate students by encouraging policy relevant, rigorous, and innovative socio-economic research.

Who can apply?
The Grant is open to third and fourth year undergraduate students studying economics or a related subject in a University Grants Commission approved university or higher education institute in Sri Lanka.

How to apply?
The proposal must be written according to the guidelines provided and e-mailed to nilanthi@ips.lk by April 30th, 2018. The finalists for the Grant will be informed on 20th May, 2018. The winner will be announced on 20th June 2018. The guidelines for writing the proposal can be obtained by sending an e-mail with your name, university affiliation, and degree course to nilanthi@ips.lk.

How will the winner be chosen?
From the proposals received, three finalists will be chosen. The quality of the proposal will be judged for its relevance, feasibility, originality, and creativity. The finalists will be invited to present their proposals at a workshop at the IPS, where the award recipient will be chosen.

The outcomes of the Grant
The recipients of the scholarship will be expected to produce a research report within nine months from receiving the grant. This report can be written on their own or jointly with an IPS senior researcher.

Benefits of the Grant
The beneficiary will be awarded a one-time research grant of Rs. 150,000 to carry out the proposed research and a six-month internship at the IPS. The recipient will be able to seek guidance from senior researchers and benefit from IPS resources to complete the proposed study during the internship. To allow students from all over Sri Lanka to benefit from this opportunity, the terms of the internship will be flexible. The internship can either be a fully in-house internship at the IPS; or, it can be an in-house plus on-line internship. In the case of the second option, the in-house component of the internship should be at least six weeks. To encourage dissemination of the research, an additional subsidy will be provided for presenting the research findings at local conferences and workshops.

For more information on this call please contact: Nilanthi (nilanthi@ips.lk)



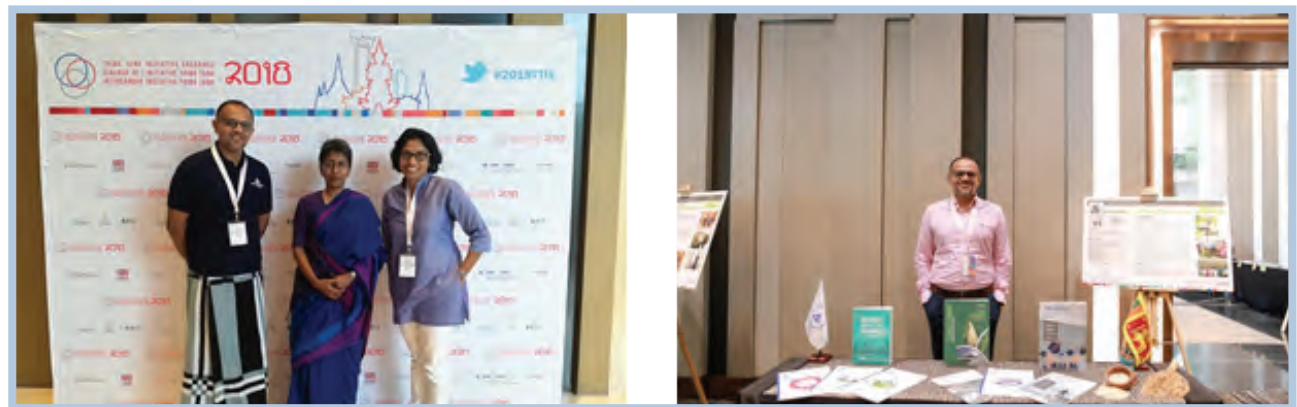
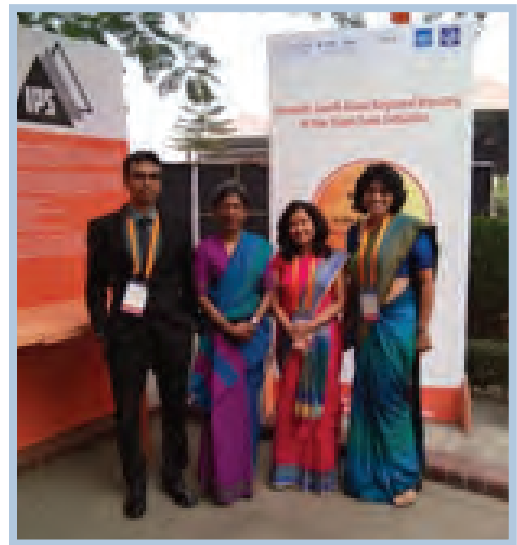
Institute of Policy Studies of Sri Lanka
100/20, Independence Avenue, Colombo 7, Sri Lanka
Tel: +94 11 2143150 Fax: +94 11 2660065
Email: ips@ips.lk, Website: www.ips.lk
Blog: TalkingEconomics.blogspot.com
Twitter: [TalkEconomicsSL](https://twitter.com/TalkEconomicsSL)

TTI Funded Activities -2018

RM7 Highlights Sustainability Challenges Faced by Southern Think Tank 05 – 07 February, Dhaka, Bangladesh



IPS Executive Director, Dr. Dushni Weerakoon, highlighted the contribution of the Think Tank Initiative (TTI) to building research leadership, seeding new areas, recruiting exemplary staff and re-defining issues in new areas of work such as on measuring urbanisation in Sri Lanka.



IPS Participated in the TTI Exchange 2018 (TTIX) 12 – 14 November, Bangkok, Thailand

Publications

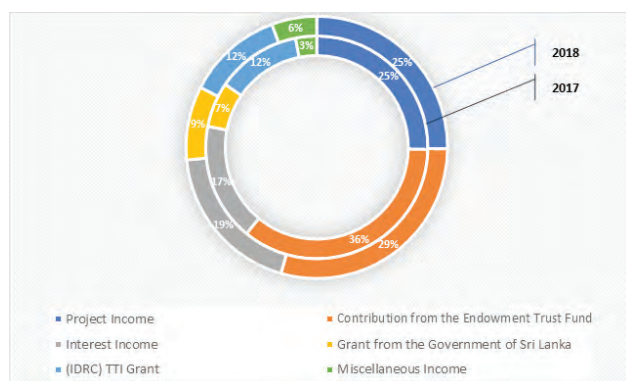
Sri Lanka: State of the Economy 2018
Taxation in Sri Lanka; Current Trends and Perspectives
TE Digest (Talking Economics) – January – June; July – December
Firm-Level Analysis of Manufacturing Sector Investment in Sri Lanka

Support Services

Finance and Administration

Finance and Administration facilitates and supports the IPS' research activities, by providing financial, administration, human resource, maintenance, operations, transportation, and procurement services.

The Institute's financial performance for the year shows a surplus of Rs. 64 Mn. Of the total revenue of Rs. 197 Mn, project revenue accounted for 25%, collections from the IPS Endowment Trust Fund was 29%, interest income was 19%, Government grants were 9%, IDRC TTI grant accounted for 12% and other miscellaneous income was 6%.



To encourage networking and foster good relations among the staff members, IPS organised a staff outing, financed by the Institute's welfare fund and the TTI grant.

In 2018, IPS bid farewell to four researchers and four support staff members, while six new staff members were recruited to research and support units of the Institute.

Communications and Outreach

Disseminating IPS research and expanding outreach through effective use of communication channels is one of the key objectives of the Institute, and is led by the Communications and Publications Units of the IPS. This includes distributing the multi-dimensional research activities of IPS to local and international stakeholders, policymakers, and the general public through various mediums, such as publications, policy briefs, print, electronic, and broadcasting media, digital and social media, and events and dialogues.

In 2018, the IPS Communications Strategy and Communications Plan was further developed and followed through in consultation with the research staff.

In some key highlights, 08 publications were produced by the Institute in 2018, among which were IPS' annual flagship report 'Sri

Lanka: State of the Economy 2018' and 'Sri Lanka Tea Industry in Transition: 150 Years and Beyond.'

Meanwhile, IPS research and its news are disseminated to the public as well as policymakers in the form of press releases, blog articles, and interviews in the media.

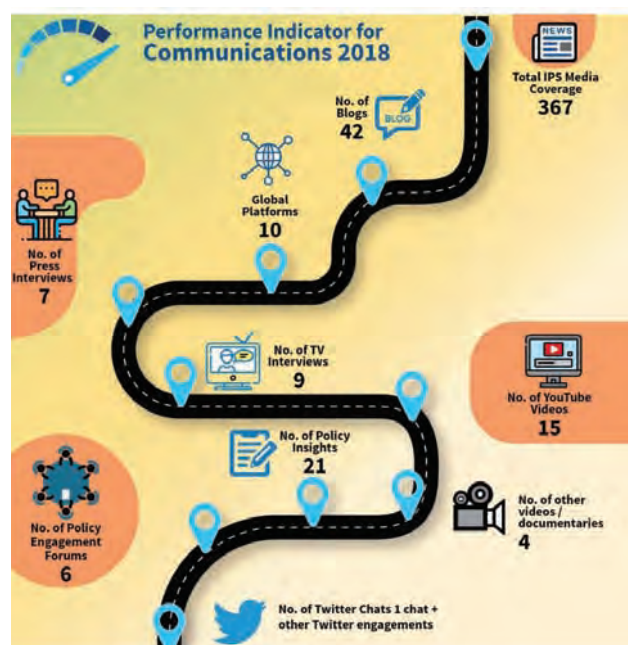
In 2018, IPS issued 42 blog articles to the local press and online news outlets (generated by Talking Economics and CLIMATEnet), while 10 articles were shared on global platforms. One-on-one interviews between the press and research staff have been facilitated to strengthen IPS' relationship with media as well as to disseminate the Institute's research with a better focus.

IPS researchers also participated in nine in television interviews and discussion programmes over the year.

IPS' social media presence also increased significantly in 2018, with Facebook, Twitter, LinkedIn, and YouTube pages being updated regularly. IPS became especially active on Twitter, using this platform to post live updates during events and forums. IPS also hosted a Twitter Chat on the State of the Economy report, with the participation of the research staff. It also engaged the online community by live streaming select events on YouTube and Facebook.

Among the notable events held in 2018 were Saman Kelegama Memorial Lecture and Conference. IPS also organised an international knowledge-sharing conference on 'Innovative Models for Inclusive and Sustainable Agribusiness Development through Public Private Producer Partnerships (4Ps)' on behalf of the Presidential Secretariat of Sri Lanka and its National Agribusiness Development Programme (NADeP), and the International Fund for Agricultural Development (IFAD).

In these ways, IPS has managed to reach out to a variety of stakeholders with the Institute's premier research.



Policy Engagement Forums

Policy Engagement Forum on 'Education and Skills for Prosperity: Building Networks for Bridging Knowledge Gaps' on 30 January, Dr. Saman Kelegama Auditorium, IPS.

IPS New Thinkers' Symposium, 27 February, Dr. Saman Kelegama Auditorium, IPS.

Policy Engagement Forum on Trade Research, 27 March, IPS Conference Room, IPS.

IPS Policy Engagement Forum on Climate Change, 24 May, Dr. Saman Kelegama Auditorium, IPS.

Policy Engagement forum on Migration, 31 July, IPS Conference Room, IPS.

IPS Stakeholder Engagement Forum on Food Security, 29 November, Dr. Saman Kelegama Auditorium, IPS.



Information System

The IPS' Information Systems Unit (ISU) assists the Institute to remain competitive as a regional center of excellence, by facilitating key activities such as software, communication, hardware, networking and IT infrastructure management, web development, information dissemination, and database development.

In 2018, a completely new Local Area Network (LAN) was conceptualised and implemented, to meet IPS' ICT demands. An integrated unified communication network with IP phones was put in place improving communication, conferencing, and connectivity. Audio and video conferencing facilities were also integrated to the network, powered by online UPSs.

To reduce the space and cost of hardware, the server system runs on a VMware environment, hosting more than 30 servers. The firewall and the communication system were upgraded to the latest available in the market to provide a better, faster, and more secure service.

Library

The IPS library provides information resources to its research and support staff, as well as serving external users. The main focus in 2018 was the restructuring of the library. Another priority was the development of a special collection in the library for the Institute's former Executive Director, Dr. Saman Kelegama, and the creation of a digital library of his writings. This was successfully completed in 2018.

The library also continued to provide access to several on-line databases, including JSTOR, with the generous support of IDRC/TTI.

The library also keeps its users up-to-date on current affairs. It engages in educational activities to make the staff familiar with the library intranet, OPAC, and Electronic databases. It also attended to a large number of Interlibrary Loan (ILL) and Document Delivery (DD) requests.

The restructuring of library services and staff duties continue to be a priority for 2019. Introducing procedures for streamlining library activities and services and introducing a document management system are other priorities for the near future.

Support Service Staff

Finance & Administration

Gayani Caldera, Director Finance and Administration
Chamali Rajapaksha, Accountant
Thakshila Withanage, Accounts Assistant
Madusha Hettiarachchi, Finance and Administrative Assistant
Harshani Fonseka, Human Resources and Administration Officer
Renuka Wijekoon, Facility Management Officer
Bernadette Prabaloginy, Receptionist

Communications & Outreach

Charmaine Wijesinghe, Manager Publications & Events
Shihara Maduwage, Manager Communications and Strategic Outreach
Amesh Thennakoon, Publications Officer
Nayomi Jayakody, Secretary
Gayendri Karunaratne, Part Time Editor

Information Systems

Nandaka Pothuwewa, Head of Information Systems
Nalaka Liyanapathirana, Web Manager and System Administrator
Roshan Kaluarachchi, Web Developer cum Network Assistant

Library

Vishaka Narmadha, Library Assistant

Office Aide/Drivers

P. U. K. Rajasiri
G. R. Wickremasena
H. S. Udayakantha
Nihal Wasantha
S. P. Gamini

Publications 2018

Sri Lanka Tea Industry in Transition: 150 Years and Beyond

Cost of Low-Skilled Migration to Saudi Arabia, South Korea and Malaysia: Value Chain Analysis - Sri Lanka

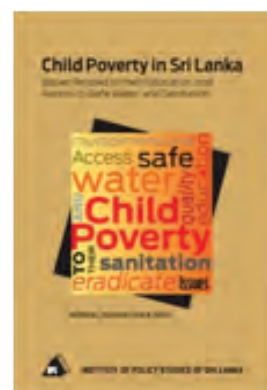
Talking Economics Digest (January to June 2018)

Child Poverty in Sri Lanka: Issues Related to their Education and Access to Safe Water and Sanitation

Firm-Level Analysis of Manufacturing Sector Investment in Sri Lanka

Regulating Sub Agents for Better Migration from Sri Lanka

Sri Lanka: State of the Economy 2018 (SOE)



In-house Seminars

"The State of the World Economy and Prospects for Developing Countries", by Dr. Yilmaz Akyuz, Chief Economist, South Centre, former Director and Chief Economist, UNCTAD, Geneva, IPS, 28 February.

"New Initiative to Enhance Primary Curative Care in Sri Lanka" by Dr. Ruvaiz Haniffa, President, Sri Lanka Medical Association (SLMA), IPS Conference Room, 2 April.

"Shadow Education in Sri Lanka" by Ashani Abayasekara, Research Officer, IPS and "The Rat Race for Human Capital: Evidence and Theory" by Dr. Tiloka de Silva, Consultant, World Bank Office, Colombo, IPS Conference Room, 24 April.

"Writing Blogs" by Shihara Maduwage, Manager Communications & Strategic Outreach, IPS, IPS Conference Room, 30 May.

"Genesis of Decorative Consumption" by Chathurga Karunanayake, Research Assistant, IPS, IPS Conference Room, 19 July.

"Sri Lanka's Scope for Green Accounting in the Energy Sector" by Senanee Abeyawickrama, Project Intern, IPS, IPS Conference Room, 2 August.

"Tax Rates and Tax Evasion: An Empirical Investigation of Border Tax Evaluation in Sri Lanka" by Harini Weerasekera, Research Assistant, IPS, IPS Conference Room, 17 August.

"The Sri Lanka Voluntary National Review of the SDGs" by Chinthani Sooriyamudali, Research Officer, IPS, IPS Conference Room, 21 September.

"The Effect of National Power on Economic Performance" by Nuwanthi Senaratne, Research Assistant, IPS, IPS Conference Room, 25 October.

"Development Challenges of Sri Lanka: The Asian Century and the Imminent Middle Income Trap" by Dr. H. M. Gunatilake, Distinguished Fellow of IPS and Former Director (Environment) and Principal Energy Economist of the ADB, IPS Conference Room, 26 November.



Dr. H. M. Gunatilake, Distinguished Fellow of IPS, making a presentation at the In-House seminar.

Farewell to Long Standing Staff Members....



Dr. Premila Gamage, Librarian

Dr. Premila Gamage joined IPS as Librarian on 2nd February 1997. For over two decades, she was instrumental in ensuring that IPS researchers had the best possible access to local and global information resources. To this end, she developed innovative ways of combining library science and IT and contributed to IPS' overall organisational development, during her tenure. She has been recognised nationally and internationally for her professional achievements.



Asuntha Paul, Secretary

Asuntha Paul joined IPS as Secretary on 1st April 1990. During her 27 year long tenure at IPS, Asuntha formatted all IPS publications and provided administrative support to the research staff.



Nilanthy Alahakoon, Secretary

Nilanthy Alahakoon joined IPS as Secretary on 3rd December 2012. She was the Secretary to the Executive Director. Her diligence and commitment has ensured that IPS operations were run smoothly.

Staff outing to Jetwing Blue



■ Internship Programme 2018

The internship programme of the IPS offers short-term attachments to currently enrolled students or recent graduates in economics or closely related fields. It provides 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 development issues, and are typically for 2-6 months.

The following persons successfully completed their internship programme during 2018.

Name	Designation	University
Ayesha Madhuwanthi	Project Intern	University of Jaffna, Sri Lanka
Rashmi Jayathissa	Project Intern	University of Jaffna, Sri Lanka
Gayanthi Anuradha Ilangarathna	Project Intern	University of Peradeniya, Sri Lanka
Dasuni Tharangika Dayananda	Project Intern	University of Peradeniya, Sri Lanka
Dilmi Wijesekara	Project Intern	City University of London, UK
Virul Abeygunawardane	Project Intern	University of Melbourne, Australia
Senanee Abeyawickrama	Project Intern	New York University Abu Dhabi, UAE
Kavinda Hettiarachchi	Project Intern	London School of Economics, HELP University, Malaysia
Saira Meyler	Project Intern	University of York, UK
Thisali de Silva	Project Intern	University of Colombo, Sri Lanka
Dilshani Ranawaka	Project Intern	University of Colombo, Sri Lanka
Vihan Aluwihare Jinadasa	Project Intern	University of South Florida, USA
Nimasha Amarasooriya	Library Intern	University of Kelaniya, Sri Lanka
Wathsala Dharmathilaka	Library Intern	University of Kelaniya, Sri Lanka
Nilwala Godamanna	Project Intern	Rajarata University, Sri Lanka
Binura Seneviratne	Project Intern	Australian National University, Australia



Financial Statement 31st December 2018

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL PERFORMANCE
For the Year ended 31st December

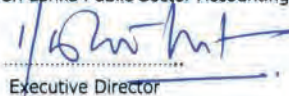
	Notes	2018 Rs.	2017 restated Rs.
Revenue			
Grant from the Government of Sri Lanka	2	18,000,000	13,750,000
Contribution from the Endowment Trust Fund	22	57,832,288	74,852,906
Project Income	3	49,829,065	53,236,088
Income from International Development Research Centre (IDRC) TTI Grant	4	23,435,895	25,986,931
Income from Seminars/Workshops	5	6,029,313	3,760,013
Interest Income		37,676,927	36,017,937
Income from Hiring the Auditorium		1,277,481	1,737,581
Miscellaneous Income	6	1,116,586	679,086
Profit on Disposal	14	1,905,556	41,000
Exchange Gain		704,328	240,927
Total Revenue		197,807,439	210,302,469
Expenses			
Employee Cost	7	59,465,658	62,440,591
Depreciation on Property, Plant and Equipment	14	13,744,139	11,827,882
Research Cost	8	28,528,666	26,944,861
Seminars and Workshops Cost		4,402,510	1,207,272
Utility Expenditure		15,622,524	16,255,686
Travel Expenses		384,173	457,437
Other Operating Expenses	9	10,813,147	9,485,173
Hire of Auditorium		404,656	727,825
Total Expenses		133,365,473	129,346,727
Surplus Before Taxation		64,441,966	80,955,742
Income Tax Expense	10	67,328	-
Surplus for the Year		64,374,638	80,955,742

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL POSITION

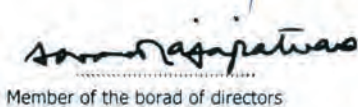
<i>As at 31st December</i>		2018	2017 restated
	Notes	Rs.	Rs.
ASSETS			
Current Assets			
Cash and Cash Equivalent	11	54,854,909	22,176,135
Investments	15	144,933,424	184,763,234
Trade receivables	16	9,831,269	9,555,164
Inventories - Publications		1,179,607	1,246,995
Deposits and Prepayments	12	9,825,055	4,855,642
Interest Receivable		6,548,246	9,800,488
Other Receivables	13	57,190,326	17,819,478
Total Current Assets		284,362,836	250,217,136
Non Current Assets			
Property, Plant and Equipment	14	458,450,439	455,721,262
Long Term Investments	15	176,362,554	176,243,382
Deposits and Prepayments	12	6,985,297	-
Total Non Current Assets		641,798,290	631,964,644
Total Assets		926,161,126	882,181,780
LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	6,246,233	6,608,208
Advance Receipts on Projects	18	12,092,518	33,586,149
Total Current Liabilities		18,338,751	40,194,357
Non Current Liabilities			
Employee Benefits	19	13,861,669	12,615,364
Staff Welfare Fund		2,624,375	2,410,366
Total Non Current Liabilities		16,486,044	15,025,730
Total Liabilities		34,824,795	55,220,087
Net Assets		891,336,331	826,961,693
EQUITY			
Accumulated Surplus		891,336,331	826,961,693

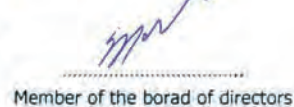
These financial statements have been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.


Chief Financial Officer


Executive Director


Chairman


Member of the board of directors


Member of the board of directors

The Accounting policies on pages 47 to 50 and Notes on pages 51 to 59 form an integral part of these Financial Statements.
The board of Directors is responsible for the preparation and presentation of these Financial Statements.

6th June 2019
Colombo

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY

For the year Ended 31st December

	Accumulated Surplus
	Rs.
Balance as at 31 st December 2016 (Restated)	746,005,951
Surplus of income for the year (Restated)	80,955,742
Balance as at 31 st December 2017 (Restated)	<u>826,961,693</u>
Surplus of income for the year	64,374,638
Balance as at 31st December 2018	<u>891,336,331</u>

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CASH FLOW

For the year ended 31st December

		2018	2017 (Restated)
		Rs.	Rs.
Cash Flow From Operating Activities	Notes		
Surplus/(Deficit) Before Taxation		64,374,638	80,955,742
Adjustments for;			
Movement of the Staff Welfare Fund		214,009	262,986
Depreciation on Property, Plant and Equipment	14	13,744,139	11,827,882
Provision / (Reversal) of Gratuity	19	3,388,412	4,952,911
Interest Income		(37,676,927)	(36,017,937)
Decrease in Provision for Bad debt		361,094	1,079,714
(Profit) / Loss on sale / write down of assets		(1,778,984)	(41,000)
Net cash inflow/(outflow) Before Working Capital Changes		42,626,381	63,020,298
(Increase)/ Decrease in Trade Receivables		(637,199)	(6,516,857)
(Increase) /Decrease in Inventories		67,388	(474,899)
(Increase)/Decrease in Deposits and Prepayments		(11,954,710)	9,089,778
(Increase)/ Decrease in VAT and NBT Receivables		-	-
(Increase)/ Decrease in Other Receivables		(39,370,848)	(14,717,006)
Increase/(Decrease) in Advance Receipts		(21,493,631)	(41,890,439)
Increase/(Decrease) in Trade and Other Payables		(361,975)	2,335,600
Net cash inflow/(outflow) Generated From Operations		(31,124,594)	10,846,475
Gratuity Paid	19	(2,142,106)	(3,905,226)
Net cash inflow/(outflow) From Operating Activities		(33,266,700)	6,941,249
Cash Flow From Investing Activities			
Purchase of Property, Plant and Equipment	14	(16,844,333)	(7,044,315)
Interest Received		40,418,177	33,241,211
Sales Proceeds from Disposal of Property, Plant and Equipment		2,150,000	41,000
Purchase of Investments		(38,173,099)	(120,214,811)
Proceeds from Sale of Investments		42,704,704	63,932,441
Net cash inflow/(outflow) From Investing Activities		30,255,449	(30,044,474)
Cash Flow From Financing Activities			
Grants Received		-	23,151,936
Net cash inflow/(outflow) From Financing Activities		-	23,151,936
Net (Decrease)/Increase in Cash and Cash Equivalents		(3,011,251)	48,711
Cash and Cash Equivalents at the beginning of the year (Note 11)		5,797,576	5,748,865
Cash and Cash Equivalents at the end of the year		2,786,325	5,797,576
a) Reconciliation of Cash and Cash Equivalents			
Cash at Bank		2,696,325	5,707,576
Cash in Hand		90,000	90,000
		2,786,325	5,797,576

The Institute of Policy Studies of Sri Lanka NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

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.

1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

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, unless otherwise stated.

(a) Foreign currency transactions

These Financial Statements are presented in Sri Lankan Rupees, which is the Institute's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the date of statement of financial position. All differences are taken to the statement of financial performance.

(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.

The Institute of Policy Studies of Sri Lanka NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

Property, plant and equipment (Continued)

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	10%
Furniture	10%
Office Equipment	10%
Motor Vehicles	10%
Library Books	25%
Buildings	2%

The useful life of the assets is reviewed at the beginning of each financial year if expectations are differ from previous estimates changes are made to reflect such changes.

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/ Repurchase Agreements, Treasury Bonds and Corporate Debentures.

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/ Repurchase Agreements

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

The Institute of Policy Studies of Sri Lanka

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

Investments (continued)

iii. Treasury Bonds

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

These investments have been classified as held to maturity investments (noncurrent) as the Institute has positive intention and ability to hold them to maturity.

iv. Corporate Debentures

The Investments in Corporate Debentures are stated at cost as at the date of statement of financial position. These investments have been classified as held to maturity investments (noncurrent) as the Institute has positive intention and ability to hold them for more than one year.

(e) 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.

(f) 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.

Individual impairment assessment is used to identify the provision for doubtful debt. The individually impaired debtors are provided at 10% for balances aged three (03) to six (06) months, 50% for balances aged six (06) to twelve (12) months and a provision of 100% is made for debtors aging more than twelve (12) months.

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash at bank, cash in hand, call deposits and Treasury Bills and Repurchase Agreements with banks which have a maturity of less than three months, net of bank overdrafts. In the Statement of Financial Position, bank overdrafts are included under current liabilities which have a maturity of three months or less.

(h) 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 date of the statement of the financial position. Non-current liabilities are those balances that fall due for payment after one year from the statement of financial position date. All known liabilities have been accounted for in preparing these financial statements.

Provision for liabilities is recognized when the Institute 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.

The management assessed that, cash and short term investments, trade receivables, trade payables and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these investments.

The Institute of Policy Studies of Sri Lanka

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

(i) 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.

(j) 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. Works completed and not billed to customers are recorded in the progress billing account. 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)

i. 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.

ii. Classification of recurrent 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.

INSTITUTE OF POLICY STUDIES OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS

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 expenses of the Institute.

	2018 Rs.	2017 Rs.
3 Project Income		
Income from Institutions	<u>49,829,065</u>	<u>53,236,088</u>

	2018 Rs.	2017 Rs.
4 Income from International Development Research Centre (IDRC) TTI Grant		
TTI Grant for the year	<u>23,435,895</u>	<u>25,986,931</u>

This relates to the portion of income recognized from the IDRC Think Tank Initiative (TTI) Phase 2 grant. The Institute qualified for the second phase of the grant amounting to Canadian Dollars 950,000 effective from 1st 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. The grant period will be completed by 31st March 2019.

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.

	2018 Rs.	2017 Rs.
6 Miscellaneous Income		
Sale of Publications	909,951	505,396
Other Income	206,635	173,690
	<u>1,116,586</u>	<u>679,086</u>

	2018 Rs.	2017 Rs.
7 Employee Cost		
IPS Staff Salary	46,521,178	46,485,828
EPF	5,445,340	5,269,136
ETF	1,228,923	1,317,284
Honorarium (Note 7.1)	1,176,400	2,677,086
Health Benefits and Fees	1,614,603	1,568,974
Other Benefits	90,803	169,373
Provision for gratuity / (reversal) (Note 19)	3,388,411	4,952,911
	<u>59,465,658</u>	<u>62,440,592</u>

	2018 Rs.	2017 Rs.
7.1 Honorarium		
Includes payments made as sitting allowance for board meetings	<u>36,000</u>	<u>72,000</u>

	2018 Rs.	2017 Rs.
8 Research Cost		
Printing & Typesetting Publication Cost	1,526,160	843,688
Internet Charges	3,604,006	3,839,472
Consultation Charges	7,103,049	4,990,970
Field work supervision	8,731,821	6,779,776
Project Related Dissemination	4,473,334	2,630,339
Project Related Assets Donations	-	3,976,980
Other Research Costs	3,090,296	3,883,636
	<u>28,528,666</u>	<u>26,944,861</u>

INSTITUTE OF POLICY STUDIES OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

	2018	2017
	Rs.	Rs.
9 Other Operating Expenses		
Registration and Membership Fees	370,149	490,620
Office Costs	5,262,999	4,643,998
Consumables	313,163	218,400
Professional and Legal Fees	2,345,269	2,516,813
Audit and Tax Fees	507,527	262,200
Advertisements	112,897	471,572
Bank Charges/Commission	150,157	152,184
Other Admin Related Costs	1,540,932	1,809,100
Bad Debts Provision / (Reversal) (Note 9.1)	210,054	(1,079,714)
	10,813,147	9,485,173

- 9.1** The provision of Rs. 281,882.78 was made for long outstanding balances from the Ministry of Industry and Commerce amounting to Rs. 51,781.50, Ministry of Development Strategies & International amounting Rs. 230,101.28 during the year 2018. During the year a Rs 71,828.59 bad debt reversal has been done (2017: Provision reversal Rs. 1,079,714/-).

10 Income Tax Expense

Current tax Expense

The profits and the income of the Institute of Policy Studies for the three months ended 31.03.2018 are exempt from tax as per section 19(4) of the IPS Sri Lanka Act No. 53 of 1988.

Under the provisions of the Inland Revenue Act, No. 24 of 2017 (effective from 01.04.18) , income from investments are subject to income tax at 14%. Accordingly, provisions are made for the income tax for the nine months ended 31 December 2018 as follows:

	2018
	For the nine months ended
	Rs.
Income from Investment	
Income from hiring Auditorium	632,731
Income from Endowment Trust Fund	57,832,288
Interest	27,984,393
	86,449,412
(-) Expenses in relation to the Investment income	
Expenses of hiring Auditorium	(151,818)
	86,297,594
(-) Final Withholding Payments	
Interset income	(85,816,681)
Total Assessable Income/Taxable income	480,913
Tax Rate	14%
Tax on Taxable Income (Rs. 480,913/- * 14%)	67,328
Tax Paid	-
Income Tax Payable/(Refundable Amount)	67,328

	2018	2017
	Rs.	Rs.
11 Cash and Cash Equivalents		
Cash at Bank	1,696,325	3,173,051
Cash in Call Deposit Account	1,000,000	2,534,525
Petty Cash	90,000	90,000
Investments held for less than 03 months		
Fixed Deposits and Treasury Bills under Repurchase Agreements*	52,068,584	16,378,559
	54,854,909	22,176,135

INSTITUTE OF POLICY STUDIES OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
As at 31st December

	2018	2017
	Rs.	Rs.
12 Deposits and Prepayments - Short Term		
Prepayments (Note 12.1)	9,227,346	4,220,042
Deposits	273,350	278,150
Other Advances (Note 12.3)	324,359	357,450
	9,825,055	4,855,642
Deposits and Prepayments - Long Term		
	2018	2017
	Rs.	Rs.
Prepayments (Note 12.2)	6,985,297	-
12.1 Prepayments	Rs.	Rs.
Medical Insurance	679,909	675,034
Other Insurance	210,419	233,812
Other Prepayments	1,361,106	3,311,196
Maintenance (Network / Server system / Software) - Short Term	6,975,912	-
	9,227,346	4,220,042
12.2 Prepayments	Rs.	Rs.
Maintenance (Network / Server system / Software) - Long Term	6,985,297	
12.3 Other Advances	2018	2017
	Rs.	Rs.
Advance payment in connection to long term research project	-	350,950
Advance payment relating to conferences	324,359	6,500
	324,359	357,450
13 Other Receivables	2018	2017
	Rs.	Rs.
Staff Debtors	3,956,573	3,181,120
Other Receivables (Note 13.1)	53,233,753	14,638,358
	57,190,326	17,819,478
13.1 Other Receivables	2018	2017
	Rs.	Rs.
Receivable From Endowment Trust Fund	53,233,753	14,634,365
Other Receivable	-	3,993
	53,233,753	14,638,358

**INSTITUTE OF POLICY STUDIES OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS**

14 Property, Plant and Equipment

	Land Rs.	Building Rs.	Computer Equipment Rs.	Motor Vehicles Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Library Books Rs.	Total Rs.
Cost								
Balance as at 01 st January 2018	156,000,000	324,428,668	81,616,650	19,014,445	19,344,705	22,910,508	1,725,314	625,040,291
Additions	-	-	3,915,060	11,500,000	599,556	828,717	1,000	16,844,330
Less: Disposals (note 01)	-	-	-	(6,988,500)	-	-	-	(6,988,500)
Less: Write down of Assets (note 02)	-	-	(213,750)	-	-	-	-	(213,750)
Balance as at 31st December 2018	156,000,000	324,428,666	85,317,962	23,525,945	19,944,261	23,739,225	1,726,313	634,682,372
Accumulated Depreciation								
Balance as at 01 st January 2018	-	44,881,672	69,766,563	11,937,051	19,185,985	21,946,513	1,601,244	169,319,029
Depreciation Charge	-	6,488,591	5,178,607	1,745,906	50,689	167,433	112,913	13,744,137
Less: Disposals	-	-	-	(6,744,056)	-	-	-	(6,744,056)
Less: Write down of Assets	-	-	(87,178)	-	-	-	-	(87,178)
Balance as at 31st December 2018	-	51,370,264	74,857,991	6,938,900	19,236,674	22,113,946	1,714,158	176,231,933
As at 31st December 2018	156,000,000	273,058,402	10,459,971	16,587,045	707,587		12,155	458,450,439

Notes:

1. During the financial year, the company disposed motor vehicle net book value of Rs 244,444/- for Rs 2,150,000/- which has resulted in Rs 1,905,556 amount of disposal gain.
2. Asset written down consists of a laptop costing Rs. 213,750/- and Accumulated depreciation of Rs. 87,178/- as at 31/01/2018. The laptop was lost during a foreign travel and damages were claimed and recovered from insurance.
3. As of 31st December 2018, the total value of fully depreciated assets were Rs. 115,931,941/- (2017: Rs. 112,591,893/-).

INSTITUTE OF POLICY STUDIES OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS

14 Property, Plant and Equipment

	Land	Building	Computer Equipment	Motor Vehicles	Furniture & Fittings	Office Equipment	Library Books	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
Balance as at 01 st January 2017	156,000,000	324,168,801	75,963,835	19,014,445	19,344,705	22,928,767	1,717,463	619,138,016
Additions	-	259,867	6,744,455	-	-	32,141	7,851	7,044,315
Less: Disposals	-	-	(1,091,640)	-	-	(50,400)	-	(1,142,040)
Less: Write down of Assets	-	-	-	-	-	-	-	-
Balance as at 31st December 2017	156,000,000	324,428,668	81,616,650	19,014,445	19,344,705	22,910,508	1,725,314	625,040,291
Accumulated Depreciation								
Balance as at 01 st January 2017	-	38,397,579	66,832,204	10,925,403	19,161,649	21,860,433	1,455,919	158,633,187
Depreciation Charge	-	6,484,093	4,025,999	1,011,648	24,336	136,480	145,325	11,827,882
Less: Disposals	-	-	(1,091,640)	-	-	(50,400)	-	(1,142,040)
Less: Write down of Assets	-	-	-	-	-	-	-	-
Balance as at 31st December 2017	-	44,881,672	69,766,563	11,937,051	19,185,985	21,946,513	1,601,244	169,319,029
As at 31st December 2017	156,000,000	279,546,996	11,850,087	7,077,394	158,720	963,995	124,070	455,721,262

INSTITUTE OF POLICY STUDIES OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

	2018	2017
	Rs.	Rs.
15 Investments - Short Term		
Fixed Deposit - Staff Welfare Fund	3,262,049	2,910,298
Fixed Deposit - Gratuity Fund	16,450,247	13,936,856
Fixed Deposits	125,221,128	167,916,080
	144,933,424	184,763,234

Investments - Long Term

Long Term investments consists of following investments which are classified under held to maturity investments:

	2018	2017
	Rs.	Rs.
Treasury Bond	99,817,038	99,688,114
Corporate Debentures	76,545,516	76,555,268
	176,362,554	176,243,382

	2018	2017
	Rs.	Rs.
16 Trade Receivables		
Trade Receivables Projects	6,985,114	4,872,973
Provision for Bad Debts	(372,581)	(733,675)
Progress Billing	3,218,736	5,415,866
	9,831,269	9,555,164

	2018	2017
	Rs.	Rs.
17 Trade and Other Payables		
Accruals (Note 17.1)	5,063,308	5,363,772
Creditors	31,500	55,200
EPF & ETF Payable	804,479	848,270
PAYE payable	279,618	340,588
Income tax payable	67,328	
	6,246,233	6,607,830

	2018	2017
	Rs.	Rs.
17.1 Accruals		
Office Costs	1,289,819	1,409,863
Audit Fees	1,416,665	1,379,640
Electricity	572,606	596,510
Telephone/Internet Charges	376,697	379,586
Fuel	68,843	36,240
Research Project Expenses	1,338,677	1,561,933
	5,063,307	5,363,772

INSTITUTE OF POLICY STUDIES OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS
As at 31st December

	2,018	2017
	Rs.	Rs.
18 Advance Receipt on Projects		
Balance as at 01st January	33,586,149	40,418,819
Receipts during the year	26,317,976	36,372,118
Income recognized	(47,811,607)	(55,110,621)
Advances transferred from long term to short-term category	-	11,905,833
Balances as at 31st December	12,092,518	33,586,149

The above balance also include the receivable balance from IDRC amounting to Rs 3,155,348 (2017:19,993,912 advance receipt).

	2018	2017
	Rs.	Rs.
19 Employee Benefits		
Balance as at 01 st January	12,615,364	11,567,679
Expense recognized / provision reversal during the year (Note 19.1)	3,388,412	4,952,911
Payments made during the year	(2,142,106)	(3,905,226)
Balance as at 31st December	13,861,669	12,615,364

Number of employees of the Organization as at 31st December 2018 is 42 (2017: 46).

Number of employees of the Organization eligible for Employee Benefits as at 31st December 2018 is 40 (2017: 42).

The liability is valued by a professional actuarial company.

The following assumptions are used in determining the cost to the institute of providing these benefits:

Discount Rate	12% (2017: 11%)
Increase in rate of salary	9.40% (2017: 7%)
Rate of Staff Turnover	15% (2017: 17%)

	2018	2017
	Rs.	Rs.
19.1 Expense recognized during the year		
Current Service Cost	1,297,033	1,171,993
Interest Cost	1,387,690	1,272,444
Actuarial (Gain)/Loss	703,689	2,508,474
	3,388,412	4,952,911

INSTITUTE OF POLICY STUDIES OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

20 Lease Commitment

No lease commitments as at the Statement of Financial Position date (2017 : Nil).

21 Capital Commitment

No capital commitments as at the Statement of Financial Position date (2017 : Nil).

22 Related Party Transactions

The Institute's Endowment Trust Fund ("Trust Fund") had a net assets value of Rs. 501,814,508/- as at 31st December 2018 (2017: Rs. 502,113,792/-). Separate accounts are maintained for the Endowment Trust Fund which is audited separately. The Trust Fund consists of five Trustees of which two are Ex-Officio members (Chairman and Executive Director of IPS). During the year grant collected as a contribution for the operations of the Institute was Rs. 4,598,535/- (2017: Nil) from the Endowment Trust Fund. Further Rs 53,233,753/- is receivable. During the year no capital grants were collected. (2017: Rs. 74,852,906/-).

The Institute is granted Rs. 18,000,000/- (2017 : Rs.13,750,000) from the Government of Sri Lanka for recurrent expenditure.

The Secretary to the Ministry of National Policy & Economic Affairs, Governor of the Central Bank and the Director General of the National Planning Department are Ex-Officio members of the Board of the IPS.

23 Contingent Liabilities

There were no contingent liabilities as at the Statement of Financial Position date.

24 Events occurring after the Statement of Financial Position

No events occurred after the Statement of Financial Position date which require adjustments to or disclosures in the financial statements.

25 Comparative Figures

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

26 Board of Governors' Responsibility

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

INSTITUTE OF POLICY STUDIES OF SRI LANKA
NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

27 Restatement of Balances

The restatement of balances were resulted due to the application of "SLPSAS 11 - Non-Exchange Transactions". The adjustments and effect on the financials are as follows:

Effect on the STATEMENT OF FINANCIAL PERFORMANCE : 2017

	Previously Stated	Increase / (Decrease)	Restated Balance
Contribution from the Endowment Trust Fund	-	74,852,906	74,852,906
Income arising from capital Grant amortization	8,580,945	(8,580,945)	-
Surplus for the Year 2017	14,683,781	66,271,961	80,955,742

Effect on STATEMENT OF CHANGES IN EQUITY

	Previously Stated	Increase / (Decrease)	Restated Balance
Accumulated Surplus as of 31 December 2016	392,491,372	353,514,579	746,005,951
Surplus for the year 2017	14,683,781	66,271,961	80,955,742

Effect on STATEMENT OF FINANCIAL POSITION : 2017

	Previously Stated	Increase / (Decrease)	Restated Balance
Total Non Current Liabilities	434,812,270	(419,786,540)	15,025,730
Net Assets / Equity	407,175,153	419,786,540	826,961,693



INSTITUTE OF POLICY STUDIES OF SRI LANKA

100/20, Independence Avenue
Colombo 7
Sri Lanka

Tel: 94 11 2143100, Fax: 94 11 2665065
Website: www.ips.lk, Email: ips@ips.lk
Blog: <http://www.ips.lk/talkingeconomics/>
Twitter: [www.twitter.com/TalkEconomicsSL](https://twitter.com/TalkEconomicsSL)
Facebook: <https://www.facebook.com/instituteofpolicystudies>