Annual Report 2022

INSTITUTE OF POLICY STUDIES OF SRI LANKA

Contents

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 three decades, 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

CHAIRMAN'S MESSAGE

I am delighted to issue this message in reviewing the activities of the Institute of Policy studies of Sri Lanka (IPS) in the year 2022. The mission of the IPS is to conduct high-quality, independent, policy relevant research to provide robust evidence for policymaking and improve the lives of all Sri Lankans. This year's research activities and outcomes conducted by the IPS continues its tradition of shedding light on the actual state of the economy of Sri Lanka during the year 2022 and the country's medium term policy challenges. In particular, the IPS' annual flagship report, Sri Lanka: State of the Economy has been considered as one of the preeminent, practical, and independent economic research reports published in Sri Lanka.

Snr. Prof. H.D. Karunaratne

The economy of Sri Lanka has been undergoing a difficult period during the past three years as a result of numerous crises such as the Easter attack, COVID-19 pandemic, forex crisis, debt crisis, political and social instability. As one would expect, conducting research in a crisis situation is not an easy task. In such situations, conventional methods of data collection, access to resources, retaining talented researchers, person-to-person discussions, transportation methods as well as the delivery of outcomes on time become entirely different. Sri Lanka is not an exception in this regard. Currently, one of the biggest crisis encountered by research institutes and universities in Sri Lanka is retaining qualified and talented researchers due to external factors such as high inflation, high government taxes, social instability, and recruitment embargo imposed by the government and private institutions. Under such circumstances, the IPS has managed to conduct high-quality research and remain as one of the best research institutes by publishing research outcomes on time. I congratulate the Executive Director Dr. Dushni Weerakoon and her staff for the excellent work done over the year.

As we are aware, new solutions and methods are essential to overcome new types of crises we are facing today. Since Sri Lanka has been dealing with a variety of crises, designing new types of research, collecting new data, adopting modern research methods, ensuring inclusivity in the research process, presenting innovations, and applying research findings in the decision-making process are essential. Thus, I would like to recommend the Institute's work to policy makers and practitioners in order to adopt innovative and connected approaches to finding policy solutions for the unprecedented crises Sri Lanka is facing at present.

EXECUTIVE DIRECTOR'S REPORT

In the face of Sri Lanka's harshest economic crisis and its implications, which are yet to be fully felt, the last 12 months have also been a period of reflection for the country's citizenry. There is much soul-searching to understand how Sri Lanka's political and institutional structures fractured to bring about an economic collapse on the eve of its 75th year of independence. At the Institute of Policy Studies of Sri Lanka (IPS), our research has consistently sounded warnings over the last decade on Sri Lanka's increasingly fragile fiscal status, rising exposure to foreign debt and vulnerability to external shocks. Indeed, as far back as 2013, the IPS' annual flagship report 'Sri Lanka: State of the Economy' highlighted the associated risks of foreign debt repayments bunching up and continued to call for robust policy responses to deal with the problem in subsequent reports. While looking back holds important lessons, the priority for Sri Lanka now is to come together and deal with the immediate impact.

Dr. Dushni Weerakoon

Our work programme in 2022 demonstrates the IPS' agility to respond to short-term policy demands, identify and analyse medium-term impacts and map appropriate policy solutions. We initiated work on analysing the impact of the crisis and its disproportionate bearing on the country's most vulnerable and disadvantaged households through the Sustainable Development Goals (SDGs) framework. The interconnected impacts of cost-of-living pressures, loss of incomes, jobs and livelihoods are evident from rising poverty and food insecurity across the country. This year's 'Sri Lanka: State of the Economy' report brings these strands together in an in-depth analysis of the complex and interlinked socio-economic challenges to identify national priorities and monitor outcomes.

A series of more detailed studies to better understand and find resolutions to some of the most urgent issues of the economic crisis were undertaken as well. These include studies on 'Improving Active and Retirement Age Social Security for Formal and Informal Private Sector Workers in Sri Lanka' to map existing social security schemes in order to identify gaps in the benefit levels and coverage for workers. Another study focused on 'Developing Food Loss Reduction Pathways through Smart Business Practices' to examine the nature, scope and underlying causes of food loss and demonstrate the effectiveness of a set of innovations in driving behavioural change that results in loss mitigation. In the area of migrant labour, a study to identify the 'Skills, Aspirations, and Reintegration Challenges of Returnee Migrant Workers' to ensure the re-establishment of their economic, social, and psychosocial relationships is underway. Similarly, on the public expenditure review front, a study on 'Estimating the Impact of Fiscal Policy on Inequality and Poverty in Sri Lanka' to assess the incidence of major tax and transfer programmes and examine how these affect the country's fiscal policy path in supporting an inclusive recovery, is ongoing.

Drawing on these studies as well as previous research, the IPS was actively engaged in supporting efforts by the Government of Sri Lanka (GOSL) to devise appropriate policy responses. In collaboration with the Department of National Planning (NPD), the IPS developed a national policy framework that will support measures to achieve near-term macroeconomic stabilisation and detail policy reforms required for recovery and sustained growth over the medium to long term, initiated at the request of the GOSL. Additionally, as a sitting member of the Committee on Economic Stabilisation, Recovery and Promotion of Growth convened by the Presidential Secretariat, policy inputs and suggestions were provided to discussions around an economic reform agenda, while submitting specific policy proposals to the Department of Fiscal Policy of the Ministry of Finance to support the Budget formulation process. The IPS also prepared a 'Report on Budget 2023: Assessment of Government Policy Priorities' at the request of the Parliamentary Committee on Public Finance (COPF) to support efforts to strengthen legislative oversight of public finance management.

Elsewhere, the Institute continued to solidify its reputation for delivering robust and vigorous research by winning a globally competitive multi-year research grant for its proposal on 'Improving Pandemic Responses to Reduce Adverse Health Effects on Women Workers in Sri Lanka's Export Sector'. This adds to our other ongoing multi-year research projects on 'Strengthening Fiscal Policies and Regulations to Promote Healthy Diets in Sri Lanka', 'Tobacco Control', and the 'Social, Economic and Legal Barriers to Decent Jobs for Females'. Along with these new work programmes, new partnerships were also established to help us expand our global reach. In 2022 alone, the IPS continued working with diverse partners such as the International Development Research Centre of Canada, Duke University, the Australian Centre for International Agricultural Research, the World Bank, and the South Asia Centre for Labour Mobility and Migrants, amongst others. IPS' researchers were featured in a wide range of publications, seminars and media engagements to bring our research evidence and ideas to a broader audience both in Sri Lanka and overseas.

As we continue to apply our expertise in both quantitative and qualitative methods to generate robust evidence, our overarching aim remains clear – to improve our understanding of economic and social issues and the ways in which policy can bring about change. This Annual Report will take you through each of our six thematic areas of research and highlight the work we have done in each area, especially related to our research studies and policy engagement activities.

Despite a challenging operational environment, the IPS was able to make strong progress in achieving the results set by the budget for the year 2022. While the economic turbulence posed considerable challenges, including work-from-home arrangements and monitoring of delivery and risks to IPS' finances from high inflation and associated higher costs, we successfully mitigated these risks through periodic reviews of project budgets and increasing our research proposal submissions. Indeed, the presence of strong systems and procedures in place is evident from the favourable audit report issued to the IPS by the National Audit Office.

None of the Institute's progress over the last 12 months towards achieving its core objectives of rigorous research and policy design and financial sustainability would have been possible without the commitment shown by our diverse and talented in-house team of research and support staff. I take this opportunity to place on record my appreciation for their hard work, and to thank the Chairman and Board of Governors for the support extended as we look ahead to refine our research agenda and develop and disseminate policy ideas.

Dushni Weerakoon
Executive Director

HIGHLIGHTS

January

Dr. Bilesha Weeraratne discusses the reason for the drastic decrease in remittances and the use of formal remittance channels on TV1's Face the Nation, 17 January.

February

Dr. Nisha Arunatilake, as the research leader, explained the objectives and the analytical framework at the launch of a multi-country study to 'Address Context-specific Barriers to Female Labour Force Participation in Decent Work: A Multi-country, Mixed-methods, Gender-sensitive Analysis', 9 February.

March

Dr. Ganga Tilakaratna presented the findings of a report on 'Comprehensive Landscape Mapping of Current Social Protection Systems in Sri Lanka' to the State Minister of Samurdhi, Household Economy, Micro Finance, Self-Employment, and Business Development, Colombo, 14 March.

April

Dilani Hirimuthugodage made presentations on the 'Present Geographical Indication (GI) System in Sri Lanka' as national coordinator of a project to implement a GI System for 'Ceylon Tea' to the stakeholders in the tea industry including tea factory owners, tea exporters, Tea Small Holdings Development Authority (TSHDA), Tea Research Institute (TRI), Tea Smallholding District Societies and researchers, in seven tea growing regions in Sri Lanka - Baduraliya, Matara, Galle, Ratnapura, Badulla, Nuwara Eliya and Kandy.

May

Dr. Asanka Wijesinghe argued for closer cooperation with South Asian countries to help Sri Lanka address its food security and climate change challenges at a virtual panel discussion hosted by the Washington-based Atlantic Council's South Asia Center, 12 May.

June

Priyanka Jayawardena presented on 'Impact of Traffic Light Labelling (TLL) on Sugar-sweetened Beverage (SSB) Choices in Sri Lanka', at the 7th Annual Agriculture, Nutrition and Health (ANH) Academy Week Research Conference 2022, organised by the Agriculture, Nutrition and Health Academy, 28-30 June.

HIGHLIGHTS

July

Sunimalee Madurawala made a poster presentation on Ideas, Institutions, And Power Dynamics: The Political Economy of Fiscal Policies and Regulations to Promote Healthy Diets in Sri Lanka at the 7th Annual Agriculture, Nutrition and Health (ANH) AcademyWeek Research Conference 2022 organised by the Agriculture, Nutrition and Health Academy, virtual.

August

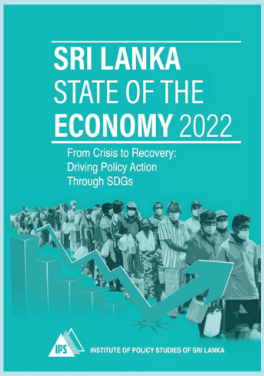
Dr. Lakmini Fernando presented a paper on 'Has the UNREDD Programme Provided Effective Green Recovery Solutions to Papua New Guinea?' at the workshop of Pacific Development Research, organised by the Asian Development Bank Institute (ADBI) and Australian National University (ANU), 27 September.

September

Dr. Erandathie Pathiraja spoke on the significant changes that have taken place in global and national contexts related to agriculture, livestock, fisheries, forestry and the environment at a 'National Experts Meeting to Prepare the FAO Country Programming Framework (CPF)' convened by the IPS, 27 September.

October

The IPS released the Institute's annual flagship report 'Sri Lanka: State of the Economy 2022' at a seminar titled 'Driving Policy Action from Crisis to Recovery', Dr. Saman Kelegama Auditorium, IPS, 25 October.



November

Dr. Dushni Weerakoon identified the need for key policy reforms and stronger implementation capacity at the 'Dissecting the Budget 2023' forum organised by the Central Bank of Sri Lanka (CBSL), 15 November.

December

Dr. Manoj Thibbotuwawa highlighted the importance of Sri Lanka's 'National Environment Policy' at the launch of the NEP and the National Environment Action Plan (NEAP) for 2022–2030 at the Ministry of Environment, 19 December.

RESEARCH PROGRAMME

RESEARCH

IPS' role within Sri Lanka's socio-economic policy landscape is to contribute to 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, shortage of skills, rising costs of energy, and barriers in accessing finance and land, among others, require rigorous analysis. In addition, 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 continuous review of key economic concepts, models, and indicators to reformulate policy.

The Institute's research agenda addresses these and other issues aligned to the country's national policy priorities'. The work programme focuses on six primary thematic areas within which a variety of research topics are explored. Policy engagement activities related to the research activities are conducted to disseminate the evidence-based findings to a wider audience, both local and international. This is carried out through a combination of research publications, participating in committees to provide policy inputs, contributing to opinion platforms, and engaging in policy discussion forums.

1.1 MACRO, TRADE AND COMPETITIVENESS

Establishing credibility by embracing sound macroeconomic policies for a comprehensive solution to a crisis build-up remain key priorities for the weakened economy. Improving the fiscal toolkit including trade and exchange rate policies is a must to address stagflation in Sri Lanka due to decades-long economic mismanagement and the pandemic-related economic fallout. 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 macro, trade and competitiveness focused on the following in 2022.

Macroeconomic Policy and Structural Reforms

The IPS' annual flagship report Sri Lanka: State of the Economy 2022 examines global challenges and Sri Lanka's progress in meeting the Sustainable Development Goals (SDGs) in the wake of the socio-economic fallout from the COVID-19 pandemic and Sri Lanka's economic crisis of 2022. The report also assesses the country's broader economic outlook on growth and development in the face of domestic and external policy conditions. In a key chapter on Economic Crises and Policy Adjustments for Recovery, Dushni Weerakoon analyses the macroeconomic policy context in Sri Lanka and calls for macro-stabilisation efforts, fiscal alignment to monetary policy tightening to ease country's debt recovery and acute liquidity constraints, highlighting the importance of regaining investor confidence.

The IPS funded study on Public Investment for Closing the SDG Financing Gap estimated the annual investment required for the meaningful progress of the SDGs and proposed sensible policy reforms to increase public investment use efficiency. This study provided policy directives to overcome challenges in mobilising funds, channelling investments into SDG sectors and maximising positive impacts in promoting SDGs.

Another study completed on Sri Lanka's Growth and Development Challenges in an Era of Disruptions, with Research and Information Systems (RIS), New Delhi investigated the impact of the COVID-19 pandemic that accentuated absolute poverty, inequality, and weak employment growth. The South Asia Development and Cooperation Report focused on country experiences to explore these common issues in the region, as South Asian countries remain laggards in terms of social development and are poorly situated in the context of SDG parameters.

Working at the request of the GOSL on another report on Sri Lanka: National Policy Framework with the Department of National Planning, the IPS aims to develop a national policy framework for Sri Lanka. This will support measures to achieve near-term macroeconomic stabilisation and detail policy reforms required for recovery and sustained growth over the medium to long term. Another study on Estimating the Impact of Fiscal Policy on Inequality and Poverty in Sri Lanka, with the World Bank assesses the incidence of major tax and transfer programmes in Sri Lanka and examines how these have affected the country's fiscal policy.

The study will employ the methodology developed by the Commitment to Equity Institute at Tulane University and use data from the Household Income and Expenditure Survey (HIES) 2019.

As in previous year, the IPS contributed to The Global Competitiveness Report by providing policy analysis and facilitating an executive opinion survey that contributes to developing the index published by the World Economic Forum (WEF). This report provides an in-depth assessment of elements that affect a country's economic productivity, such as institutional policies, and other macro and microeconomic fundamentals. It is made up of over 110 variables, of which two-thirds come from the Executive Opinion Survey comprised of a survey of a representative sample of business leaders in their respective countries.

Policy committees:

- Committee on Economic Stabilisation, Recovery and Promotion of Growth, Presidential Secretariat.
- Advisory Committee to the National Economic Council, Presidential Secretariat, (April-July 2022).
- Committee on Public Finances, Parliament of Sri Lanka.
- Sub-committee to Develop Taxation Formula for Tobacco and Alcohol, National Authority on Tobacco on Alcohol.
- Working Committee on Social Sciences, National Science Foundation.
- Research Supervision Committee, Ministry of Higher Education, Technology and Innovation.

Opinion platforms:

- Sri Lanka's Sovereign Foreign Debt: To Restructure or Not?, Dushni Weerakoon, *Talking Economics,* 12 January and press releases/media in Financial Times, Daily Mirror, The Morning, Ceylon Today, The Island and Lanka Business Online.
- Currency Board: A Solution to Sri Lanka's Economic Crisis?, Asanka Wijesinghe, *Talking Economics,* 31 March and press releases in Daily Mirror, The Island, and Sunday Observer.
- Panel Discussion on Economic Imperatives, Asanka Wijesinghe, 6 June, TV1- 'The People's Platform' programme.

- **Sri Lanka's Runaway Inflation and the Limits of Monetary Policy,** Dushni Weerakoon, *Talking Economics,* 27 July and press releases/media in Daily Mirror, The Morning, Ceylon Today, The Island, Ada Derana and Lanka Business Online.
- **Stagflation in Sri Lanka? Risks and Policy Responses,** Binura Seneviratne, *Talking Economics,* 10 August and press releases in Daily Mirror, The Island, Sunday Observer and Sunday Times.
- **A Fiscal Council for Sri Lanka: Pathway to Regaining Fiscal Credibility,** Lakmini Fernando, *Talking Economics,* 29 August and press releases in Daily Mirror, Daily News, Sunday Observer and Sunday Times.

Research publications:

- **Sri Lanka on the Brink,** Dushni Weerakoon, Foreign Affairs, Council on Foreign Relations, April 2022.
- **Sri Lanka's Crisis of Legitimacy,** Dushni Weerakoon, East Asia Forum, Australian National University, July 2022.

EASTASIAFORUM

Economics, Politics and Public Policy in East Asia and the Pacific

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Sri Lanka's crisis of legitimacy

16 July 2022

Author: Dushni Weerakoon, IPS

Sri Lanka's slide into political instability since April 2022 culminated in the resignation of former president Gotabaya Rajapaksa following public protests on 9 July 2022. The government's policy blunders and resistance to course correction were blamed for unleashing the harshest economic crisis on the Sri Lankan population in recent history. The former president's resignation paves the way for the formation of an interim all-party government.

Gotabaya Rajapaksa leaves behind an economy ravaged by shortages of essential goods, spiralling inflation and a historical-first debt default. Much of the blame for this sorry state of affairs can be placed on policy hubris.

The election-driven tax cuts and the stubborn resistance to reverse them were economically disastrous as COVID-19 pandemic-related spending pressures mounted. The central bank was made complicit in a money printing exercise that drained investors' faith in the currency — which lost more than 80 per cent of its value. This was coupled with an overly ambitious pursuit of environmental goals namely the banning of chemical fertilisers which devastated agricultural output in the process.

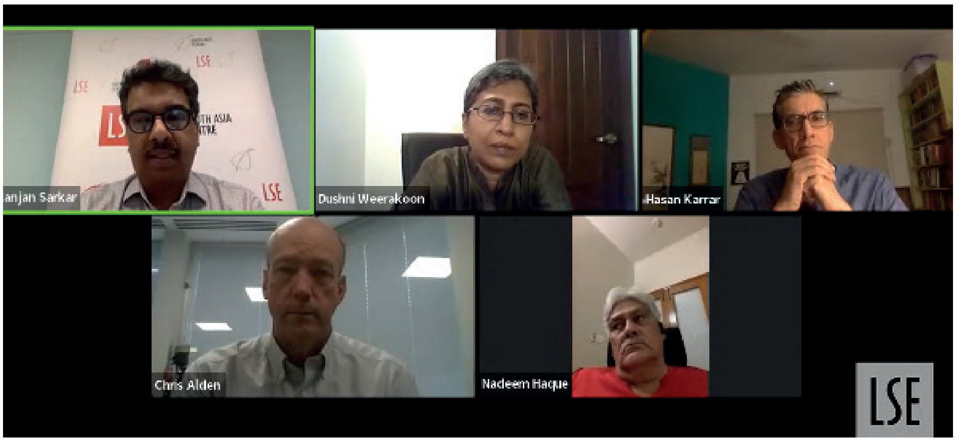
- **Sri Lanka: Economy.** Dushni Weerakoon. In Europa Publications (ed.) South Asia 2023, Routledge, Taylor & Francis, 2022.
- **Caloric Consumption Efficiency and Import Dependency:** Evidence from Sri Lanka, Asanka Wijesinghe and Thilani Kaushalya, Economic Analysis and Policy, Volume 76, pp. 420-438, 2022.
- **Tax Avoidance Strategies of Multinational Companies:** A Case Study of Apple Inc, Usha Perera, Sri Lanka Journal of Economic Research, 9(1), pp.71–87, 2022.

Presentations and discussions:

- Panellist in PEP calls for an action panel discussion on **Actions to Increase Southern-led Development,** organised by the Partnership for Economic Policy (PEP), PEP, 11 February (Nisha Arunatilake).

- Panellist at the CT CLSA Virtual Investor Event **IMF: Order of Priorities for Reform,** organised by the CT CLSA, 23 March (Dushni Weerakoon).

- Panellist at a webinar on **Debacle Economics, Foreign Investments and Loans in South Asia** organised by the London School of Economics (LSE) South Asia Centre, 12 May (Dushni Weerakoon).



- Presentation on **Sri Lanka's Economic Crisis** at a webinar on 'Sri Lanka's Economic and Political Crisis: Challenges and Prospects' organised by the Centre for Development Economics and Sustainability (CDES), Monash University, 24 May (Dushni Weerakoon).

- Panellist at a webinar on the **Economic and Political Crisis in Sri Lanka** organised by the Ireland India Institute, Dublin City University, 26 May (Dushni Weerakoon).

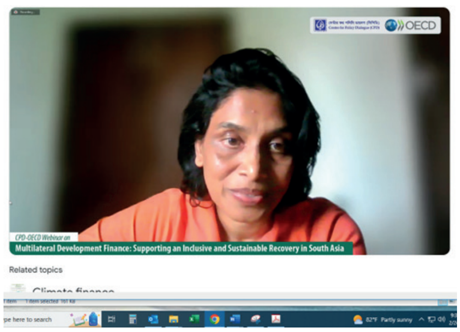
- Panellist at the Club Online Zoom Event: Sri Lanka in Crisis organised by the Hong Kong Foreign Correspondents Club, 1 June (Dushni Weerakoon).

- Panellist at an Economic Forum on Confronting the Economic and Political Crisis in Sri Lanka: Priorities for Transformation at the 'Annual Conference on Business Economics 2022' organised by the University of Sri Jayawardenapura, 26 August (Dushni Weerakoon).

- Panellist at a webinar on How Can Sri Lanka Compete for Investment Amid the Ongoing Turbulence: Economic Growth vs. Fiscal Consolidation, Ceylon Chamber of Commerce (CCC), 1 September (Dushni Weerakoon).

- Guest speaker at the **Asian Economic Symposium,** organised by the University of Peradeniya, virtual, 20 September (Asanka Wijesinghe).
- Presentation on **Public Investment in Sri Lanka for Closing the SDG Financing Gap,** at the '10th Annual International Conference on Sustainable Development', virtual, 20 September (Lakmini Fernando).
- Presentation on **Economic Crises and Policy Adjustments for Stabilisation** to mark the release of **Sri Lanka: State of the Economy 2022** report, Dr. Saman Kelegama Auditorium, IPS, 25 October (Dushni Weerakoon).
- Panellist at the **Dissecting the Budget 2023** forum organised by the Central Bank of Sri Lanka (CBSL), CBSL Auditorium, 15 November (Dushni Weerakoon).
- Panellist at the **Post Budget 2023 Forum** organised by the MBA Alumni Association of the University of Colombo and Daily FT, Shangri-La, 18 November (Dushni Weerakoon).
- Panellist at a session on **Digital Identities: Foundational Architectures for a Digital Society** at the 'Global Technology Summit 2022' convened by Carnegie India, New Delhi, 29 November-1 December. (Dushni Weerakoon).

- Presentation on **Multilateral Development Finance: Supporting an Inclusive and Sustainable Recovery in Sri Lanka** at the conference on 'Multilateral Development Finance: Supporting an Inclusive and Sustainable Recovery in South Asia', organised by the Centre for Policy Dialogue (CPD) and the Organisation for Economic Co-operation and Development (OECD), online, 2 December (Nisha Arunatilake).



Trade and Regional Integration

The research project on Ex-Ante Economic Evaluation of Preferential Trade Agreements between Sri Lanka and Selected Countries, funded by the IPS conducts a comprehensive economic analysis of a potential preferential trade agreement (PTA) impact assessment. This is vital for Sri Lanka, as policymakers must draw up the necessary adjustment policies to alleviate possible adverse effects and maximise potential benefits from PTAs. This project aims to estimate ex-ante the effect of PTAs of Sri Lanka with China, Thailand, India, Japan and Singapore and create an index to measure the viability of PTAs with different countries.

Another study funded by the IPS on the Impact of GSP+ Withdrawal on Sri Lanka's Exports to the EU, will analyse ex-ante, the effect of such a loss of preference on Sri Lanka's exports to the EU. In addition, an ex-post assessment will be conducted to estimate the effect of the GSP trade arrangement on exports and global value chain participation using a multi-country dataset.

Similarly, the IPS' study on The Impact of the Import controls on Sri Lanka's Exports and the Economy investigated the magnitude of the import controls, and its coverage and impact on Sri Lanka's export performance. Further, it estimated the impact on the domestic economy through input-output linkages. This study addressed issues on restricted input supply adversely affecting domestic manufacturing in a vertically integrated manufacturing process and the domestic producers in Sri Lanka experiencing increased production costs due to the increased prices of intermediate goods domestically.

The study on China's Belt and Road Initiative (BRI), with The Asia Foundation (TAF) focuses on two aspects: (a) reviewing and collecting information on the latest development and relevant reforms around Chinese-funded development projects under the Belt and Road Initiative (BRI) scheme in Sri Lanka; and (b) designing a survey of local communities and other stakeholders affected by selected BRI investments in Sri Lanka.

A chapter in Sri Lanka: State of the Economy 2022 report on Global Economic Developments and Impacts on Sri Lanka by Binura Seneviratne analyses impacts on global economic prospects, global trade and commodity prices and external environment developments in Sri Lanka along with the outbreak of the Russia-Ukraine war in February 2022. The chapter stresses the implications of exchange and import restrictions which inevitably led to shortages in essentials like fuel, medicines and food shortages compounded by an ill-thought-out policy decision to ban the import and use of chemical fertilisers. In another chapter on Trade Under Climate Change Conditions and Sustainable Development, Asanka Wijesinghe and Chathurrdhika Yogarajah emphasise the climate change impacts on trade policies, poverty and the need to eliminate pro-producer trade policy biases.

■ Opinion platforms:

- **Bangladesh – Sri Lanka Preferential Trade Agreement: Gains and Policy Challenges,** Asanka Wijesinghe and Chathurrdhika Yogarajah, *Talking Economics,* 20 January and press releases/media in Daily Mirror, The Morning, Sunday Observer, The Island and Ada Derana.
- **Russia-Ukraine Conflict: Economic Implications for Sri Lanka,** Asanka Wijesinghe, *Talking Economics,* 28 February and press releases/media in Financial Times, Daily Mirror, The Island, Ada Derana and Lanka Business Online.
- **Global Oil Price Volatility: How Can Sri Lanka Cope?** Binura Seneviratne, *Talking Economics,* 1 June and press releases in The Island.
- **Sri Lanka's Food Crisis: What is the Role of Imports?** Asanka Wijesinghe and Chathurrdhika Yogarajah, *Talking Economics,* 29 June and in press releases in Daily Mirror, The Morning, The Island and Sunday Observer.

■ Research publications:

- **Trade Policy Impact on Global Value Chain Participation of the South Asian Countries,** Asanka Wijesinghe and Chathurrdhika Yogarajah, Journal of Asian Economic Integration, 4(1), SAGE Publishing, 2022.
- **Trade Policy Effects on Global Value Chain Participation of South Asian Countries: Implications for Bangladesh-Sri Lanka Trade Negotiations,** Asanka Wijesinghe and Chathurrdhika Yogarajah, International Economics Research Series No. 14, Colombo: Institute of Policy Studies of Sri Lanka, 2022.

■ Presentations and discussions:

- Panellist at the **Asia Pacific Maritime Security** roundtable event on **China's Belt and Road Initiative,** organised by the Center for Asia Pacific Strategy, Washington D.C., virtual, 14 February (Asanka Wijesinghe).
- Speaker at the inaugural session of the 13th South Asia Economic Summit (SAES) and Panellist at the plenary session on **Post Pandemic Development Imperatives: Issues for Regional Cooperation** organised by the Research and Information System (RIS), New Delhi, 19 and 20 April (Dushni Weerakoon).

- Panellist in the discussion on **Debt Crisis, Structural Adjustment and Trade Policy** at 'Let's Reset Sri Lanka' conference organised by Advocata, Bandaranaike Memorial International Conference Hall (BMICH), 6 August (Asanka Wijesinghe).
- Panellist at a session on **Cross-cutting Pathways: The Role of the State, Macroeconomics and Trade Policy** at the conference on 'Affordability of Healthy Diets in South Asia' organised by the International Food Policy Research Institute (IFPRI), New Delhi, 15 and 16 December (Dushni Weerakoon).

SMEs, Industry and Entrepreneurship

The study on Palm Oil Industry in Sri Lanka: An Economic Analysis, funded by the IPS revisited the policy decisions on the palm oil industry and its misapprehensions which was a guideline for policy recommendations and public awareness. Considering the rising demand for edible oil imports, the government promoted oil palm cultivation in 12,000 Ha of unproductive lands as an import substitution strategy. However, the decision was reversed with escalating concerns about the environmental cost of cultivating this exotic crop and ambiguous health concerns about consuming palm oil. Hence, this study addressed issues in the above mentioned context.

■ Policy committees:

- Steering Committee to Monitor Formulation of a National Policy for Industrial Development, Ministry of Industries and Supply Chain Management.

Intellectual Property

To develop and implement an effective Geographical Indication (GI) system for Ceylon Tea, the IPS is involved in a Mapping Study to Expedite Geographical Indication (GI) Registration for Ceylon Tea, with the French Agricultural Research Centre for International Development (CIRAD), in which, Phase 1 of the 3.5-year project was successfully completed in 2022. It aimed to map out the unique practices and systemic constraints along the Ceylon Tea value chain to develop and implement an effective GI system for Ceylon Tea. This project will also develop related certification systems for Ceylon Tea and document these for GI registration. The development of such systems will strengthen the prevailing environmental, social, and governance aspects for inclusive and sustainable development along the Ceylon Tea value chain. The project is jointly implemented by The Sri Lanka Tea Board (SLTB) and the French Agricultural Research Centre for International Development (CIRAD).

The study on National Value Chain Development, Traceability and Marketing with the Food and Agriculture Organization (FAO), established a sui generis registration-based national system for GI. The study selected two pilot projects (Kolonna Black Pepper and Ceylon Golden Pineapple) to introduce the GI system for agricultural crops in Sri Lanka. Further, roadmaps for two pilot GI value chains were also developed. It is also expected to build the capacities of the GOSL and relevant stakeholders to operate the national GI system through several trainings, workshops and outreach activities.

■ Opinion platforms:

- Science Behind the Traditional Weather Forecasting, Dilani Hirimuthugodage, Vidurava Science Magazine, Volume (39) July – September 2022, National Science Foundation.
- Harnessing the Potential of Traditional Medicine in Sri Lanka, Dilani Hirimuthugodage, Insight, Development Asia (An Initiative of Asian Development Bank), 22 September.

- **Geographical Indications (GIs) for Sri Lankan Products: The Need to Expand Local Registration,** Dilani Hirimuthugodage and Piyumi Rasangi, *Talking Economics,* 7 March and press releases/media in Daily Mirror, The Morning, The Island, Sunday Observer and Ada Derana.

- **Geographical Indication System to Protect the Craft Sector in Sri Lanka,** Dilani Hirimuthugodage, Conference Proceedings on Worldwide Perspectives on Geographical Indications, Agriculture Research for Development (CIRAD) & Food & Agriculture Organization (FAO), France: Montpellier.

■ Presentations and discussions:

- Presentation on the **Importance of the Geographical Indications (GI)** at the first Kolonna Pepper GI Association, at the Annual General Meeting, organised by the State Ministry of Development of Minor Crops and Export Promotion, 10 February (Dilani Hirimuthugodage).

- Presentation on **Progress in Obtaining a Geographical Indication (GI) System for Ceylon Golden Pineapple (CGP) and Kolonna Pepper (KP),** at the National Conference organised by the State Ministry of Development of Minor Crops Plantation, Waters Edge, Battaramulla, 28 February (Dilani Hirimuthugodage).

- Presentation on **Geographical System (GI) in Sri Lanka,** at the regional workshops on 'Implementing a Geographical Indication (GI) System for Ceylon Tea' conducted in seven tea growing regions, organised by the IPS in collaboration with the Center for International Research for Agriculture Development (CIRAD), Agence Française de Développement (AFD) and Sri Lanka Tea Board (SLTB), 22–30 November (Dilani Hirimuthugodage).

- Guest speaker at the training and awareness workshop on the **Establishment of Geographical Indication (GI) System in Sri Lanka,** organised by the Development of Minor Export Crops Plantation Division of the Ministry of Plantation Industries for the officers attached to the Provincial Director of Agriculture, Gampaha District, Development of Minor Export Crops Plantation Division of the Ministry of Plantation Industries, 1 December (Dilani Hirimuthugodage).

1.2 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. The 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.

Skills and Education

The study on Demand for Private Tutoring during COVID-19: An Initial Scoping Exercise for Sri Lanka, funded by the IPS was completed in 2022. This study was an initial scoping exercise to gain some perspective on current trends in demand for private tutoring in Sri Lanka, and how these have changed since the onset of the COVID-19 pandemic. It also examined implications of such changes on access to and quality of private tutoring received, changes in the perceived role of the private tutoring industry concerning mainstream education and its projected future trajectory.

A chapter on Towards Universal Education and Universal Healthcare in Sri Lanka: State of the Economy 2022 by Priyanka Jayawardena and Usha Perera discusses key issues on health and education, emphasising reasons for not completing schooling at the appropriate age, equity and SDGs in education and four key transition challenges and its impacts on progress towards universal health coverage (UHC), among others. Authors stress on policy implications on addressing inequities in access to quality education.

The study on Dissemination findings of 'Non-state Actors in Education in Sri Lanka: A Country Study with United Nations Educational, Scientific and Cultural Organization (UNESCO) focuses on the dissemination of the findings of 2021/2022 Global Education Monitoring (GEM) Regional Report on non-state actors in the South Asia Region. The report focuses on the dimensions of non-state actors in terms of education provision, financing, regulation, innovation, and policy influence. The intended outcomes of this project include: publication, dissemination and communication activities/events to reach policymaking actors.

■ Policy committees:

- 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.

Research publications:

- Non-State Actors in Education: A Case Study of Sri Lanka, Ashani Abayasekara, Thisali De Silva and Nisha Arunatilake, Background Report for the Global Education Monitoring Report for South Asia, 2022.

Opinion platforms:

- Private Tutoring Amidst Sri Lanka's Economic Crisis: Issues Faced by Students, Usha Perera, *Talking Economics,* 24 May and press releases/media in Daily Mirror, The Island, Sunday Observer and Ada Derana.
- Rising School Dropouts: The Plight of Estate Children in Sri Lanka, Himani Vithanage, *Talking Economics,* 17 November and press releases/media in The Island.

Presentations and discussions:

- Presentation at the 2022 Human Development and Capability Association (HDCA) Conference on School as a Space and Place for Capability Formation, Enhancement, and Deprivation: Ongoing Debates and Implications from the Pandemic, organised by HDCA, online, 19 August (Nisha Arunatilake).
- Presentation on National Policy Framework for Development at a seminar titled 'Driving Policy Action from Crisis to Recovery to mark the release of the Institute's annual flagship report Sri Lanka: State of the Economy 2022, IPS, 25 October (Nisha Arunatilake).

Health

IPS-KIVU Tobacco Control Extension Programme - Extension (Phase I) with Cancer Research, UK and KIVU International, UK, aims for a sharper focus on the demonstrable impact on policy debates and decisions. Hence, the overall project aims to identify targets for policy influence which will have a high impact on tobacco consumption and where there is potential for influence. The study on Political Economy Analysis - Tobacco Reform Issues aims to identify the main actors in tobacco policy reforms and understand the power relations among those actors. The study on Beedi and Smokeless Tobacco – Consumption and Market Analysis aims to assess price and income sensitivity of beedi consumption and substitutions across different types of tobacco products.

The Phase II of this Tobacco Control programme, the IPS KIVU Tobacco Control Extension Programme, with Cancer Research UK/KIVU International, focuses on advocating policy changes using insider influence, which will be complemented by social media activity, selective media, and strategic communication activities. This study's objective includes the continuation of promoting a tobacco tax increase for cigarettes in the coming year, as evidence shows that such an increase will enhance government revenue, reduce import expenditure, and reduce government expenditure (by reducing health expenditure). The study on Tobacco Smuggling in Sri Lanka: A Scoping Study started in the Phase II aims to provide a comprehensive understanding of tobacco smuggling in Sri Lanka and to identify effective means of regulating smuggling to facilitate the tobacco sector's policymaking and regulations. The study is expected to address the void in global studies on the argument that the high tax rates on tobacco products aggravate smuggling, which remains nonconclusive owing to context-specific issues such as poor border protection and data limitations.

The study on Improve Data and Knowledge for Strategic Planning, Efficiency Improvement and Prioritisation of Health Finance, with Duke University/Bill and Melinda Gates Foundation aims to explore Sri Lanka's health funding policy engagement, identifying policy issues that should be on top of policymakers' agenda to get the country prepared for the donor transition, and to build more bridges between the Ministry of Health (MOH) and the Ministry of Finance (MOF) to coordinate the transition. Based on the 'knowledge, capacity, policy (KCP) gaps framework' developed by the Center for Policy Impact in Global Health (CPIGH) at Duke University. This study will help create a better understanding of the specific gaps in health financing in Sri Lanka, support the development of policy solutions to help close those gaps, and engage in evidence-to-policy translation.

The study on Strengthening Fiscal Policies and Regulations to Promote Healthy Diets in Sri Lanka, with International Development Research Centre (IDRC), Canada examines the effectiveness of two recently-introduced fiscal and regulatory interventions for reducing unhealthy food habits (i.e. a tax on sugar-sweetened beverages (SSBs) and a traffic light labelling system (TLL) indicating sugar levels in SSBs). This study also explores how COVID-19 has affected the food environment faced by low-income families in selected locations around Colombo and assesses the gaps in policy implementation and the effectiveness of the above policy measures. Moreover, this study also examines the political economy setting of the Tax on Sugar-Sweetened Beverages (SSBs), Traffic Light Labelling (TLL) system in SSBs, and the overall food environment in Sri Lanka. The objective is to aid in identifying strategies for public health actors to advocate for more effective policy solutions in the Sri Lankan context.

Research publications:

- Health Expenditure and Economic Growth for All: The Case of Sri Lanka, Usha Perera and N. Wickremeratne in S. Premaratne, N. Wickremeratne & U. Moramudali, Economy for All (pp. 121-136), Colombo University Press, 2022.
- Better Policies for Better Diets: The Political Economy of Fiscal Policies and Regulations to Promote Healthy Diets in Sri Lanka, Sunimalee Madurawala, Policy Insights, Institute of Policy Studies of Sri Lanka, 3 June.

Opinion platforms:

- Traffic Light Labels: Do They Promote Healthier Food Choices in Sri Lanka?, Priyanka Jayawardena, *Talking Economics,* 6 April and press releases in Daily Mirror, The Morning and Sunday Observer.
- Taxing Tobacco: Benefits and Burdens of Beedi Taxes to Sri Lanka's Economy, Erandathie Pathiraja, *Talking Economics,* 20 June and press releases in Daily Mirror and The Morning.
- Taxing Tobacco: Why the 2023 Budget Should Increase Tobacco Taxes, Research Team, *Talking Economics,* 10 November and press releases in The Island.

Presentations and discussions:

- Presentation on **Sri Lanka's Battle Against Tobacco: Policy Interventions, Achievements, and the Unfinished Agenda** at the 'International Cancer Prevention (ICP) Programme Tobacco Control Partner Event' organised by the Cancer Research UK, virtual, 3 March (Sunimalee Madurawala)

- Presentation on **Do Traffic Light Labels Promote SSB Choices in Sri Lanka?** at the Bi-Annual Gathering of the Scaling Up Nutrition (SUN) Business Network organised by SUN Business Network, held at Hilton Colombo Residences, 31 March. (Priyanka Jayawardena)

- Panellist at the session on **Health for All and Digital Health Initiatives** at the South Asia Economic Summit, organised by the Research and Information System (RIS), online, 20 April (Nisha Arunatilake).

- Discussant at the seminar on **Developing an Investment Case for Alcohol,** organised by Alcohol and Drug Information Centre (ADIC), online, 12 May (Nisha Arunatilake).

- Presentation on the **Impact of Traffic Light Labelling (TLL) on Sugar-sweetened Beverage (SSB) Choices in Sri Lanka** at the 7th Annual Agriculture, Nutrition and Health (ANH) Academy Week Research Conference 2022, organised by the Agriculture, Nutrition and Health Academy, virtual, 28-30 June (Priyanka Jayawardena).

- Poster presentation on **Ideas, Institutions, And Power Dynamics: The Political Economy of Fiscal Policies and Regulations to Promote Healthy Diets in Sri Lanka** at the 7th Annual Agriculture, Nutrition and Health (ANH) Academy Week Research Conference 2022 organised by the Agriculture, Nutrition and Health Academy, virtual, 28-30 June (Sunimalee Madurawala).

- (Pre-recorded video discussion) **Challenges of Promoting Tobacco Control** organised by Cancer Research UK. (with Will Paxton (Kivu International), Natalie Varney Hopkins (CRUK), and Jaya Kumar Gurung (NDRI)) for the World Cancer Congress, Geneva. 18-21 October (Nisha Arunatialke).

- Panellist at the closing plenary of **Looking Forward: Actions to Inform Policies, Programs and Research to Transform Diets** in South Asia, at the international conference on 'Delivering for Nutrition (D4N) in South Asia: Transforming Diets' co-hosted by the International Food Policy Research Institute (IFPRI) and the IPS, virtual, 10 November (Priyanka Jayawardena).

Labour Markets

A chapter in Sri Lanka: State of the Economy 2022 on **Improving Access to Decent Work** by Nisha Arunatilake and Suresh Ranasinghe discovers that having children still hinders females from accessing decent work and suggests policy recommendations for facilitating decent job creation, increasing access to formal employment opportunities and reducing gender gaps in the labour market.

Policy committees:

- **Standing Committee on Technical and Vocational Education and Training,** National Education Commission.

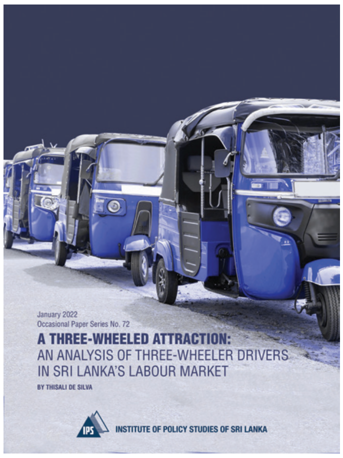
- **National Human Resource Development Policy,** National Human Resource Development Council.

Research publications:

- **Winners and Losers of Sri Lanka's Work from Home Policy,** Suresh Ranasinghe and Nisha Arunatilake, Labour and Migration Research Series No. 28, Colombo: Institute of Policy Studies of Sri Lanka, 2022.

- **A Three-wheeled Attraction: An Analysis of Three-wheeler Drivers in Sri Lanka's Labour Market,** Thisali de Silva, Occasional Paper Series No. 72, Colombo: Institute of Policy Studies of Sri Lanka, 2022.

Presentations and discussions:



- Presentation on Fourth Industrial Revolution and the Sri Lankan Labour Market – Are We Ready?, at the International Conference on Industry 4.0 in the Developing World: Challenges, Gaps and Opportunities (Online) organised by the Industrial Technology Institute (ITI), 16 March (Nisha Arunatilake).
- Discussant at Partnership for Economic Policy (PEP) Annual Meeting on Research Issues on Assessing Legal, Social and Economic Labour Market Barriers that Affect Female Access to Decent Work, online, 8 June (Nisha Arunatilake).
- Commentator for intergenerational policy dialogue on Youth as Researchers in Sri Lanka and the Maldives organised by United Nations Educational, Scientific and Cultural Organization (UNESCO) and Priya, online, 26 September (Nisha Arunatilake).
- Presentation on Youth Employability in Sri Lanka, organised by UNESCO, online, 29 September (Nisha Arunatilake).

Women and Workforce

Aiming to design a pandemic response protocol and influence regulatory policies to improve workplace conditions to enhance resilience to health impacts, the IPS is involved in a study on Improving Pandemic Responses to Reduce Adverse Health Effects on Women Workers in Sri Lanka's Export Sector, with the International Development Research Centre (IDRC), Canada. The study addresses the garment sector in Sri Lanka, among the key export sectors dominated by women and the fact that the importance of the ready-made garment industry in generating foreign currency revenue has become even more critical with the pandemic-induced economic crisis.

Another study by the IPS on Social, Economic and Legal Barriers to Decent Jobs for Females, with Co-Impact uses a mix of other qualitative and quantitative methods to better understand and provide a more comprehensive outlook on the contextual barriers to access decent work for women across six countries, namely, Kenya, Senegal, the Philippines, Sri Lanka, Brazil, and Peru.

A chapter on Gender Equality and Women's Empowerment in Sri Lanka: State of the Economy 2022 by Sunimalee Madurawala and Kimuthu Kiringoda indicates that women are among the most vulnerable to the impacts of the current economic crisis in Sri Lanka and that the involvement in unpaid care activities is one reason for many gender-related disparities in the labour markets, such as gaps in employments outcomes, wages and pensions. The authors highlight the benefits of female leadership and economic empowerment of women and emphasise the need to promote policy agendas focused on inclusivity and empowerment.

Research publications:

- Reducing Women's Employment Vulnerability in Sri Lanka Beyond the Pandemic, Sunimalee Madurawala, Policy Insight, Development Asia, 7 March.

Presentations and discussions:

- Presentation on Towards Achieving the Sustainable Development Goals: Recognising, Reducing and Redistributing Unpaid Care Work in Sri Lanka, at the conference on 'Equality and Equity in Recognising Unpaid Care Work and Women's Labour in South Asia', organised by the Women and Media Collective, Sri Lanka in collaboration with the Social Scientists Association, Sri Lanka, virtual, 20 and 21 October (Sunimalee Madurawala).

1.3 MIGRATION AND URBANISATION

With increased globalisation and rising disparities in per capita incomes across countries, Sri Lankans are migrating not only for work but also for studies and family units. At the same time, visitors come to Sri Lanka as tourists and as workers. In addition, Sri Lanka's internal migratory patterns are also shifting as people move to urban centres to seek 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.

Migration and Development

The Institute is engaged in a study on The Skills, Aspirations, and Reintegration Challenges of Returnee Migrant Workers, with the International Executive Service Corps (IESC). This aims to identify existing data gaps and conduct primary research to identify the skills, aspirations, and reintegration challenges of returnee migrant workers. The study will recommend policy and advocacy initiatives to promote sustainable reintegration practices for returning migrant workers. Extensive desk research, including quantitative and qualitative primary data collection, was undertaken and then analysed using a concurrent, mixed-method approach to achieve the study's goals.

Several studies were successfully completed in 2022. The study on Comprehensive Mapping of Reintegration Measures in South Asian Colombo Process Member States, with the International Organization for Migration (IOM) focused on the reintegration of a migrant, which involves the re-establishment of economic, social and psychosocial ties back into a migrant's country of origin or habitual residence. This study took stock of existing reintegration measures by comprehensively mapping the same in specific South Asian Colombo Process member states, namely Afghanistan, Bangladesh, India, Pakistan, Nepal and Sri Lanka, and assessed their effectiveness.

The study on Mainstream Migration into Development Strategies of Sri Lanka, funded by the IOM, served as a scoping exercise for mainstreaming migration into development. Further, it provided a preliminary country assessment to develop evidence-based data on the nexus between migration and development in Sri Lanka and provided recommendations for future development strategies. This study was part of the ongoing regional project titled 'Enhancing Capacities for Effective UN Engagement in Asia and the Pacific', supported by the IOM funding arm - Migration Resource Allocation Committee (MIRAC).

■ Policy committees:

- National Advisory Committee on Labour Migration, organised by the Ministry of Labour and Foreign Employment.

■ Research publications:

- Migrant Workers and the COVID-19 Pandemic: Evidence from Sri Lankans Abroad, Bilesha Weeraratne, Two Homelands, No. 56/2022, Slovenian Migration Institute, 2022.

- Understanding Student Migration from Sri Lanka, Bilesha Weeraratne, Harini Weerasekera and Thilini Bandara, Policy Discussion Brief, Institue of Policy Studies of Sri Lanka, February 2022.

Opinion platforms:

- Youth Migration: Challenges and Opportunities for Sri Lanka, Thisuri Ekanayake, *Talking Economics,* 7 February and press releases/ media in The Morning, Ceylon Today, The Island, Sunday Observer, Lanka Business Online and Ada Derana.

Presentations and discussions:

- Moderated a panel discussion at TVEC and ILO multi-stakeholder consultation on Skills for Labour Migration, Waters Edge, 24 January (Bilesha Weeraratne).
- Presentation on the Current Situation of Migrant Workers in the Wake of COVID-19 and Economic and Political Crises at the seminar on 'Migrant Workers Issues' organised by Sri Lanka Nidahas Sewaka Sangamaya, 22 June (Bilesha Weeraratne).

Migration and Remittances

With the ongoing economic crisis, it was apparent that remittances to Sri Lanka are sent via either formal or informal channels. In this context, under the project on Protecting Migrants' Rights and Promoting Decent Work with the South Asia Centre for Labour Mobility and Migrants (SALAM), funded by the International Labour Organization (ILO) – Geneva, the IPS is involved in a study on Understanding Informal Remittances: Experience from Sri Lanka. Given the inherent characteristics of hidden activities taking place in informal remittance markets, there is limited understanding and severe limitations with respect to data and evidence. While acknowledging these gaps in the literature, this study aims to expand the understanding on informal remittances by focusing on the case of Sri Lanka using qualitative data and a thematic analysis approach.

Migration for education purposes has become a growing migratory outflow from Sri Lanka. Nevertheless, there is limited systematic and empirical evidence-based socio-economic understanding of student migration from Sri Lanka. In this context, the study on Student Migration, funded by the IPS, provided an initial scoping and understanding of Sri Lankan origin students migrating for higher studies. The unit completed these studies in 2022.

The IPS' study on the Impact of COVID-19 on Recent Migrant Workers from Sri Lanka, with Research and Empirical Analysis of Labour Migration (REALM), investigated the impact of COVID-19 on migrants and their families through a primary data collection exercise. This study focused on the vulnerability of migrant workers among various groups affected by COVID-19, the adverse implications faced by migrant workers in countries of destination, their families left behind in Sri Lanka affected in numerous ways including the stress due to the plight of their loved one in a distant country alone, and destabilisation of a regular income flow due to the decline in remittances to the family and /or sudden return of migrant worker.

A chapter on Migration and Remittances in Support of Economic Recovery in Sri Lanka: State of the Economy 2022 by Bilesha Weeraratne, Thilini Bandara and Thisuri Ekanayake discusses recent trends and issues in labour migration, migration vulnerabilities, and factors that affect remittances such as exchange rates, costs and discouraging rules. Further, the authors highlight the issues faced by student migrants in sending out remittances and recommend short-term to long-term measures to improve access to formal remittance channels while minimising vulnerabilities.

Research publications:

- Migration and Economic Remittances: Impact on Development, Bilesha Weeraratne, Chapter 27 in Routledge Handbook on Immigration and Refugee Studies, Ed. by Triandafyllidou, A. Routledge, 2022.

Opinion platforms:

- Bilesha Weeraratne sheds light on The Drastic Changes In Sri Lanka's Remittances on TV1's Face the Nation Programme, 17 January.

- Bilesha Weeraratne discusses Sri Lanka's Labour Migration Policies on NewsFirst TV1's 'The People's Platform', 4 July.

- Good Riddance to the FBR: What Next to Increase Migrant Remittances to Sri Lanka?, Bilesha Weeraratne, *Talking Economics,* 4 July and press releases in Daily Mirror, The Island and Sunday Observer.

■ Presentations and discussions:

- Presentation on Sri Lankan Economic Crisis: The Role of Remittances and Tourism organised by the Nepal Institute for International Cooperation and Engagement (NIICE) June 23 (Bilesha Weeraratne).

- Presentation on Can Migrant Workers' Remittances Cushion the Macroeconomic Crisis in Sri Lanka?, at the '10th South Asia Economic Policy Network Conference on Migration in South Asia', Nepal, 7 and 8 November (Bilesha Weeraratne).

Internal Migration

Sri Lanka is exposed to various extreme weather events and environmental variations have a significant impact at the household level, especially on livelihoods, food security, water, health and infrastructure, while migration is an important strategy adopted by communities responding to climate change-related implications. Addressing related issues, the IPS is involved in a study on Linkages between Climate Change and Migration in Sri Lanka, with the IOM. This study enhances understanding of the nexus between climate change and migration in Sri Lanka by adopting a mixed-method approach.

■ Presentations and discussions:

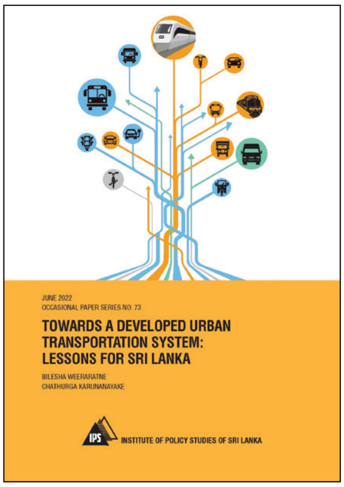
- Presented the report on Linkages between Climate Change, Environmental Degradation and Migration in Sri Lanka at the national consultative workshop of 'In-depth Research to Understand the Linkages of Migration and Climate Change', organised by the International Organization for Migration (IOM), Monarch Imperial Hotel, Kotte, 20 December (Bilesha Weeraratne).

- Presented the report on Linkages between Climate Change, Environmental Degradation and Migration in Sri Lanka to the national steering committee on 'Climate Change', organised by the International Organization for Migration (IOM) and the Ministry of Environment, Ministry of Environment, 21 December (Bilesha Weeraratne).

Urbanisation

Research publications:

- Towards a Developed Urban Transportation System: Lessons for Sri Lanka, Bilesha Weeraratne and Chathurga Karunanayake, Occasional Paper Series No. 73, Institute of Policy Studies of Sri Lanka, 2022.



1.4 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 essential services and infrastructure facilities like education, health, water and sanitation, and financial services contribute to the country's prevailing high levels of income inequality. Shocks such as COVID-19 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.

A) Social Protection

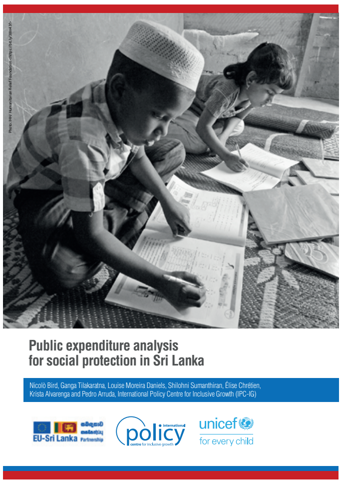
Sri Lanka has a wide range of social protection programmes in place, but the social protection systems have several gaps/issues that need to be addressed. The research team completed several studies/projects related to social protection in 2022. The IPS completed a study on Comprehensive Landscape Mapping of Current Social Protection Systems in Sri Lanka, with the United Nations Development Programme (UNDP) aimed at: understanding the existing laws, policies and programmes, mechanisms and stakeholders; the existing digital infrastructure; and any global and regional best practices that are essential as a way forward to a unified social protection policy and integrated system. The study was based on the Social Protection Floors (SPF) framework (set out in ILO Recommendation No. 202 and Convention No. 102) that considers a life-cycle approach to social protection by emphasizing the need to protect people throughout their life cycle. It analysed Sri Lanka's social protection system in detail using the four dimensions of the SPF framework (i) Social protection for children, (ii) Social protection for persons of active age, (iii) Social protection for older persons and (iv) Healthcare.The findings of the study was presented to the Hon State Minister of Samurdhi Household Economy and Microfinance, Shehan Semasinghe and the Ministry officials at a workshop organised by UNDP held at JAIC Hilton on 14 March 2022.

The study on Improving Active and Retirement Age Social Security for Formal and Informal Private Sector Workers in Sri Lanka, with the ILO – Geneva, highlighted the importance of effective social protection to keep individuals out of poverty regardless of the sector they are employed in. Due to the weak existing social security systems in Sri Lanka, the country is currently experiencing difficulties with an economic downturn due to COVID-19. This IPS study mapped the existing social security schemes for formal and informal sector workers in Sri Lanka who are both in active age and retirement age to identify gaps in the benefit levels and coverage. Furthermore, the study provided recommendations based on international standards and best practices to improve the available social protection in Sri Lanka for the above-mentioned groups of workers.

The IPS' study on Social Protection Expenditure Review and Documenting the Government's COVID-19 Social Protection Response, with the United Nations Children's Fund (UNICEF) appraised existing policies and designed social protection strategies targeting, among others. In addition, it evaluated the ageing population, children, and population segments uncovered by either social assistance or social insurance schemes (also known as the "missing middle").

Detailing the specificities of existing programmes allowed policymakers to evaluate the coverage, adequacy, and life-cycle characteristics of national social protection programmes.

Research publications



- **Public Expenditure Analysis for Social Protection in Sri Lanka,** Bird, N., Tilakaratna, G., and Daniels L.M. International Policy Centre for Inclusive Growth and United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) Research Report No. 74, 2022.

- **Strengthening Social Protection Coverage and Systems in the Asia-Pacific Region,** Ganga Tilakaratna in Shaping the Future of Regional Corporation in Asia and the Pacific, a report published by United Nations, New York, 2022.

Presentations and discussions

- Presented the report on **Comprehensive Landscape Mapping of Current Social Protection Systems in Sri Lanka** to the State Minister of Samurdhi, Household Economy, Micro Finance, Self-Employment, and Business Development, JAIC Hilton, Colombo, 14 March (Ganga Tilakaratna).

- Presentation on **Comprehensive Landscape Mapping of Current Social Protection Systems in Sri Lanka** at the State Ministry of Samurdhi Household Economy and Microfinance, 20 March (Ganga Tilakaratna).

- Panellist at the session on **Resetting Samurdhi: Social Safety Nets,** at the 'Lets Reset Sri Lanka' conference organised by Advocata Institute, Bandaranaike Memorial International Conference Hall (BMICH), 5 August (Ganga Tilakaratna).

- Presentation on **National Policy Framework (NPF): Social Inclusion and Improved Governance,** at a seminar on 'Driving Policy Action from Crisis to Recovery' to mark the release of the Institute's annual flagship report **Sri Lanka: State of the Economy 2022,** IPS, 25 October (Ganga Tilakaratna).

■ Policy committees:

- **Sub-committee on Establishment of Social Security Fund,** Ministry of Labour. (Nisha Arunatilake)

B) Poverty and Inequality

IPS was involved in a study on **Artificial Intelligence Framework for Threat Assessment and Containment for COVID-19, and future epidemics (AI4COVID project)** in collaboration with the University of Perdeniya and University Tenaga Nasional, Malaysia funded by the IDRC, Canada (on-going study). The study aims to a) develop artificial intelligence (AI) techniques to detect, model, and predict the behaviour of 'identified diverse groups' under pandemic containment strategies; b) understand the impact of these strategies initiated in the Global South with special emphasis on Sri Lanka and Malaysia; and, c) Develop AI-based solutions, to predict and manage a future spread of COVID-19 or similar infectious disease outbreaks. Based on generated behaviour and movements, the study proposes to develop AIs to conduct contact tracing and socio-economic impact mitigation actions in a more informed, socially conscious and responsible manner in the case of similar or other infectious diseases in the future. As a part of the project, an islandwide survey covering 3000 households was carried out to examine the socio-economic impact of covid-19 with special focus on women, children, and underprivileged groups.


Ganga Tilakaratna attended the midterm review workshop of the AI4COVID project, held in Malaysia on 19-23 December 2022

The IPS' household survey on **COVID-19 Low Income Household Survey Analysis** to identify the pandemic's impact during April – May 2021 was completed in 2022. This study covering 300 households across 10 districts in Sri Lanka mainly focused on low and middle-income earning families. Specific emphasis was on the first and second waves of COVID-19 and the impacts of the pandemic on employment, income and consumption, and the effectiveness of the government's social protection initiatives were assessed.

A policy brief on **Reducing Inequalities for a Sustainable Future** in Sri Lanka: State of the Economy 2022 by Lakshila Wanigasinghe indicates the severity of the high income distribution disparity, and income inequalities among and within countries. She stresses the importance of strong government policy measures in supporting the most vulnerable.

■ Research publications:

- G. Ilangarathna, H. Weligampola, Y. Ranasinghe, E. Attygalla, R. Godaliyaddha, V. Herath, P. Ekanayake, S.Y. Ekanayake, M. Pinnawela, S. Dharmaratne, G. Tilakaratna, J. Ekanayake (2022) **Artificial Intelligence Framework for Threat Assessment and Containment for Covid-19 and Future Epidemics while Mitigating the Socioeconomic Impact to Women, Children, and Underprivileged Groups,** Journal of National Science Foundation of Sri Lanka, 2022 (50) Special 81-92

- G. Ilangarathna, Y. Ranasinghe, H. Weligampola, E. Attygalla, J. Ekanayake, S. Yatigammana, M. Pinnawala, R. Godaliyadda, V. Herath, P. Ekanayake, G.Tilakaratna and S. Dharmarathne (2022) A Comprehensive Overview of Education during Three COVID-19 Pandemic Periods: Impact on Engineering Students in Sri Lanka, Education Sciences, March 2022.

■ Opinion platforms:

- Pro-Poor Tourism: Can it Reduce Poverty in Sri Lanka?, Kimuthu Kiringoda, *Talking Economics,* 14 February and press releases/media in Daily Mirror, The Morning, Ceylon Today, The Island and Ada Derana.

- Breaking the Bias: Increasing Women's Political Participation in Sri Lanka, Lakshila Wanigasinghe, *Talking Economics,* 8 March and press releases in Daily Mirror and Sunday Observer.

- Sri Lanka's Deepening Economic Crisis: The Plight of the Poor, Lakshila Wanigasinghe, *Talking Economics,* 18 July and press releases/media in Daily Mirror, The Island, Sunday Observer, Ada Derana and Lanka Business Online.

- Food Fight: Sri Lanka's Battle for Food Security, Lakshila Wanigasinghe, *Talking Economics,* 18 October (to mark the World Food Day on 16 October) and press releases in The Island and Sunday Observer.

C) SDGs

A chapter on Crises and Recovery: Meeting the 2030 Agenda on SDGs by Ganga Tilakaratna and Binura Seneviratne in Sri Lanka: State of the Economy 2022 analyses Sri Lankas progress so far on SDGs performance since 2016 amid some setbacks during the pandemic. Authors warn about the possible rises in poverty levels in the coming years. Another chapter on Anchoring the 2030 Agenda in National Development Strategies by Lakmini Fernando argues that anchoring the SGDs into Sri Lanka's planning process becomes more crucial in the absence of an existing strong national development framework and an associated process for an efficient allocation of resources. The chapter further highlights that the UN 2030 Agenda provides a framework which could effectively streamline the national development planning processes to make better domestic policy choices in developing economies.

■ Policy committees:

- National Steering Committee for 2022 Voluntary National Review (VNR) Process of Sustainable Development Goals, Ministry of Finance.

1.5 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.

Food Security

The conflict in Ukraine is expected to have wide-ranging impacts on South Asia's food security and food systems in 2022. Consequently, Sri Lanka is susceptible to various commodity price increases and trade disruptions. The Institute is engaged in a research study on The Food Security Implications of the Ukraine War on Sri Lanka, with the International Food Policy Research Institute (IFPRI) South Asia, New Delhi. The study explores the specific commodities Sri Lanka procures from the region and those procured from the global market that are seeing sharp price hikes. The study will also look at potential avenues Sri Lanka can adopt to mitigate the impact of the Ukraine crisis on citizens through policy measures such as subsidies, social safety nets, or procuring from other global trading partners. Finally, the study will explore market opportunities for Sri Lanka arising from the conflict, such as increased demand for Sri Lankan exports or long-term structural reforms that could better equip the country to handle similar turbulence in global markets.

The overall objective of the IPS' study on The Transition from Conventional to Organic Farming: The Case of Banning Chemical Fertiliser in Sri Lanka, funded by USAID and implemented by the International Food Policy Research Institute (IFPRI), Washington D.C., is to estimate the socio-economic impacts of the inorganic fertiliser ban on the rice sector in Sri Lanka. The specific objectives are to (i) analyse the rice value chain focusing on major challenges faced by rice farmers due to the inorganic fertiliser ban; (ii) estimate the impacts of the inorganic fertiliser ban on rice production and food security at the national level; (iii) examine the impact of inorganic fertiliser ban on farmer productivity and farm income during 2021/2022 Maha Season; (iv) evaluate global experiences of converting conventional to organic farming to identify the challenges and success stories; and (v) propose policy recommendations for an effective fertiliser policy framework in the country.

A chapter on Food Security and Zero Hunger during Food Crises in Sri Lanka: State of the Economy 2022 by Manoj Thibbotuwawa argues that the volatility of global oil prices, rising international food and intermediate input prices, high logistic costs and a steep currency depreciation drastically contribute to food price inflation, further deepening the food crisis in Sri Lanka. The chapter suggests that the real and sustainable solution to the recurring foodflation and food shortage lies in managing the demand and supply of food in the long run.

Research publications:

- Causes and Consequences of Food Crisis. Manoj Thibbotuwawa, Sri Lanka Exporter Magazine, 114th Edition, April-June 2022.

Policy committees:

- Food Policy Committee convened by the Presidential Secretariat.

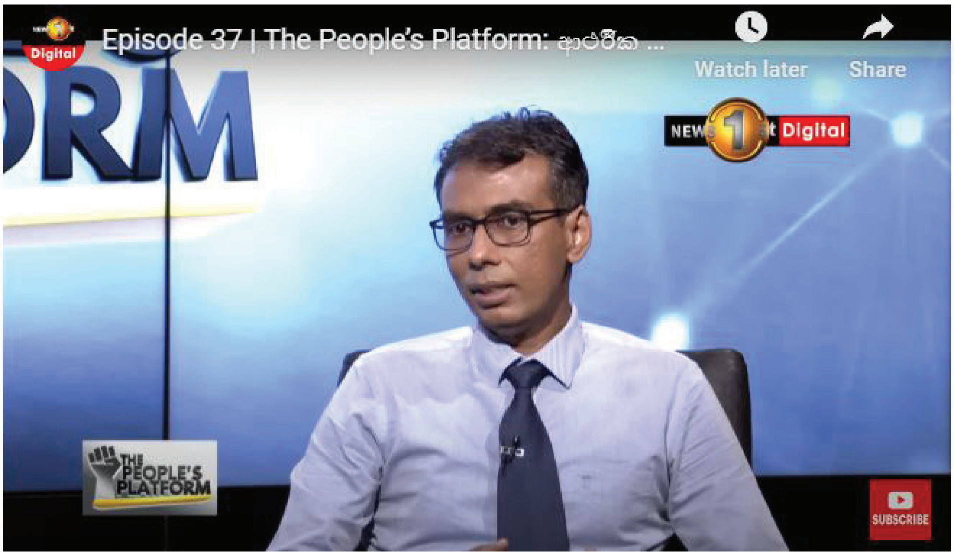
Opinion platforms:

- Food Security in the BIMSTEC Region: Lessons from Sri Lanka's Smart Farming, Manoj Thibbotuwawa, *Talking Economics,* 29 March and press releases in Financial Times, Daily Mirror and the Morning.

Presentations and discussions:

- Panellist at the discussion on Food Security and BIMSTEC: Lessons from Sri Lanka's Smart Farming, organised by The Observer Research Foundation, India, virtual, 29 March (Manoj Thibbotuwawa).
- Panellist at the seminar on Impending Food Crisis in Sri Lanka: Causes, Consequences and Solutions, organised by Sri Lanka Economic Association (SLEA), virtual, 2 April (Manoj Thibbotuwawa).
- Panellist at the discussion on Food Security Challenges in Sri Lanka at the 'Thirteenth South Asia Economic Summit', organised by Research and Information Systems (RIS), New Delhi, India, virtual, 20 April (Manoj Thibbotuwawa).
- Moderator of the policy seminar on the Economic Crisis, Soaring Food Prices, and Nutritional Wellbeing: Options for Safety Net Interventions in Sri Lanka via Zoom, 23 May (Manoj Thibbotuwawa).
- Sri Lanka's Food Crisis, Manoj Thibbotuwawa, Sirasa TV - 'Mawatha' programme, 26 May.

- Internal and External Factors that Could Lead to a Food Crisis in Sri Lanka, on NewsFirst – TV1 'The People's Platform' programme, 25 July (Manoj Thibbotuwawa).



Agricultural Policies and Institutions

With the objective of drafting the Country Programme Framework (CPF) 2023-2027 for FAO activities in Sri Lanka, the IPS is involved in a study on FAO Country Programming Framework 2023-2027, with the FAO Colombo, Sri Lanka. This project will identify developmental priorities for Sri Lanka in food and agriculture, fisheries, livestock, forestry, and environment sectors through a desk review of existing policy documents and in consultation with concerned government Ministries and Departments. Consultations will be carried out with all relevant stakeholders, including government officials, farmer/fisheries organisations, civil society organisations, and the private sector through physical workshops in all nine provinces. The project's final phase will consist of conducting a national-level multi-stakeholder workshop to obtain further input and validate the findings.

A scoping study on Youth Participation in Agriculture in Sri Lanka, has been conducted by the IPS with the International Fund for Agriculture Development (IFAD), assesses the opportunities and challenges for youth participation in agriculture and the food system in Sri Lanka. The specific objectives are; (i) to identify the major challenges faced by young farmers/ young business entrepreneurs in agriculture when they are entering agriculture; (ii) to understand the key reasons why the youth is not attracted to the agriculture sector in Sri Lanka; (iii) to identify the major motivations and incentives for youth to be involved in agriculture/agribusiness in Sri Lanka and (iv) to propose recommendations for promoting youth participation in agriculture and the food system in Sri Lanka.

A chapter on Productive Employment and Decent Work for Youth in Agriculture in Sri Lanka: State of the Economy 2022 by Dilani Hirimuthugodage examines the global youth trends, youth labour participation rates and youth employment. She suggests that efforts must be made to expand agribusinesses and agriculture entrepreneurship to open avenues for youth to engage in productive and decent work. Among recommendations, the chapter calls to improve existing technology and enhance technology interventions in farming, agribusiness activities and agri-entrepreneurship.

A policy brief on **Banning Chemical Fertiliser: A Threat to Sustainable Agriculture and Food Security?** in Sri Lanka: State of the Economy 2022 by Nimesha Dissanayaka highlights that ad-hoc policy changes and policy uncertainty have been customary in the fertiliser sector in Sri Lanka, with special reference to the ban on chemical fertiliser and its adverse impacts. As the way forward, she suggests designing effective fertiliser policies and comprehensive well-structured national organic agriculture action plans, gradual inclusion of organic practices to improve agriculture productivity and avoiding overusing chemical fertiliser and applying modern agro-technological methods to improve crop productivity.

■ Research publications:

- **Are Young Women Abandoning Agriculture in Sri Lanka,** Ruwan Samaraweera, S. Dharmadasa, and T. Kumara, Sri Lanka Statistical Review, 1(1), Department of Census and Statistics, 2022.
- **Preparedness and Relative Opinions of the Owners of the Agro-based Businesses to Attain Institutional Support to Face Global Challenges: A Case of Sri Lankan SMEs,** Thilini Bandara, J. Upulwehera, D. Liyanage, J. Lalani, S. Gamage, P. Rajapakshe and R. Prasanna, Sri Lanka Journal of Economic Research, 43-67, 2022.

Sri Lanka Statistical Review
Department of Census and Statistics, Sri Lanka
Volume 1 Issue 1 March 2022

Article

Are Young Rural Women Abandoning Agriculture in Sri Lanka?

W.G.R.L. Samaraweera[1,*], R.A.P.I.S. Dharmadasa[2], P.H.T. Kumara[2], A.S.G.S. Bandara[2]

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Abstract

Sri Lankan youth are abandoning small-scale agriculture at an alarming rate. Rural youth are similarly at relatively elevated risk of underemployment and/or unemployment compared to urban and estate sectors. As a result, a considerable number of youth have diversified predominant agricultural livelihoods or migrated in search of better economic opportunities, particularly in the domestic urban sector or abroad. Due to the sheer uneven gender distribution of youth in the population, gender-based evaluation of influences on livelihood choice-making by young men and women was the purpose of this paper. A nationally representative sample of rural youth was extracted, and a multinomial logit model under a random utility framework was estimated to assess livelihood diversification. A probit model of migration outcome was estimated to assess the rural youth's choice of migration. Results revealed that female youth's preferred choice of livelihood being agriculture would be less probable and more likely to be anything other than agriculture. Education is an upward driver in the choice of urban paid work, whereas educated young rural females do not choose agriculture. Rural young women are less prone to migrate; nonetheless, married female youth have a strong proclivity to migrate. Moreover, increased access to agricultural land lessens the propensity of rural young women to migrate.

Keywords:
rural youth, gender inclusivity, women empowerment, youth livelihood decisions, agriculture, youth migration

Introduction

Agriculture is one of the prominent livelihood strategies available for rural youth in Sri Lanka; nevertheless, they are less likely to pursue agriculture in the contemporary world (Samaraweera, et al., 2019). In contrast, recent policy initiatives such as the Overarching Agriculture Policy (draft) of 2019 aim to attain agricultural self-sufficiency in Sri Lanka. Policies supporting agricultural self-sufficiency could alleviate the country's progressively expanding balance of payments (Sanderatne & De Alwis, 2014). Therefore, an optimal combination of factors of production would support the country's attempts to increase agricultural output. Among the numerous factors of production, labour is a crucial element in determining the sector's level of production and productivity.

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■ Policy committees:

- **Taskforce on Domestic Sugar Industry Policy Framework,** Sugarcane Research Institute.
- **National Committee for Formulating of Export Agricultural Policy,** Ministry of Plantation Industries and Export Agriculture.
- **Committee on Socio-economic Research Policy,** Council for Agricultural Research Policy (CARP), Ministry of Agriculture.

■ Presentations and discussions:

- Presentation on **Competitiveness and Sustainability** at a seminar titled 'Driving Policy Action from Crisis to Recovery to mark the release of the Institute's annual flagship report 'Sri Lanka: State of the Economy 2022', IPS, 25 October (Manoj Thibbotuwawa).

Agribusiness Value Chains

The research study on Developing Food Loss Reduction Pathways through Smart Business Practices in Pakistan and Sri Lanka, with the Australian Centre for International Agricultural Research (ACIAR) aims to examine the nature, scope and underlying causes of food loss using mango and tomato as focal product lines. The study also demonstrates the effectiveness of a set of innovations in driving behavioural change that results in loss mitigation. Accordingly, the research is expected to address food loss through innovative, locally driven solutions to create long-term food security and sustainability impacts for smallholder farming communities in Pakistan and Sri Lanka.

This study on Trade Flow Analysis: Impact of the COVID-19 Shock on Agricultural Value-chains of Sri Lanka, PRCI – USAID/ International Food Policy Research Institute (IFPRI) was successfully completed in 2022. It analysed Sri Lanka's opportunities and challenges in agri-food trade amid COVID-19. The study examined Sri Lanka's main import and export partners, market characteristics, main export destinations, and export potential in agricultural products to other countries.

Research publications:

- Understanding Farmers' Decision to Move Away from Tobacco Cultivation in Sri Lanka, Nimesha Dissanayaka and Manoj Thibbotuwawa. Proceedings, 10th Sri Lanka Economic Research Conference (SLERC) organised by the Sri Lanka Forum of University Economists (SLFUE). pp: 101-107, 2022.

Presentations and discussions:

- Presentations at the provincial workshops on Agriculture Sector Policy Priorities, 9, 12, 13, 19, 22 and 23 November (Manoj Thibbotuwawa).

1.6 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 resilience. Sri Lanka's national policy framework has identified 'Sustainable Environmental Management 'as one out of 10 key policy areas. In addition, it also proposes a number of policy interventions in the areas of power and energy, water, disaster management and human-elephant conflict. The framework highlights the vital importance of safeguarding the environment and natural resources.

Environment and Natural Resource Policies

The IPS was involved in formulating the National Cooling Policy of Sri Lanka for the Ministry of Environment and Natural Resources. The objectives of formulating the NCP were to: ensure food security and minimise food loss due to insufficient cooling facilities in transit and storage due to its perishable nature; increase the productivity of local agriculture and animal husbandry; ensure the potency of drugs and vaccines during its cold chain; ensure sustainable cooling systems in space cooling; promote energy efficiency and alternative technologies with an integrated systems approach; and develop sustainable and climate-friendly cool chains in Sri Lanka.

The IPS was also involved in Updating the National Environment Policy (NEP) 2003 of Sri Lanka, funded by the Ministry of Environment and Natural Resources. The overall objective of the assignment is to update the NEP so that its relevance and position as the foremost national policy statement guiding the action towards sustainable management of the environment in Sri Lanka will be restored. Considering the changing priorities in the field of environment, new issues that emerged since the formulation of NEP and overlapping issues covered by other relevant national policies necessitated a review and update of the NEP. The NEP, the key policy document that guides policy actions regarding the environment-related problems/issues in Sri Lanka, was prepared by the Ministry of Environment in 2003.

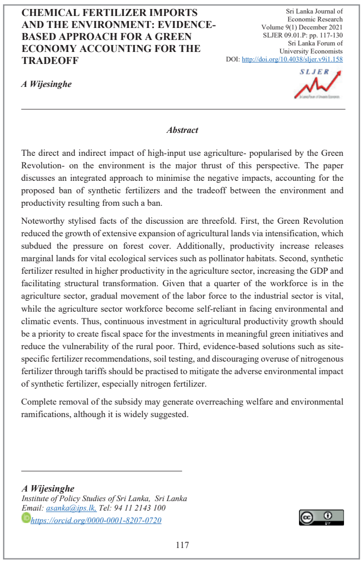
Another study on Livelihoods Insurance from Elephants (LIFE) in Sri Lanka, with the International Institute for Environment and Development (IIED), Government of the UK, explored the potential for developing a commercially run insurance scheme to deal with the human-wildlife conflict in Sri Lanka. It aimed to design and pilot test an insurance product in the field to address the rising human-elephant conflicts (HEC) claiming significant human and elephant lives annually in Sri Lanka and the rising number of crop losses and property damages.

These projects were completed in 2022.

A chapter on Energy Sector Challenges and a Sustainable Electricity Industry in Sri Lanka: State of the Economy 2022 by Erandathie Pathiraja emphasises that providing access to modern energy services remains a high priority for Sri Lanka. The chapter discusses some topical issues in energy supply and consumption, energy intensity and constraints, and calls for power sector reforms and rapid infrastructure developments for the energy sector.

■ Research publications:

- **Chemical Fertiliser Imports and the Environment: Evidence-based Approach for a Green Economy Accounting for the Trade-off,** Asanka Wijesinghe, Sri Lanka Journal of Economic Research, 9(1), pp.117, 2022.



CHEMICAL FERTILIZER IMPORTS AND THE ENVIRONMENT: EVIDENCE-BASED APPROACH FOR A GREEN ECONOMY ACCOUNTING FOR THE TRADEOFF

Sri Lanka Journal of Economic Research
Volume 9(1) December 2021
SLJER 09.01.P: pp. 117-130
Sri Lanka Forum of University Economists
DOI: http://doi.org/10.4038/sljer.v9i1.158

A Wijesinghe

Abstract

The direct and indirect impact of high-input use agriculture- popularised by the Green Revolution- on the environment is the major thrust of this perspective. The paper discusses an integrated approach to minimise the negative impacts, accounting for the proposed ban of synthetic fertilizers and the tradeoff between the environment and productivity resulting from such a ban.

Noteworthy stylised facts of the discussion are threefold. First, the Green Revolution reduced the growth of extensive expansion of agricultural lands via intensification, which subdued the pressure on forest cover. Additionally, productivity increase releases marginal lands for vital ecological services such as pollinator habitats. Second, synthetic fertilizer resulted in higher productivity in the agriculture sector, increasing the GDP and facilitating structural transformation. Given that a quarter of the workforce is in the agriculture sector, gradual movement of the labor force to the industrial sector is vital, while the agriculture sector workforce become self-reliant in facing environmental and climatic events. Thus, continuous investment in agricultural productivity growth should be a priority to create fiscal space for the investments in meaningful green initiatives and reduce the vulnerability of the rural poor. Third, evidence-based solutions such as site-specific fertilizer recommendations, soil testing, and discouraging overuse of nitrogenous fertilizer through tariffs should be practised to mitigate the adverse environmental impact of synthetic fertilizer, especially nitrogen fertilizer.

Complete removal of the subsidy may generate overreaching welfare and environmental ramifications, although it is widely suggested.

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■ Presentations and discussions:

- Presentation on **Has the UNREDD Programme Able to Provide Effective Green Recovery Solutions to Papua New Guinea?** at the workshop on 'Pacific Development Research', online, 27 September (Lakmini Fernando).
- Presentation of the **National Environment Policy (NEP), at the launch of the NEP and National Environment Action Plan (NEAP) for 2022–2030,** Ministry of Environment, 19 December (Manoj Thibbotuwawa).
- Project meeting and field visit on **Economics of Forest Restoration in South Asia (Nepal, Sri Lanka, Bangladesh and Pakistan)**, organised by the International Centre for Integrated Mountain Development (ICIMOD), Kathmandu, Nepal, 14-19 December (Erandathie Pathiraja).

Climate Change

The research study on **Climate and Sustainability: The Future of Agriculture,** with Southern Voice examines 'Youth in Climate Adaptation: Moving Towards Sustainable Agriculture in Sri Lanka'. The study will present recommendations on various avenues of youth engagement to influence policymaking, raise their voices, adaptation practices for the youth, capacity building among youth for adaptation action, raise awareness among youth, and thereby enable their participation in political and social processes.

A policy brief on **Climate Change and Environmental Degradation: Circular Economic Options** in Sri Lanka: State of the Economy 2022, Ruwan Samaraweera indicates that the current linear economic system may be unable to deliver viable solutions to address the cumulative effects of the economic crisis, such as rising poverty and inequality and energy shortage. This policy brief discusses drivers and consequences of climate change and environmental degradation and transiting to a circular economic model is a way to achieve sustainable consumption by promoting reuse, remanufacture, recycling or recovery principle for increase resource use efficiencies.

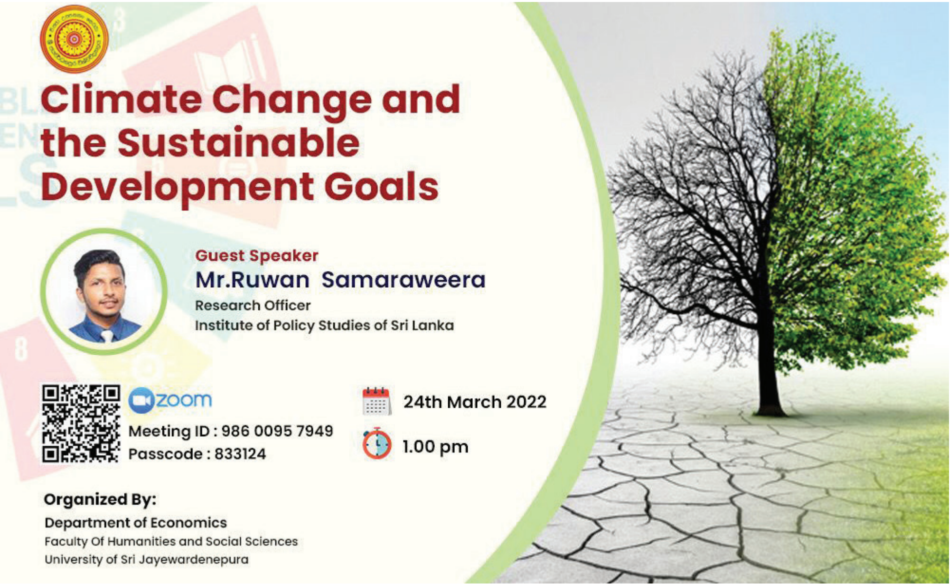
■ Policy Committees:

- National Steering Committee for Implementing **the National Adaptation Plan for Climate Change Impacts in Sri Lanka,** Ministry of Environment and Wildlife Resources.

- Policy Support Technical Working Group, Accelerating Industries 'Climate Responses in Sri Lanka' project, support to the implementation of Sri Lanka's Nationally Determined Contributions (NDCs) in the Industry Sector, with The United Nations Industrial Development Organization (UNIDO), the Ministry of Environment, the Ministry of Industries and the Ministry of Power and Energy (Erandathie Pathiraja).

Presentations and discussions:

- Guest lecture on Climate Change and Sustainable Development Goals for undergraduate students, Department of Economics, University of Sri Jayawardenapura, 24 March (Ruwan Samaraweera).



- Presentation on Bridging the Climate Information Gap: Integrated Climate Information Management Systems, at the regional climate data conference on 'Opportunities for Resilient Development Hindu Kush Himalaya', Dhaka, Bangladesh, 12 and 13 October (Ruwan Samaraweera).

- Panellist at the Climate Change Initiative inaugural programme webinar on Climate Resilience in the Global South, jointly organised by the Institute for South Asia Studies and the South Asia Centre for Labour Mobility and Migrants (SALAM), virtual, 13 October (Manoj Thibbotuwawa).

- Panellist at South Asia Watch on Trade, Economics and Environment (SAWTEE) webinar on COP27: Issues, Agenda and Expectations, virtual, 20 October (Erandathie Pathiraja).

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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. 50.4 Mn. The total revenue of Rs. 247.5 Mn comprised of project revenue (43%), collections from the IPS Endowment Trust Fund (29%), interest income (27%) and other miscellaneous income (1%).

In 2022, the IPS bid farewell to 07 researchers and 05 support staff members, while 11 new staff members were recruited to the Institute.

Corporate Governance

The IPS governance structure consists of a Board of Governors ("IPS Board"), Executive Director and Management Committees. The IPS Board consists of seven board members whose appointment and responsibilities are defined in the IPS Act No. 53 of 1988. Executive Director and Management Committees are responsible for executing strategy and driving performance.

The Board agrees on a schedule of meetings at the beginning of each year and meets at least once a quarter. Additional meetings are also convened when required. All committee meetings are called by the Executive Director at the beginning of the year to discuss and agree on yearly plans and the Chairpersons of each management committee are responsible for calling quarterly meetings to monitor the progress.

The annual Action Plan and a three-year Corporate Plan are prepared and presented to the Board for approval. Progress against budgeted costs is reviewed and reported on a quarterly basis.

Audit Committee

The IPS Audit Committee consists of three board members who are professionally qualified in the fields of corporate management, public accounting, and finance. The Audit Committee meets quarterly. Internal audits are carried out on a continuous basis while all audit findings are discussed on a quarterly basis to identify potential risks and to take necessary actions to mitigate such risks.

Audit Committee serves as a sub-committee of the IPS Board and Audit Committee meeting minutes are table at the IPS Board meeting for the information of the Board.

Investment Committee

The IPS Investment Committee is chaired by a member of the IPS Board who is a professional in the field of banking. An independent member who is an investment expert also serves the committee along with the members of the IPS management. The Committee meets bi-annually, and additional meetings are held when required.

Risk Management Procedure

The IPS navigates a number of potential risks stemming from its internal and external environments and recognises the importance of identifying, measuring and managing these risks in a structured and proactive manner. The objective of the Institute's Risk Management procedure is to assure that uncertainty does not impede the achievement of institutional goals. The IPS Board holds the ultimate responsibility and oversight of risk management. The IPS Board is supported by a dedicated Management Committee in discharging its duties and responsibilities on overall risk.

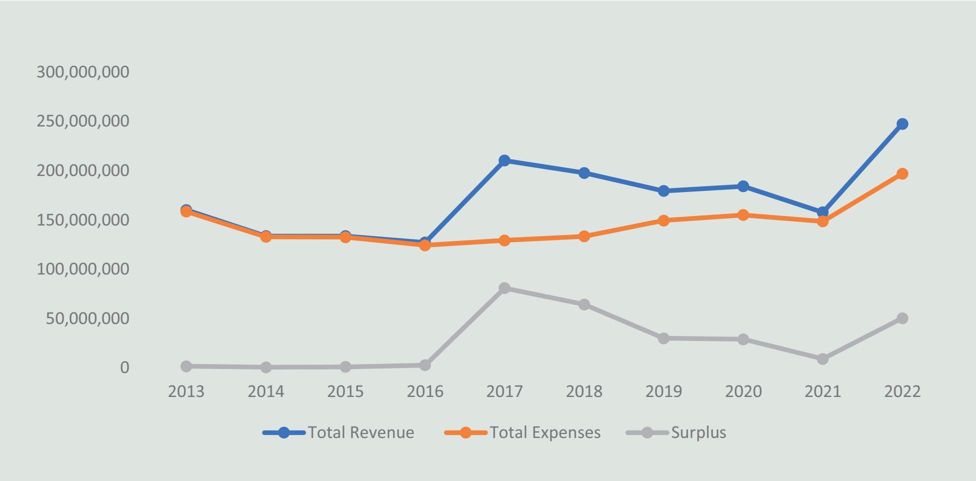
Types of Potential Risks and Approach to Mitigate Key Risks

In general, the Institute has identified Operational & Reputational Risk, Financial Risk, Compliance Risk, Competitive Risk, HR related Risk and IT Risk as the main types of potential risks to the Institute.

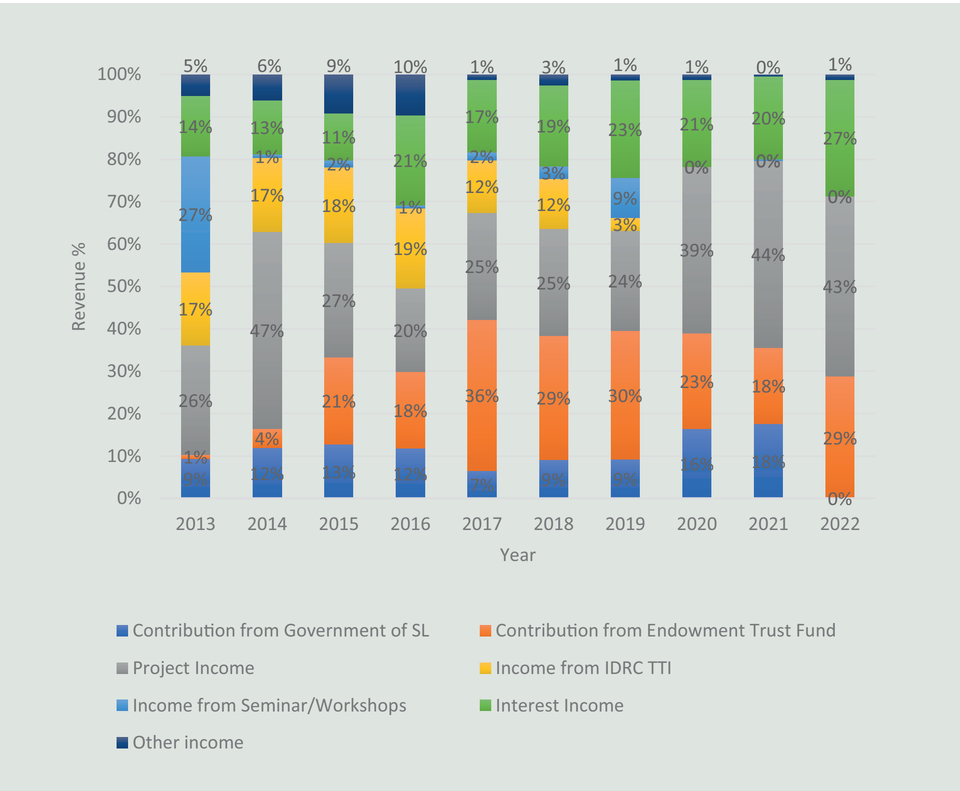
Risk Type	Approach to Mitigate the Risk
Operational and Reputational Risk	• Reaching out to its main stakeholders through targeted communication strategies and tools. • Evaluating the effectiveness of IT and other related support services. • Conducting internal audits on a continuous basis and reviewing the findings on a quarterly basis. • Conducting external audits on an annual basis and closely reviewing any concerns highlighted. • Securing comprehensive insurance coverage on all the Institute's properties. • Providing insurance coverage for hospitalization and critical illnesses for employees.
Financial Risk	• Ensuring financial stability viz. raising research grants and interest income in the absence of GOSL allocation in 2023. • Maintaining the Institute's investment portfolio in several licensed banks to mitigate the credit risk. • Using budgetary controls and monitoring deviations periodically. • Continuously monitoring the Institute's financial position while assuring the adequacy of the liquid funds to run the operations without disruptions. • Using various investment appraisal techniques before finalizing investment decisions.
Compliance Risk	• Continuously monitoring of statutory payments to the relevant regulatory bodies together with required documents to be filed.
Competitive Risk	• Monitoring and improving IPS media visibility in comparison with the other competitive research institutions.
HR Related Risk	• Recruiting and retaining suitably qualified staff. • Strengthening our employee value proposition. • Continuously Investing in training and development. • Offering opportunities for career progression such as no pay leave for higher education (Ph.D. or M.Phil). • Maintaining a high level of employee engagement. • Conducting annual Performance Development Reviews (PDRs). • Using an HRIS system to manage attendance and leave, as well as time allocation for research and support staff activities.
IT Risk	• Implementing an IT system and network security. • Introducing and implementing an IT Policy. • Implementing an onsite centralized storage backup management system and an offsite cloud storage backup management system. • Introducing and implementing annual IT security audits.

Financial Highlights – 2013 - 2022

Income, Expenditure and Surplus



Composition of IPS Income



IPS Communications and Outreach

Disseminating IPS research and expanding outreach through the effective use of communication channels is one of the key objectives of the Institute. This includes distributing IPS' multidimensional research activities to local and international stakeholders, policymakers, and the public through various mediums such as publications, policy briefs, events, and dialogues. Moreover, IPS regularly publicises research findings and news through press releases, articles, and interviews across diverse media platforms to reach different target audiences.

The IPS produced five publications in 2022 among which was the Institute's annual flagship report 'Sri Lanka: State of the Economy 2022'. In 2022, the IPS also produced 23 blogs for the Institute's official blog site 'Talking Economics' which were published in widely read newspapers and online news outlets. In addition, the IPS continued to make its presence felt internationally with a total of 20 articles and significant staff mentions appearing on global platforms. IPS staff also appeared in six interviews with print, broadcast, and electronic media to contribute to the policy debates in Sri Lanka.

The IPS' social media presence expanded significantly in 2022 with Facebook, Twitter, Instagram, LinkedIn, and YouTube pages regularly updated with engaging content. The Institute was particularly active on Twitter and used this vital social media platform to post live updates during events, thereby gaining significant traction.

Sri Lanka's economic crisis was a predominant concern in 2022. One of the key topics on which the Institute's research and dissemination focussed was economic stability and recovery in the midst of the country's unprecedented economic crisis and a volatile global economic and political order. The most notable event held in 2022 was the release of the 'Sri Lanka: State of the Economy 2022' report. Furthermore, IPS hosted three virtual dissemination seminars and four project inception workshops. The Institute has thus managed to reach out to a wide variety of stakeholders with its premier research.

The Information Systems Unit (ISU)

The Information Systems Unit (ISU) at IPS plays a vital role in supporting the institute's competitiveness as a regional center of excellence. The ISU is responsible for managing various aspects of information systems, including software, communication, hardware, networking, IT infrastructure management, web development, information dissemination, and database development. These functions collectively enable efficient operations and contribute to the institute's success.

In 2022, the ISU implemented a new server system that enhanced the capabilities of the online information system. This upgrade resulted in the successful implementation of various facilities, including:

VPN System: A Virtual Private Network (VPN) was implemented to provide secure remote access to the institute's network resources and enabled easy ways to work from home. This likely involved implementing technologies and tools that allow employees to access necessary resources remotely, ensuring uninterrupted productivity even when working outside the office premises.

Video Conferencing: The ISU likely facilitated the use of video conferencing solutions, such as Zoom meetings. Video conferencing technology enables virtual meetings, collaborations, and presentations, enhancing communication and reducing the need for physical gatherings.

In addition to these achievements, the IPS plans to upgrade its network systems in 2023. This network upgrade indicates a commitment to enhancing the overall network infrastructure, which is critical for reliable and efficient communication, data transfer, and access to information within the institute.

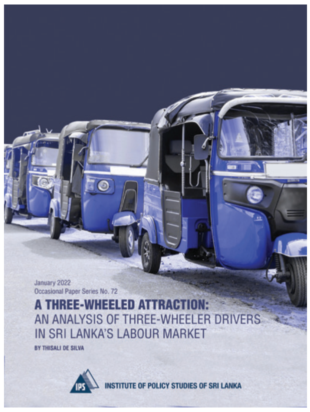
By proactively managing and upgrading information systems, the ISU ensures that IPS remains competitive and maintains its position as a regional center of excellence. These efforts enable efficient workflows, effective communication, and the seamless operation of various online activities essential for the institute's success.

Library

The IPS Library provides information resources to its research and support staff, as well as serving external users. The main focus in 2022 was the library digitalization and continued library services through online due to situation of the country. It also continued to provide access to several databases and e-papers, including JSTOR. Also discontinued purchasing physical copies of daily newspapers instead purchased e-papers of daily newspapers.

The library also keeps its users up-to-date on current affairs and time to time circulate new-arrivals among research staff of the institute. It engages in educational activities to make the staff familiar with the library intranet, OPAC, and electronic databases, the digital library. Library and Technical Training Committee of the institute corporately organized workshop How to manage reference using “Mendeley Reference Management Software” and this program conducted by Dr. Anoma Weerakoon, Senior Assistant Librarian, Open University of Sri Lanka. Also, Library begin to conduct induction training for newly joined IPS Staff for better use of the library. It also attended to a large number of interlibrary loan (ILL) and document delivery (DD) requests. The continuing library digitalization priorities for 2023. Also continuing library and information services marketing are other priorities for the coming year.

Publications 2022

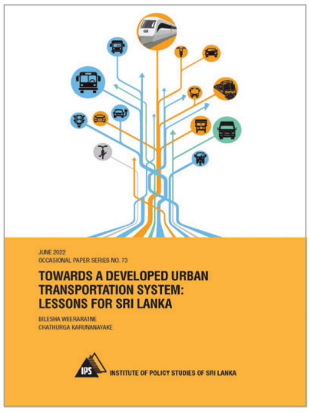


"A Three-wheeled Attraction: An Analysis of Three-wheeler Drivers in Sri Lanka's Labour Market", Occasional Paper Series No. 72, January.

(By: Thisali de Silva)

"Trade Policy Effects on Global Value Chain Participation of South Asian Countries: Implications for Bangladesh-Sri Lanka Trade Negotiations", International Economics Research Series No. 14, March.

(By: Asanka Wijesinghe and Chathurrdhika Yogarajah)



"Towards a Developed Urban Transportation System: Lessons for Sri Lanka", Occasional Paper Series No. 73, June.

(By: Bilesha Weeraratne and Chathurga Karunanayake)

"Winners and Losers of Sri Lanka's Work from Home Policy", Labour and Migration Research Series No. 28, August.

(By: Suresh Ranasinghe and Nisha Arunatilake)

"Sri Lanka State of the Economy (SOE) 2022" report on "From Crisis to Recovery: Driving Policy Action through SDGs", October.

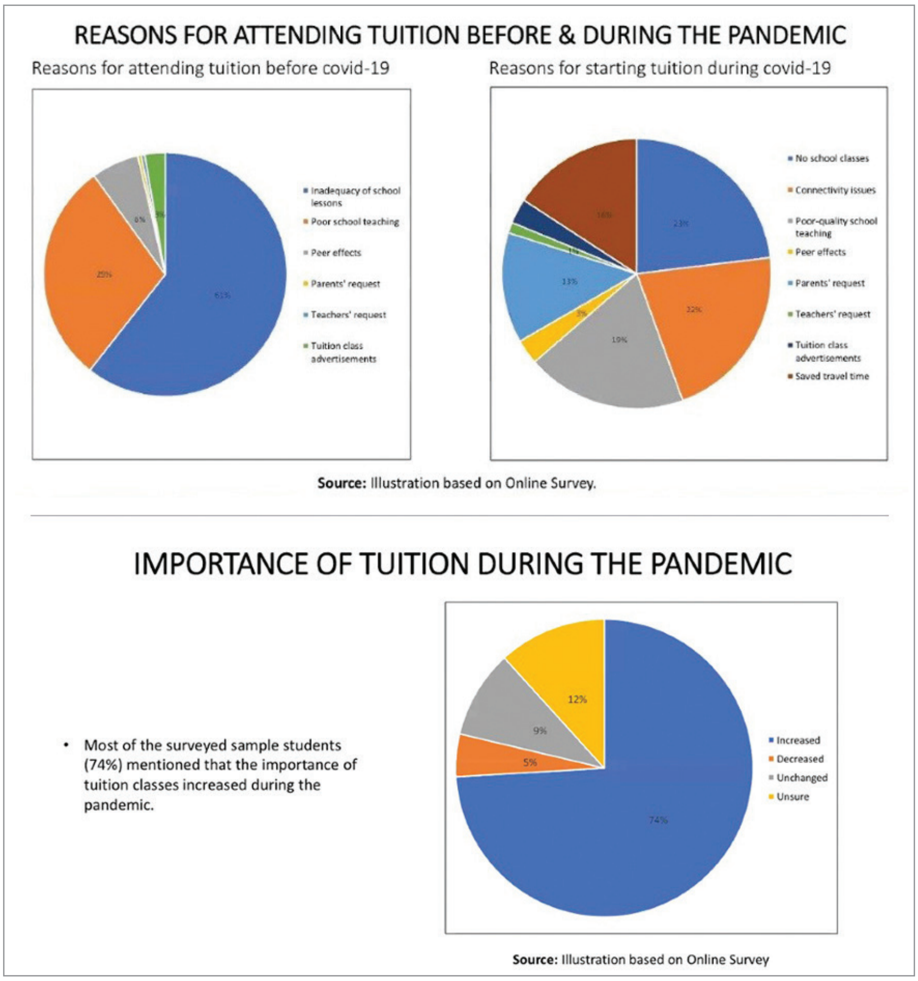
(By: IPS Research Team)

In-house Seminars

"Spatial Integration of Vegetable Markets in Sri Lanka during COVID-19 Pandemic", by Nimesha Dissanayake, Research Officer, IPS, on Zoom, 27 January.

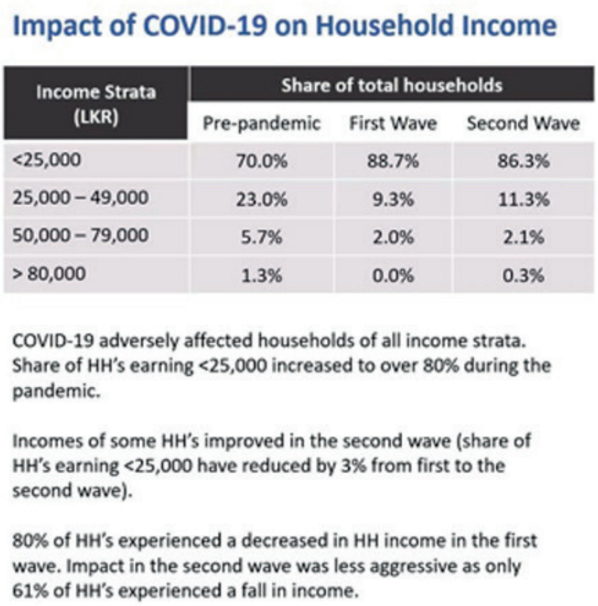
"Demand for Private Tutoring During Covid-19: An Initial Scoping Exercise for Sri Lanka", by Usha Perera, Research Assistant, IPS, on Zoom, 23 February.

"Effect of Trade Policy on Global Value Chain Participation of the South Asian Countries: Implications for Bangladesh-Sri Lanka Trade Negotiations", by Chathurrdhika Yogarajah, Research Assistant, IPS, on Zoom, 24 March.

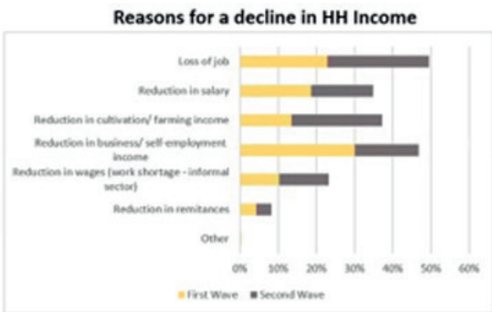


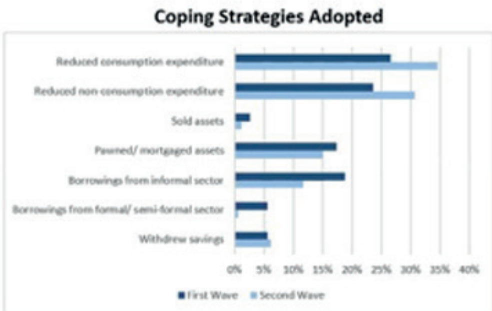
“Effect of Trade Policy on Global Value Chain Participation of the South Asian Countries: Implications for Bangladesh-Sri Lanka Trade Negotiations”, by Chathurrdhika Yogarajah, Research Assistant, IPS, on Zoom, 24 March.

“Impact of COVID-19 on Low-Income Households in Sri Lanka: Results from a Rapid Household Survey”, by Lakshila Wanigasinghe, Research Officer, IPS, on Zoom, 28 April.



Income Strata (LKR)	Share of total households		
	Pre-pandemic	First Wave	Second Wave
<25,000	70.0%	88.7%	86.3%
25,000 – 49,000	23.0%	9.3%	11.3%
50,000 – 79,000	5.7%	2.0%	2.1%
> 80,000	1.3%	0.0%	0.3%

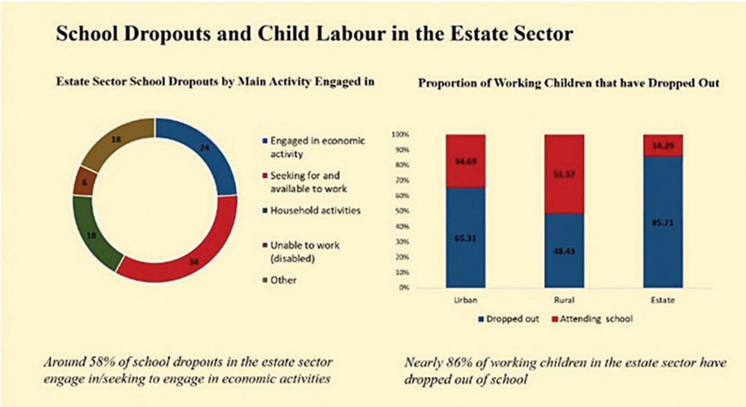




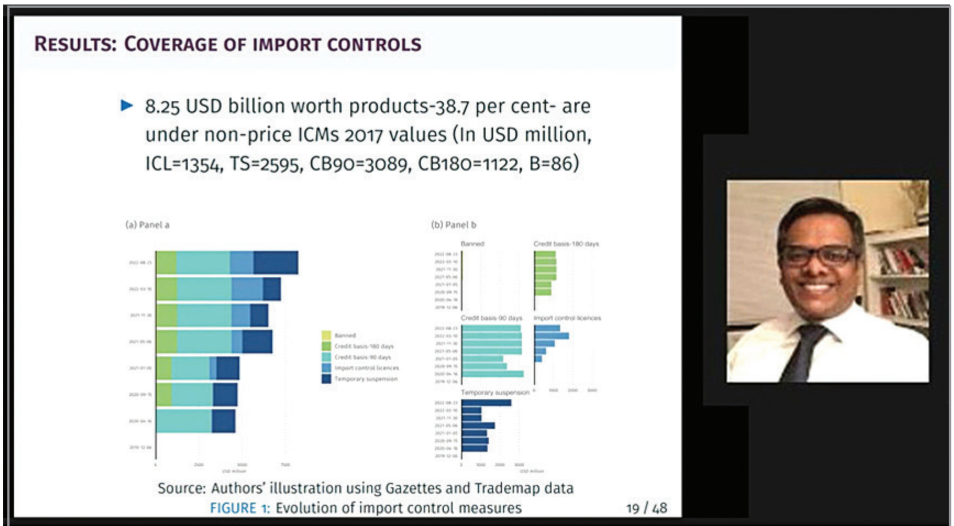
"Economic Crisis, Soaring Food Prices, and Nutritional Wellbeing: Options for Safety Net Interventions in Sri Lanka", by Dr. Suresh Babu, Head-Capacity Strengthening, IFPRI, Prof. Jeevika Weerahewa, Professor, University of Peradeniya and Dr. Pradeepa Koralegedara, Senior Lecturer, University of Peradeniya and moderated by Dr. Manoj Thibbotuwawa, IPS, on Zoom, 23 May.

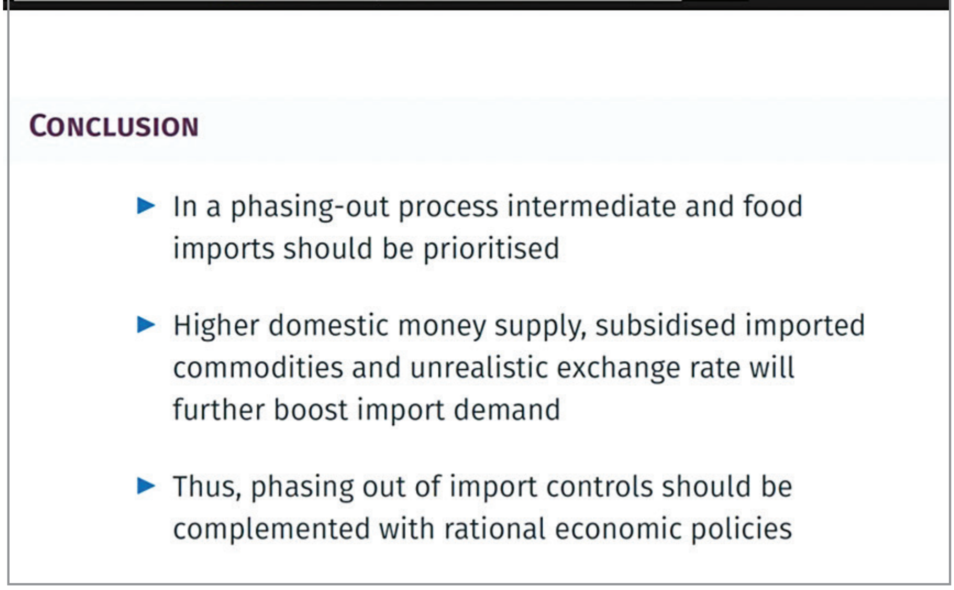
"Qualitative Data Analysis-Inductive Approach", by Suresh Ranasinghe and Usha Perera, Research Assistants, IPS, on Zoom, 28 June.

“School Dropouts in the Estate Sector of Sri Lanka”, by Himani Vithanage, Project Intern and winner of the 2021 Saman Kelegama Memorial Research Grant, IPS, on Zoom, 25 July.



“Trade Policy in the Economic Crisis: Coverage, Impact and Reforms”, by Dr. Asanka Wijesinghe, Research Fellow, IPS, on Zoom, 31 August.





"Impact of Traffic Light Labelling on SSB Choices in Sri Lanka", by Priyanka Jayawardena, Research Economist, IPS, IPS Conference Room, 29 September.

"Political Economy of Fiscal Policies and Regulations to Promote Healthy Diets in Sri Lanka", by Sunimalee Madurawala, Research Economist, IPS, IPS Conference Room, 30 November.

IPS Internship Programme 2022

	Name	Designation	University
1	Chathuree Swarnamali	Project Intern	Uva Wellassa University, Sri Lanka
2	Madhri Yehiya	Project Intern	Boston University, USA
3	Sachintha Pilapitiya	Project Intern	New York University Abu Dhabi, UAE
4	Rahul Iriyagolle	Project Intern	Loughborough University, UK
5	Chathurika Perera	Project Intern	University of Ruhuna, Sri Lanka
6	Sadeesha Senanayake	Project Intern	University of Wayamba, Sri Lanka
7	Upuli Champika	Project Intern	Uva Wellassa University, Sri Lanka
8	Sanuki Melisha	Project Intern	University of Sri Jayewardenepura, Sri Lanka
9	Senath Ranaweera	Project Intern	Monash University, Australia

Institute of Policy Studies of Sri Lanka

Financial Statements for the year ended

31st December 2022

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31st December	**Notes**	**2022 Rs.**	2021 Rs.
Revenue			
Grant from the Government of Sri Lanka	**2**	-	27,812,000
Project Income	**3**	105,456,710	69,667,408
Interest Income		67,934,669	30,831,385
Contribution from the Endowment Trust Fund	**22**	71,146,433	28,232,540
Income from Seminars/Workshops	**4**	-	591,000
Miscellaneous Income	**5**	2,997,810	683,457
Total Revenue		**247,535,622**	157,817,790
Expenses			
Employee Cost	**6**	94,695,689	73,897,846
Research Cost	**7**	37,905,793	23,294,574
Utility Expenditure		15,993,983	13,493,656
Other Operating Expenses	**8**	12,231,096	13,527,694
Seminars and Workshops Cost		-	85,261
Travel Expenses		150,815	30,988
Total Expenses		**160,977,376**	**124,330,019**
Current surplus for the year		**86,558,246**	33,487,771
Depreciation on Property, Plant and Equipment	**16**	16,633,112	15,992,950
Surplus after depreciation for the year		**69,925,134**	**17,494,821**
Income Tax Expense	**9**	19,471,354	8,268,950
Surplus for the year after taxation		**50,453,780**	**9,225,871**

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL POSITION

As at 31st December	Notes	2022 Rs.	2021 Rs.
ASSETS			
Current Assets			
Cash and Cash Equivalent	10	222,102,590	280,708,203
Investments	11	93,893,803	110,157,200
Trade receivables	12	23,156,315	13,152,327
Inventories - Publications		1,788,177	1,674,133
Deposits and Prepayments	13	12,456,038	8,091,465
Interest Receivable	14	21,786,049	6,234,477
Other Receivables	15	76,090,145	22,653,428
Total Current Assets		**451,273,117**	442,671,233
Non Current Assets			
Property, Plant and Equipment	16	456,799,204	467,020,840
Long Term Investments	11	264,961,074	122,210,600
Deposits and Prepayments	13	3,022,279	4,154,020
Total Non Current Assets		**724,782,557**	593,385,460
Total Assets		**1,176,055,674**	1,036,056,693
LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	24,285,219	15,223,664
Advance Receipts on Projects	18	107,413,221	36,314,558
Total Current Liabilities		**131,698,440**	51,538,222
Non Current Liabilities			
Employee Benefits	19	28,828,338	21,262,898
Staff Welfare Fund		5,428,769	3,609,226
Total Non Current Liabilities		**34,257,107**	24,872,124
Total Liabilities		**165,955,547**	76,410,346
Net Assets		**1,010,100,127**	959,646,347
EQUITY			
Accumulated Surplus		**1,010,100,127**	959,646,347

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 15 form an integral part of these Financial Statements. The Board of Governors is responsible for the preparation and presentation of these Financial Statements.

23/02/2023

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 2020	950,420,476
Surplus of income for the year	9,225,871
Balance as at 31st December 2021	959,646,347
Surplus of income for the year	50,453,780
Balance as at 31st December 2022	**1,010,100,127**

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CASH FLOW

For the year ended 31st December		**2022**	2021
		Rs.	Rs.
Cash Flow From Operating Activities	**Notes**		
Surplus/(Deficit) Before taxation		69,925,134	17,494,821
Adjustments for;			
Movement of the Staff Welfare Fund		1,819,543	638,725
Depreciation on Property, Plant and Equipment	**16**	16,633,112	15,992,950
Provision / (Reversal) of Gratuity	**19**	8,272,692	1,295,505
Interest Income		(67,934,669)	(30,831,385)
(Increase)/Decrease in Provision for Bad debt		997,506	(341,571)
Net cash inflow/(outflow) Before Working Capital Changes		**29,713,318**	**4,249,045**
(Increase)/ Decrease in Trade Receivables		(11,001,494)	6,346,312
(Increase) /Decrease in Inventories		(114,044)	(159,617)
(Increase)/Decrease in Deposits and Prepayments		(3,232,832)	(6,562,362)
(Increase)/ Decrease in Other Receivables		(53,436,717)	(6,722,491)
Increase/(Decrease) in Advance Receipts		71,098,663	10,328,323
Increase/(Decrease) in Trade and Other Payables		3,233,299	(1,521,024)
Net cash inflow/(outflow) Generated From Operations		**36,260,193**	**5,958,186**
Gratuity Paid	**19**	(707,252)	(1,748,750)
Income tax paid		(13,643,097)	(8,693,868)
Net cash inflow/(outflow) From Operating Activities		**21,909,844**	**(4,484,432)**
Cash Flow From Investing Activities			
Purchase of Property, Plant and Equipment	**16**	(6,411,476)	(37,203,126)
Interest Received		52,383,097	27,635,706
Purchase of Investments		(325,851,178)	(339,111,852)
Proceeds from Sale of Investments		258,186,974	351,831,442
Net cash inflow/(outflow) From Investing Activities		**(21,692,583)**	**3,152,170**
Net (Decrease)/Increase in Cash and Cash Equivalents		217,260	(1,332,262)
Cash and Cash Equivalents at the beginning of the year (Note 10)		1,329,184	2,661,446
Cash and Cash Equivalents at the end of the year		**1,546,444**	**1,329,184**

a) Reconciliation of Cash and Cash Equivalents		
Cash at Bank	1,416,444	1,239,184
Cash in Hand	130,000	90,000
	1,546,444	**1,329,184**

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

For the year ended 31st December 2022

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 2022

Property, plant and equipment (Continued)

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

Computer Equipment	33%
Web Page Design	33%
Motor Cycle	10%
Furniture	10%
Office Equipment	10%
Motor Vehicles	10%
Library Books	25%
Buildings	2%

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

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

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

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

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

(d) Investments
These investments comprise of Fixed Deposits, Treasury Bills/ Repurchase Agreements, Treasury Bonds and Corporate Debentures.

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

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

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

For the year ended 31st December 2022

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 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 as the Institute has positive intention and ability to hold them for more than one year.

(e) Inventories

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

(f) Receivables

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

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

(g) Cash and cash equivalents

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

(h) Liability and provisions

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

Provision for liabilities is recognized when the Institute has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation. The management assessed that, cash and short term investments, trade receivables, trade payables and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these investments.

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

For the year ended 31st December 2022

(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) Recognition and classification of expenditure

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 in previous year from the Government of Sri Lanka for utilities, maintenance, and income tax expenses of the Institute. No grants were released during the current year.

		2022	2021
3	**Project Income**	**Rs.**	Rs.
	Income from Institutions	**105,456,710**	69,667,408

4 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. No such income was generated during current year.

		2022	2021
5	**Miscellaneous Income**	**Rs.**	Rs.
	Sale of Publications	709,115	308,695
	Postal Charges	3,930	3,930
	Exchange Gain/(Loss)	2,223,125	36,524
	Other Income	61,640	334,308
		2,997,810	683,457

		2022	2021
6	**Employee Cost**	**Rs.**	Rs.
	IPS Staff Salary	67,964,156	56,970,832
	EPF	8,155,090	6,903,394
	ETF	2,038,772	1,725,848
	Short term employee cost	5,286,321	4,094,595
	Director fees and allowances	684,000	684,000
	Health Benefits and Fees	1,746,078	1,981,857
	Other Benefits	548,580	241,817
	Provision for gratuity (Note 19)	8,272,692	1,295,503
		94,695,689	73,897,846

		2022	2021
7	**Research Cost**	**Rs.**	Rs.
	Printing & Typesetting Publication Cost	987,020	471,877
	Internet Charges	3,616,052	3,102,281
	Consultation Charges	13,952,377	10,731,462
	Incentive payments to staff	5,376,422	5,833,930
	Field work supervision	8,508,813	1,429,926
	International Travel	1,539,579	-
	Other Research Costs	3,925,530	1,725,098
		37,905,793	23,294,574

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

As at 31st December

		2022	2021
8	**Other Operating Expenses**	**Rs.**	Rs.
	Registration and Membership Fees	457,740	406,405
	Office Costs	976,228	1,193,743
	General Office Cost	794,985	1,488,214
	Professional and Legal Fees	2,533,931	3,315,351
	Network and Server Maintenance (Note 8.1)	7,355,885	5,143,940
	External audit Fees	392,100	192,140
	Advertisements	42,400	24,000
	Bank Charges/Commission	146,565	89,752
	Provision for Doubtful Debts	(997,506)	997,506
	Other Admin Related Costs	340,168	384,893
	Meeting Expenses - ETF	188,600	291,750
		12,231,096	13,527,694

8.1 Network and Server Maintenance expenses include the amortization cost of the network and server system maintenance agreements. The recorded cost includes fees paid for the two year agreement valid until October 2023. (2021: From October 2018 to October 2021)

9 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 2022 as follows:

	2022
	Rs.
Contribution from the Endowment Trust Fund (Interest income)	71,146,433
Other interest income	67,934,669
	139,081,102
Tax on Interest income (Rs. 139,081,102/- @ 14%)	**19,471,354**

		2022	2021
10	**Cash and Cash Equivalents**	**Rs.**	Rs.
	Cash at Bank	1,078,010	739,184
	Cash in Call Deposit Account	-	500,000
	Petty Cash	130,000	90,000
	Corporate Credit Card	338,434	-
	Investments held for less than 03 months		
	Fixed Deposits and Repurchase Agreement	54,762,815	175,554,936
	Repurchase agreement - Staff Welfare Fund	-	4,060,923
	Fixed Deposits - Gratuity	-	21,126,730
	Treasury Bills	165,793,332	78,636,430
		222,102,590	280,708,203

		2022	2021
11	**Investments - Short Term**	**Rs.**	Rs.
	Treasury Bills	68,241,503	8,700,000
	Treasury Bills - Gratuity Fund	25,402,300	-
	Fixed Deposits	250,000	50,250,000
	Treasury Bond	-	51,207,200
		93,893,803	110,157,200

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

As at 31st December

11 Investments - Long Term

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

	2022	2021
	Rs.	Rs.
Treasury Bond	244,961,074	96,210,600
Treasury Bond - Staff Welfare Fund	5,000,000	-
Corporate Debentures	15,000,000	26,000,000
	264,961,074	122,210,600

	2022	2021
12 Trade Receivables	**Rs.**	Rs.
Trade Receivables Projects	7,304,776	11,181,012
Provision for Bad Debts	-	(997,506)
Progress Billing	15,851,539	2,968,821
	23,156,315	13,152,327

	2022	2021
13 Deposits and Prepayments - Short Term	**Rs.**	Rs.
Prepayments (Note 13.1)	10,097,990	7,617,575
Deposits	970,350	343,750
Advances -Employee (Travel Related)	128,369	-
Advances to other suppliers	1,259,329	130,140
	12,456,038	8,091,465

Deposits and Prepayments - Long Term	2022	2021
	Rs.	Rs.
Prepayments - Maintenance Fee	-	1,523,001
Prepayments - Software Licenses Fee	3,022,279	2,631,019
	3,022,279	4,154,020

	2022	2021
13.1 Prepayments	**Rs.**	Rs.
Medical Insurance	1,027,822	696,800
Other Insurance	821,755	425,564
Other Prepayments	1,161,603	3,157,944
Maintenance - Short Term	2,476,896	1,884,125
Software Licenses Fee - Short Term	4,609,915	1,453,142
	10,097,990	7,617,575

	2022	2021
14 Interest Receivable	**Rs.**	Rs.
Repurchase Agreement	82,421	-
Fixed Deposits	13,716	1,406,312
Treasury Bills	9,027,361	1,912
Treasury Bond	11,879,243	4,002,061
Corporate Debentures	783,308	824,192
	21,786,049	6,234,477

	2022	2021
15 Other Receivables	**Rs.**	Rs.
Staff Debtors	4,959,001	3,457,030
Other Receivables (Note 15.1)	71,131,144	19,196,398
	76,090,145	22,653,428

	2022	2021
15.1 Other Receivables	**Rs.**	Rs.
Receivable From Endowment Trust Fund	71,131,144	19,196,398
	71,131,144	19,196,398

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

16 Property, Plant and Equipment

	Land	Building	Computer Equipment	Motor Vehicles	Furniture & Fittings	Office Equipment	Library Books	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
Balance as at 01st January 2022	156,000,000	324,858,736	135,775,189	29,615,195	19,965,411	25,528,787	1,731,829	693,475,147
Additions	-	-	2,141,200	-	-	4,270,276	-	6,411,476
Balance as at 31st December 2022	**156,000,000**	**324,858,736**	**137,916,389**	**29,615,195**	**19,965,411**	**29,799,064**	**1,731,829**	**699,886,624**
Accumulated Depreciation								
Balance as at 01st January 2022	-	70,660,729	99,010,809	12,898,423	19,492,311	22,663,574	1,728,462	226,454,308
Depreciation Charge	-	6,432,576	6,529,243	2,865,180	84,197	720,317	1,599	16,633,112
Balance as at 31st December 2022	**-**	**77,093,305**	**105,540,052**	**15,763,603**	**19,576,508**	**23,383,891**	**1,730,061**	**243,087,420**
As at 31st December 2022	**156,000,000**	**247,765,431**	**32,376,337**	**13,851,592**	**388,903**	**6,415,173**	**1,768**	**456,799,204**

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

16 Property, Plant and Equipment

	Land	Building	Computer Equipment	Motor Vehicles	Furniture & Fittings	Office Equipment	Library Books	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
Balance as at 01st January 2021	156,000,000	324,858,736	98,697,923	29,615,195	19,965,411	25,404,287	1,730,529	656,272,081
Additions	-	-	37,077,326	-	-	124,500	1,300	37,203,126
Balance as at 31st December 2021	**156,000,000**	**324,858,736**	**135,775,189**	**29,615,195**	**19,965,411**	**25,528,787**	**1,731,829**	**693,475,148**
Accumulated Depreciation								
Balance as at 01st January 2021	-	64,263,892	92,788,470	10,049,160	19,407,077	22,226,579	1,726,180	210,461,358
Depreciation Charge	-	6,396,837	6,222,339	2,849,263	85,234	436,995	2,282	15,992,950
Balance as at 31st December 2021	**-**	**70,660,729**	**99,010,809**	**12,898,423**	**19,492,311**	**22,663,574**	**1,728,462**	**226,454,308**
As at 31st December 2021	**156,000,000**	**254,198,007**	**36,764,380**	**16,716,772**	**473,100**	**2,865,213**	**3,367**	**467,020,840**

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

As at 31st December

		2022	2021
17	**Trade and Other Payables**	**Rs.**	Rs.
	Accruals (Note 17.1)	13,475,008	11,941,444
	EPF & ETF Payable	2,762,060	1,088,041
	PAYE payable	25,565	-
	Stamp Duty payable	3,925	3,775
	Income tax payable	8,018,661	2,190,404
		24,285,219	15,223,664

		2022	2021
17.1	**Accruals**	**Rs.**	Rs.
	Office Costs	2,831,256	3,160,867
	External Audit Fees - IPS	624,000	552,000
	Professional and Legal Fees – IPS	689,367	416,900
	Professional and Legal Fees – ETF	160,000	239,916
	Electricity	543,210	490,016
	Telephone/Internet Charges	513,053	326,214
	Fuel	71,360	40,148
	Research Project Expenses	8,042,761	6,715,382
		13,475,008	11,941,444

		2022	2021
18	**Advance Receipt on Projects**	**Rs.**	Rs.
	Balance as at 01st January	36,314,558	25,986,235
	Receipts during the year	141,537,784	70,101,993
	Payments during the year	(4,885,169)	-
	Income recognized	(65,553,952)	(59,773,670)
	Balances as at 31st December	**107,413,221**	36,314,558

		2022	2021
19	**Employee Benefits**	**Rs.**	Rs.
	Balance as at 01st January	21,262,898	21,716,143
	Expense recognized during the year (Note 19.1)	8,272,692	1,295,505
	Payments made during the year	(707,252)	(1,748,750)
	Balance as at 31st December	**28,828,338**	21,262,898

Number of employees of the Organization as at 31st December 2022 is 45 (2021: 45).
Number of employees of the Organization eligible for Employee Benefits as at 31st December 2022 is 45 (2021: 45).

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	18.00% (2021: 10%)
Increase in rate of salary	15.00% (2021: 9.20%)
Rate of Staff Turnover	22% (2021: 15%)

		2022	2021
19.1	**Expense recognized during the year**	**Rs.**	Rs.
	Current Service Cost	2,175,856	1,748,120
	Interest Cost	2,126,290	1,737,313
	Actuarial (Gain)/Loss	3,970,546	(2,189,928)
		8,272,692	1,295,505

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 (2021 : Nil).

21 Capital Commitment
No capital commitments as at the Statement of Financial Position date (2021 : Nil).

22 Related Party Transactions

22.1 IPS Endowment Trust Fund
The Institute's Endowment Trust Fund ("Trust Fund") had a net assets value of Rs. 510,341,348/- as at 31st December 2022 (2021: Rs. 510,341,848/-). The entirety of the income of the Trust is passed through to the IPS and management expenses of the Trust Fund are reimbursed by the IPS. 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).

22.2 Key management personnel ("KMP")
According SLPSAS 14 on "Related Party Disclosures", KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

The IPS staff cost (note 6) includes salaries paid to key management personnel of Rs. 25,106,376/- (2021: Rs. 19,740,000/-).

22.3 Other Related Party
The Institute was granted Rs. 27,812,000/- in 2021 from the Government of Sri Lanka for recurrent expenditure. No grants were released during the current year.
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.

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. } එල්එස්ඩබ/ඩී/අයිපීඑස්/එෆ්එස්/2022

ඔබේ අංකය / உமது இல. / Your No. }

දිනය / திகதி / Date } 2023 ජුනි 23 දින

Chairman,

Institute of Policy Studies of Sri Lanka

Report of the Auditor General on the financial statements for the year ended 31 December 2022 and other legal and regulatory requirements of the National Institute of Policy Studies of Sri Lanka in terms of Section 12 of the National Audit Act No. 19 of 2018

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1. Financial Statements

1.1. Opinion

Financial statements of the Institute of Policy Studies of Sri Lanka for the year ended 31 December 2022, which comprise the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net assets, 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.

In my opinion, the financial position of the Institute of Policy Studies of Sri Lanka as at 31 December 2022 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 the 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. I believe 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 2022 of the Institute

Other information refers to the information that is included in the Annual Report 2022 of the Institute that is expected to be submitted to me after the date of this Audit Report, but not contained 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 that.

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 conclude that there are material misrepresentations when reading the annual report of the Institute, such matters should be communicated to the administration for correcting them. If further misrepresentations that have not been corrected are there, they will be included in the report that will be submitted to Parliament by me in due course in terms of Article 154(6) of the Constitution.

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

The managemnet 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 responsilities of the management.

The adminsitration of the institute is responsible for the supervision of 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 is required to 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 fraud and error 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,

- In providing a basis for the stated audit opinion, appropriate audit procedures were designed and performed, as the case may be, to identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. The impact of a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Concluded on the use of 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. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the Institute to cease to continue as a going concern.

- Evaluated whether the transactions and events underlying the structure and the conte nt of the financial statements are represented in a manner that achieves fair presentation and the overall presentation of the financial statements including the disclosures.

I communicate with those charged with governance regarding significant audit findings, deficiencies in internal control and other matters that I identify during my audit.

2. Report on other legal and regulatory requirements

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

2.1.1. In terms of 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 maintaned proper financial records.

2.1.2. In terms of 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. In terms of 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 procedures adopted and the evidence obtained, and limitation to matters that are material, nothing has come to my attention as to make the 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 any 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
Public Enterprise Circular No. PED 12 dated 02 June 2003 (i) Paragraph 9.2(b)	A carder has not been approved for the Institute, and staff had been employed on contract basis for one year contracts periods and on contract periods of less than one year in accordance with the operations manual of the Institute.
(ii) Paragraph 9.3.1(i)	Although the Institute, as a public enterprise, should prepare a scheme of recruitment and promotion, and should obtain approval for the same, the Institute had not taken action in accordance with the Circular.

2.2.3 In terms of the requirement provided in Section 12(g) of the National Audit Act No. 19 of 2018, the institute has not performed according to 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 in accordance with the relevant laws and rules except for the following observation:

(a) Although it had not been planned to purchase computer accessories in year 2022 as per the procurement plan for that year, computers and accessories worth Rs. 2,141,260 had been purchased from time to time during the year under review under the shopping method of procurement.

2.3 Other observations

When preparing the Action Plan for the year under review, the Institute had not taken into consideration 05 continuing projects that had been commenced in year 2021 and that continue up to year 2022.

W. P. C. Wickramaratne

Auditor General

Institute of Policy Studies

Responses to Audit Report

LSW/D/IPS/FS/2022

Financial Statement Audit 2022

2. Compliance with other Laws, Rules, Regulations

2.2.2

A) (i) Management of Staff Cadre

The 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 the 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 was shared with auditors for their perusal.

2.2.4

Action plan 2022 was periodically amended to include the expected changes and new requirements. Accordingly, additional asset requirements were also tabled for Governing Board approval. Related Board papers were made available for the audit review. Accordingly, the equipments mentioned under the observations are also part of the annual action plan of the Institute.

2.3

Audit report has identified that the following projects started in 2021 and have not been included in the 2022 action plan. However, all the five projects listed below were counted for the action plan 2022 and our explanations are given below:

PJ Code	Project Name	Included in Action Plan	Remarks
PJ 361 F (B)	Political Economy Analysis - Tobacco Reform Issues	Yes	This is a sub-code of the main project code PJ 361 F. PJ 361 F- full grant was considered for action plan 2022
PJ 361 F (C)	How to Reduce Beedi Consumption in Sri Lanka?	Yes	
PJ 367 F	Improve data and knowledge for strategic planning, efficiency improvement and prioritization of health finance	Included in the bulk value	Action plan for the year 2022 was prepared during October 2021. The project agreements signed by that time were included in the action plan 2022 and a bulk estimate (Rs. 9 Mn) was provided for the expected new projects to be drawn. These codes were opened after Oct-21 and hence are represented in the bulk value
PJ 369 F	South Asia Development and Cooperation Report	Included in the bulk value	
PJ 370 F	South Asia Centre for Labour Mobility and Migrants (SALAM)	Included in the bulk value	

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