

Annual Report

2020



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, established by an Act of Parliament. Our mission is to conduct high-quality, independent, policy-relevant research to provide robust evidence for policymaking and improve the lives of all Sri Lankans.

Through its substantive body of rigorous research spanning more than 25 years, the IPS has come to be recognised as a centre of excellence in economic policy research. The Institute's research programme covers many of the critical areas of relevance to current socio-economic policymaking in Sri Lanka and the Asian region. The complementary expertise of a strong team of in-house researchers is the key to its successful record of supporting economic policymaking, with empirically-based research disseminated widely through reports, research papers, journal articles and public presentations.

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

**Snr. Prof. Dr. H.D. Karunaratne -
Chairman**

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**Prof. P.M.C. Tilakaratne -
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**Dr. Kenneth De Zilwa -
(Appointed Board Member)**

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

HIGHLIGHTS 2020

JANUARY



Dushni Weerakoon, Executive Director, delivered the Fifth Gamani Corea Memorial Lecture on “Sri Lanka’s Policy Dilemma on Debt and Growth: The Challenges for an Upper Middle-income Economy”, 30 January.

APRIL



Nisha Arunatilake, Director of Research, served as a panellist at a virtual roundtable on “Socio-Economic Impacts and Responses to COVID-19: Navigating the ‘New Normal’ for Sustainable Socio-Economic Recovery”, organised by the UN, 23 April.

FEBRUARY



Bilesha Weeraratne, Research Fellow made a presentation on “Right to Mobility: Are Immigrants at the Mercy of Recruitment Intermediaries?” at a conference on ‘Migrating World: Interdisciplinary Approaches to Migration and Integration’, organised by the London Centre for Interdisciplinary Research at the University of Oxford, 22 February.

MAY



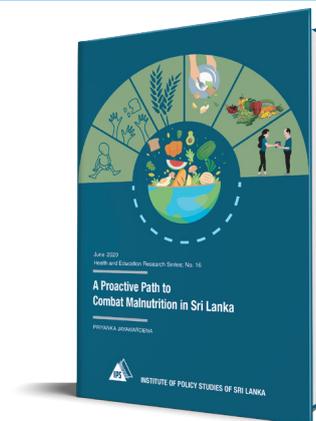
Kithmina Hewage, Research Economist, was a panellist at the webinar on the “Socioeconomic Implications of COVID-19 on Developing Countries”, organised by the UNDP and UNOSSC, 7 May.

MARCH



Ashani Abayasekara, Research Economist, made a presentation on “Sri Lanka’s Grade Five Scholarship Examination: How Effective and Relevant is It?”, organised by the Education Policy Forum, 3 March.

JUNE



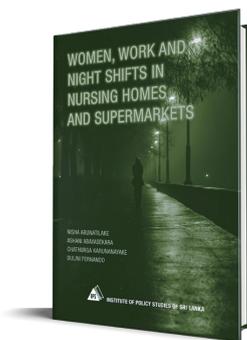
IPS brought out a research publication on “A Proactive Path to Combat Malnutrition in Sri Lanka” authored by Priyanka Jayawardena, Research Economist, that investigates why child malnutrition has not improved much over the last decade and the policy gaps which need to be addressed to curtail child malnutrition in Sri Lanka.

JULY



IPS shortlisted three candidates for the Saman Kelegama Memorial Research Grant 2020. The grant, established in 2018, aims to honour the late Dr. Kelegama’s legacy of independent research in socio-economic issues.

AUGUST



IPS finalised the study and brought out a publication on “Women, Work and Night Shifts in Nursing Homes and Supermarkets”, authored by Nisha Arunatilake, Ashani Abayasekara, Chaturga Karunanayake and Dulini Fernando, examining Sri Lankan women’s experiences of work and night shifts.

SEPTEMBER



The IPS hosted a Policy Evaluation Workshop on “Evaluation of Overall Policy Coherence and Recommendations for Designing and Implementing an Optimal Policy Package (OPP) for Measuring, Reporting and Verification (MRV), Sri Lanka Carbon Registry (SLCR) and Sri Lanka Carbon Crediting Scheme (SLCCS)”, organised by the IPS and the Ministry of Environment, Colombo, 24 September.

OCTOBER



The IPS held a webinar panel discussion on “Sri Lanka: State of the Economy 2020: Pandemics and Disruptions – Reviving Sri Lanka’s COVID-19 and Beyond”, 15 October.

NOVEMBER



Ganga Tilakaratna, Research Fellow, made a presentation on “Social Protection Response to COVID-19” at the ‘High-Level Seminar Series on Inclusive Social Protection in Sri Lanka: Shifting the Paradigm’ organised by the UNICEF, 18 November.

DECEMBER



The IPS organised a virtual dialogue on ‘Building Resilient and Sustainable Food Systems in the Age of Pandemics’ on behalf of the Government of Sri Lanka, 3 December. The dialogue was supported by the International Fund for Agricultural Development (IFAD), Food and Agriculture Organization of the United Nations (FAO) and the United Nations World Food Programme (WFP).

Chairman's Message

The Institute of Policy Studies of Sri Lanka (IPS) is widely acclaimed as an independent, high-quality policy research institution in South Asia. Since research-based policy formulation, analysis, assessment and evaluation as well as policy reformulation are essential to achieve the socio-economic transformation of modern societies, IPS has been committed to achieving its expected short-term and long-term goals throughout the period.

Despite the unprecedented global health crisis caused by COVID-19, IPS has continued as a responsible, independent and leading policy research institute of Sri Lanka throughout the year 2020. The IPS has proven its ability to face such a crisis through capacity utilisation, technology adaptation, innovativeness and capitalising on multiple skills of its human capital. Due to the pandemic, virtual capital and communication through social media have tremendously increased throughout the world. The IPS was not an exception to this phenomenon. Even under the situations of lockdown, mandated social distancing and pandemic expansion, the IPS maintained its social media diligently to achieve its goals. IPS' energetic and dedicated staff played a crucial role to mobilise virtual resources and social media to reach the expected results. Having served as the Chairman in 2020, it was a great pleasure to witness this achievement and I was fortunate to provide support for them.

Proving the timeliness of policy research, the IPS was able to launch its 29th annual flagship report 'Sri Lanka: State of the Economy 2020' on the topical theme "Pandemic and Disruptions: Reviving Sri Lanka's Economy COVID-19 and Beyond" in October. The relevance of analysis, the range of sub-themes, rigour of academic content and professionalism in presentation demonstrated in this report show how IPS' contribution is vital for socio-economic transformation in Sri Lanka.

The excellent leadership provided by Dr. Dushni Weerakoon amidst a global crisis should be appreciated by its stakeholders. I congratulate her and the dedicated staff at IPS for completing yet another successful year. By adapting to and facing this global health crisis and observing their activities, I am convinced that IPS has achieved its goal of being an excellent policy research institute of service to Sri Lanka and the world.



Snr. Prof. Dr. H.D. Karunaratne

Executive Director's Report

The IPS' reputation as the leading economic policy research organisation in Sri Lanka is built on the rigour of our timely evidence-based research outputs. The ability to respond to critical policy developments of national priority was put to the test in 2020, as the unprecedented coronavirus (COVID-19) health pandemic took hold around the world. IPS' planned research activities too underwent significant changes as a result, but the Institute ensured that its ongoing work commitments continued with minimum disruptions, while taking on new research on COVID-19 related impacts on Sri Lanka's socio-economic landscape.

Starting with a rapid online survey to assess the impacts on Sri Lanka's foreign migrant worker community in April 2020, the disruptive effects of the health pandemic on macroeconomic stability, on incomes and livelihoods, and the socio-economic fallout from food insecurity and inadequate social protection cover, amongst other issues, began to be placed in the public domain. Drawing on the research, a series of blog articles on the COVID-19 impacts, engagements in national and international panel discussions, as well as active engagement with print and electronic media were pursued vigorously by our researchers as an integral part of IPS' policy communication activities. The findings and policy recommendations associated with the various studies were brought together in the Institute's flagship report 'Sri Lanka: State of the Economy 2020' focused on the theme of 'Pandemics and Disruptions: Reviving Sri Lanka's Economy COVID-19 and Beyond'.

IPS' substantive body of on-going research, planned and carried out around six thematic areas – (i) macro, trade and competitiveness, (ii) labour, education and health, (iii) migration and urbanisation, (iv) poverty and social welfare, (v) agriculture and agribusiness development, and (vi) environment, natural resources and climate change – proceeded with minimum disruptions.

In the area of macro, trade and competitiveness, research on Sri Lanka's macroeconomic performance and outlook, regulatory issues related to emerging sectors like construction and 'creative industries', and the need for adequate intellectual property rights dominated the agenda in 2020. Our researchers provided important inputs into the policy formulation process by engaging with both the government and private sector. In particular, the IPS assisted the Committee on Public Finance (COPF) of the Parliament of Sri Lanka to assess the underlying assumptions of the Budget 2021 and analysis whether its provisions are broadly aligned to the national policy framework, 'Vistas of Prosperity and Splendour'.

Under the theme of migration and urbanisation, a significant body of research examining remittance patterns and costs in Sri Lanka as well as recruitment and related operational costs that are incurred by the recruitment agents were undertaken. The analysis also paid particular attention to gender barriers facing migrant female workers and related policy recommendation to help international mobility as a key means of improving the country's overall socio-economic outcomes. Much of the work fed into the policy formulation process on labour migration, and in particular to help establish a social security system for migrant workers, in the immediate aftermath of the COVID-19 pandemic.



Dr. Dushni Weerakoon

In the area of labour, education and health policy research, IPS' continued work with international collaborative partners on its tobacco control programme aimed to provide empirical evidence to support policies to reducing tobacco-related harm in the country. Another series of studies were undertaken to examine the effectiveness of three recently introduced fiscal and regulatory interventions for reducing unhealthy food habits, as Sri Lanka grapples with rising incidences of non-communicable diseases. Alongside these, our researchers continued to provide direct policy inputs in the area of skills and education through active engagement in multiple policy committees, including inputs into the formulation of a national education policy.

Under the Institute's thematic area of poverty and vulnerability, a partnership with the United Nations Department of Economic and Social Affairs (UNDESA) was extended, to identify means of strengthening national policy capacity to gear China's Belt and Road Initiative (BRI) projects to help achieve Sri Lanka's Sustainable Development Goals (SDGs). In other areas, research studies to review Sri Lanka's social protection measures in the wake of COVID-19 took precedence, given the urgent need to identify social protection measures and systems that can withstand such shocks. In related research on food security issues under the thematic area of agriculture and agribusiness development, research to help build resilient food systems sought to examine how resilient Sri Lanka's agriculture and food system has been compared to those of other middle-income countries during the COVID-19 pandemic. The policy recommendations are also expected to feed into a study that examines Sri Lanka's overall agricultural policy context, undertaken in conjunction with the Department of National Planning.

In the thematic area of environment, natural resources and climate change, our research continued to focus on examining alternative insurance-based solutions to the country's human-elephant conflict which has received renewed policy attention more recently. Complimenting this, other research activities on climate mitigation, undertaken in collaboration with the Ministry of Environment and Natural Resources, aim to evaluate the overall policy coherence and recommendations for designing and implementing an optimal policy package for Measuring, Reporting and Verification (MRV), Sri Lanka Carbon Registry (SLCR) and Sri Lanka Carbon Crediting Scheme (SLCCS).

The rigour of our research continues to be tested through academically established norms such as peer-reviewed national and international publications. IPS researchers are also in demand as resource persons for numerous domestic and international policy forums as evidenced in the rest of this report. Our collaborative engagements with partners in Sri Lanka and overseas, particularly in the wider South Asian region, have been extensive in support of efforts to arrive at regional responses to the COVID-19 pandemic. They point to the increasing successes of our communication and policy engagement efforts, to ensure that the data, evidence and knowledge generated through our research are accessible more widely. The rest of this report demonstrates our research activities and highlights some of the key outcomes in 2020.

The achievements and successes throughout the year could not have been possible without the expertise and experience of our people. I take this opportunity to thank our talented in-house team of research and support staff for their dedicated commitment to helping achieve the vision we have set for ourselves. I also extend my appreciation to a newly constituted Board of Governors in 2020, for the support extended to help IPS achieve its policy functions and fulfil its mission to positively impact the lives of all Sri Lankans.



Dushni Weerakoon
Executive Director

RESEARCH PROGRAMME



RESEARCH

IPS' role within Sri Lanka's socio-economic policy landscape is to contribute sound analytical evidence to inform policy decisions and help policymakers understand the implications of various policy options. Critical constraints on growth such as policy inconsistencies, inadequate infrastructure, weak public service delivery in health and education, the 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 to reformulate policy.

Macro, Trade and Competitiveness



Strong macroeconomic coordination whilst maintaining an investor-friendly policy environment and minimising regulatory barriers for the entry of foreign direct investment (FDI) in unison with more domestic value-added exports, is the key policy direction envisaged in the 'Vistas of Prosperity and Splendour'. Economic policies that aim to improve the efficiency of resources used by the public sector (public investment, state-owned-enterprises), improve economic incentives (trade reforms, price systems in agriculture, state utilities such as electricity), and institutional efficiency (customs, tax administration) are key drivers of a sustained growth effort. Research studies in the area of macro, trade and competitiveness focused on the following in 2020.

MACROECONOMIC POLICY AND STRUCTURAL REFORMS

The IPS' annual flagship report **"Sri Lanka: State of the Economy 2020"** examined the policy contours of a country that builds back better from COVID-19, under the thematic focus of 'Pandemics and Disruptions: Reviving Sri Lanka's Economy COVID-19 and Beyond'. Key chapters on **"Macroeconomic Policy Responses to COVID-19 and Beyond"** by Dushni Weerakoon and **"COVID-19 and Global Economic Developments"** by Harini Weerasekera analysed the domestic and international policy contexts and challenges facing Sri Lanka.

In the same vein, the extent of adverse costs of COVID-19 depends on the preparedness of a country to handle such disasters. The 'Sri Lanka: State of the Economy 2020' report carried a contributory chapter by Nisha Arunatilake on **"COVID-19 and Beyond: Minimising the Costs of Pandemics"** that looked at policy reforms needed to improve the resilience of the Sri Lankan economy to pandemics. A chapter by Athula Senaratne on **"Towards Pandemic Resilience: A Crisis Response Strategy for COVID-19"** went on to examine the present policy and institutional challenges faced in responding to the pandemic. Both the analytical chapters provide policy suggestions based on experiences in the national and international contexts.

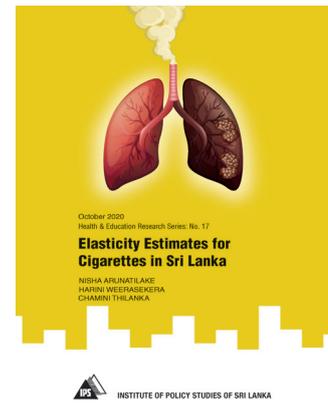
As in previous year, the IPS contributed to the **"Global Competitiveness Report 2020"**, published by the World Economic Forum (WEF). The report ranks nations according to the Global Competitiveness Index. The data indicate the competitiveness of an economy and changes on a national, regional and global level. Kithmina Hewage contributed to this report from the IPS as a partner institute.

Nisha Arunatilake, Harini Weerasekera and Chamini Thilanka carried out a study on **"Calculating Tax Elasticities and Assessing Implications of Tobacco Tax Changes on Tax Revenue"**, with Cancer Research UK. This study estimates price elasticities and cross-price elasticities for different tobacco products to assess the impact of tax changes on government revenue. Using calculated elasticities, the study models changes to tobacco revenue, prevalence, and related health outcomes. Specifically, elasticities calculated are used to predict outcomes of moving towards a uniform tax rate for cigarettes in Sri Lanka, as per the World Health Organization Framework Convention on Tobacco Control (WHO-FCTC) recommendations. Findings of the study were published as an IPS research series publication after peer review:

- Elasticity Estimates for Cigarettes in Sri Lanka, by Nisha Arunatilake, Harini Weerasekera and Chamini Thilanka. (2020). Health & Education Research Series No. 17. Colombo: Institute of Policy Studies of Sri Lanka.

As IPS research related to the COVID-19 economic impacts began to emerge, policy engagement via participation in panel discussions and other forums was an important channel of wider communications, both at local and global forums. Some of the key presentations and discussions include:

- Fifth Gamani Corea Memorial Lecture on **“Sri Lanka’s Policy Dilemma on Debt and Growth: The Challenges for an Upper Middle-Income Economy”**, BMICH, 30 January (Dushni Weerakoon).
- Webinar on **“Parliamentary Election and COVID-19 in Sri Lanka”**, organised by the Indian Council of World Affairs, 9 June (Nisha Arunatilake).



- Webinar on **“Roadmap to Post COVID-19 Economic Recovery”**, organised by the Chamber of Commerce, 12 June (Nisha Arunatilake).
- Webinar on **“A New Global Order Post COVID-19 Pandemic? Issues for South Asia”**, organised by the South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu, 22 September (Dushni Weerakoon).
- Session chair at the webinar on **“Macroeconomic Impacts”** at the virtual South Asia Network of Economic Modeling (SANEM) International Development Conference 2020 on COVID-19 and Development Challenges, organised by the SANEM, Bangladesh, 2 October (Dushni Weerakoon).
- Webinar panel discussion on ‘Sri Lanka: State of the Economy 2020’ in conjunction with the release of IPS’ annual flagship report hosted by the IPS, 15 October.

SRI LANKA STATE OF THE ECONOMY 2020
Pandemics and Disruptions: Reviving Sri Lanka's Economy COVID-19 and Beyond

Webinar: Q&A Interactive Panel Discussion
15 October 2020 | 3-4 PM

Dr. Dushni Weerakoon
Executive Director
IPS

Mr. Dilhan C. Fernando
CEO
Dilmah Ceylon Tea

Dr. Nisha Arunatilake
Director of Research
IPS

Moderated by:
Mr. Kithmina Hewage
Research Economist IPS

LIVE
Livestream begins at 2.50 pm

Send your questions via Slido.com
Event Code #85404

- Panel discussion on **“Overcoming COVID-19 Impact on the Economy”** at the National Management Accounting (CMA) Conference 2020 organised by the CMA, 21 October (Dushni Weerakoon).

- Virtual discussion on **“The Multilateral Response to Covid-19 – Perspectives from South Asia”**, organised by the Centre for Policy Dialogue (CPD), Bangladesh and the Organisation for Economic Co-operation and Development (OECD), 27 October (Dushni Weerakoon).
- Webinar on **“Economic Resilience to Shocks”** at the virtual Expert Group Meeting on Post-COVID-19 Resilient Economies, organised by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok, 17 November (Dushni Weerakoon).
- The IPS held a **“Post-budget Twitter Chat”**, following the presentation of the 2021 Budget in Parliament, IPS, 18 November.
- Panel discussion on **“Budget Analysis 2021: Road to Resilience and Recovery”**, organised by KPMG, 18 November (Dushni Weerakoon).
- Panel discussion at the **“HSBC Sri Lanka Webinar: Thriving in the New Normal – Economic Outlook for Sri Lanka and Building Competitive Advantage”**, organised by the Hong Kong and Shanghai Banking Corporation (HSBC), 26 November (Dushni Weerakoon).



- Panel discussion on **“V(accine)-shaped Recovery: Medical Factors and Economic Implications”** at the 4th Annual Sri Lanka Investment Conference 2021, organised by Asia Securities, 15 December (Dushni Weerakoon).

As a part of the broader effort to inform public debates and discussions, a series of blog articles were published in the IPS’ blogsite ‘Talking Economics’. These received wide coverage in print and electronic media. Some of the main articles include:

- **Parking Fees in Colombo: To Pay or Not to Pay?**, Bilesha Weeraratne, *Talking Economics*, 21 January.
- **A Brewing Storm: Economic Impact of COVID-19 on Sri Lanka**, Kithmina Hewage, *Talking Economics*, 27 March.
- **Easter Attacks in 2019 vs. COVID-19 Outbreak of 2020: What Lies Ahead for Sri Lanka?**, Nisha Arunatilake, *Talking Economics*, 3 April.
- **Coping with COVID-19: Economics of Social Media Based Business in Sri Lanka during Crises**, Kithmina Hewage and Harini Weerasekera, *Talking Economics*, 4 May.
- **Reducing Health Costs and Increasing Government Revenue beyond COVID-19: A Case for Raising Cigarette Taxes in Sri Lanka**, Harini Weerasekera and Chamini Thilanka, *Talking Economics*, 29 May.
- **Building Back Better: Reviving Sri Lanka’s Economy Beyond COVID-19**, Harini Weerasekera, *Talking Economics*, 19 October.
- **Fiscal Policy Responses to COVID-19: What Can We Learn from the International Context?**, Chamini Thilanka, *Talking Economics*, 2 November.
- **A Win-Win Strategy: Why the Government Should Increase Tobacco Taxation in the Forthcoming Budget**, Harini Weerasekera, *Talking Economics*, 12 November.
- **Taxing Tobacco: What Did Budget 2021 Miss?**, Harini Weerasekera, *Talking Economics*, 21 December.

Policy inputs in the area of macroeconomic policy and structural were provided through engagement in committees with both the government and private sector. In 2020, these included representation in the Monetary Board, Central Bank of Sri Lanka (up to May), and continued engagement in the Steering Committee on Economic Policy of the Ceylon Chamber of Commerce, amongst others. The IPS was also called on to provide an **“Assessment of Fiscal, Financial and Economic Assumptions and Analysis of Alignment to Government Policy Priorities”** related to Budget 2021, by the Committee on Public Finance (COPF), Parliament of Sri Lanka. This aimed to analyse, to the extent possible given limited data, the soundness of assumptions used to arrive at Budget 2021 estimates and whether the spending proposals are aligned to the priorities set out in the government’s national policy framework ‘Vistas of Prosperity and Splendour’.

TRADE AND REGIONAL INTEGRATION

A study by Kithmina Hewage and Harini Weerasekera on **“Governance and Institutional Frameworks for South-South Cooperation in Sri Lanka”** with the Southern Voice (SV) Network examines the role of foreign aid in Sri Lanka’s development strategies since independence. In recent years, however, South-South Cooperation has increased its significance through flows from China and India in particular. This study, through a series of case studies, compares the institutional and governance frameworks currently in place for development projects based on North-South and South-South Cooperation.

Kithmina Hewage conducted a **“Regulatory Assessment of Construction, Architectural, and Engineering Sectors”** with the International Trade Centre (ITC), Geneva as a part of the Sri Lanka Trade-related Assistance Programme funded by the European Union (EU), in collaboration with the GOSL. The study objective was to strengthen Sri Lanka’s inclusive trade-led growth and regional integration initiatives, supporting export competitiveness of Small and Medium-sized Enterprises (SMEs) and value addition in sectors with high potential for economic growth and development.

A study on the **“Impact of COVID-19 on the Apparel Sector”**, conducted jointly in Bangladesh and Sri Lanka was undertaken with funding from the Southern Voice (SV) Network. The study by Kithmina Hewage on the Sri Lankan country context facilitates key stakeholders across the apparel value chain to undertake evidence-based policy decisions and operational measures for ensuring medium-term recovery in view of the COVID-19 crisis.

IPS researchers contributed chapters to an internationally published volume brought out in honour of its late Executive Director, Dr. Saman Kelegama. These include chapters on:

- **Political Economy of Policymaking in South Asia** by Dushni Weerakoon in S. Reihan and P. De (Eds.) (2020), Trade and Regional Integration in South Asia. Singapore: Springer Publications.
- **Facilitating Trade between India and Sri Lanka** by Janaka Wijayasiri and Suwendrani Jayaratne in S. Reihan and P. De (Eds.) (2020), Trade and Regional Integration in South Asia. Singapore: Springer Publications.

Given the Institute’s strong networking presence regionally in South Asia, IPS researchers were actively involved in multiple dialogue forums that aimed to examine country experiences, lessons sharing and regional cooperation initiatives in responding to the COVID-19 pandemic. Some of the key presentations and discussions include participation at the following:

- Roundtable on **“South Asia COVID-19 Response”**, organised by the South Asia Centre for Policy Studies (SACEPS), 21 May (Dushni Weerakoon).
- Panel discussion on **“Regional Cooperation in South Asia amidst COVID-19 and Beyond”** at a webinar on **“Implications of COVID-19 on South Asia”**,



organised by the World Bank South Asia Office, 2 June (Dushni Weerakoon).

- A virtual policy dialogue on **“South Asian Cooperation for Accelerating Recovery from COVID-19 and Building Back Better”**, organised by the UNESCAP South and South-West Asia Office and the South Asia Centre for Policy Studies (SACEPS), New Delhi, 9 September (Dushni Weerakoon).
- Webinar on **“Post-COVID Strategic Outlook in the Bay of Bengal Region”**, organised by the Society of Indian Ocean Studies (SIOS), New Delhi, 26 October (Dushni Weerakoon).
- Panel discussion on **“Upgrading Higher Value-add by Leveraging Local Resources”** at the Sri Lanka Economic Summit 2020, organised by the Ceylon Chamber of Commerce (CCC), 1 December (Dushni Weerakoon).



- Participant at the virtual **“Fifth Meeting of the BIMSTEC Network of Policy Think Tanks (BNPTT)”**, organised by the Research and Information Systems (RIS), New Delhi, 21-22 December (Dushni Weerakoon).
- Webinar on the **“Socioeconomic Implications of COVID-19 on Developing Countries”**, organised by the UNDP and UNOSSC, 7 May (Kithmina Hewage).
- Webinar on **“SAARC-ASEAN on COVID-19 Impacts in the Economy”**, organised by the Asian Institute of Diplomacy and International Affairs and Institute of Foreign Affairs, 30 June (Kithmina Hewage).

Blog articles also posted on various export industry issues, as well as global developments with implications for Sri Lanka. These included article on:

- **How Technology is Shaping Apparel Sector Supply Chains in Sri Lanka: Shifting to Nearshoring and Reshoring**, Nipuni Perera, *Talking Economics*, 27 January.
- **Coronavirus Epidemic and China’s Slowdown: Economic Impact on Sri Lanka**, Janaka Wijayasiri, *Talking Economics*, 13 February.
- **RCEP: Sri Lanka’s Latest Asia-centric Conundrum**, Dushni Weerakoon and Kithmina Hewage, *Talking Economics*, 7 December.

INVESTMENT AND FINANCE

The IPS partnered with the Centre for Asian Philanthropy and Society (CAPS), Hong Kong to compile the national country report on **“Doing Good Index 2020”** as a part of a regional study across Asia to understand regulatory gaps and best practices that can be applied to create a more transparent and efficient ecosystem for social delivery by organisations. The study was led by Kithmina Hewage.

SMES, INDUSTRY AND ENTREPRENEURSHIP

The small and medium enterprise (SME) sector can be a driver of change for inclusive economic growth, regional development, employment generation and poverty reduction. A mapping study of **“Creative and Cultural Industries in Sri Lanka”** examined the overall size and scale of creative industries in Sri Lanka, to help design interventions to support the sector’s recognition, growth, and development, and thereby to provide information to formulate policies and strategies that can promote its expansion. The report, co-authored by Dilani Hirimuthugodage was published by the British Council of Sri Lanka.

Kithmina Hewage authored a chapter on **“Protecting SMEs During Global Disruptions”** carried in ‘Sri Lanka: State of the Economy 2020’ report. The COVID-19 pandemic has intensified traditional vulnerabilities amongst SMEs -- such as low levels of savings, assets, and inventories -- and consequently created a unique set of associated policy challenges. The analysis explores policy options available to Sri Lanka – while managing a narrow fiscal space – to mitigate the negative impacts of the current crisis on SMEs and help facilitate a faster post-COVID-19 recovery.

PRESENTATIONS/DISCUSSIONS:

- Panellist at the webinar on Launching of the report on **“Creative and Cultural Industries in Sri Lanka”** organised by the British Council of Sri Lanka, 02 May (Dilani Hirimuthugodage).



BLOGS:

- **Protecting Sri Lankan MSMEs During a Pandemic: A Need for Innovative Solutions**, Kithmina Hewage, *Talking Economics*, 14 September.

INTELLECTUAL PROPERTY

The IPS, on behalf of the Ministry of Industry and Commerce, led an initiative to develop a **“National Intellectual Property Policy for Sri Lanka”**. The main objective of the study, led by Dilani Hirimuthugodage, was carried out with a focus to implement strategies in line with the economic and innovation dimensions of the country. The overall impact is aimed to facilitate the implementation of best practices which will promote Sri Lanka’s economic development and innovative capacities.

Dilani Hirimuthugodage also authored a chapter on **“Tackling Pandemics through Technology, Innovation and IPRs”** carried in ‘Sri Lanka: State of the Economy 2020’ report examines how technology and innovations have been widely used across the globe to minimise the adverse effects of the COVID-19 pandemic. This analysis looks at the importance of protecting intellectual property for promoting innovation, particularly in the areas of medicine, health technologies, food and food technologies.

BLOGS:

- **The Growing Need for Privacy and Data Protection in Sri Lanka**, Nuwanthi Senaratne, *Talking Economics*, 13 January.
- **The COVID-19 Crisis and Innovation: Why Intellectual Property Rights Matter?**, Dilani Hirimuthugodage, *Talking Economics*, 23 November.

Labour, Education and Health



Access to good health and quality education is important to ensure that individuals gain the necessary human resources to lead quality lives and engage in the labour market productively. However, existing models of providing access to education and health are now being challenged as it is increasingly difficult to keep up with new developments and ensure quality access to all, in the face of financial, human and physical resource constraints. IPS research aims to assist the government's development agenda in finding solutions to these policy challenges by addressing policy-oriented knowledge gaps in the areas of labour, employment, education and health.

LABOUR MARKETS

Priyanka Jayawardena authored a chapter on **"COVID-19 and the World of Work"** for the 'Sri Lanka: State of the Economy 2020' report. The analysis examines the impact of the COVID-19 pandemic on Sri Lanka's labour market, assesses the channels through which the impacts are transmitted and looks at possible solutions from international best practices. The main aim is to identify key areas that need policy attention to better prepare Sri Lanka to face similar emergencies in the future and improve the resilience of the labour market to adverse shocks.

PRESENTATIONS/DISCUSSIONS:

- Roundtable on **"Socio-Economic Impacts and Responses to COVID-19: Navigating the 'New Normal' for Sustainable Socio-Economic Recovery"**, organised by the UN in Sri Lanka, 23 April (Nisha Arunatilake).

BLOGS:

- **COVID-19 and the Road Ahead for Sri Lanka's Three Wheeler Industry**, Thisali de Silva and Nisha Arunatilake, *Talking Economics*, 21 April.
- **COVID-19 and Sri Lanka's Labour Market Gaps: Permanent Protection for Temporary Employees**, Priyanka Jayawardena, *Talking Economics*, 9 September.
- **Protecting Jobs and Enterprises during Crises: How Can Sri Lanka Respond Better?**, Ashani Abayasekara, *Talking Economics*, 14 December.

WOMEN AND WORKFORCE

A chapter on **"Pandemics, Women and Women in the Workforce"** authored by Sunimalee Madurawala for **"Sri Lanka: State of the Economy 2020"** report examines how the COVID-19 pandemic and related policy measures have disrupted economic activities all over the world. The impact of these policy measures affects males and females differently. The study examines the gender implications of the COVID-19 pandemic while giving special attention to exploring how gender dynamics work differently for men and women in the labour market in a crisis, looks at the gender implications of COVID-19.

IPS researchers authored two key publications related to ongoing work on gender-related issues in Sri Lanka's labour market. These included:

- **Systemic Issues Affecting Female Labour Force Participation in Sri Lanka** by Nisha Arunatilake (2020). In Flatt, Emma J., Vani Swarupa Murali and, Silvia Tieri (Eds), *Voices on South Asia: Interdisciplinary Perspectives on Women's Status, Challenges and Futures*, World Scientific Publishing, Singapore.
- **Women, Work and Night Shifts in Nursing Homes and Supermarkets** by Nisha Arunatilake Ashani Abayasekara, Chathurga Karunanayake and Dulini Fernando. (2020). Colombo: Institute of Policy Studies of Sri Lanka.

PRESENTATIONS/DISCUSSIONS:

- Presentation on **“Data-Driven Gender Responsive Planning and Budgeting at Provincial Councils”**, at the Capacity Development Programme on Gender Responsive Planning and Budgeting, organised by the Finance Commission in collaboration with the Ministry of Women and Child Affairs (MWCA) and SD GAP, 28 February (Bilesha Weeraratne).
- Presentation on **‘An Equal World is an Enabled World’ at the International Women’s Day 2020 Celebrations** organised by the DFCC Bank PLC, 6 March (Sunimalee Madurawala)



- Web-based panel discussion at the Development Partners Secretariat Gender Working Group meeting on **“Economic Perspective of the COVID-19 with a Focus on Gender”**, organised by the UNFPA, 15 April (Nisha Arunatilake).

BLOGS:

- **So Sri Lanka; More like, So Where are all the Women in the Hotel Industry?**, Janaka Wijayasiri, *Talking Economics*, 24 February.
- **“Women in Night and Shift Work in Sri Lanka: Policies to Facilitate More Participation**, Nisha Arunatilake, Ashani Abayasekara and Chathurga Karunanayake, *Talking Economics*, 5 March.
- **COVID-19, Work from Home, and Female Labour Force Participation: A Lesson for Sri Lanka**, Sunimalee Madurawala, *Talking Economics*, 7 September.
- **Securing Women’s Place in Sri Lanka’s Apparel Industry**, Sunimalee Madurawala and Nipuni Perera, *Development Asia* by ADB, 31 August

SKILLS AND EDUCATION

Ashani Abayasekara examined how the ongoing COVID-19 pandemic has disrupted education activities in the country with a chapter on **“Building a Crisis-resilient Education System in Sri Lanka”** carried in **“Sri Lanka: State of the Economy 2020”** report. Although measures were taken to continue education using distance learning methods, not all can benefit from such methods equally. The analysis looks at the impact of COVID-19 on the education system and provides recommendations for building a crisis-resilient education system.

A study led by Nisha Arunatilake on **“Non-state Actors in Education in Sri Lanka: A Country Study”** aims to focus on many dimensions of non-state activity: provision, financing, regulation, innovations and policy influence in the education sector, to contribute to the 2021/2022 Global Education Monitoring (GEM) Regional Report. The study focuses on the current state of the education sector and perspectives; regulatory and financing policy developments that led to the current state of affairs; and important recent trends that will have implications for policy development in the near term. The study is funded by the United Nations Educational, Scientific and Cultural Organization (UNESCO).

PRESENTATIONS/DISCUSSIONS:

- Presentation on **“Sri Lanka’s Grade Five Scholarship Examination: How Effective and Relevant is it?”**, organised by the Education Policy Forum, Kingsbury Hotel, 3 March (Ashani Abayasekara).

BLOGS:

- **Girls in STEM: How is Sri Lanka Faring?**, Ashani Abayasekara, *Talking Economics*, 11 February.
- **Distance Education during and after COVID-19: Long Road Ahead for Sri Lanka**, Ashani Abayasekara, *Talking Economics*, 13 July.
- **Education Equity in Sri Lanka: A Pathway Out of Poverty**, Wimal Nanayakkara, *Talking Economics*, 28 December.

The IPS continued to provide direct policy inputs in the area of skills and education through active engagement in multiple policy committees, including inputs into the formulation of a **National Education Policy**. In 2020, active involvement in policy committees included:

- Standing Committee on Technical and Vocational Education and Training, National Education Commission.
- Standing Committee on Higher Education and Training, National Education Commission.
- Standing Committee on General Education and Early Childhood Education, National Education Commission.
- Performance Review of Science and Technology Institutions, National Science and Technology Commission.
- Consultative Committee on Education Research Development, Ministry of Education.
- National Human Resource Development Policy, National Human Resource Development Council.

HEALTH

Nisha Arunatilake led an IPS team researching **“Tobacco Control: Going the Last Mile”** funded by Cancer Research UK with the support of KIVU International, UK. The programme carried out a series of studies aimed at reducing tobacco-related harm in the country by advocating policies for controlling tobacco use. The prevalence of tobacco use is already fairly low in Sri Lanka. The objective of the study was to identify people and locations where tobacco use is still taking place and recommend targeted policies for reducing tobacco use.

A study on **‘Tobacco-Free Villages: A Pathway to Tobacco Free Sri Lanka’** by Sunimalee Madurawala and Chaturga Karunanayake proposes the ‘Tobacco Free Zone’ (TFZ) model – a community-based tobacco cessation intervention as a policy option for tobacco smoking cessation in Sri Lanka. It studies the successes, failures, challenges and opportunities of the model and explores the possibilities of expanding the ongoing ‘TFZ’ programme. The study is funded by Cancer Research UK with the support of KIVU International, UK.

It is important to estimate whether tobacco control policies accrue net economic benefits, to convince policy-makers that both the overall health and economic benefits exceed any losses faced by the tobacco manufacturing sector. A study on the **“Impact of Tobacco Control on National Economy Using I-O Tables”** by Priyanka Jayawardena and Harini Weerasekara examines the national income aspect of tobacco control measures in efforts to reduce tobacco use. The study employs the Economics of Tobacco Toolkit developed by the World Bank, using the national Input-Output (I-O) tables.

Dilani Hirimuthugodage and Nimesha Dissanayake are conducting a research study on **“Identifying Enforcement Options to Ban Single Stick Cigarettes”**, funded by Cancer Research UK/KIVU International, UK. This study aims to assess and evaluate the demand for single stick cigarettes and examine the impact on

retailers, sales of tobacco, smokers etc. Further, this will be combined with the impact on the Abhisheka programme (a trade loyalty programme) on tobacco retailing, with the overall objective of providing effective policy options for policymakers to implement a ban on selling single stick cigarettes.

A study on the **“Indirect Promotion of Tobacco through Social Media in Sri Lanka”** is being carried out by Dilani Hirimuthugodage and Sadhana Mohan. The study aims to identify forms of indirect promotion of tobacco on social media and assess the influence of social media on smoking attitudes and intentions of youth in Sri Lanka. Furthermore, this study intends to aid policymakers to formulate more effective policies to curtail the indirect promotion of tobacco on social media. The study is funded by Cancer Research UK with the support of KIVU International, UK.

PUBLICATIONS:

- **Tobacco Smoking in Sri Lanka: Identifying and Understanding the Last Mile Smokers** by Sunimalee Madurawala, Chathurga Karunanayake and Chamini Thilanka. (2020). Health and Education Research Series, No. 18. Colombo: Institute of Policy Studies of Sri Lanka.

BLOGS:

- **Tobacco Smoking in Sri Lanka: Going the Last Mile**, Chathurga Karunanayake and Chamini Thilanka, *Talking Economics*, 6 January.
- **Smoking Cessation in Sri Lanka: A Silver Lining in the COVID-19 Crisis?**, Chathurga Karunanayake, *Talking Economics*, 14 April.
- **Smoking in the Time of Corona: Why Limiting Smoking is Important in the Battle against COVID-19**, Sunimalee Madurawala, *Talking Economics*, 27 April.
- **Smoked Out: Why the Sale of Single Stick Cigarettes Must Be Banned**, Dilani Hirimuthugodage, *Talking Economics*, 23 September.
- **Tobacco Economics: How Reduced Consumption Benefits the Household and the National Economy**, Priyanka Jayawardena, *Talking Economics*, 5 November.
- **Sri Lanka’s Tobacco-Smoking Challenge: Going the Last Mile**, Sunimalee Madurawala, *Talking Economics*, 10 December.

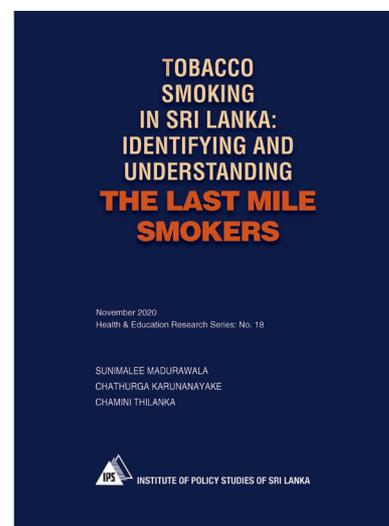
A team led by Nisha Arunatilake initiated research towards **“Strengthening Fiscal Policies and Regulations to Promote Healthy Diets in Sri Lanka”** funded by the International Development Research Centre (IDRC), Canada. The proposed study aims to examine the effectiveness of three recently introduced fiscal and regulatory interventions for reducing unhealthy food habits: a) a tax on sugar-sweetened beverages (SSBs), b) a traffic light labelling system indicating sugar levels in SSBs, c) healthy canteen in schools (HCS) initiative aimed at improving the healthy food choices available for students in schools.

PUBLICATIONS:

- **A Proactive Path to Combat Malnutrition in Sri Lanka** by Priyanka Jayawardena. (2020). Health and Education Research Series No 16, Colombo: Institute of Policy Studies of Sri Lanka.
- **PER for Nutrition in Sri Lanka: Assessing Public Financing for Nutrition (2014-2018)** by Hideki Higashi, Priyanka Jayawardena, Deepika Attygalle, Suganya Yogeswaran, Upula Amarasinghe, Safina Abdulloeva and Louise Daniels, (2020). Washington, D.C.: World Bank.

BLOGS:

- **No School, No Meals: Sri Lanka’s Battle against Child Malnutrition amidst COVID-19**, Priyanka Jayawardena, *Talking Economics*, 9 June.



In collaboration with the Duke University, USA, a research study on “**Driving Health Progress during Disease (including COVID-19), Demographic, Domestic Finance and Donor Transitions (the ‘4Ds’) in Sri Lanka**” was initiated. The study, led by Nisha Arunatilake involves collaborating with the Center for Policy Impact in Global Health at the Duke University (USA) to understand the inter-linked transitions in diseases, demography, development assistance for health (DAH) and domestic health financing.

PRESENTATIONS/DISCUSSIONS:

- Online panel discussion on “**Universal Health, Financing Issues Faced by Middle-Income Countries**”, organised by The Center for Policy Impact in Global Health, Duke University, 9 November (Nisha Arunatilake).
- Panellist at the webinar on “**COVID- 19 and Mental Health Response in South Asia- Opportunities for Learning and Co-operation**”, organised by the Research and Information System for Developing Countries (RIS), India, 24 November (Sunimalee Madurawala).

BLOGS:

- Controlling NCDs in Sri Lanka in the Age of a Pandemic, Wimal Nanayakkara, *Talking Economics*, 11 September.

Migration and Urbanisation



With increased globalisation and rising per capita incomes, Sri Lankans are migrating not only for work but also for studies and with family units. At the same time, visitors are coming to Sri Lanka not only as tourists but also as workers. Sri Lanka's internal migratory patterns are also shifting as people choose to move to urban centres in search of economic opportunities. This calls for developing green, smart and resilient cities, addressing disparities in urbanisation, and improving housing, land transportation, and waste management in urban Sri Lanka.

WORKER MIGRATION AND REMITTANCES

Although attempts have been made to look into the costs that are borne by the migrant workers no comprehensive research has been carried out on the recruitment and related operational costs that are incurred by the recruitment agents in Sri Lanka. In this context, this study on **“Recruitment Business Processes”** by Bilesha Weeraratne and Harini Weerasekera, funded by the International Labour Organisation, looks at recruitment business processes including recruitment costs that are borne by the recruitment agents.

Similarly, a study on **“Remittance Patterns with a View to Reduce Remittance Costs for Migrant Workers”** undertaken by Bilesha Weeraratne and Harini Weerasekera seeks to generate evidence on remittance patterns and costs in Sri Lanka, to help decision-makers to identify ways of reducing remittance costs. Specifically, the study looks at the regulatory system in Sri Lanka for remittances, maps remittance costs in selected recruitment corridors, assesses regional good practices and provides recommendations to reduce remittance costs. The study was funded by the International Labour Organisation.

Bilesha Weeraratne examines the **“Double Burden and Gender Barriers: A Causal Analysis of a Policy on Female Labour Migration from Sri Lanka”** in association with the UN-WIDER, Helsinki. While Sri Lanka's family background report (FBR) restricts females from the income-earning burden of the 'double burden', the absence of sufficient family income makes caring for a family a greater burden, and a gender barrier to access job opportunities. In this context, this study aims to investigate how the introduction of the FBR requirement works as a gender barrier for women in different skills groups and the possible influence of FBR on substituting males and females in the income-earning burden.

A contributory chapter on **“International Mobility Beyond COVID-19”** authored by Bilesha Weeraratne for **“Sri Lanka: State of the Economy 2020”** report examines the interconnectedness between mobility and spread of COVID-19 in Sri Lanka, and highlights the existing issues in labour migration that became prominent with the implications of the pandemic, to reposition labour migration from Sri Lanka in a post-COVID-19 era. A follow-up study on the **“Impact of COVID-19 on Recent Migrant Workers from Sri Lanka”** is also carried out by Bilesha Weeraratne as a follow-up study on migrant workers interviewed for previous migration studies to evaluate the impact of COVID-19 on migrant workers. The study is funded by the Research and Empirical Analysis of Labor Migration (REALM) Network.

PUBLICATIONS:

- **A Comprehensive Analysis of Remittances Sri Lanka** by Bilesha Weeraratne and Harini Weerasekera (2020). Geneva: International Labour Organisation.
- **Return and Reintegration without Assimilation: South Asian Migrant Workers in the Gulf during COVID-19** by Bilesha Weeraratne (2020). Working Paper No. 327, Institute of South Asian Studies (ISAS), National University of Singapore.
- **Sri Lankan Migrants Abroad: Results from a Rapid Online Survey during the Spread of COVID19** by Bilesha Weeraratne (2020). Policy Discussion Brief, April 20s20. Colombo: Institute of Policy Studies of Sri Lanka.
- **Migrant Workers' Wage Offers: The Paradox of the Involvement of Recruitment Intermediaries in Migration Studies** by Bilesha Weeraratne (2020). (advance article) mnz055, <https://doi.org/10.1093/migration/mnz055>
- **Labour Migration from Sri Lanka to the Gulf: Recent Developments and Future Outlook** by Bilesha Weeraratne (2020), in Zachariah, G. and Rajan (Eds.), *Asianization of Gulf Migration*, Springer.
- **Labour Migration in South Asia: Lessons from COVID-19 in Trade Insights** by Bilesha Weeraratne (2020), Vol.16. No. 3, SAWTEE, Kathmandu, Nepal.

PRESENTATIONS/DISCUSSIONS:

- Presentation on **“Right to Mobility: Are Immigrants at the Mercy of Recruitment Intermediaries?”** at a conference on **“Migrating World: Interdisciplinary Approaches to Migration and Integration”**, organised by the London Centre for Interdisciplinary Research, at the University of Oxford, 22 February (Bilesha Weeraratne).
- Discussion on **“Economic Impact of COVID-19 on Sri Lanka”**, Swarnawahini TV, 30 March (Bilesha Weeraratne).
- Discussion on **“Role of Remittances in Reviving Sri Lanka’s Economy, Post COVID-19 Pandemic”**, at Face the Nation programme, broadcasted over TV1, 6 April (Bilesha Weeraratne).
- Discussion on **“Impact of COVID-19 Pandemic on Sri Lanka’s Migrant Remittances and the Country’s Deepening Foreign Exchange Concerns”**, at Newsline programme, broadcasted over TV1, 15 April (Bilesha Weeraratne).
- Webinar on **“Post COVID-19 Economic Outlook and Recovery Strategies”**, organised by PricewaterhouseCoopers (PwC), 25 April (Bilesha Weeraratne).
- Webinar on **“Global Research Forum on Diaspora and Transnationalism (GRFDT)”**, at the discussion on **“Gulf Migration: During and Aftermath of COVID 19”**, 27 May (Bilesha Weeraratne).
- Presentation on **“COVID-19: Labour Migration and Remittances in Sri Lanka”**, at a webinar on **“Lessons of the COVID-19 Pandemic: Labour Migration and Remittances in South Asia”**, organised by the South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu, 6 October (Bilesha Weeraratne).
- Presentation on **“Implications of COVID-19 Pandemic on Sri Lanka’s Worker Migration and Remittances”**, at a webinar on the **Impact of COVID-19 on Migrants, Migration Flows and Remittances: Focus on South and South East Asia**, organised by the Lahore School of Economics, 28 October (Bilesha Weeraratne).
- Discussion on **“2020 Remittance Income”**, News 1st English Prime Time Bulletin, 31 October (Bilesha Weeraratne).
- Discussion on **“2020 Remittance Income”**, Sirasa Sinhala News Bulletin, 03 November (Bilesha Weeraratne).
- Discussion on **“Change in Projected Decline in Remittances to Sri Lanka’s Economy during 2020”** on Face the Nation Programme, broadcasted over TV1, 9 November (Bilesha Weeraratne).
- Panel discussion on **“Identifying Migration-related Priorities for Sri Lanka”**, at the virtual launch of the UN Network on Migration in Sri Lanka, organised by the International Organization for Migration (IOM), the UN Resident Coordinator and 11 UN entities in Sri Lanka in partnership with the government, 11 November (Bilesha Weeraratne).



Implications of COVID-19 Pandemic on Sri Lanka’s Worker Migration & Remittances

Webinar on
Impact of COVID-19 on Migrants, Migration Flows and Remittances: Focus on South and South East Asia, 27-28 October, 2020

Bilesha Weeraratne, PhD.
Institute of Policy Studies of Sri Lanka





- Presentation on **“The Double Burden and Gender Barriers: A Causal Analysis of a Policy on Female Labour Migration from Sri Lanka”**, at the workshop on ‘Women’s Work – Routes to Economic and Social Empowerment’, organised by the United Nations University (UNU-WIDER), 3 December (Bilesha Weeraratne).

BLOGS:

- **COVID-19 and Foreign Exchange Woes: Can Sri Lanka Find a Way Out?**, Bilesha Weeraratne, *Talking Economics*, 17 April.
- **Repatriation and Replacement of Lost Foreign Jobs: Handling Labour Migration in Sri Lanka during COVID-19**, Bilesha Weeraratne, *Talking Economics*, 14 May.
- **COVID-19 and Migrant Workers: The Economics of Repatriation**, Bilesha Weeraratne, *Talking Economics*, 16 December.

Throughout 2020, the IPS continued to provide policy inputs in the area of migration and remittances through continued representation in the National Advisory Committee on Labour Migration. In particular, policy inputs were provided as a member of the Committee set up for the Establishment of a Social Security System for Migrant Workers, by the Ministry of Skills Development, Employment and Labour Relations.

INTERNAL MIGRATION

A research project on **“Policy Research in the Area of Agricultural Labour Markets”** led by Bilesha Weeraratne undertaken for the Ministry of Agriculture attempts to assess the productivity in major agricultural sub-sectors, focusing on labour market issues such as feminisation, ageing, outmigration, and part-time farming to name a few. The key objective of the exercise is to identify strategies to improve the competitiveness of Sri Lanka’s agriculture sector workforce.

- Ruwan Samaraweera, W.G.R.L., Dharmadasa, R.A.P.I.S., Weerahewa, J., Kumara, P.H.T. and Fernando, P.M.M. (2019). **“Land Access, Livelihood Diversification and Migration of Rural Youth in Sri Lanka”**. *Sri Lanka Journal of Economic Research*, 7(1), pp.47–74.

URBANISATION

Health pandemics such as COVID-19 can have undue impacts in the face of

a greater concentration and connectedness of people in urban settings. If not properly planned and managed, such urban settings that result in more underserved settlements such as slums, shanties and poor housing can help pandemics to spread. Policy briefs were authored by Chathurga Karunanayake on “**Pandemic Disruptions in Urban Settings**” and Ruwan Samaraweera on “**Building Resilient Cities in an Era of Pandemics**” for ‘Sri Lanka: State of the Economy 2020’ report highlighting issues related to dealing with pandemics such as COVID-19 in urban settings and explore how countries can be better prepared to control and manage global disruptions like health pandemics in urban settings in the future.

PRESENTATIONS/DISCUSSIONS:

- Panel discussion on “**Shifting Paradigm of Unplanned Growth Strategies in Rural Dry Zone of Sri Lanka into a Sustainable Community-Driven Supply Chain Management System with Vertically Expanding Human Habitats**”, organised by the Ministry of Environment and UN-Habitat, Ministry of Environment, 6 October (Ruwan Samaraweera).

BLOGS:

- **Pandemic Recovery in Urban Settings: Planning for the Unplanned**, Chathurga Karunanayake, *Talking Economics*, 28 October.
- **Urban Solutions: Building Pandemic Resilience in Sri Lanka’s Cities**, Ruwan Samaraweera, *Talking Economics*, 19 November.

Poverty and Social Welfare

Despite significant progress in reducing poverty over the past decade, inequality and vulnerability continue to be issues of great concern in Sri Lanka's development policy debates. Disparities in access to basic services and infrastructure facilities like education, health, water and sanitation and financial services, contribute to the prevailing high levels of income inequality in the country. Shocks such as the COVID-19 pandemic highlight that a considerable proportion of the vulnerable population is clustered just above the poverty line and faces high risks of slipping into poverty without adequate social protection mechanisms to cushion adverse shocks.



POVERTY AND VULNERABILITY

The IPS partnered with the United Nations Department of Economic and Social Affairs (UNDESA) to work on “Strengthening National Policy Capacities for Jointly Building the Belt and Road towards the Sustainable Development Goals (SDGs)”. The study intends to strengthen national capacity for a group of countries along the Belt and Road in assessing and formulating coordinated integrative policies for supporting their efforts to engage in the international development cooperation under the Belt and Road initiative. This is to accelerate the achievement of the Sustainable Development Goals (SDGs). The Sri Lanka country study is led by Ganga Tilakaratne.

PUBLICATIONS:

- Chaturga Karunanayake (2020). “**Socio Demographic Determinants Behind Conspicuous Consumption of Luxury Automobiles in Sri Lanka**”, Sri Lanka Journal of Economic Research (SLJER), 7(2), 87 – 113.

PRESENTATIONS/DISCUSSIONS:

- Presentation on “**Leaving No One Behind: Post-COVID-19 Social & Economic Recovery**”, to members of the Rotary Club of Cinnamon Gardens, 13 August (Wimal Nanayakkara).
- Roundtable on “**Harnessing Global, Regional and Sub-regional Partnerships and Means of implementation for Accelerating SDGs Achievement in South Asia**” at the Fourth South Asia Forum on the SDGs: Fostering Sustainable and Resilient Recovery from COVID-19 in South Asia, organised by the UNESCAP South and South-West Asia Office, New Delhi, 3 December (Dushni Weerakoon).
- Panel discussion on “**Accelerating SDGs Achievement and Building Back Better from COVID-19 Pandemic in South Asia**” at the SDPI's Twenty-third Sustainable Development Conference organised by the Sustainable Development Policy Institute (SDPI), Islamabad, 15 December (Dushni Weerakoon).

SOCIAL PROTECTION

Ganga Tilakaratna and Lakshila Wanigasinghe are involved in the “**Regional Project Development Support for the South Asia Subregional Economic Cooperation Operational Plan, 2016-2025**”, with the Asian Development Bank (ADB), Manila. The key aim of this collaboration is to review social protection measures in Sri Lanka against the COVID-19 and identify social protection measures with strong systems in place which can be supported by the ADB. Overall, the study focuses on collecting and analysing data and information related to social protection to prepare for COVID-19 Active Response and Expenditure Support Programme.

Ganga Tilakaratna and Lakshila Wanigasinghe have undertaken an analysis on **“Enhancing ADB’s Support for Social Protection to Achieve the Sustainable Development Goals - Social Protection (Sri Lanka)”**, with the Asian Development Bank (ADB), Manila. The study will update the ADB’s Social Protection Indicator (SPI) for Sri Lanka. The SPI was developed to monitor and report on the progress of social protection coverage and expenditure in Asia and Pacific, both at the country and regional levels. The SPI captures various aspects of social protection systems including expenditure, coverage, benefit levels, disability, poverty and gender dimensions, and provides a unique source of social protection statistics in the region.

Ganga Tilakaratna also authored a chapter on **“Harnessing Social Protection during Pandemics”** carried in **“Sri Lanka: State of the Economy 2020”** report. The analysis looks at the implications of the COVID-19 on the poor and other vulnerable groups, like the elderly and discusses the preparedness of the existing social protection systems to cope with risks associated with such situations and the reforms needed to strengthen current systems.

A study on **“Repositioning Employment Social Protection in the Private Sector Post COVID-19: A Case Study of Sri Lanka”** undertaken by Nisha Arunatilake, Ashani Abeysekera and Chathurga Karunayake, in collaboration with the International Labour Organization (ILO), aims to identify feasible adjustments that can be made to existing social protection schemes such as the EPF and ETF which can provide more flexibility, job and enterprise protection, and emergency relief during crises in Sri Lanka.

PRESENTATIONS/DISCUSSIONS:

- Presentation on **“Social Protection Response to COVID-19: The Context of Sri Lanka”** at a high-level seminar series on ‘Inclusive Social Protection in Sri Lanka: Shifting the Paradigm’, organised by the UNICEF, in collaboration with Development Pathways and Verité Research, 18 November (Ganga Tilakaratna).



Agriculture and Agribusiness Development



Sri Lanka's agricultural sector is plagued with low productivity, inefficient resource use and unsustainable agricultural practices. The export-oriented plantation sector too is in a crisis owing to low productivity, volatile commodity prices and high production costs. All these contribute to food insecurity, malnutrition and poverty in the country. In recognising these, the government's national policy framework seeks to use advanced technological innovations for agricultural development; guaranteed access to safe and nutritious food that includes domestically produced fishery and milk products and increased value-added exports through new technologies.

AGRIBUSINESS VALUE CHAINS

A study team of Dilani Hirimuthugodage, Nimesha Dissanayake and Manoj Thibbotuwawa are conducting a study on **"Identifying Tobacco Value Chain"** with the support of KIVU International/Cancer Research UK. The objective of the study is to map the value chain for tobacco to identify the winners and losers of a ban on tobacco cultivation. This study will identify the tobacco value chain and define the value chain players and layers. Further, the study intends to identify alternative crop solutions for tobacco farmers.

A **"Scoping Study: Tobacco Control and Social Impact in Sri Lanka"**, is carried out by Manoj Thibbotuwawa and Nimesha Dissanayake in collaboration with the University of Malaya, Malaysia. The main objectives of this scoping study are to analyse the demand and supply sides of the tobacco value chain in Sri Lanka and evaluate the policy measures related to tobacco use, production and trade.

PUBLICATIONS:

- Manoj Thibbotuwawa, Sri Lanka country chapter on **"Progress in Tobacco Harm Reduction in Southeast Asia: A Scoping Study and Situation Analysis"**, East-West University of Bangladesh, (forthcoming).

BLOGS:

- Tobacco Cultivation: A Threat to Sri Lanka's Food Security amidst COVID-19**, Nimesha Dissanayaka, *Talking Economics*, 22 June.
- COVID-19: A Wake-up Call for Sri Lanka's Tea Industry**, Nimesha Dissanayaka, *Talking Economics*, 9 November.

FOOD SECURITY

A study team lead by Manoj Thibbotuwawa will analyse **"The New Face of Hunger: Building a Resilient Food System in an Age of Pandemic"**, funded by the Southern Voice Network. The overall objective of the study is to promote food and nutritional security and household income while ensuring the protection of vulnerable and marginalised sections through a speedy recovery from the COVID-19 pandemic shock, and building a more sustainable, resilient and inclusive food system in Sri Lanka and Nepal. The proposed study will generate evidence to showcase the need for coordinated responses to overcome the food security challenge nationally and regionally.

Manoj Thibbotuwawa contributed a chapter on **"Building Food System Resilience to Pandemics"** to **"Sri Lanka: State of the Economy 2020"** report. The analysis examined how resilient the current agriculture and food system in Sri Lanka has been compared to those of other middle-income countries during the COVID-19 pandemic. The analysis addresses this question focusing on the whole food production system, starting from production to consumption.

PRESENTATIONS/DISCUSSIONS:

- Panel on **“Urban Food Security”** jointly organised by the ICLEI South Asia, Colombo Municipal Council (CMC), UN Food and Agriculture Organization (FAO) and the World Bank, Ramada Hotel, 11 February (Manoj Thibbotuwawa).
- Presentation on **“Food Security Policy Research at IPS”** in a virtual roundtable discussion on **“Food Security Research & Assessments”** organised by World Food Programme (WFP), 9 May (Manoj Thibbotuwawa).
- The IPS organised a virtual dialogue on **“Building Resilient and Sustainable Food Systems in the Age of Pandemics”**, on behalf of the Government of Sri Lanka, supported by the International Fund for Agricultural Development (IFAD), Food and Agriculture Organization of the United Nations (FAO) and the United Nations World Food Programme (WFP), 3 December.

BLOGS:

- New Face of Hunger: Building a Resilient Food System in Sri Lanka in an Age of Pandemics, Manoj Thibbotuwawa, *Talking Economics*, 26 May.

AGRICULTURAL POLICIES AND INSTITUTIONS

Manoj Thibbotuwawa contributed to a study **“Revising the Overarching Agricultural Policy in Sri Lanka”**, with the Department of National Planning, funded by the European Union, Technical Assistance to Modernization of Agricultural Programme (TAMAP). The key objective of the exercise to streamline and prioritise agricultural policy reforms for smooth implementation is to meet the government’s overall objectives such as to raise agricultural productivity, ensure food security and provide decent livelihoods for agricultural workers.

PRESENTATIONS/DISCUSSIONS:

- Panel discussion on **“Future of AI in the Field of Agricultural and Food Industry”**, jointly organised by the Ceylon Chamber of Commerce (CCC), Hatch and the Sri Lanka Association for Software and Service Companies (SLASSCOM), Colombo, 24 January (Manoj Thibbotuwawa).



- Presentation on **“Are Young Women Abandoning Agriculture in Sri Lanka? Livelihood Choices of Rural Women”**, University of Ruhuna, 14 February (Ruwan Samaraweera).
- Panel discussion on **“Industry 4.0 and Sri Lanka”**, organised by the University of Sri Jayawardenapura, 20 February (Manoj Thibbotuwawa).
- Panel discussion on **“Role of Gender in South Asian Food Systems”**, organised by the United Kingdom Research and Innovation (UKRI) at the **“Global Challenge Research Fund Forum”**, Dhaka, Bangladesh, 23-24 February (Manoj Thibbotuwawa).
- Panel discussion on **“Supporting Agricultural Productivity through Gender Inclusion”**, jointly organised by the Modernization of Agriculture Programme (TAMAP), Food & Agriculture Organization (FAO) and the Centre for Women’s Research (CENWOR), Colombo, 13 March (Bilesha Weeraratne).

Environment, Natural Resources, and Climate Change

The looming threat of global climate change has imposed additional conditions that growth should be low carbon and climate resilient. Sri Lanka's national policy framework has identified 'Sustainable Environmental Management' as one among 10 key policy areas. In addition, it also proposes several policy interventions in the areas of power and energy, water, disaster management and human-elephant conflict. The framework highlights the importance of safeguarding the environment and natural resources.



ENVIRONMENT AND NATURAL RESOURCE POLICIES

The IPS has undertaken a study on **“Livelihoods Insurance from Elephants (LIFE) in Sri Lanka”** with the International Institute for Environment and Development (IIED), UK. Statistical records indicate that human-elephant conflicts (HEC) claim a significant number of human and elephant lives annually in Sri Lanka. Each year, the reported number of crop losses, property damages and human and elephant deaths are on the rise. This study by Athula Senaratne and Ruwan Samaraweera explores the potential for developing a commercially-run insurance scheme, to deal with the human-wildlife conflict in Sri Lanka. It aims to design an insurance product and pilot test it in the field.

CLIMATE CHANGE

A study on **“Climate Mitigate Action Support Programme (CMASP)”** led by Athula Senaratne and funded by the Ministry Environment and Natural Resources, aims to evaluate the overall policy coherence and recommendations for Designing and Implementing an Optimal Policy Package for Measuring, Reporting and Verification (MRV), Sri Lanka Carbon Registry (SLCR) and Sri Lanka Carbon Crediting Scheme (SLCCS). The overall objective is to assess existing policies related to climate change mitigation, identify needs for strengthening them, recommend any new regulations and/or policies, evaluate the interactions between new and existing measures to understand the coherence of the overall climate policy mix, and provide optimal policy recommendations.

PRESENTATIONS/DISCUSSIONS:

- Panellist at the session on **“Agriculture Economics”**, at the **“Ruhuna University Symposium on Agriculture and Environment”**, 14 February (Athula Senaratne).
- Panellist at the session on **“Industry 4.0 and Sri Lanka”**, organised by the University of Sri Jayawardenapura, 20 February (Athula Senaratne).
- Policy evaluation workshop on **“Evaluation of Overall Policy Coherence and Recommendations for Designing and Implementing an Optimal Policy Package (OPP) for Measuring, Reporting and Verification (MRV), Sri Lanka Carbon Registry (SLCR) and Sri Lanka Carbon Crediting Scheme (SLCCS)”**, organised by the IPS and the Ministry of Environment, Colombo, 24 September (Athula Senaratne).
- Presentation on **“Policy GAP and Coherence Analysis of the Implementation of MRV, SLCR, SLCCS and CPIs in the Agriculture, Forestry and Land Use Sector”**, at 2nd stakeholder workshop of the Climate Mitigate Action Support Project (CMASP) organised by the IPS and the Climate Change Secretariat, 21 October (Manoj Thibbotuwawa).



- Presentation on “Gap Filling Measures and Implementation Mechanisms of MRV, SLCR, SLCCS and CPIs in the Agriculture, Forestry and Land Use Sector”, at the 3rd stakeholder workshop of the Climate Mitigate Action Support Project (CMASP) organised by the IPS and the Climate Change Secretariat, 19 November (Manoj Thibbotuwawa).
- Presentation on “Optimal Policy Package and Roadmap for Implementation of MRV, SLCR, SLCCS and CPIs in the Agriculture, Forestry and Land Use Sector”, at the 4th stakeholder workshop of the Climate Mitigate Action Support Project (CMASP) organised by the IPS and the Climate Change Secretariat, 6 December (Manoj Thibbotuwawa).

BLOGS:

- Weathering Disasters: Why it Pays to be Prepared, Nisha Arunatilake, *Talking Economics*, 5 October.

Research Team Leaders



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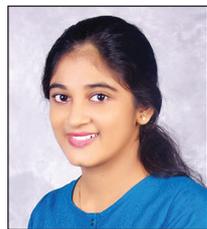
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Chamali Rajapaksa
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Nalaka Liyanapathirana
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Assistant Librarian



Tuan Bangsajayah
Facility Management Officer



Gayendri Karunaratne
Editor



Nilmini De Alwis
Confidential Secretary



Amesh Thennakoon
Publications Officer



Nathasha Hindurangala
Coordinator – Events & Outreach



Nayomi Jayakody
Secretary



Dharinya Ganesharaja
Communications Officer



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Driver/Office Aide
Mr. Nihal Wasantha



Driver/Office Aide
Mr. P U K Rajasiri



Office Aide
Mr. S P. Gamini

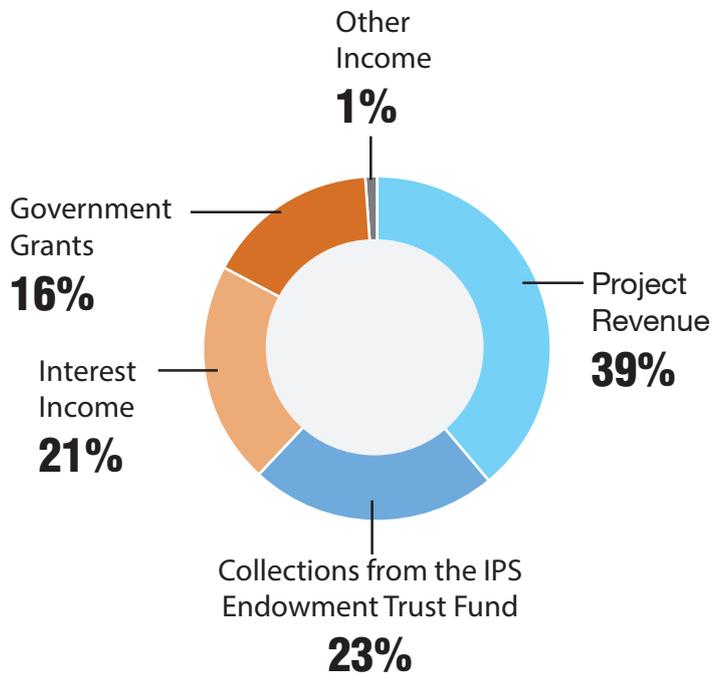
Support Services

Finance and Administration

The Finance and Administration Unit is set up to facilitate and support the activities of the Research Units by providing financial, administration, human resource, maintenance, operations, transportation, and procurement services.

The Institute’s financial performance for the year under review recorded a surplus of Rs.29 Mn. The total revenue of Rs.184 Mn comprised of project revenue (39%), collections from the IPS Endowment Trust Fund (23%), interest income (21%), government grants (16%) and other miscellaneous income (1%).

During 2020, the Institute acquired a brand-new car to its fleet and disposed of a fully depreciated car which was used by the Institute for nine years. Assets additions also include computer hardware and software worth Rs. 2.48 Mn. In 2020, the IPS bid farewell to five researchers and four support staff members, while nine new staff members were recruited to the Institute.



IPS 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 Unit of the IPS. This includes distributing IPS’ multidimensional research activities to local and international stakeholders, policymakers, and the general public through various mediums such as publications, policy briefs, print, electronic, and broadcast media, digital and social media, and events and dialogues. Moreover, IPS research and news are disseminated to the public in the form of press releases, blog articles, and interviews in the media.

In some key highlights, five publications were produced by the Institute in 2020, among which were IPS’ annual flagship report ‘Sri Lanka: State of the Economy 2020’. In 2020, IPS also produced 44 blogs for ‘Talking Economics’ which were re-produced in local media channels including the widely-read newspapers and online news outlets, while 23 articles were shared on global platforms. Ten interviews with print and electronic media were organised to disseminate the Institute’s research and contribute to the policy debates in Sri Lanka.

IPS’ social media presence increased significantly in 2020 with Facebook, Twitter, LinkedIn, and YouTube pages updated regularly. The IPS continued to be active on Twitter, using this vital social media platform to post live updates during events and forums.

The IPS hosted a Twitter Chat on the National Budget with the participation of research staff.

Ever since COVID-19 struck Sri Lanka, one of the most important topics that the Institute's research and dissemination focused on in 2020 was how the country could build back better from COVID-19.

The most notable event held in 2020 was the IPS panel discussion on 'Sri Lanka: State of the Economy 2020' report held virtually due to the ongoing pandemic. Further, the IPS organised four online workshops, one virtual dialogue and two report launches. The IPS has thus managed to reach out to a wide variety of stakeholders with the Institute's premier research.

Information Systems

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

With the start of 2021, ISU is planning to upgrade the existing data centre and network infrastructure by scaling into the state-of-the-art technology. This will be carried out by acquiring an online system, where the users could enjoy access from anywhere with the ease of use under Aster network security.

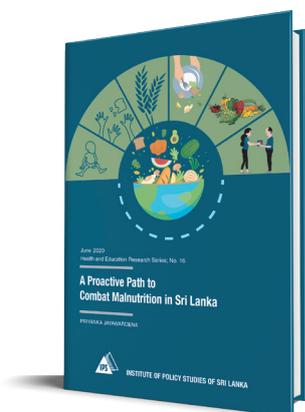
Library

The IPS Library provides information resources to its research and support staff, as well as serving external users. The main focus in 2020 was the restructuring of the library. It also continued to provide access to several databases and e-papers including JSTOR. Online library services were particularly helpful to users since the onset of the pandemic.

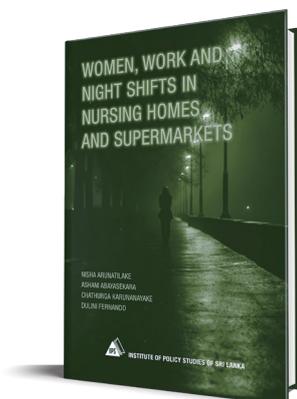
The library also keeps its users up-to-date on current affairs. It engages in educational activities to enable staff to familiarise with the library intranet, OPAC and electronic databases. It also attends to a large number of the inter-library loan (ILL) and document delivery (DD) requests. A library consultant and a library intern were hired temporarily until the finalisation of the restructuring programme.

The restructuring of library services and staff duties continue to be a priority for 2021. Introducing procedures for streamlining library activities and services and library digitalisation are other priorities in the medium-term.

Publications 2020



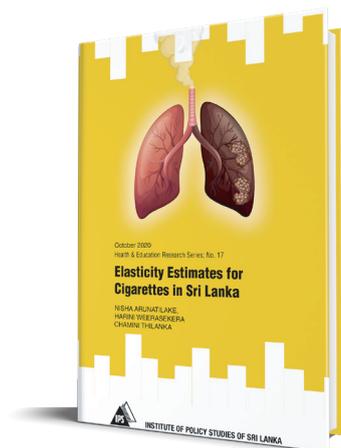
“A Proactive Path to Combat Malnutrition in Sri Lanka”



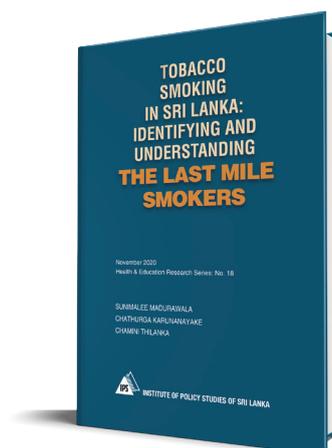
“Women, Work and Night Shifts in Nursing Homes and Supermarkets”



“Sri Lanka State of the Economy 2020”



“Elasticity Estimates for Cigarettes in Sri Lanka”



“Tobacco Smoking in Sri Lanka: Identifying and Understanding the Last Mile Smokers”

IN-HOUSE SEMINARS



“Human-Elephant Conflict in Sri Lanka” by Paul Steel, Chief Economist, IIED and Milanthi Sarukkali, Chief Executive Officer at Spark Actuarial & Risk Consultants, IPS Conference Room, 28 January.



“Mitigating Green House Gas Emission of Transport through the Management of Traffic Congestion” by Kanishka Werawella, Project Intern, IPS, IPS Conference Room, 27 February.

IPS INTERNSHIP PROGRAMME 2020

Name	Designation	University
Ravisha Wellappuli	Project Intern	Monash University in Melbourne, Australia
Sulochana Senevirathne	Project Intern	University of Uva Wellassa, Sri Lanka
Dulashini Sooriyarachchi	Project Intern	University of Nottingham, Malaysia
Kanchana Geeth Samaraweera	Project Intern	University of Colombo, Sri Lanka
Kimuthu Wilma Kiringoda	Project Intern	University of Colombo, Sri Lanka
Anjana Sandeepani	Project Intern	University of Colombo, Sri Lanka
Piyumi Rasangi	Project Intern	University of Colombo, Sri Lanka
Amanda Vanhoff	Project Intern	University of Colombo, Sri Lanka
Amanda Balasooriya	Project Intern	University of Wayamba, Sri Lanka



Institute of Policy Studies of Sri Lanka
Financial Statements for the year ended
31st December 2020

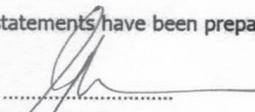
INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL PERFORMANCE

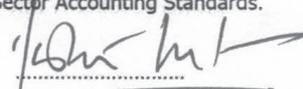
<i>For the year ended 31st December</i>			
	Notes	2020 Rs.	2019 Rs.
Revenue			
Grant from the Government of Sri Lanka	2	30,214,000	16,500,000
Contribution from the Endowment Trust Fund	22	41,641,019	54,482,615
Project Income	3	72,188,166	42,275,808
Income from International Development Research Centre (IDRC) TTI Grant	4	-	5,601,648
Income from Seminars/Workshops	5	-	16,883,382
Interest Income		37,753,890	41,351,451
Income from Hiring the Auditorium		90,000	1,499,982
Miscellaneous Income	6	621,987	854,726
Profit on Disposal	16	1,650,000	45,000
Total Revenue		184,159,062	179,494,612
Expenses			
Employee Cost	7	70,322,900	64,676,003
Research Cost	8	26,343,953	19,326,676
Seminars and Workshops Cost		-	9,019,365
Utility Expenditure		16,286,697	16,345,495
Travel Expenses		33,822	233,807
Other Operating Expenses	9	13,274,925	19,331,168
Hire of Auditorium		4,763	484,872
Exchange Loss		269,624	402,619
Total Expenses		126,536,684	129,820,005
Current surplus for the year		57,622,378	49,674,607
Depreciation on Property, Plant and Equipment	16	17,430,593	18,871,092
Surplus after depreciation for the year		40,191,785	30,803,515
Income Tax Expense	10	11,115,287	795,869
Surplus for the year after taxation		29,076,498	30,007,646

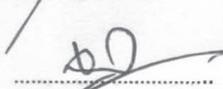
**INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL POSITION**

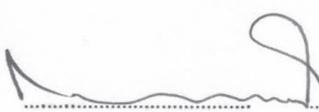
<i>As at 31st December</i>	Notes	2020	2019
		Rs.	Rs.
ASSETS			
Current Assets			
Cash and Cash Equivalent	11	36,055,585	191,659,007
Investments	12	420,781,441	104,036,945
Trade receivables	13	19,157,068	4,607,344
Inventories - Publications		1,514,516	1,498,602
Deposits and Prepayments	14	5,683,123	10,015,027
Interest Receivable		5,196,782	5,776,944
Other Receivables	15	15,930,937	21,515,860
Total Current Assets		504,319,452	339,109,729
Non Current Assets			
Property, Plant and Equipment	16	445,810,723	453,072,460
Long Term Investments	12	68,132,786	171,475,788
Deposits and Prepayments	14	-	2,433,456
Total Non Current Assets		513,943,509	626,981,704
Total Assets		1,018,262,961	966,091,433
LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	17,169,606	6,709,020
Advance Receipts on Projects	18	25,986,235	17,926,007
Total Current Liabilities		43,155,841	24,635,027
Non Current Liabilities			
Employee Benefits	19	21,716,143	17,236,511
Staff Welfare Fund		2,970,501	2,875,917
Total Non Current Liabilities		24,686,644	20,112,428
Total Liabilities		67,842,485	44,747,455
Net Assets		950,420,476	921,343,978
EQUITY			
Accumulated Surplus		950,420,476	921,343,978

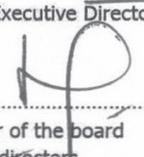
These financial statements have been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.


.....
Chief Financial Officer


.....
Executive Director


.....
Chairman


.....
Member of the
board of directors


.....
Member of the board
of directors

The Accounting policies on pages 5 to 8 and Notes on pages 9 to 16 form an integral part of these Financial Statements. The board of Directors is responsible for the preparation and presentation of these Financial Statements.

16/02/2021
.....
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 31st December 2018	891,336,332
Surplus of income for the year	30,007,646
Balance as at 31 st December 2019	<u>921,343,978</u>
Surplus of income for the year	29,076,498
Balance as at 31st December 2020	<u>950,420,476</u>

**INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CASH FLOW**

<i>For the year ended 31st December</i>		2020	2019
		Rs.	Rs.
Cash Flow From Operating Activities	Notes		
Surplus/(Deficit) after taxation		29,076,498	30,007,646
Adjustments for;			
Movement of the Staff Welfare Fund		94,584	251,542
Depreciation on Property, Plant and Equipment	16	17,430,593	18,871,092
Provision / (Reversal) of Gratuity	19	6,525,530	3,563,963
Interest Income		(37,753,890)	(41,351,451)
Decrease in Provision for Bad debt		(167,567)	(115,787)
(Profit) / Loss on sale / write down of assets		(1,650,000)	(45,000)
Net cash inflow/(outflow) Before Working Capital Changes		13,555,748	11,182,005
(Increase)/ Decrease in Trade Receivables		(14,382,157)	5,339,712
(Increase) /Decrease in Inventories		(15,914)	(318,995)
(Increase)/Decrease in Deposits and Prepayments		6,765,360	4,361,869
(Increase)/ Decrease in VAT and NBT Receivables		-	-
(Increase)/ Decrease in Other Receivables		5,584,923	35,674,466
Increase/(Decrease) in Advance Receipts		8,060,228	5,833,489
Increase/(Decrease) in Trade and Other Payables		10,460,586	462,787
Net cash inflow/(outflow) Generated From Operations		30,028,774	62,535,333
Gratuity Paid	19	(2,045,898)	(189,119)
Net cash inflow/(outflow) From Operating Activities		27,982,876	62,346,214
Cash Flow From Investing Activities			
Purchase of Property, Plant and Equipment	16	(10,168,855)	(13,493,115)
Interest Received		42,209,276	37,649,784
Sales Proceeds from Disposal of Property, Plant and Equipment		1,650,000	45,000
Purchase of Investments		(306,744,497)	(131,904,759)
Proceeds from Sale of Investments		244,391,027	45,912,169
Net cash inflow/(outflow) From Investing Activities		(28,663,049)	(61,790,921)
Cash Flow From Financing Activities			
Net cash inflow/(outflow) From Financing Activities			
Net (Decrease)/Increase in Cash and Cash Equivalents		(680,173)	555,293
Cash and Cash Equivalents at the beginning of the year (Note 11)		3,341,619	2,786,325
Cash and Cash Equivalents at the end of the year		2,661,446	3,341,619
a) Reconciliation of Cash and Cash Equivalents			
Cash at Bank		2,571,446	3,251,619
Cash in Hand		90,000	90,000
		2,661,446	3,341,619

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

For the year ended 31st December 2020

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 is 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 2020

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. The depreciable amount of the asset is determined after deducting residual value 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 2020

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, corporate debentures 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 2020

(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.

(k)

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, maintenance, and income tax expenses of the Institute. During the current year, Rs. 11,115,287/- income tax expenses were reimbursed.

	2020	2019
	Rs.	Rs.
3 Project Income		
Income from Institutions	<u>72,188,166</u>	<u>42,275,808</u>
	2020	2019
	Rs.	Rs.
4 Income from International Development Research Centre (IDRC) TTI Grant		
TTI Grant for the year	<u>-</u>	<u>5,601,648</u>

The income recognized in 2019 relates to the portion of income recognized from the IDRC Think Tank Initiative (TTI) Phase 2 grant. 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 used to enhance research quality, organisational performance and improve policy linkages and communication and outreach. The grant period completed on 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. In 2019, the 12th South Asian Economic Summit was hosted by the IPS which resulted in an increase in income by Rs. 12,380,997.06/-

	2020	2019
	Rs.	Rs.
6 Miscellaneous Income		
Sale of Publications	378,779	630,955
Postal Charges	1,880	8,075
Other Income	241,328	215,696
	<u>621,987</u>	<u>854,726</u>
	2020	2019
	Rs.	Rs.
7 Employee Cost		
IPS Staff Salary	52,591,028	50,780,638
EPF	5,996,362	5,758,642
ETF	1,499,090	1,439,660
Honorarium (Note 7.1)	1,870,319	1,122,065
Health Benefits and Fees	1,755,571	1,914,685
Other Benefits	85,000	96,350
Provision for gratuity (Note 19)	6,525,530	3,563,963
	<u>70,322,900</u>	<u>64,676,003</u>
	2020	2019
	Rs.	Rs.
7.1 Honorarium		
Includes payments made as sitting allowance for board meetings	<u>96,000</u>	<u>66,000</u>
	2020	2019
	Rs.	Rs.
8 Research Cost		
Printing & Typesetting Publication Cost	541,561	564,356
Internet Charges	3,090,283	3,413,782
Consultation Charges	14,149,156	8,519,060
Field work supervision	5,305,876	4,781,918
Project Related Dissemination	-	1,027,271
Other Research Costs	3,257,077	1,020,289
	<u>26,343,953</u>	<u>19,326,676</u>

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

	2020	2019
	Rs.	Rs.
9 Other Operating Expenses		
Registration and Membership Fees	403,270	420,806
Office Costs	551,512	897,877
General Office Cost	2,347,951	4,666,326
Consumables	-	349,985
Professional and Legal Fees	5,268,520	3,153,434
Network Maintenance (Note 9.1)	3,833,697	3,594,748
Audit and Tax Fees	262,956	288,420
Advertisements	71,568	14,400
Bank Charges/Commission	85,399	112,407
Other Admin Related Costs	95,722	373,183
WHT Expenses	-	5,193,847
Meeting Expenses - ETF	354,330	265,735
	13,274,925	19,331,168

9.1 Network maintenance expenses include the amortization cost of the server system maintenance agreement, which was signed for three years up to October 2021.

10 Income Tax Expense
Current tax Expense

Under the provisions of the Inland Revenue Act, No. 24 of 2017, income from investments are subject to income tax at 14%. Accordingly, provisions are made for the income tax for the period ended 31st December 2020 as follows:

	2020
	Rs.
Income from hiring Auditorium	90,000
(-) Expenses in relation to the income from hiring Auditorium	(91,544)
Loss from investment	(1,544)
Contribution from the Endowment Trust Fund (Interest income)	41,641,019
Other interest income	37,753,890
	79,394,909
Tax on Interest income (Rs. 79,394,909/- @ 14%)	11,115,287

	2020	2019
	Rs.	Rs.
11 Cash and Cash Equivalents		
Cash at Bank	1,521,446	2,551,619
Cash in Call Deposit Account	1,050,000	700,000
Petty Cash	90,000	90,000
Investments held for less than 03 months		
Fixed Deposits and repurchase agreement	21,014,130	188,317,388
Corporate Debentures	10,859,932	-
Treasury Bills	1,520,077	-
	36,055,585	191,659,007

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

	2020	2019
	Rs.	Rs.
12 Investments - Short Term		
Treasury Bills	161,963,824	-
Fixed Deposit - Staff Welfare Fund	2,374,637	2,294,123
Fixed Deposit - Gratuity Fund	22,961,873	18,296,643
Fixed Deposits	223,481,107	83,446,179
Corporate Debentures	10,000,000	-
	<u>420,781,441</u>	<u>104,036,945</u>

Investments - Long Term

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

	2020	2019
	Rs.	Rs.
Treasury Bond	52,132,786	99,945,962
Corporate Debentures	16,000,000	71,529,826
	<u>68,132,786</u>	<u>171,475,788</u>

13 Trade Receivables

	2020	2019
	Rs.	Rs.
Trade Receivables Projects	7,334,839	3,307,711
Provision for Bad Debts	(655,935)	(488,368)
Progress Billing	12,478,164	1,788,001
	<u>19,157,068</u>	<u>4,607,344</u>

14 Deposits and Prepayments - Short Term

	2020	2019
	Rs.	Rs.
Prepayments (Note 14.1)	5,137,073	7,979,007
Deposits	330,050	276,550
Other Advances (Note 14.2)	216,000	1,759,470
	<u>5,683,123</u>	<u>10,015,027</u>

Deposits and Prepayments - Long Term

	2020	2019
	Rs.	Rs.
Prepayments	-	2,433,456

14.1 Prepayments

	2020	2019
	Rs.	Rs.
Medical Insurance	661,951	693,207
Other Insurance	285,616	363,551
Other Prepayments	1,756,050	1,315,722
Maintenance (Network / Server system / Software) - Short Term	2,433,456	5,606,527
	<u>5,137,073</u>	<u>7,979,007</u>

14.2 Other Advances

	2020	2019
	Rs.	Rs.
Advances in connection survey related expenses	-	1,172,438
Advances to other suppliers	216,000	587,032
	<u>216,000</u>	<u>1,759,470</u>

15 Other Receivables

	2020	2019
	Rs.	Rs.
Staff Debtors	3,143,010	3,560,793
Other Receivables Project	14,790	-
Other Receivables (Note 15.1)	12,773,137	17,955,067
	<u>15,930,937</u>	<u>21,515,860</u>

15.1 Other Receivables

	2020	2019
	Rs.	Rs.
Receivable From Endowment Trust Fund	<u>12,773,137</u>	<u>17,955,067</u>

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

16 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 2020	156,000,000	324,858,738	97,823,713	23,525,945	19,956,911	23,795,358	1,730,313	647,690,976
Additions	-	-	874,210	7,677,000	8,500	1,608,929	216	10,168,855
Less: Disposals (note 01)	-	-	-	(1,587,750)	-	-	-	(1,587,750)
Balance as at 31st December 2020	156,000,000	324,858,736	98,697,923	29,615,195	19,965,411	25,404,287	1,730,529	656,272,081
Accumulated Depreciation								
Balance as at 01st January 2020	-	57,831,320	84,804,184	9,054,626	19,321,649	21,884,460	1,722,277	194,618,516
Depreciation Charge	-	6,432,572	7,984,286	2,582,284	85,428	342,119	3,904	17,430,593
Less: Disposals	-	-	-	(1,587,750)	-	-	-	(1,587,750)
Balance as at 31st December 2020	-	64,263,892	92,788,470	10,049,160	19,407,077	22,226,579	1,726,180	210,461,358
As at 31st December 2020	156,000,000	260,594,844	5,909,453	19,566,035	558,334	3,177,708	4,349	445,810,723

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

16 Property, Plant and Equipment (Continued)

	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 2019	156,000,000	324,428,666	85,317,962	23,525,945	19,944,261	23,739,225	1,726,313	634,682,372
Additions	-	430,070	12,505,751	-	12,650	540,644	4,000	13,493,118
Less: Disposals (note 01)	-	-	-	-	-	(484,510)	-	(484,510)
Balance as at 31st December 2019	156,000,000	324,858,736	97,823,713	23,525,945	19,956,911	23,795,358	1,730,313	647,690,976
Balance as at 01 st January 2019	-	51,370,264	74,857,991	6,938,900	19,236,674	22,113,946	1,714,158	176,231,934
Depreciation Charge	-	6,461,056	9,946,193	2,115,726	84,975	255,024	8,118	18,871,090
Less: Disposals	-	-	-	-	-	(484,510)	-	(484,510)
Balance as at 31st December 2019	-	57,831,320	84,804,184	9,054,626	19,321,649	21,884,460	1,722,277	194,618,516
As at 31st December 2019	156,000,000	267,027,416	13,019,529	14,471,319	635,262	1,910,898	8,036	453,072,460

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

	2020	2019
	Rs.	Rs.
17 Trade and Other Payables		
Accruals (Note 17.1)	13,548,104	4,892,581
EPF & ETF Payable	973,698	921,749
PAYE payable	28,982	95,271
Stamp Duty payable	3,500	3,550
Income tax payable	2,615,322	795,869
	17,169,606	6,709,020
	2020	2019
	Rs.	Rs.
17.1 Accruals		
Office Costs	1,511,497	1,047,166
Audit Fees	1,335,356	870,164
Electricity	542,714	595,604
Telephone/Internet Charges	299,278	354,980
Fuel	11,531	44,772
Incentive	186,794	1,752,791
Research Project Expenses	9,660,934	227,104
	13,548,104	4,892,581
	2020	2019
	Rs.	Rs.
18 Advance Receipt on Projects		
Balance as at 01st January	17,926,007	12,092,518
Receipts during the year	53,804,892	24,692,756
Income recognized	(45,744,663)	(18,859,266)
Balances as at 31st December	25,986,235	17,926,007
	2020	2019
	Rs.	Rs.
19 Employee Benefits		
Balance as at 01 st January	17,236,511	13,861,669
Expense recognized during the year (Note 19.1)	6,525,530	3,563,963
Payments made during the year	(2,045,898)	(189,119)
Balance as at 31st December	21,716,143	17,236,511

Number of employees of the Organization as at 31st December 2020 is 38 (2019: 41).

Number of employees of the Organization eligible for Employee Benefits as at 31st December 2020 is 38 (2019: 41).

The liability is valued by an independent professional actuarial valuation company.

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

Discount Rate	8.00% (2019: 10.25%)
Increase in rate of salary	9.20% (2019: 9.20%)
Rate of Staff Turnover	23% (2019: 7%)

	2020	2019
	Rs.	Rs.
19.1 Expense recognized during the year		
Current Service Cost	1,778,284	1,594,506
Interest Cost	1,766,743	1,663,400
Actuarial (Gain)/Loss	2,980,504	306,057
	6,525,530	3,563,963

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 (2019 : Nil).

21 Capital Commitment

No capital commitments as at the Statement of Financial Position date (2019 : Nil).

22 Related Party Transactions

The Institute's Endowment Trust Fund ("Trust Fund") had a net assets value of Rs. 501,818,637/- as at 31st December 2020 (2019: Rs. 501,825,760/-). 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).

The Institute is granted Rs. 30,214,000/- (2019 : Rs.16,500,000) from the Government of Sri Lanka for recurrent expenditure.

The Director General of Department of fiscal policy, 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 Board of Governors' Responsibility

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



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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Chairman,

Institute of Policy Studies of Sri Lanka

Report of the Auditor General on the financial statements for the year ended 31 December 2020 and other legal and regulatory requirements of the National Institute of Policy Studies of Sri Lanka in terms of Section 12 of National Audit Act No. 19 of 2018

The aforesaid report is sent herewith.

W.P.C. Wickramaratna
Auditor General

Copy: Secretary, Ministry of Finance

Chairman,
Institute of Policy Studies of Sri Lanka

Report of the Auditor General on the financial statements for the year ended 31 December 2020 and other legal and regulatory requirements of the National Institute of Policy Studies of Sri Lanka in terms of Section 12 of National Audit Act No. 19 of 2018

1. Financial Statements

1.1. Opinion

Financial statements of the Institute of Policy Studies of Sri Lanka for the year ended 31 December 2020, which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes of equity, and the cash flow statement for the year then ended, and notes to the financial statements and the summary of significant accounting policies were audited under my order in terms of the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971 to be read with Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My report will be tabled in Parliament in due course in terms of Article 154(6) of the Constitution.

It is my opinion that, the financial position of the Institute of Policy Studies of Sri Lanka as at 31 December 2020 and its financial performance and cash flows for the year then ended represent a true and fair view of the state of affairs in accordance with the Public Sector Accounting Standards of Sri Lanka.

1.2. Basis for the opinion

I conducted the audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility under these Auditing Standards has been further described in the section on the responsibility of the auditor for the audit of financial statements of this report.

It is my belief that the audit evidence I have obtained is adequate and appropriate for providing a basis for my opinion.

1.3. Other information contained in the Annual Report 2020 of the Institute

Other information refers to the information that is included in the Annual Report 2020 of the Institute that I had obtained before the date of this Audit Report, but not included in the financial statements and my audit report on the same. The management is responsible for other information.

My opinion regarding the financial statements does not cover the other information, and I will not give any assurance or express any opinion regarding the same.

My responsibility in relation to my audit of the financial statements is to read the other information identified above when it is available to me, and in doing so, to consider whether the other information is materially inconsistent with the financial statements or with the knowledge I have gained during the audit or otherwise.

If I decide based on the other information I have gained prior to the date of this audit report and based on the tasks I have carried out that the other information has been materially misstated, it is required that I report such matters. I do not have anything to report in this regard.

1.4. Responsibility of the management and the administration for the financial statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards, and for determining the internal controls necessary for enabling the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

It is the responsibility of the management to determine the going concern of the institute when preparing the financial statements, and except where the management intends to liquidate the institute or to cease operations in the absence of any alternative, keeping accounts on the basis of going concern and disclosing the matters relating to the going concern of the institute, too, are responsibilities of the management.

The administration of the institute is responsible for the financial reporting process of the institute.

In terms of Sub-section 16(1) of the National Audit Act No. 19 of 2018, the institute should properly maintain books and reports on its income, expenditure, assets and liabilities in order to enable the preparation of annual and timely financial statements of the institute.

1.5. Responsibility of the Auditor for the audit of financial statements

My intention is to give a fair assurance that the financial statements, as a whole, are free of material misstatements due to fraud and error, and to issue the report of the auditor containing my opinion. Fair assurance is an assurance of a higher level, but when conducting the audit in terms of Sri Lanka Auditing Standards, it will not be a confirmation that it always discloses material misstatements. Material misstatements may occur due to the effect of frauds and errors either individually or collectively, and it is expected that it could have an impact on the economic decisions made by users based on these financial statements.

I conducted the audit in terms of Sri Lanka Auditing Standards with professional judgment and professional dubiousness. Further,

- When identifying and assessing the risks of material misstatements that may occur in financial statements due to fraud or error, as the case may be, obtaining adequate and appropriate audit evidence to avoid the risks caused by frauds or errors by planning proper audit procedures is the basis for my opinion. The effect of a fraud is more serious than the effect of material misstatements, and collusion, preparation of forged documents, intentional omissions or breach of internal controls result in frauds.
- Understanding of the internal control of the institute was gained in order to plan appropriate auditing procedures, but it is not intended to express an opinion about the effectiveness of the internal control.
- Fairness of the principles of accounting and accounting estimates used and applicability of the related disclosures were evaluated.
- Relevance of using the basis of going concern of the institute for accounting based on the audit evidence obtained regarding whether there exists a material uncertainty about the going concern of the institute due to events or situations was determined. If I determine that there exists a material uncertainty, attention of my audit report should be directed towards the disclosures related to them in the financial statements, and if such disclosures are not adequate, my opinion should be modified. However, the going concern may end based on the future events or situations.
- Presentation, the structure and the content of the financial statements that include disclosures were evaluated, and it was evaluated that the transactions and events used for that were appropriately and fairly included in the financial statements.

The administration was informed of the significant audit findings, weaknesses of the key internal controls, and other matters that were identified during my audit.

2. Report on other legal and regulatory requirements

2.1. National Audit Act No. 19 of 2018 contain special provisions regarding the following requirements:

2.1.1. According to the requirements provided under Section 12(a) of the National Audit Act No. 19 of 2018, I obtained all the information and clarifications required for the audit, and as it is observed through my examination, the institute had maintained proper financial records.

2.1.2. According to the requirement provided in Section 6(1)(d)(iii) of the National Audit Act No. 19 of 2018, the financial statements of the institute are consistent with the preceding year.

2.1.3. According to the requirement provided in Section 6(1)(d)(iv) of the National Audit Act No. 19 of 2018, the recommendations made by me in the previous year are included in the financial statements that have been presented.

2.2. Based on the procedure that was adopted and the evidence that was obtained, and limitation to material factors, nothing has come to my attention that require making of following statements:

2.2.1. According to the requirement provided in Section 12(d) of the National Audit Act No. 19 of 2018, a member of the board of directors of the institute has an interest outside the normal business situation of the institute directly or otherwise regarding a contract that relates to the institute.

2.2.2. According to the requirement provided in Section 12(f) of the National Audit Act No. 19 of 2018, the institute has not complied with an applicable written law or other general or special direction issued by the board of directors of the intitute except for the following observation:

Reference to law/direction**Description**

(a) Paragraph 03 of Circular No. SC&PMU/Grant/19 dated 25 July 2019 issued by the Department of External Resources.

All foreign grants should be obtained through the Department of External Resources with the sanction and consensus of that Department, but action had not been taken accordingly regarding the grant of Rs. 48,582,735 that had been received for the project during the year.

(b) Public Enterprise Department Circular No, PED 12 dated 02 June 2003, Section (i) 9.2(b)

Despite that all institutes should maintain an approved cadres, the cadre of the institute had not been approved.

The institute should prepare a scheme of recruitment and promotions, and approval of the Board of Management and the relevant ministry, and consensus of the Public Enterprise Department of the Treasury should be obtained for the same, but the Institute had not acted accordingly.

2.2.3 According to the requirement provided in Section 12(g) of the National Audit Act No. 19 of 2018, the institute has performed inconsistent with the powers, functions and duties of the institute.

2.2.4 According to the requirement provided in Section 12(h) of the National Audit Act No. 19 of 2018, the resources of the institute have not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with National Audit Act No. 19 of 2018 and the applicable laws.

W.P.C. Wickramaratne

Auditor General

Institute of Policy Studies

Responses to Audit Report

LEW/C/IPS/01/2020/01

Financial Statement Audit 2020

2. Compliance with other Laws, Rules, Regulations

2.2.2

A) Collection of Project Funds

IPS has adhered to circular No. SC & PMU / Grant / 19, 2016 July 25 by keeping the External Resources Department informed about the grant awarded to IPS. The copy of the letter sent to DG – External Resources was shared with auditors for their perusal.

B)(i) Management of Staff Cadre

IPS does not maintain a registered cadre for two reasons. First, is the nature of its funding which is highly dependent on raising research project incomes. Project incomes are volatile for a number of reasons, including the policy environment and donor interest. Second, is the changing areas of research as government policy priorities shift. Both these factors require IPS to retain flexibility to adjust its staff numbers to be productive and cost-effective. These matters have been discussed extensively over the years, and in 2015, it was discussed in detail at the Line Ministry audit committee, and subsequently officials of the Auditor-General's Department agreed that IPS is not required to have an approved cadre.

(ii) Recruitment and Promotions

The IPS Manual of Operations (MOO) has been developed to guide the operational activities of the Institute, including staff cadre, scheme of recruitment, promotions and remunerations. The MOO is approved by the Governing Board which is vested with powers under IPS establishment Act no 53 of 1988, section 6 (a) to formulate the Institution's rules and regulations. For the IPS to function on the basis of rules and regulations set down in the MOO, the Committee on Public Enterprises (COPE) requested that the MOO be formally approved by the Ministry of Finance (MOF). The MOO was submitted to the MOF accordingly, and approval was received in 2014. The letter of response from the MOF in this connection and same was shared with auditors for their perusal.



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