

2017

ANNUAL REPORT



Institute of Policy Studies of Sri Lanka

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About us

The Institute of Policy Studies of Sri Lanka (IPS) is the apex economic policy research think tank in Sri Lanka. It aims to promote policy-oriented economic research and strengthen the capacity for medium-term policy analysis in the country. IPS is an autonomous institution, and since its inception the Institute has acquired a unique position as an authoritative independent voice in economic policy analysis, working closely with the government, private sector, academia and civil society.

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

Vision

To be a globally-recognized 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.

IPS BOARD OF GOVERNORS



Dr. Razeen Sally

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Senior Adviser, Ministry of Finance,
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University of Cambridge, U.K



Dr. Saman Kelegama

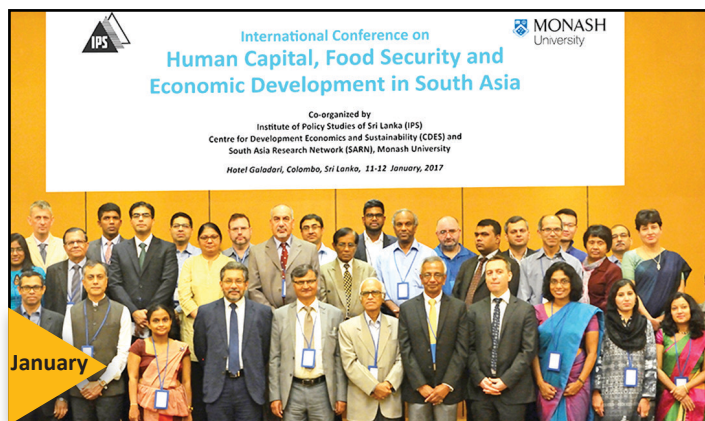
Executive Director, IPS
1995 - 2017



Dr. Dushni Weerakoon

Executive Director, IPS
2017 - Present

INTERNATIONAL CONFERENCE ON "HUMAN CAPITAL, FOOD SECURITY AND ECONOMIC DEVELOPMENT IN SOUTH ASIA"



IPS in collaboration with the Centre of Development Economics and Sustainability (CDES), and the South Asia Research Network (SARN), Monash University, Australia, organized a conference on "Human Capital, Food Security and Economic Development in South Asia" from January 11-12 in Colombo.

WORLD CONSUMER RIGHTS DAY FORUM



To mark the World Consumer Rights Day, IPS held a forum, centered on the theme 'Consumer Rights in the Digital Age' on March 15 at IPS Auditorium, with the participation of experts in the field, digital consumers, entrepreneurs and stakeholders.

WORKSHOP ON EMERGING FOOD SAFETY AND QUALITY RISKS IN SOUTH ASIA



A Workshop on the topic 'Emerging Food Safety and Quality Risks in South Asia: Challenges and Opportunities for Sri Lanka', organized by the Ministry of Primary Industries (MPI) and IPS in collaboration with the International Food Policy Research Institute (IFPRI) was held on 8-9 May at the Water's Edge, Battaramulla.

EXECUTING A SMARTER TRADE STRATEGY AMIDST TURBULENCE, SRI LANKA ECONOMICS SUMMIT 2017

IPS Acting Executive Director, Dr. Dushni Weerakoon, was a panelist at the Sri Lanka Economic Summit 2017, held in Colombo, on 25 – 27 July.



IPS EXECUTIVE DIRECTOR PARTICIPATES AT SANEM ANNUAL ECONOMISTS' CONFERENCE 2017



IPS Executive Director, Dr. Saman Kelegama, participated at the South Asia Network on Economic Modeling (SANEM)'s Second Annual Economists' Conference on "Managing Growth for Social Inclusion" which was held on February 18-19 at the BRAC Centre Inn Auditorium in Mohakhali, Dhaka, Bangladesh.

PUNJAB ECONOMIC FORUM



IPS Research Fellow, Dr. Athula Senaratne participated as a panelist at the Punjab Economic Forum, held on April 3-4 in Lahore, Pakistan. The forum was organized by the Planning and Development Department, Punjab Economic Research Institute (PERI) and the Urban Unit of Lahore.

BRICS POLITICAL PARTIES, THINK TANKS AND NGO FORUM



IPS Research Fellow, Dr. Ganga Tilakaratna, was a delegate from Sri Lanka to the BRICS Political Parties, Think Tanks and Non-Governmental Organizations Forum on 'Pooling Wisdom and Efforts towards Common Development and a Brighter Future' jointly hosted by the International Department of the Central Committee of the Communist Party of China, the China Council for BRICS Think Tank Cooperation and the China NGO Network for International Exchanges, held in Fuzhou, China, on 10-12 June.

GLOBAL COMPACT ON MIGRATION: WAY FORWARD FOR SRI LANKA



IPS Research Fellow, Dr. Bilesha Weeraratne, made a presentation titled 'Global Compact on Migration: Way Forward for Sri Lanka' at the Global Compact of Safe, Orderly and Regular Migration Workshop organized by the International Organization for Migration (IOM) on 08 August at IPS.

SRI LANKA'S ECONOMIC OUTLOOK HIGHLIGHTED AT ADB-ATTN DEVELOPMENT FORUM 2017



IPS Acting Executive Director, Dr. Dushni Weerakoon, spoke at the fifth ADB-ATTN Development Forum 2017, held in Colombo on 20 – 21 September. The Forum was co-organized by the Asia Development Bank (ADB) and the IPS.

DEEPENING ECONOMIC INTEGRATION FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT IN SOUTH ASIA



'Deepening Economic Integration for Inclusive and Sustainable Development in South Asia' was the theme of the 10th South Asia Economic Summit (SAES), held on 14-16 November, in Kathmandu, Nepal.

IPS RESEARCHER HIGHLIGHTS COMMON SUSTAINABLE DEVELOPMENT CHALLENGES IN SOUTH ASIA



IPS Research Officer, Samanthi Bandara, made a presentation at the panel on 'Sustainable Development Goals: Keeping the Promise Alive', at the Sustainable Development Policy Institute's (SDPI) Twentieth Sustainable Development Conference held on 05 – 07 December in Islamabad, Pakistan.

DUSHNI WEERAKOON APPOINTED AS EXECUTIVE DIRECTOR OF IPS



Dr. Dushni Weerakoon was appointed as the Executive Director of the IPS. She succeeds renowned economist, late Dr. Saman Kelegama, who passed away in June this year.

IPS LAUNCHES 'SRI LANKA: STATE OF THE ECONOMY 2017'



IPS launched its flagship report, 'Sri Lanka: State of the Economy 2017', on 10 October at the Dr. Saman Kelegama Auditorium. 'Demographics, Labour Markets and Growth' was its main thematic focus.

NISHA ARUNATILAKE APPOINTED AS DIRECTOR OF RESEARCH OF IPS



Dr. Nisha Arunatilake was appointed as the Director of Research of IPS, effective from January 01, 2018.

Chairman's Message



Dr. Razeen Sally
Chairman

This has been a year of transition at IPS. The legacy of our veteran Executive Director, Dr Saman Kelegama, lives on. Dr Kelegama passed away in June 2017. IPS has had several events to commemorate him, culminating in a public lecture given by Dr Indrajit Coomaraswamy, the Governor of the Central Bank of Sri Lanka, and a two-day conference in June 2018. A major publication on the Sri Lankan economy will result from this conference.

IPS's focus is on the many and daunting medium-to-long-term structural economic challenges Sri Lanka faces, in addition to its work on pressing short-term economic issues.

Dr Dushni Weerakoon was appointed as the new Executive Director, and Dr Nisha Arunatilake as Director of Research, in late 2017. They and their colleagues continue to provide quality, non-partisan analysis on Sri Lankan economic policies, institutions and performance.

IPS's focus is on the many and daunting medium-to-long-term structural economic challenges Sri Lanka faces, in addition to its work on pressing short-term economic issues. My colleagues and I on IPS's Governing Board will continue to support Dr Weerakoon and her team fully to maintain and enhance IPS's research and impact in Sri Lanka and the wider region.

Executive Director's Report

It is with deep sadness that we marked the passing away of Dr. Saman Kelegama, serving Executive Director of the IPS, on 23 June 2017. His sudden and untimely demise while attending a conference at the UN-ESCAP in Bangkok, Thailand, was a painful and momentous loss to us at the IPS. The outpouring of condolence messages that followed only served to underline the respect and affection with which he had been held by his friends and colleagues in Sri Lanka and abroad.

Whilst Dr. Kelegama's long and distinguished career is associated foremost with the IPS, his professional career spans significant contributions in the government and private sectors. Even at the time of his death, Dr. Kelegama was the Lead Negotiator for the Government of Sri Lanka (GOSL) on free trade agreements with India, China and Singapore as Chairman (designate) of the Agency for International Trade under the Ministry of Development Strategies and International Trade. Amongst other recent contributions, he served as

a member of the National Economic Council and the Presidential Tax Commission. In the private sector, Dr. Kelegama had held numerous positions on boards of corporate entities, including as Chairman of Singer Sri Lanka at the time of his death. In the academia, he was a serving member on the boards of research and teaching institutions such as the Postgraduate Institute of Management (PIM), the Social Policy Analysis and Research Centre (SPARC) of the University of Colombo, and the South Asian Network for Development and Environmental Economics (SANDEE).

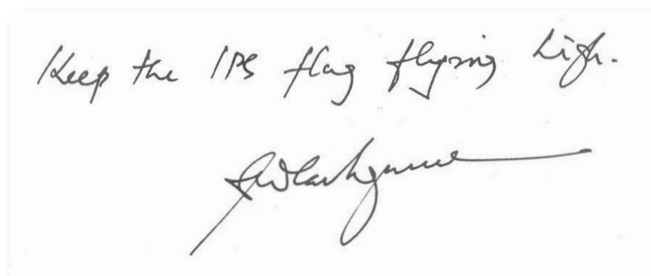
As a part of IPS' research agenda, several important publications were brought out in 2017. These included its annual flagship report Sri Lanka: State of the Economy with a thematic focus on 'Demographics, Labour Markets and Growth'.



Dr. Dushni Weerakoon

Despite all the above prestigious affiliations associated with his name, Dr. Kelegama was known most prominently as the Executive Director of the IPS. It was his crowning accomplishment to take a fledgling semi-government Institute in hand as Executive Director in 1995 and transform it to a nationally renowned and globally recognised independent research institution over the years.

It was Dr. Kelegama who laid the foundations on which IPS prospered. He established and maintained a liberal environment for independent research to attract talent; he secured financial autonomy for the IPS by establishing an Endowment Fund and raising financial support from well-wishers; and, he ensured IPS' long-term viability by housing it in its own custom built office premises to support expanding activities. On behalf of the entire staff, I wish to place on record our debt and immense gratitude to Dr. Kelegama for conferring these advantages to us through his outstanding leadership and enduring commitment to the IPS. His is an irreplaceable loss, but we remain committed to carrying forward Dr. Kelegama's ideals and beliefs, and to keep the IPS flag flying as he would have wished.



In 2017, the IPS contributed to Sri Lanka's economic policy environment in many vital ways. The IPS was uniquely positioned to contribute to the drafting of both the high level national policy frameworks underway. These were the medium term economic vision for the country devised under the Ministry of National Policies and Economic Affairs – Vision 2025: A Country Enriched – and the more long term socio-political and economic vision devised under the leadership of the Presidential Secretariat – Sustainable Sri Lanka: 2030 Vision. Clearly, the breadth and depth of IPS' research programme proved extremely useful in providing inputs across an array of cross-cutting policy issues covered in both documents.

Additionally, IPS conducted research studies or prepared briefs for various ministries and government agencies, including the Ministry of Labour and Trade Union Relations on women's participation in the labour force, Ministry of

Development Strategies and International Trade on feasibility assessments on FTAs with some select Southeast Asian economies, Ministry of Sustainable Development and Wildlife on the implementation of Sustainable Development Goals (SDGs), and the Sri Lanka Bureau of Foreign Employment on the saving and borrowing behaviour of remittance receiving households.

Inputs to the GOSL through research studies was augmented by direct inputs provided through the participation of researchers in policy development committees. Some of the important and active engagements were noted in the following 1) Task Force for Improving Labour Force Participation, National Human Resources Development Council; 2) National Advisory Committee on Labour Migration, Ministry of Foreign Employment; Standing Committee on Higher Education, National Education Commission; 4) National Committee on Socio-Economics and Policy Analysis, Ministry of Agriculture; 5) Technical Evaluation Committee for National Agribusiness Development Programme, Presidential Secretariat; 6) Consultative Committee on SDG Implementation, Ministry of Sustainable Development and Wildlife; and 7) National Steering Committee for Implementation of National Adaptation Plan for Climate Change Impacts, Ministry of Environment.

IPS continued to build on its collaborative research networks with Sri Lanka's many development partners in 2017. Existing partnerships with UN agencies such as UNDP and UN-Habitat were strengthened through commissioned research undertaken related to climate change and disaster risk reduction on agriculture, as well as research to examine ways in which climate change impacts can be integrated into urban policies. In the area of migration, IPS worked with the International Organization for Migration on preparing for a global compact on migration, as well as research to better understand the role of recruitment intermediaries in Sri Lanka's foreign employment industry. Work on ageing in regards to the employment, living conditions and welfare impacts was carried out in collaboration with UNICEF.

Many collaborative research studies were undertaken with multilateral agencies such as the World Bank and the Asian Development Bank (ADB). With the World Bank, on-going work on the impacts of changes in the tax regime on households continued, as well as new issues such as the impact of Sri Lanka's trade adjustments on domestic workers. Additionally, many other research studies were conducted in collaboration with the ADB. These included a macroeconomic analysis of Sri Lanka's historical problem with twin deficits, as well as other studies in the area of human resource

development related to skills and higher education and a diagnostic on Sri Lanka's labour market.

IPS' scope of work with the private sector remained strong in 2017. Commissioned research carried out at the request of various corporate entities included new areas such as Sri Lanka's potential to meet the growing demand for retirement facilities, carrying out baseline studies in the food sector, as well as developing a strategic plan for the dairy sector in the country. Additionally, policy inputs were provided through membership in the Economic Policy Steering Committee of the Ceylon Chamber of Commerce (CCC) as well as on its Trade Liberalization Steering Committee. Other forms of collaboration included participation at various high level private sector forums as resource persons, including at the Sri Lanka Economic Summit 2017 convened by the CCC.

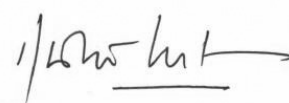
As a part of IPS' research agenda, several important publications were brought out in 2017. These included its annual flagship report Sri Lanka: State of the Economy with a thematic focus on 'Demographics, Labour Markets and Growth'. A book on 'Tax Policy in Sri Lanka: Economic Perspectives' edited by Saman Kelegama was released posthumously. Additionally, four IPS research papers addressing issues of non-standard forms of employment, school education and O-Level outcomes, the quality of teachers in education, and women-owned small and medium enterprises were also published, alongside two issues of the Talking Economics Digest. External publications by IPS' research staff in 2017 included four articles in peer reviewed international journals, nine book chapters and three working papers.

Efforts to strengthen the uptake of IPS research through the Institute's communication and policy outreach activities saw further improvement in 2017. The process was streamlined and outreach activities better targeted to reach the relevant stakeholders. New activities included press conferences to release key findings of research publications, one-to-one press interviews and presentation of research evidence to policymakers, and more electronic media presence through engaging in interviews and panel discussions. These activities were introduced alongside on-going outreach activities via blogs posted on TalkingEconomics, presentations at national and international conferences, alongside IPS' own scheduled events. The latter included an international conference on 'Human Capital, Food Security and Economic Development in South Asia' jointly hosted with the Monash University, Australia, and the fifth ADB-Asian Think Tank Network Development Forum 2017 on 'Financing for Sustainable Urbanisation in Asia and the Pacific'.

The IPS benefited from core funding from the Think Tank Initiative (TTI) to support many of its activities in 2017 as in years before. Some of the important research studies to examine issues in the education sector, employment and foreign direct investment were undertaken with TTI funding. Many of the communication activities – including a new IPS website launched in 2017 – alongside training for research and support staff was built in under the TTI work plan. With the gradual phase out of TTI funding from 2018, the IPS will be preparing to continue these activities with its own resources and additional research income. In 2017, IPS' financial performance improved as research project income rose, allowing the Institute to record an overall surplus of LKR 14.6 million.

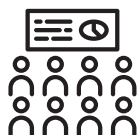
It is a testament to the dedication of IPS' staff that amidst a painful and unexpected loss, the essence of our work programme was carried through successfully in 2017. This year's Annual Report contains many examples of how our staff contributed to the Institute's growth, both individually and as a team. We have a lot to be proud of when we consider these achievements.

I express my sincere thanks to our dedicated staff and the Board of Governors for their support through IPS's unexpected transition in 2017. It is a great privilege to succeed Dr. Saman Kelegama as Executive Director. We will honour his passion and devotion to strengthen IPS as an independent voice in Sri Lanka's economic policy discourse.



Dushni Weerakoon
Executive Director

IPS In 2017



Attended
conferences/
seminars

163



Made presentations
at conferences
seminars

129



Completed
research studies

25



Submitted
new research
proposals

34



Articles in
peer reviewed
journals

13



Chapters in
books

07



Articles in
popular press

327



Organized
conferences

11

OUR RESEARCH

The substantiate focus of our research is to provide an integrated analysis of the medium to longer term development challenges facing Sri Lanka in order to meet the fundamental policy objectives of sustainable growth, equity and poverty alleviation. The research programme spans across 1) macroeconomic policy; 2) international economic policy; 3) labour, employment, and human resources development policy; 4) industry, competitiveness and regulatory policy; 5) poverty and social welfare policy; 6) agricultural economic policy; 7) environmental economic policy; and 8) health economic policy. These policy issues are examined under six thematic areas of research:



**Policy Reforms and
Competitiveness**



**Migration and
Urbanization**



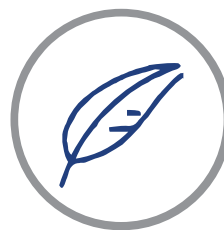
**Human Resources for
Sustained Development**



**Private Sector
Development**



**Poverty and
Vulnerability**



**Environment,
Natural Resources
and Agriculture**



Human Resources for
Sustained Development

Human Resources for Sustainable Development

For Sri Lanka, being a small economy, achieving a sustained and high average growth rate requires staying competitive in the global market. With rising wages, continuing to compete on cheap labour is no longer a viable option for Sri Lanka. Instead, the country will need to facilitate market sophistication and efficiency to improve productivity and competitiveness of the economy. In this regard, investing in the social sector towards creating a highly skilled workforce and improving labour market efficiency is critical. Further, better health and improved access to economic resources for all will help to encourage growth. This research area focuses on creating knowledge that would help improve competitiveness in the country through policies in the areas of education, health, labour, and gender equity.



IPS Research Fellow, Nisha Arunatilake, and Research Officer, Ashani Abayasekara at the press briefing on 'Shortage of Qualified and Experienced Teachers', 28 November, IPS conference Room.

RESEARCH FOCUS

LABOUR MARKET

According to the Global Competitiveness Report 2016-2017 efficient labour markets are one of the twelve pillars that promote competitiveness in an economy. However, the structure of the Sri Lankan labour market is skewed towards the informal sector with close to 60% of employment still that sector. Lack of flexibility to adjust to market forces, lack of skilled job creation and skills mismatches are identified factors restricting growth. The IPS research looks into factors constraining the efficiency of the labour market.

EDUCATION

The present education system in the country needs to be modernized and made more efficient to produce workers that have the skills demanded by the market. Census 2012 data shows that 87 % of the population is without any tertiary level educational qualifications. To achieve the modern, efficient economy envisaged by the government, the access to tertiary education needs to increase for those seeking both university and vocational level training. The foundations to this must be made by quality education at the school level. The IPS research looks into factors constraining the goal of quality education for all.

HEALTH AND AGEING

Sri Lanka has been committed to improving health care services in the country for the past several decades. However, among other factors high prevalence of malnutrition, uncontrolled epidemics, and non-communicable diseases are burdening the sector. Also, Sri Lanka's ageing population is worsening the prevalence of Non Communicable Disease (NCD)s, and long term care needs. Further, Health and wellbeing of all is crucial to achieve not only Goal 3 of the Sustainable Development Goals (SDGs) but also the economic, social, environmental and human development of the country. In this context, this year's IPS research is mainly focused on addressing the challenges of NCDs, long term care and evaluating the preparedness of implementing the health-related SDGs in Sri Lanka.

GENDER

Achieving gender empowerment and gender equality has been recognised as a global goal under the development agenda for post 2015- '**Transforming Our World: The 2030 Agenda for Sustainable Development**'. Sri Lanka has not performed well in relation to gender. The available data indicate that this is mainly due to low performances in political empowerment and economic participation. In this context, gender research at IPS would mainly focus on economic participation and empowerment of women and related issues.

RESEARCH STUDIES

The study carried out on **“Labour Market Analysis”**, by Nisha Arunatilake, Sunimalee Madurawala, Priyanka Jayawardena and Neluka Gunasekera was funded by the Asian Development Bank (ADB) is one of ADB’s growth diagnostic studies conducted to support the preparation of a partnership strategy for Sri Lanka’s mediumterm planning process. The objective of the study is to provide an overview of the labour market in the country and identify binding constraints to inclusive economic growth. The study finds that Sri Lanka needs to take measures to increase the labour force participation of females, youth and the elderly to counter the slowing of labour force growth. The country will also need to look into facilitating the generation of skilled jobs, particularly in the formal private sector.

“Living Wage Study - Estimation of the Living Wage in the Plantation Sector”, was a study funded by the Global Living Wage Coalition (GLWC). The study was carried out by Nisha Arunatilake, Manoj Thibbotuwawa, Priyanka Jayawardena and Neluka Gunasekera. The IPS research study estimated a living wage for the estate workers in the tea plantation industry in Sri Lanka in December 2015, using the Anker methodology. The methodology estimated the per capita cost of a basic, but decent, quality life style, which includes food, housing, clothing and footwear, health and education, other essential costs and unforeseen contingencies. This benchmark was compared with the prevailing wages in the tea industry. The study found that the wage received by the estate workers was slightly below the calculated living wage. However, at the time of the study wage negotiations were being carried out to revise the estate sector wages.

Why People Choose to Participate in the Non-standard Employment in Sri Lanka (TTI funded project) by Priyanka Jayawardena investigates the trends in precarious work and how precarious employment affects worker welfare. As in other countries, casualization and externalization (i.e., precarious employment) of work has become more prevalent in Sri Lanka. Further, it investigates why a large share of workers choose to participate in precarious employment. The study finds that, non-standard forms of employment result in unstable employment, lower wages, and poor social security. The study further finds that private sector job growth has been more for temporary and casual jobs in the recent past. Less educated, unskilled workers and new labour market entrants were more likely to be engaged in precarious employment.

“Developing Economic Research to Support Priority Economic and Social Goals - Sri Lanka” (by TTI / International Development Research Centre (IDRC) under the Australia Awards Fellowship program the research study on **‘An Empirical Investigation of Labour Shortage in the Manufacturing Sector in Sri Lanka’**, was carried out by Sunimalee Madurawala using a countrywide sample survey of enterprises by the World Bank. The report seeks to identify the nature and the reasons behind labour shortages in the manufacturing sector in Sri Lanka. The study finds that the high demand for labour not matched by supply, reluctance of females to travel far for employment, the social stigma attached to working in the free trade zones, and the changing aspirations of younger females as the main reasons for labour shortages in the manufacturing sector in the country.

The research **“Worker’s Adjustments to Trade Shocks in Sri Lanka”**, funded by the World Bank (WB) was conducted as part of a South Asia regional study to assess the labour market adjustments to trade shocks in the region. The study was carried out by Nisha Arunatilake. It drew lessons from the views on how trade shocks affected labour markets from 1990s to the present. The study finds limited literature on the effect of the global economic downturn on employment in the country. Available studies show job losses due to the global economic downturn, particularly in manufacturing employment. However, the effect of this on unemployment was limited due shifting of labour to the informal sector, such as the employment in agriculture, and wholesale and retail sale.

The study on **“Demand for Female Labour by Firms”**, funded by the UN Women, National Institute of Labour Studies and the IPS was focusing on low female labour force participation has concerned policy makers in the country in the recent past. The study was carried out by Nisha Arunatilake (IPS), Mr. A. Wimalaweera (Ministry of Labour, Trade Union Relations and Sabaragamuwa Development), Mr. E. L. K. Dissanayake (Department of Manpower and Employment), and Mr. H. R. S. L. Ranathunga (Department of Census and Statistics). Many of the studies addressing this issue looks at it from the supply point of view, mainly due to the lack of availability of demand side data. This study looks at the problem from the perspective of firms.

The study finds that, females self select into specific industries and occupations. Certain jobs are unattractive to females due to their conditions of work, such as long working hours and shift work. Other than skills, family constraints, security issues, work location and maternity benefits were key factors that influenced the decision of employers to employ female workers.



Prof. Milan Vodopivec, Professor at the Faculty of Management, University of Primorska and International School for Social and business Studies, Slovenia, with Nisha Arunatilake, Research Director, IPS, IPS Conference Room.

“Sri Lankan Girls and Young Women’s Economic and Social Empowerment for Leadership”, funded by Plan International Sri Lanka was study carried out by Nisha Arunatilake and Sunimalee Madurawala. The causes for lack of female political participation and managerial positions, and low levels of participation in the labour market have not been analysed through the lense of political, economic and social empowerment of girls and young women in Sri Lanka. In this backdrop, this study tries to identify the main obstacles faced by women when emerging as leaders at different levels. The study finds that lack of economic opportunities in rural areas, lack of flexibility in economic opportunities in urban areas, lack of skills, lack of financial literacy and lack of negotiating skills are hindering economic participation of women. Further the study finds that providing more comprehensive reproductive health knowledge for younger people, better parental supervision, more involvement of law enforcing institutions at the community level and promoting girls and women role models were identified as priority areas for social empowerment.

“State of the Economy 2017”, policy brief on **“Shadow Education”**, funded by IPS Core Research / TTI was envisaged to examine the patterns and drivers of shadow education, shed light on its positive and negative dimensions, and draw attention to some broad implications for policymakers. The analysis revealed that shadow education is a rapidly growing phenomenon in many parts of the world,

and is mainly driven by belief that greater investments in education will facilitate superior performance in major examinations and entrance to prestigious secondary schools and universities. Both positive and negative impacts of shadow education were identified. Policy implications include the need to obtain comprehensive data on trends in shadow education, reforming education curricula and assessment systems, and proper regulation of the shadow education industry. The study was carried out by Ashani Abayasekara.

“School Characteristics and Student Performance in Sri Lanka” funded by TTI / International Development Research Centre (IDRC) carried out by Nisha Arunatilake and Ashani Abayasekara was a study to examine whether there is a link between school-level resources and secondary level education outcomes in schools across Sri Lanka, and to identify which resources matter the most in improving student performance. The study results indicated that several school-level factors have a significant impact on education outcomes, including a school’s share of qualified and experienced teachers and principals, teacher leave, school size, and privileged status of a school. Policy implications include the need to devote more resources to smaller and underprivileged schools, improving the quality of teacher and principals and allocating them more equally across schools, and measures to minimize teacher absenteeism.



Priyanka Jayawardena, Research Economist, IPS, at the Stakeholder Validation Workshop, 24 August IPS Auditorium.

“The Challenge of Providing Good Quality Teachers for All Classrooms in Sri Lanka” carried out by Nisha Arunatilake and Ashani Abayasekara examines the adequacy of teachers for teaching mathematics, English, and science at the secondary level in Sri Lanka, across provinces, and across different school categories. The study also analyzes the distribution of government expenditure on teacher salaries across different types of schools. The study finds that although the available number of teachers for different subjects is sufficient at the national level the available in-field and experienced teachers are inadequate to meet the current demand for such teachers. The study further finds that the deployment of teachers and the distribution of public expenditure on qualified teacher salaries are not equal across different categories of schools.

This study on **“Skills and Higher Education in Sri Lanka”**, for Employment Diagnostic Study, funded by the Asian Development Bank (ADB) carried out by Priyanka Jayawardena and Sunimalee Madurawala evaluates the Sri Lankan education sector, which covers the structure of the education sector with a focus on higher education as well as systems, institutions, governance, and policy frameworks. It investigates the access to higher education and skills attainment in Sri Lanka and discusses the strengths and weaknesses of the current higher education systems, as well as causes of the constraints. The study provides policy recommendations to address constraints with a view to improving the relevance, equity, quality, and management of higher education so that young women and men in particular are ready for the labour market.

“Bridging the Skills Gaps in Sri Lanka” chapter in **“State of the Economy 2017”** analyses Sri Lanka’s existing skill development issues and priority areas to be addressed in order to attain a dynamic and skilled labour force in a competitive global environment, was funded by IPS Core Research / TTI was carried out by Priyanka Jayawardena. Sri Lanka enters an increasingly competitive international environment with a renewed emphasis on transforming itself into a modern economy, high quality human resources with science and technology knowledge and a skilled labour force are necessary to keep up and improve on the country’s global competitiveness.

The main objective of the **State of the Economy 2017** chapter on **“Preventive Measures for Non Communicable Diseases”**, written by Sunimalee Madurawala was to examine the increasing importance of NCDs for Sri Lanka. This chapter discusses on NCD risk factors; economic cost of NCDs, preventive measures for NCDs, including measures taken in Sri Lanka as well as other innovative measures to address the challenges of NCDs.

The objective of this study **“Policy Research Institutions and the Health SDGs Building Momentum in the South Asia”**, funded by the Sustainable Development Policy Institute (SDPI) is to map the stakeholders and health policy research institutions in relation to health related SDGs in Sri Lanka. The study was carried out by Yolanthika Ellepola. It is important to note that similar studies were conducted in India, Pakistan, Bangladesh, Bhutan, Nepal and Afghanistan. Objectives of this study were to understand the relation between stakeholders in accelerating the health related SDGs; and

investigate the current role and the potential role of policy research institutions can play in achieving the health related SDGs.

The study on **“Establishment of an Exclusive Retirement Facility in Sri Lanka”**, funded by LTL Holdings proposes to investigate the status of existing old age care facilities and to determine the potential for a business case in attracting investments in setting up of retirement condominiums for the use of both foreign and local nationals. Despite severe market competition, it is evident that there is significant scope for new entrants to cater to the retired age group of fifty to sixty years and above.

However, labour shortages, sociocultural factors, bureaucratic bottlenecks and poor policy implementation have restricted the industry’s expansion into a foreign clientele. The study was carried out by Samanthi Bandara, Kithmina Hewage and Yolanthika Ellepola. Ensuring the dignity for elders within the family and socially has been an important value in Sri Lankan culture. In the absence of family support (either from children or other family members), elderly people essentially require other means of support to maintain their lives. As such, successive governments have been implementing a variety of welfare measures over the years – providing homes for the elders.

This **“State of the Economy 2017”**, policy brief discusses **“Elderly Care Policies”** on the pace of population aging of Sri Lanka, its key economic concerns, and health consequences and policy responses. This policy brief written by Samanthi Bandara found that health consequences of ageing have three underlying issues – morbidity and mortality patterns change, while long-term care needs rise. Ageing increases the risks of many diseases particularly non-communicable diseases and disorders. Moreover, ageing is also prone to increase risks of experiencing more than one chronic condition at the same time (multi-morbidity or co-morbidity). However, the health system in Sri Lanka is not adequately prepared to address the elderly care issues, even though the policy provisions are in place. As such, developing a comprehensive health service package centralized to the elderly people with the support from other sectors – multisectoral approach – is essential.

The Technical Assistance SRI: Preparing the Health System Enhancement, funded by the Asian Development Bank (ADB) health sector enhancement project aims to strengthen primary care in vulnerable areas of Sri Lanka, provide a comprehensive package of services, enhance PHC utilization and address selected gaps in public health capacities. The project is implemented in four provinces, namely North

Central, Central, Uva and Sabragamuwa. Samanthi Bandara is involved in this study.

POLICY ENGAGEMENT

- Nisha Arunatilake presented the findings of “Labour Market Analysis”, at the 1st and 2nd Consultation Workshops organised by ADB, at Hilton Hotel.
- Nisha Arunatilake contributed to drafting a policy brief on “Increasing Women’s Participation in Sri Lanka’s Labour Market” January 2017, for the Prime Minister’s Office. (with Ramani Gunatilaka, Anila Dias Bandaranaike, Nisha Arunatilake, Amala de Silva, Dilani Gunewardena and Chandani Wijebandara).
- Nisha Arunatilake was a member of the task force for “Improving Female Labour Force Participation” organized by the National Human Resources Development Council of Sri Lanka (NHRDC, February – March 2017.
- Nisha Arunatilake attended a round table discussion on “Unlocking Skilled Labour for the Future”, organized by the Prime Minister’s Office, Temple Trees, 11 August.
- Nisha Arunatilake participated at a discussion on “Proposed Advanced Management Program (AMP) in Technology & Business Innovation”, organized by SLINTEC Academy, SLINTEC, 5 September.)
- Nisha Arunatilake chaired the session on “Labour Market Reforms” at the “Advocata Economic Freedom Summit”, Global Towers Hotel, Colombo, 12 October.
- Nisha Arunatilake participated in a policy dialogue on “Labour Market Issues in Sri Lanka”, National Science Foundation Auditorium, 27 October.
- The IPS organized (in collaboration with the Global Living Wage Coalition (GLWC), and the Fairtrade International) a stakeholder validation workshop on the Living Wage Study for the Estate Sector on 24 August at the IPS Auditorium. The workshop was organized by Manoj Thibbotuwawa, Nisha Arunatilake and Priyanka Jayawardena and attended by a wide range of stakeholders, including representatives from the Regional Plantation Companies (RPCs), estate sector trade unions and policymakers.
- Priyanka Jayawardena was invited by the Department of Manpower and Employment to present on “Precarious Employment Practices in Sri Lanka”, 12 September.

- Priyanka Jayawardena was invited for a roundtable consultation meeting on “Labour Market Reforms for the Country Audit of Economic Freedom of the World Index”, organised by Advocata Institute in partnership with the Fraser Institute of Canada, Global Tower, 10 December.
- Nisha Arunatilake with Ramani Gunatilaka, Anila Dias Bandaranaike, Amala de Silva, Dileni Gunewardena and Chandani Wijebandara contributed to drafting a policy brief on “Increasing Women’s Participation in Sri Lanka’s Labour Market” January 2017, for the Prime Minister’s Office.
- Nisha Arunatilake attended the “National Human Resources Development Council of Sri Lanka (NHRDC) Task Force for Improving Female Labour Force Participation”, Miloda Centre, Colombo, 2 January.
- The final report of this research study “Sri Lankan Girls and Young Women’s Economic and Social Empowerment for Leadership” with Plan International) was handed over to the Secretary, Ministry of Women’s and Child Affairs by the Country Representative of the Plan International at the national event organized by the Plan International to commemorate the International Day of Girl Child on 10 October.
- The findings of the study in the form of an IPS publication, ‘Better Schools for Better O-Level Results in Sri Lanka’ by Ashani Abayasekera and Nisha Arunatilake was shared among key policymakers in government ministries, including: The Ministry of Education of Sri Lanka and The National Institute of Education.

Additionally, in a Policy Engagement Forum organized to discuss issues pertaining to education in Sri Lanka, findings of this study, along with other related studies, were shared with a variety of stakeholders in the education sector, including officials from the National Education Commission and vocational training institutes, university lecturers, think-tanks, the World Bank, UNESCO, Asia Foundation and private firms.

- Nisha Arunatilake was appointed as member of the “Forum for School Education”, organized by the Sri Lanka College of Paediatricians, Sri Lanka College of Paediatricians, 1 February.
- Nisha Arunatilake was appointed as Member of the “Standing Committee on Higher Education of the National Education Commission”, 1 November onwards.
- The studies on “Preventive Measures for Non Communicable Diseases”, funded by IPS Core Research / TTI by Sunimalee Madurawala, “The Technical Assistance SRI: Preparing the Health



IPS Research Officer Sunimalee Madurawala completed Australia Awards Fellowship on ‘Developing Economic Research to Support Priority Economic and Social Goals (Sri Lanka) offered by the Department of Foreign Affairs and Trade (DFAT), the Government of Australia. This Fellowship programme was hosted by the Griffith University, Australia from 5th December 2016- 14th January

System Enhancement”, funded by Asian Development Bank (ADB) (ongoing) by Samanthi Bandara and “Policy Research Institutions and the Health SDGs Building Momentum in the South Asia”, funded by Sustainable Development Policy Institute (SDPI) by Yolanthika Ellepola involved key informant interviews with ministry officials, government agencies, INGOs, NGOs, civil society and academia in addition to a FGD with academia, policy institutions, and non-governmental organisations.

PUBLICATIONS

- Arunatilake, Nisha, (2017), " Labour Market Assessment: Overview of Sri Lanka’s Demographic and Labour Market" in "Sri Lanka Fostering Workforce Skills Through Education - Employment Diagnostic Study", Asian Development Bank and International Labour Organization.
- Nisha Arunatilake wrote an article on “Women in the Sri Lankan Workforce: Dissecting Education and Female Labour Force Participation”, The Island, 4 August.
- Arunatilake, Nisha, Gunasekera, Neluka (2017), A chapter on “Labour Market Reforms for Growth” in the “State of the Economy 2017”, funded by IPS Core Research / TTI.

- Manoj Thibbotuwawa, Priyanka Jayawardena, Nisha Arunatilake, and Gunasekera, Neluka (forthcoming), *Living Wage Report: Sri Lanka Estate Sector*, Global Living Wage Coalition.
- Jayawardena, Priyanka (2017), "Why People Choose to Participate in the Non-Standard Forms of Employment in Sri Lanka", *Labour Economics Series No 19*, Institute of Policy Studies of Sri Lanka, Colombo, Sri Lanka.
- Ranasinghe, Athula; Madurawala, Sunimalee; Su, Jen Je; Senadeera, Thushara, (2016), "An Empirical Investigation of Labour Shortage in the Manufacturing Sector in Sri Lanka", *Griffith University Discussion Paper Series*, Griffith University, Brisbane.
- Arunatilake, Nisha (2017), 'Impact of Trade on Employment', Background paper written for the World Bank regional report titled, *Entangled: Workers' Adjustment to Trade Shocks in South Asia*.
- Ashani Abayasekara and Nisha Arunatilake, wrote articles for IPS Talking Economics Blog Series: "Path to Skills Development: Helping Sri Lankan Youth Navigate the Hurdle of O-Levels"(Talking Economics, Daily Mirror, Ceylon Today)
- Madurawala, S., Arunatilake, A., Madushani, C., Karunaratne, N. (2017), "A Desk Review to Assess the Sri Lankan Girls' and Young Women's Economic and Social Empowerment for Leadership". Unpublished Report. Plan International, Colombo, Sri Lanka.
- Sunimalee Madurawala wrote an article for Talking Economics IPS blog, *The Gendered Face of NCDs: Can Sri Lanka Beat the Odds?* 3 October. <http://www.ips.lk/talkingeconomics/2017/10/03/the-gendered-face-of-ncds-can-sri-lanka-beat-the-odds/> by Sunimalee Madurawala.
- Sunimalee Madurawala wrote an article for Talking Economics IPS blog, *The Dwindling Stitching Hands: Labour Shortage in the Apparel Sector in Sri Lanka*, 3 April., Talking Economics <http://www.ips.lk/talkingeconomics/2017/04/03/the-dwindling-stitching-hands-labour-shortages-in-the-apparel-industry-in-sri-lanka/>.
- Sunimalee Madurawala wrote an article for IPS Talking Economics blog, 'Lead like a Girl: Empowering Sri Lanka's Female Leadership', <http://www.ips.lk/talkingeconomics/2018/02/06/lead-like-a-girl-empowering-sri-lankas-female-leadership/>, 6 February.
- Sunimalee Madurawala wrote for IPS Talking Economics blog "Economically Empowering Sri Lankan Women: One Strategy Does Not Fit All – <http://www.ips.lk/talkingeconomics/2018/03/08/economically-empowering-sri-lankan-women-one-strategy-does-not-fit-all/> for the International Women's Day, 8 March.
- Madurawala, S. (2017), "Labour Force Participation by Women and Inclusive Growth: An Application of Social Opportunity Function for Sri Lanka, *South Asia Economic Journal*, 18(2) 214-229.
- Madurawala, S., Hirimuthugodage, D., Premaratne, D., Wijayasiri, J. (2017), "Women-owned and led Micro, Small, and Medium Enterprises in Spice and Coir Sectors of Sri Lanka: Constraints and Policy Options", *Working Paper Series No. 28*, Institute of Policy Studies of Sri Lanka, Colombo, Sri Lanka.
- National Institute of Labour Studies (2016), 'Project on Increasing Women's Participation in the Labour Force', National Institute of Labour Studies, Battaramulla, by Nisha Arunatilake (IPS), A. Wimalaweera (Ministry of Labour, Trade Union Relations and Sabaragamuwa Development), E. L. K. Dissanayake (Department of Manpower and Employment), and H. R. S. L. Ranathunga (Department of Census and Statistics)
- Shadow Education in Sri Lanka written by Ashani Abayasekara was published as a Policy Brief in *Sri Lanka State of the Economy 2017*, IPS' flagship publication.
- Abayasekara, A. and Arunatilake, N (2017). "Better Schools for Better O-Level Results in Sri Lanka." Institute of Policy Studies of Sri Lanka, Colombo, Sri Lanka.
- Abayasekara, A. and Arunatilake, N. (2018). "School-level Resource Allocation and Education Outcomes in Sri Lanka." *International Journal of Educational Development*, 61, 127-141.
- Jayawardena, P and R. Miller, (2017), "Bridging Skills for Employment in Sri Lanka" in "Sri Lanka Fostering Workforce Skills Through Education - Employment Diagnostic Study", Asian Development Bank and International Labour Organization
- Arunatilake, N and A. Abayasekara. (2018). "Are there Good Quality Teachers for All Classrooms in Sri Lanka?", Institute of Policy Studies of Sri Lanka, Colombo, Sri Lanka.
- Ashani Abayasekera wrote a blog on IPS Talking Economics Blog Series: "Ending the Test Score Horse Race: Transforming Sri Lanka's Education." (Talking Economics, the Island, Daily Mirror, Ceylon Today) 17 August.
- Priyanka Jayawardena wrote a blog on "Bridging the Skill Gap: A Challenge in Sri Lanka's Quest for Economic Growth", Daily Mirror, Ceylon Today, June 22; The Island, Daily FT, Daily News, June 23.

- Nisha Arunatilake wrote an article on “Budget Allocations for Teacher Training: Is Sri Lanka Playing Its Cards Right?”, Daily FT, Daily News, 16 November; The Island, 4 December.
- Nisha Arunatilake and Ashani Abayasekara’s article on “Shortage of Qualified Teachers in Math and Science Linked to Poor O/L Results: IPS”, Daily FT, 29 November.
- Senanayake S J, Gunawardena N S, Paliwardana P, Bandara S, Bandara P, Ranasinghe A U, Karunaratna R H, Priyantha Kumara G. (2017), “Out of Pocket Expenditure in Accessing Healthcare Services among Chronic Kidney Disease Patients in Anuradhapura District (2017)”, Ceylon Medical Journal 2017; 62: 100-103, DOI: <http://doi.org/10.4038/cmj.v62i2.8475>
- Bandara S., (2017), “What Factors Matter for Choice of Livelihood by the Older Workers in Sri Lanka?”, Indian Journal of Human Development 2017:11(2) 1–22, DOI: 10.1177/0973703017737863
- Weerasinghe M., Bandara S., Sanoon M., (2017), “Service Quality of School Canteens: A Case Study from the Western Province, Sri Lanka”, Ceylon Journal of Medical Science 2017: 54(2)
- Samantha Bandara wrote a blog on “Breaking the Silence on Depression: Challenging Task for Sri Lanka” The Island, Daily Mirror, 7 April.

COMMUNICATIONS / DISSEMINATION

The communications and dissemination of research findings were done through a number of means such as blogs, newspaper and television interviews, video interviews, policy insights, and local and international presentations.

Dr. Nisha Arunatilake and Ashani Abayasekara made a TV appearance on “Sri Lanka: State of the Economy 2017”, State of Business, broadcasted over Art TV on 28 November. Manoj Thibbotuwawa and Priyanka Jayawardena carried out a presentation on the findings of “Living Wage Study for the Estate Sector”, at the Stakeholder Validation Workshop, organized by IPS, Global Living Wage Coalition (GLWC) and Fairtrade International (FLO), IPS Auditorium, 24 August. Priyanka Jayawardena carried out a presentation on “Why People Choose to Participate in the Non-Standard Forms of Employment in Sri Lanka” at the “National Symposium on Labour and Employment (NSLE)” organized by the Ministry of Labour & Trade Union Relations at Hotel Janaki. She also carried a presentation on “Precarious Employment Practices in Sri Lanka & Protecting Labour Rights” at the conference on “Addressing Labour’s Precariousness in Sri Lanka and

Beyond,” organized by the “International Centre For Ethnic Studies”. She wrote an article on IPS Policy Insight on “Policies to Protect Worker Rights of Non-standard Forms of Employment”; Daily Mirror, 11 August, The Island, 4 August; Daily FT, Island, 15 August.

Sunimalee Madurawala made a presentation on ‘Assessing the Sri Lankan Girls’ and Young Women’s Economic and Social Empowerment for Leadership’ at the Launch Event and at the Media Briefing to disseminate key findings of the review and prioritize Girls Rights in the 2030 Sustainable Development Agenda organised by the Plan International Sri Lanka on at the BMICH, 10 October.

Sunimalee Madurawala and Dilani Hirimuthugodage faced a media interview- with the ‘Ada’ Sinhala Newspaper on the study findings of ‘Women owned and led Micro, Small and Medium Enterprises in Spice and Coir Sectors of Sri Lanka: Constraints and Policy Options on 10 November. Sunimalee Madurawala gave her insights at a media interview to the Global Press Journal on Labour Shortage in the apparel sector in Sri Lanka. The story published in the Global Press Journal under the title of ‘Sri Lankan Garment Factories Boost Wages and Benefits as Labour Shortage Looms.’

Nisha Arunatilake and Ashani Abayasekara shared policy insights: “Improving O-Level Performance: School Resources Matter”. Both shared insights on “Better Schools for Better O-Level Results in Sri Lanka” draws attention to the shortage of qualified and experienced teachers, The Island, 29 November. Both participated in a press conference to disseminate findings of IPS publication “Better Schools for Better O-Level Results in Sri Lanka”, organized by the IPS, IPS Conference Room, 28 November.

Ashani Abayasekara shared insights through Policy Videos: ‘Expert Insights’ video with Tiloka de Silva on the shadow education industries in Sri Lanka and South Korea. Nisha Arunatilake and Ashani Abayasekara shared policy insights: Providing Quality Teachers for All Classrooms in Sri Lanka .



Policy Reforms and Competitiveness

RESEARCH FOCUS

Against a background of sluggish global economic growth and trade performance, and growing populist sentiment against globalization across the US and Europe, Sri Lanka is positioning itself to raise domestic economic competitiveness and integrate more closely with the rest of the world. With a limited consumer market of 20 million, reviving and sustaining growth to address its troubling debt overhang will clearly depend on generating demand for Sri Lanka's goods and services abroad.

Despite lacklustre GDP growth in 2016, the policy setting suggests that investors can look forward to progressive improvements in the macroeconomic environment as fiscal reforms in particular pay-off. However, a complimentary set of broad-based reforms that address structural constraints on growth need to be implemented alongside. Access to cost-effective and reliable infrastructure services, finance, and land; an efficient institutional and regulatory environment; and a good human resource pool of professional and technical skills, to name a few.

MACROECONOMIC POLICY

The IPS' annual flagship report 'Sri Lanka: State of the Economy' provides a critical assessment of the country's

economic performance and near term outlook for growth and macroeconomic stability. Each year, the report also examines crucial medium term policy priorities to achieve sustained growth and strengthen socio-economic development outcomes for the country. The Sri Lanka: State of the Economy 2017 report draws attention to 'Demographics, Labour Markets and Growth' as its main thematic focus.

TAXATION

It is important to evaluate the effectiveness and efficiency of fiscal policy in addressing its development challenges and accelerating poverty reduction. Towards this end, policy makers need answers to questions on: how much redistribution and poverty reduction is accomplished through taxes, social transfers and subsidies; how progressive are revenue collection and government spending; what are the individual impact taxes and transfer policies have on inequality and poverty.

TRADE POLICY

Trade and its importance to development of Sri Lanka have emerged in the forefront of policy discussion in the country, as demonstrated by the formulation of several documents including Vision 2025, New Trade Policy, and National Export Strategy.



Dr. Dushni Weerakoon, Executive Director, IPS, at the 10th South Asia Economic Summit (SAES) held during 14 – 16 November in Kathmandu, Nepal.

Given a small domestic market with a population of 20 million, Sri Lanka has recognized it must depend on external demand for sustained, high, and long-term growth. By reversing past policies, the outward-looking approach is expected to increase efficiency of the domestic economy, contributing to the development of Sri Lanka whilst increasing its participation in global production networks. Such policy changes and implementation will need to be based on greater stakeholder consultations as well good research i.e. contextualized, validated, and tailored to policy questions/objectives, timely and analytical. Against this background, 2017 research focused on building on its existing body of work on trade agreements by focusing on bilateral and regional trade agreements.

RESEARCH STUDIES

During the year 2017 Dushni Weerakoon undertook a study funded by the Asian Development Bank (ADB) to examine the **Macroeconomic Policy Setting in the Context of Debt Financed Development**. Sri Lanka's growth and economic development came to depend heavily on a public investment led infrastructure drive during 2006-14. With inadequate domestic resources to support higher public investment spending, Sri Lanka embarked on tapping new sources of international development finance. As the country's debt service ratio climbed steadily, Sri Lanka is faced with a growing external debt problem in the face of prolonged dip in export earnings growth and non-debt creating FDI inflows.

Nisha Arunatilake and Priyanka Jayawardena undertook a study on **The Incidence of Taxes and Spending** in Sri Lanka which was funded by the World Bank. The main contribution of this analysis was to provide systematic empirical evidence on the progressivity of the fiscal interventions. Although similar studies exist for other countries in the world, this study was the first comprehensive examination of Sri Lanka's fiscal instruments and their ability to redistribute income and reduce poverty. By using a harmonized methodology this approach allowed for comparative analytics with other countries in the region and the world.

During 2017, IPS undertook studies on **Trade and Investment Potentials in Four Emerging ASEAN Countries** (Vietnam, Malaysia, Thailand and Indonesia) on behalf of the Ministry of Development Strategies and International Trade Sri Lanka (MODSIT). These studies were conducted by Janaka Wijayasiri, Kithmina Hewage, Vishva Subramaniam and Nuwanthi Senaratne.



IPS Research Fellow, Janaka Wijayasiri, made a presentation at the forum on the topic 'Impact of the GSP Plus on Key Sectors of the Economy: Some Preliminary Estimates.' 02 October JAIC Hilton Residences, Colombo.

Most of the exporters in Sri Lanka can be categorised as SME and produce and export a wide range of products, with their markets varying according to the industry they are involved in. However, some industries are predominately small and medium scale in size such as handicrafts, wooden products, gems & jewelry, tea, spices, coconut products, textiles (handlooms) and processed foods. In this regard, IPS undertook study to look at the different **Export Barriers Faced by SMEs Operating in the Agriculture and Industry Sectors** in Sri Lanka for Geneva-based Consumer Unity & Trust Society (CUTS) and Centre for International Trade, Economics and Environment (CITEE), as part of a project keeping pace with Trade Developments. The Sri Lankan study was undertaken by Janaka Wijayasiri and Nuwanthi Senaratne.

POLICY ENGAGEMENT

- IPS participated in and contributed to the drafting of the Government of Sri Lanka's future economic policy document 'Vision 2025 – A Country Enriched'.
- Dushni Weerakoon was panelist to seminar on "Triumph Through Turbulence in 2017: Economic Outlook and Implications for Business" organized by the Ceylon Chamber of Commerce, CCC Auditorium, 26 January.
- Janaka Wijayasiri, Manoj Thibbotuwawa and Dilani Hirimuthugodage participated in a discussion on the spice sector in Sri Lanka with the Secretary of Ministry of Plantation Industries (MPI), 22 February.

- Dushni Weerakoon made a presentation on “Sri Lanka: Economic Outlook 2017/18” to CA Sri Lanka Business School, CASL Auditorium, 3 March.
- Dushni Weerakoon attended the Economic Policy Steering Committee of the Ceylon Chamber of Commerce, CCC, 19 January and 16 March.
- Janaka Wijayasiri attended “Sri Lanka National Export Strategy - First Stakeholders’ Symposium”, organized by Sri Lanka Export Development Board & Ministry of Development Strategies and International Trade together with ITC, 6 - 7 April.
- Janaka Wijayasiri attended the “3rd BIMSTEC BNPTT Meeting”, BIMSTEC Secretariat, Dhaka, 22 and 23 April.
- Dushni Weerakoon participated at the Global Think Tank Summit IV organized by the Asian Development Bank and Think Tanks and Civil Societies Program, University of Pennsylvania, Yokohoma, Japan, 1-3 May.
- Dushni Weerakoon attended meeting with Minister of Finance and State Minister of Finance to discuss “Fiscal Policy Issues”, Treasury, 13 June.
- Dushni Weerakoon was panelist at the session on ‘Executing a Smarter Trade Strategy Amidst Turbulence’ at the Sri Lanka Economic Summit 2017 organized by the Ceylon Chamber of Commerce (CCC), Cinnamon Grand, 25 July.
- Dushni Weerakoon attended meeting to discuss preparation of “Sustainable Sri Lanka 2030 Vision”, Presidential Secretariat, 3 August.
- Dushni Weerakoon attended meeting called by Dr. Harsha de Silva, Deputy Minister of National Policies and Economic Affairs, to discuss preparation of “Vision 2025” at Temple Trees on 3 July and World Trade Center (WTC), 11 and 14 July, 8 August.
- Janaka Wijayasiri was appointed as a Judge at the “NCE Export Awards 2017”, 14 August.
- Janaka Wijayasiri participated in the Trade Liberalisation Steering Committee Meeting, Ceylon Chamber of Commerce (CCC), Colombo, 8 September.
- Dushni Weerakoon made a presentation on “State of the Economy 2017: Economic Outlook” at the launch of the Sri Lanka: State of the Economy report, Dr. Saman Kelegama Auditorium, IPS, 10 October.



IPS Research Officer Kithmina Hewage made a presentation titled China's Silk Road in a Changing Global Order at the Symposium on the Land of Abundance and the Silk Road, organized by the Sichuan Academy of Social Sciences, held on 7-8 April 2017 in Chengdu, China.

- Janaka Wijayasiri participated at a round table discussion on “National Export Strategy (NES) for Sri Lanka”, organized by the Sri Lanka Export Development Board (EDB), 12 October.
- Janaka Wijayasiri attended the “Trade Liberalization Steering Committee” of the Ceylon Chamber of Commerce, 10 November.
- Dushni Weerakoon was panelist at “BIMSTEC at 20 - Priorities for the Future” organized by the Lakshman Kadirgamar Institute (LKI), LKI Auditorium, 8 December.
- Dushni Weerakoon participated at Prime Minister's Economic Strategy Retreat, Royal Palms Hotel, Kalutara, 16-17 December
- Dushni Weerakoon was appointed member, Steering Committee on Economic Policy, Ceylon Chamber of Commerce
- Dushni Weerakoon was appointed member, Committee of Experts to Formulate a National Sustainable Development Vision of Sri Lanka – 2030, Presidential Secretariat.
- Dushni Weerakoon worked with the Economics Unit, Ministry of National Policies and Economic Affairs to develop Vision 2025: A Country Enriched
- Janaka Wijayasiri prepared a brief on “Rules of Origin and Future Prospects for Enhancing Utilisation of the GSP-Plus Trade Concessions by Sri Lanka”, for Ministry of Development Strategies & International Trade.
- The IPS contributed to the preparation of the report on “National Sustainable Development Vision for Sri Lanka 2030” for H.E. the President.

- Janaka Wijayasiri, Kithmina Hewage and Vishvanathan Subramaniam wrote a policy brief on “Sri Lanka-Vietnam and Sri Lanka-Malaysia Investment and Trade Relations for the Prime Minister’s Office and Ministry of Development Strategy & International Trade.

PUBLICATIONS

- Weerakoon, D., and Hewage, K.V. (2017). “Fiscal Policy, Growth, and Macrostability” in Kelegama, S. (ed.), “Tax Policy in Sri Lanka: Economic Perspectives”. Institute of Policy Studies of Sri Lanka, 17-42.
- Weerakoon, D., (2017) “Sri Lanka’s Debt Troubles in the New Development Finance Landscape”, Third World Thematics, Vol 2, No. 6, pp. 774-761.
- Weerakoon, D., 2017, “Macroeconomic Stability, Growth and Debt Sustainability”, Sri Lanka Economic Journal, Vol. 14, No. 2.
- Weerakoon, D., 2017, “Challenges and the Future of Economic Cooperation in China-Sri Lanka Relations” in Wang Linggui & Zhao Jianglin (eds.), Building the Community of Common Destiny in Neighbouring Areas”, Social Sciences Academic Press, China.
- Harini Weerasekera compiled a downloadable “Quarterly Macroeconomic Review”
- Arunatilake, N. and Jayawardena, P. (2017), “Accounting for Social Effects of Tax Reforms” in S. Kelegama (ed.) Tax Policy in Sri Lanka, Colombo: Institute of Policy Studies of Sri Lanka.
- Arunatilake, N. Inchauste, N. G. and Lustig, N (2017) “The Incidence of Taxes and Spending in Sri Lanka”, in G. Inchauste, & N. Lustig (eds.), the Distributional Impact of Taxes and Transfers – Evidence from Eight Low- and Middle-Income Countries, Washington, D.C. ,The World Bank.
- Wijayasiri, J. (2017), “Sri Lanka’s Perspective on the Belt and Road Initiative in The Belt and Road Initiative in the Global Context”, in Wang Linggui and Zhao Jianglin (eds.), ‘Initiative in the Global Context the Belt and Road’, Social Sciences Academic Press.
- Wijayasiri, J. (2017), “Trade is Not Just for Big Businesses: Role of Sri Lankan SMEs in Trade in Reimagining South Asia in 2030”, in Mustafizur Rahman and Fahmida Khatun (eds.), ‘Reimagining South Asia in 2030’, Centre for Policy Dialogue, Dhaka.

COMMUNICATIONS / DISSEMINATION

During 2017, IPS researchers disseminated their work on trade through blogs, and newspaper articles. Janaka Wijayasiri wrote blogs which were reproduced in the local newspapers on: Four Lessons from the Pakistan-China FTA for Sri Lanka”, “Come Together: Raising Standards in the Sri Lankan Pepper Industry”, and “FTA with Malaysia: Will it Lead to an Expansion in Flow of Trade and Investment with Sri Lanka?” while Kithmina Hewage wrote an article for the South Asian Voices of the Stimson Centre in the USA on “Sri Lanka’s New Regionalism: Looking beyond South Asia”. In addition, IPS researchers made presentations and participated as panelists at events locally and internationally. Sunimalee Madurawala and Dilani Hirimuthugodage were interviewed by ‘Ada’ (Sinhala) newspaper on the study findings of “Women Owned and Led Micro, Small and Medium Enterprises in Spice and Coir Sectors of Sri Lanka: Constraints and Policy Options.”

Meanwhile, tax research were disseminated through the local media outlets which carried the articles “The Proof of the Pudding is in the Eating: Distribution and Revenue Implications of Sri Lanka’s New Inland Revenue Act” and “Tax Cut for Low, Middle Income Individual from New Sri Lanka Law” by Nisha Arunatilake and Priyanka Jayawardena. The IPS researchers made presentations both local and international platforms, on areas such as trade strategy and policy, keeping up with the global growth, the impact of EU’s GSP Plus concession, impact of fiscal policy, and Sri Lanka’s overall economic outlook.



Environment, Natural Resources and Agriculture

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

RESEARCH FOCUS

CLIMATE CHANGE

Combating climate change is a major challenge to be faced in years to come. Adaptation is the key strategy to face the challenge. Successful adaptation to climate threat requires formulating effective policies that can fill existing gaps in areas of information, technology, policy, institutions and resource mobilization. The IPS research on climate change is based on adaptive policy making framework for overcoming the major gaps concerning institutions, technology, policy, institutions and resource mobilization gaps.

ENVIRONMENTAL POLICIES AND GREEN ECONOMY

There has been an increased emphasis on “greening” the economies worldwide. The world leaders have adopted Sustainable Development Goals (SDGs) in 2015. The essence of SDGs is to transform the global economy towards a green economy. The IPS research on green economy focusses on policy innovations that can ensure sustained flow of ecosystem services from the natural capital of the country while capturing emerging global green economy opportunities.

NATURAL RESOURCE POLICIES AND INSTITUTIONS

The objectives of natural resource policies and institutions are to increase the resource use efficiency and sustainable management of natural resources. Livelihoods of many Sri Lankans are dependent on natural resources such as land, water, fisheries and forests to a large extent. Institutions are essential to make sure that these natural resources will be used optimally, ensuring inter- and intra-generational equity. Therefore, IPS research on natural resources focusses on examining existing natural resource policies, existing regimes of property rights and institutions, their strengths/limitations, and ways to improve them.

FOOD SECURITY

Despite having made significant progress on several of human development and health indicators, Sri Lanka continues to struggle with respect to food security and nutrition. Thus IPS continued its focus on food security research especially analyzing the food security situation of the country; evaluating the policy and programmatic responses aimed at improving food security and finally, examining the issues that hinders the progress towards a food secure nation.

AGRICULTURE VALUE CHAINS

It is understood that the inclusive agribusiness is a powerful tool for raising rural incomes, creating jobs and helping communities adapt to climate change. IPS has been researching on how the rural poor can benefit more fully from integration into markets and trade during the last few years. IPS continued its Value Chain research to analyze the key features of business models adopted in Sri Lanka in sustainably connecting small farmers with the global value chains.

RESEARCH STUDIES

Given the increasing variations in the climate pattern and resultant impacts on the agriculture sector, **Climate Insurance for Dry Zone Farmers in Sri Lanka** was conducted to assess existing crop insurance programmes, risk management strategies and potential role of climate insurance in managing climate related risks for farmers. The findings show that there is a technical possibility for implementing rainfall index-based

insurance in Sri Lanka. This calls for improvements in availability of timely and accurate rainfall data. Comprehensive awareness and education programmes on climate insurance for farmers is a must to increase insurance take-up in Sri Lanka.

The action research programme, **Challenges for Adaptation to Climate Change: Bridging the Information and Communication Gap**, is designed to demonstrate interventions that can reduce the vulnerability of farming community to climate risks while improving the overall adaptive capacity of all stakeholders involved. The project is expected to establish an Integrated Climate Information Management Systems (ICIMS) that can harness both the strengths of local knowledge systems and advances in modelling techniques in climate sciences. The ICIMS models are pilot tested in vulnerable farming communities in Sri Lanka with potential applications in other developing regions too.

Climate Change Adaptation and Disaster Risk Reduction in Agriculture Sector in Sri Lanka aimed to identify the vulnerability of agriculture sector in Sri Lanka to losses and damages due to extreme events, slow-onset disasters and anomalies in familiar patterns of climate variability; explore methodological approaches developed for assessing losses and damages and identify suitable approaches that can be adapted to cater the needs of agriculture sector in Sri Lanka, and; identify ways for establishing baselines for the current losses and damages caused by climate related disasters on the agriculture sector, demonstrating the applicability of selected approaches to assess loss and damages.

The study **Mainstreaming and Integrating Climate Change into Urban Related Policies in Sri Lanka** examined the evolving relationship between climate change and urban development in Sri Lanka with the aim of identifying suitable framework to incorporate climate change issues into urban planning policy of the country. The Sri Lanka Comprehensive Disaster Management Plan 2014-2018 and the NAP have already identified areas and actions for intervention for mainstreaming climate change into urban policies. Additionally, it requires protocols for speedy actions for disaster risk mitigation by local authorities. The study also call for interventions to improve capacities of national stakeholders and local authorities to respond to effects of climate change at local levels.

The IPS is engaged in a study initiated by the Millennium Challenge Corporation (MCC) of USA as a partner to assess the situation and needs of land and transport sectors and identify potential improvements based on a comprehensive survey of the land and transport sector stakeholders at the firm and household levels throughout the country. The findings of the **Economic Analysis of Land and Transport Sector Issues** are to be directly utilized in making development decisions in regard



The IPS organized a workshop to disseminate the findings of a study titled 'Climate Insurance for Dry Zone Farmers in Sri Lanka' at the IPS Auditorium on the 24 January.

to improvements in land and transport sectors in Sri Lanka. **National Strategic Review of Food Security and Nutrition: Towards Zero Hunger** was envisaged to make an expansive and inclusive study of the overall food security and nutrition situation in the country and identify key challenges to achieving Zero Hunger, including, gaps in policies and the national response; resources and institutional capacity. Following the study, recommendations were proposed for achieving SDG targets related to food security, nutrition and sustainable agriculture through integrated approaches across the economic, social and environment sectors.

The main objective of the **Study of Supply and Price Behaviour Relating to Selected Crops and Livestock Products in Sri Lanka** was to analyse the demand formation, supply response and value chain relations of rice, fish and milk and dairy products in the emerging context of global food security challenges with the aim of identifying major policy directions. This study further identified institutional and technical constraints that affect efficient functioning of markets of these products. Following the study, feasible policy interventions were suggested with a view to contribute to the food security policies in Sri Lanka.

Analysis of Spice Value Chain in Sri Lanka Focusing on Cinnamon, Pepper and Cardamom aimed to identify opportunities and constraints faced by the Sri Lankan spice sector, including quality and hygiene related standards by applying Value Chain Analysis (VCA) and also to provide recommendations for policy interventions at different points in the chain to upgrade the spice sector and expand production/export opportunities based on VCA. The study mainly focused on cinnamon, pepper and cardamom. The findings of the study provided comprehensive recommendations for policy intervention and also the research team conducted a training seminar on VCA to enhance capacities of officials from National Planning Department and other related agencies. **Food Security in Sri Lanka, Achievements and Challenges Ahead** looked at the current food security situation of Sri Lanka and identified different challenges and threats in achieving food security of the country.

While analyzing policy, regulatory and institutional environment, it further examined where Sri Lanka has gone wrong in terms of food security. Finally, the study made short and long run solutions for the unachieved social and economic goal of ensuring food security of the country. The study **Baseline Analysis of the Impact of North Lanka Family Food (NFF)** was primarily focused on performing a baseline study for the future assessment and documentation of the results, changes and impacts caused by the construction of the multi-faceted medium sized processing plant by the NFF (Pvt) Limited in the Kilinochchi District. The preliminary findings of the study highlighted socio-economic indicators of the area and emphasized that the farm households in these areas increasingly need to practice modern farming techniques and value addition in agriculture. Also the findings suggested the importance of adopting public-private-producer-partnership (4P) for upgrading value chains.

POLICY ENGAGEMENT

- Athula Senaratne served as a member of the National Steering Committee for Implementation of National Adaptation Plan for Climate Change Impacts of the Ministry of Mahaweli Development and Environment.
- Athula Senaratne served as a member of the Editorial Board of the Neela-Haritha: Climate Change Magazine of Sri Lanka published by the Ministry of Mahaweli Development and Environment.
- Athula Senaratne served as a member of the Consultative Committee on Research of the Tea Research Board.
- Athula Senaratne served as a member of the Sectoral Committee on Agriculture of Sri Lanka Standards Institution.
- Manoj Thibbotuwawa served as a member of the Technical Evaluation Committee of the National Agribusiness Development Programme (NADeP) at the Presidential Secretariat
- Manoj Thibbotuwawa served as a member of the Socio Economic Research Committee of the Council for Agricultural Research Policy (CARP) at the Ministry of Agriculture.
- Manoj Thibbotuwawa and Dilani Hirimuthugodage served in the research committee in preparing the National Strategic Review of Food Security and Nutrition towards Zero Hunger for the government and the World Food Programme.
- Athula Senaratne, Manoj Thibbotuwawa and Kanchana Wickramasinghe served in the working group for preparing the road map for a sustainable land policy for Sri Lanka in the line of Vision 2030 with World Agro-forestry Centre (ICRAF), Ministry of Lands and Parliamentary Affairs, Ministry of Mahaweli Development, Ministry of Agriculture and Blue Green Economy Finance Facility, UNEP.
- Manoj Thibbotuwawa and Athula Senaratne engaged in identifying socio economic research priorities for the Agriculture Modernization Project with the World Bank and the Ministry of Agriculture.
- Manoj Thibbotuwawa engaged in identifying food safety & quality challenges and opportunities with the Ministry of Primary Industries (MPI) and International Food Policy Research Institute (IFPRI).
- Kanchana Wickramasinghe served as a member of the Planning and Monitoring Committee of the Nationally Determined Contributions (NDCs) Implementation of the Ministry of Disaster Management.
- Kanchana Wickramasinghe also served as a resource person in preparing the Sri Lanka Tourism Strategic Plan 2017-2020 by the Sri Lanka Tourism Development Authority (SLTDA). Kanchana contributed mainly in terms of promoting sustainable tourism.
- Dilani Hirimuthugodage served as a resource person and a panelist at the discussion on “Draft National Policy on Traditional Knowledge and Cultural Expressions in Sri Lanka”, organized by the National Intellectual Property Office of Sri Lanka and the Ministry of Trade and Commerce in April.
- Dilani Hirimuthugodage served as a resource person at the National Workshop on IPRs and Traditional Knowledge, organized by the World Intellectual Property Organization (WIPO), Sri Lanka Intellectual Property (IP) Office and the Ministry of Trade and Commerce in April.
- Dilani Hirimuthugodage served as a resource person at the ‘Ceylon Cinnamon Value Chain Development’ organized by the Faculty of Agriculture Sciences, University of Sabaragamuwa, in July.



Manoj Thibbotuwawa, Research Fellow, at the National Strategic Review on Food and Nutrition Security-Towards Zero Hunger was launched in Colombo, 13 February.

PUBLICATIONS

- Senaratne, A. (2017), US Exit from The Paris Agreement; Global Politics of Climate Change, Neela-Haritha: Climate Change Magazine of Sri Lanka Volume ii , Dec. 2017: pp. 41-45.
- Tilakaratna, G., Nanayakkara, W., Madurawala, S., Jayaratne, S., Wickramasinghe, K. (2017), National Level Implications of SDG Implementation the Case of Sri Lanka, Southern Voice Occasional Paper 41, Bangladesh: Dhaka.
- Wickramasinghe, K. (2017), A Green Hospitality Industry for Sri Lanka, Sri Lanka Exporter, Issue 96, April-June 2017.
- Wickramasinghe, K. (2017), Climate Insurance for Tea in Sri Lanka, Sri Lanka Exporter, July - September 2017.
- Hirimuthugodage, D (2016), "Role of Intellectual Property Rights in Promoting Ecotourism in Sri Lanka", Journal of Foreign Economics (English) (Vol 87), Institute of Economics and International Trade, Foreign Trade University, Vietnam.
- Thibbotuwawa, R.M.M.I., Samaratunga, P.,Hirimuthugodage, D., Bandara, S., Hewage, S., Anura Kumara, P., Jayatissa, R., Nanayakkara, L., Barton, B., Singhkumarwong, A., Nihmath, M. and Jayasinghe, S. (2017), "National Strategic Review of Food Security and Nutrition towards Zero Hunger", World Food Programme (WFP), Colombo.
- Hirimuthugodage, D (2017), "Role of Intellectual Property Rights in Promoting Ecotourism in Sri Lanka", Abstracts, 6th International Conference of Sabaragamuwa University of Sri Lanka, University of Sabaragamuwa.
- Madurawela, S., Hirimuthugodage, D.,Premaratne, D. and J.Wijayasiri (2017), Women-owned and Led, Micro, Small and Medium Enterprises in Spice and Coir, Working Paper Series No:28, Institute of Policy Studies of Sri Lanka.

COMMUNICATIONS / DISSEMINATION

Athula Senaratne and Kanchana Wickramasinghe expressed their views on the Government Budget Proposals for 2018. Athula focused on the green economy aspects of the budget proposals and Kanchana discussed the proposals related to improving climate resilience. Further a blog article summarizing the possible implications on climate resilience was compiled by Kanchana in November 2017. Kanchana



IPS Research Fellow, Manoj Thibbotuwawa, highlighted the importance of improved regional corporation at the 'Export Promotion and Market Access for Agriculture and Food Products in Major Global Markets' 19 – 21 September.

also expressed her views at the TV interview in Biz1st Review 360, broadcasted over TV1 (formerly MTV Sports) on 1st December 2018. Kanchana further highlighted the environmental perspective of the Budget Proposals at the panel discussion organized by the Institute of Environmental Professionals Sri Lanka (IEPSL) on the 14th December. Important aspects of sustainable development were highlighted in several blog articles that were produced during the year to mark important international days. Sri Lanka's future in terms of blue economy and issues related to waste water management were highlighted by Athula Senaratne in his blog articles on the World Oceans Day and the World Water Day respectively.

Athula Senaratne also discussed how Sri Lanka can benefit through the blue economy approach in his TV interview on the Biz1st Review 360 (MTV News1st). Further Kanchana Wickramasinghe highlighted the aspects related to improving environmental literacy in Sri Lanka and measuring sustainable tourism in her articles to mark the World Environment Day and the World Tourism Day. Meanwhile, presentations were made on both local and international platforms on pertinent topics such as the effects of climate change, bridging the climate information gap, agricultural value chains, eliminating hunger, land use policy, and other environmental policies.

Meanwhile, Kanchana Wickramasinghe served as a panellist in the Twitter Chat on "Environmental Benefits of Economic Management in Sri Lanka", organized by the World Bank in collaboration with the IPS in August 2017. She brought up the policy related issues in terms of climate adaptation, disaster risk reduction and sustainable tourism. Athula Senartne and Kanchana Wickramasinghe served as resource persons at the National Workshop on "Establishing a Green Accounting System for Sri Lanka: Lesson Sharing Future Development" on the 18th of August.



Poverty and Vulnerability

Sri Lanka has made significant progress in reducing poverty over the past decade. It has also achieved a number of Millennium Development Goals such as halving the poverty level, achieving universal primary education and promoting gender equality in education. Nevertheless, inequality and vulnerability continues to be issues of great concern in Sri Lanka. The Gini co-efficient of household income, although has declined marginally in recent years from 0.48 in 2012/2013 to 0.45 in 2016, has remained at a high level over the past two decades. In addition, there are disparities in terms of access to basic services and infrastructure facilities like education, health, water and sanitation and financial services, which may also have contributed to the prevailing high levels income inequality in the country. In this context, the IPS research on poverty and vulnerability focuses on a number of areas including sustainable development goals (SDGs), poverty and inequality, social protection and financial inclusion and ageing.

RESEARCH FOCUS

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Sri Lanka is among the several countries that have committed to achieve the SDGs by 2030. SDGs include 17 goals and 169 targets that range from ending poverty and hunger to ensuring healthy lives, achieving gender equality and protecting environment and natural resources. The government of Sri Lanka has taken a number of initiatives to mainstream SDGs (e.g. Sustainable Development Act, Establishment of a focal Ministry for SDGs), nevertheless, there are many implementation challenges.

FINANCIAL INCLUSION

Improving access to quality financial services is an important measure to reduce poverty, vulnerability and inequality and to support income generation activities. Although about 83 per cent country's adult population has bank accounts at financial institution - much higher than South Asian average (46 per cent), several issues need to be addressed to achieve greater financial inclusion in Sri Lanka. These include poor quality and high costs of financial services particularly those available to low income groups, low access and utilization of financial services such as insurance, remittance and digital financial services and inadequate access to credit by the SMEs.



Ganga Tilakaratna, Research Fellow, IPS Highlights Sri Lanka's Initiatives to Localize SDGs, 01 – 02 November, Kathmandu, Nepal

SOCIAL PROTECTION

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

ADDRESSING POVERTY AND INEQUALITY

Despite Sri Lanka's achievement in poverty reduction, inequality has remained high with a Gini-coefficient of household income in the range of 0.45 – 0.49 over the past two decades. The share of household income in the poorest quintile has also remained 4-5% while that of the top quintile has remained over 50%, indicating considerably high levels of inequality in the country. Inequality is a multi-dimensional concept that goes beyond income inequality to include inequality in access to services like education, health and safe drinking water, and structural forms of inequalities like those across gender groups, ethnicities and castes.



IPS Research Fellow, Ganga Tilakaratna made a presentation on 'Income Security for Older Persons in Sri Lanka' at the symposium on 'Old-Age Income Security and Universal Basic Income in South Asia', New Delhi, India on 27 February.

RESEARCH STUDIES

A team led by Ganga Tilakaratna carried out a study to examine the implications of the **Implementation of SDGs in Sri Lanka** and brought out a publication on **National Level Implications of Implementation of SDGs: The Case of Sri Lanka**. The research examined the integration and mainstreaming of the SDGs in the national planning process and the implementation challenges in the areas of financing, monitoring, data and partnerships. The study was funded by the 'Southern Voice Secretariat on Post-MDGs International Development Goals' in Dhaka, Bangladesh.

A chapter on **Meeting the Sustainable Development Goals in Sri Lanka** was prepared for the **State of the Economy 2017 Report** which examined the national relevance of the SDGs, key government initiatives to mainstream SDGs and implementation challenges. The IPS carried out the **Country Diagnostic on Mutual Microinsurance in Sri Lanka** to provide a detailed analysis of the current context of mutual and co-operative micro insurance in Sri Lanka particularly focusing on the demand, supply and regulatory aspects, and to identify issues and constraints for the development and growth of this sector. This study was carried out for the international Co-operative and Mutual Insurance Federation (ICMIF), UK.

Ganga Tilakaratna and Chinthani Sooriyamudali brought out a publication on **Food – Based Social Assistance Programs in Sri Lanka: Evolution and Transition to Cash Transfers** which provides a comprehensive analysis of the evolution of food-based assistance programs such as food rations, food subsidies and food stamps that were in place since 1940s and Sri Lanka's transition from food-based assistance programs to cash transfers in recent years. It further examines the factors that led to these changes over the past many decades and their implications. The study is part of a multi-country project funded by the World Bank, which includes countries like Egypt, India, Indonesia, Mexico, Sri Lanka and the USA as country case studies.

Ganga Tilakaratna prepared a paper looking at **Critical Issues and Policy Options for Reducing Inequality**. It argues that despite Sri Lanka's reduction in inequality in access to services, rising income inequality, inequality in the quality of services and gender inequality particularly in the labour market are issues of great concern. The paper highlights five key policy options to reduce inequality: Creating productive employment opportunities, strengthening social protection, investment in human capital, fiscal reforms and gender-sensitive labour market policies.

Wimal Nanayakkara and Yolanthika Ellepola carried out a study on **Child Poverty in Sri Lanka and Issues Related to Their Education and Access to Safe Water and Sanitation**. The paper looks at the poor and vulnerable children in Sri Lanka, who are faced with various deprivations, related to their education and access to safe water and sanitation, based on the data from the Household Income and Expenditure Survey-2012/2013. The study identifies the locations and socio-economic groups of poor and vulnerable children who leave formal school education, particularly after the age for compulsory education (14 years) and the reasons for this situation, and provides recommendation to address these issues.

Moreover, a policy brief on **Child Poverty in Sri Lanka** was prepared for the **State of the Economy 2017 Report** (Wimal Nanayakkara). It aimed at identifying the lagging regions in which the poor and most vulnerable children are located and the socio-economic groups they belong to. The analysis covers children in both Income Poverty and / or Multidimensional Poverty.

POLICY ENGAGEMENT

- Prepared a brief paper on the role of responsibilities of different stakeholders in the SDG implementation process (based the stakeholder consultation held on 29th August 2017) for the Ministry of Sustainable Development and Wildlife (MSDW) and presented the paper at the SDG consultative committee of the MSDW (October 2017).
- Contributed to the Sri Lanka Vision 2025 document by providing input for the section on Social Protection.

PUBLICATIONS

- Tilakaratna G, Nanayakkara W. Madurawala, S, Jayaratne, S and K Wickramasinghe (2017) 'National Level Implications of Implementation of SDGs: The Case of Sri Lanka' Southern Voice Occasional Paper 41, Southern Voice Secretariat, Bangladesh (<http://southernvoice.org/wp-content/uploads/2017/03/SV-OP-41.pdf>)
- Kelegama S. and G. Tilakaratna 'Sri Lanka' Country Chapter (Chapter 8) in Yoshino, N and P.J. Morgan (Eds) " Financial Inclusion, Regulation and Education: Asian Perspectives" the Asian Development Bank Institute (ADBI), Japan(<https://www.adb.org/sites/default/files/publication/350186/adb-financial-inclusion-regulation-education-asian-perspectives.pdf>)
- Tilakaratna G and C. Sooriyamudali (2017) 'Food – Based Social Assistance Programs in Sri Lanka: Evolution and Transition to Cash Transfers' (Chapter 4), in in Alderman, H., Gentilini, U., and Yemtsov, R. (2018) '1.5 Billion People Question: Food, Vouchers or Cash Transfers?' Washington D.C. World Bank.
- Book chapter on 'The Effect of Social Protection on Labor Force Participation and Employment Status: Evidence from Sri Lanka' in the 'Employment, Social Protection and Inclusive Growth In South Asia' edited by Dev Nathan and Akhilesh K Sharma, South Asia Press (forthcoming publication).
- Tilakaratna G (2017) 'Critical Issues and Policy Options for reducing Inequality in South Asia: A Sri Lankan Perspective' in 'Reimagining South Asia in 2030' edited by Mustafizur Rahman and Fahmida Khatun, Centre for Policy Dialogue, November 2017 (pp 102-106).

Nanayakkara wrote blogs on topics such as 'Status of Poverty in Sri Lanka Based on Different Poverty Lines', 'Human Development: Sri Lanka's Achievements and Challenges', 'Fuelling Sri Lanka's Tourism Sector to Achieve SDGs', and 'Poverty and Access to Education: An Old Problem Affecting the Young Generation in Sri Lanka', while Chinthani Sooriyamudali wrote a blog on 'The Sustainable Development Goals for Social Development – What is Sri Lanka's Score?' for the Poverty Day on 17 October 2017.

IPS researchers made presentations both local and international platforms, on areas such as income security for older persons, financial inclusion, sustainable development goals, and social protection.

COMMUNICATIONS / DISSEMINATION

During 2017, IPS researchers disseminated their work on trade through blogs, and newspaper articles. Wimal



Migration and Urbanization

Sri Lanka's experience in terms of migration and urbanization is undergoing rapid transformations. Recent policy priorities in terms of migration have been to alter gender-skills-destination composition of migrant workers with minimum implications on wellbeing of migrants and their families and the receipt of international remittances to Sri Lanka, and to regulate recruitment for foreign employment. However, a growing challenge to labour migration from Sri Lanka is the rising shortage in the labour supply, both in urban and rural areas. Rural to urban migration contributed to labour shortages in the former, while shortfalls in the latter are intensified by urban to international migration. The issues in urban and rural areas are further intensified with the fast pace of urbanization.

RESEARCH FOCUS

IPS Research on the theme of Migration and Urbanization carried out in 2017 focused mainly on migration governance, recruitment for foreign employment and urbanization. Policy interest on International Corporation and governance in migration has become a priority both in the local and international arena with the planned adoption of the Global Compact for Migration (GCM), under the auspices of the UN General Assembly. GCM is aimed at presenting a framework for comprehensive international cooperation on migrants and human mobility dealing with all aspects of international migration.

RESEARCH STUDIES

In 2017, Sri Lanka developed its position to report to the regional consultative process on GCM, and on behalf of the Ministry of Foreign Employment (MFE) and International Organization for Migration (IOM) this report based on a national consultative process was carried out by IPS Researcher Bilesha Weeraratne. Here she conducted separate sensitization meetings with Governmental as well as Non-Government Officials, to collect stakeholder inputs to develop the country position and presented the national consultation outcome report on to an audience of migration policy makers and other migration stakeholders. The final report titled **"Sri Lanka - Global Compact on Safe, Orderly and Regular Migration, National Consultation Outcome Report"** was submitted to the Asia Pacific Regional Consultation on GCM, via the MFE and IOM.



IPS Research Fellow, Bilesha Weeraratne made a presentation at the National Multi-Stakeholder Consultation on Global Compact on Safe, Orderly and Regular Migration, on 25 August.

At the national level there is increasing policy attention on regulating recruitment intermediaries - commonly known as sub agents, and the minimal understanding of this informal stakeholder in the recruitment process for foreign employment was highlighted by policy makers. To facilitate evidence based policy planning on regulating Sub Agents in Sri Lanka Bilesha Weeraratne proposed a study titled **"Recruitment of Temporary Migrant Workers & the Evolving Role of Sub-Agents in Sri Lanka"** with the endorsement of the Ministry of Foreign Employment. This proposal attracted funding from the Research & Empirical Analysis of Labour Migration Program ("REALM Program"), of New York University Abu Dhabi and Columbia University in New York. The preliminary findings of the study were presented to the Program Action Committee (PAC) of the Ministry of Foreign Employment, which consisted of migration policy makers and migration stakeholders.

The said study was successful in establishing the IPS - capacity and experience in studying Sub Agents. As a result, Bilesha attracted a second study on Sub Agents. This study titled **"A Comprehensive Report on Recruitment Intermediaries in the Foreign Employment Industry in Sri Lanka"** was commissioned by the IOM on behalf of the MFE. The objective of the study is to providing evidence based recommendations for regularizing recruitment middlemen in the labour migration process in Sri Lanka. She carried out a study which focused on Sri Lanka's ability to retain and re-integrate skilled workers, attract home grown global talent, and benefit from a global talent pool. IPS research in 2017 also focused on labour migration and skills deficit in Sri Lanka. The IPS Flagship report State of the Economy 2017, carried a chapter on **"Retaining, Re-integrating and Attracting Talent for Growth and Competitiveness"**.

Incorporating latest trends IPS developed proposals to use Big Data for migration research for the National Science Foundation titled “Big Data Analysis of Migration - Impact of Mother’s Migration on the Wellbeing of Children Left-behind in Sri Lanka”, and “Big Data Analysis of Remittances to Sri Lanka - Remitting Behaviour of Labour Migrants from Sri Lanka”. A proposal was also submitted to International Labour Organization (ILO) to conduct a study on remittance patterns in Sri Lanka.

IPS research on urbanization in 2017 focused on issues related to urban solid waste management, and alternative estimates of urban rural population. On the themes of solid waste management, IPS research fellow Bilesha Weeraratne wrote a paper on “**Sustainable Financing for Urban Solid Waste Disposal Services in Sri Lanka**”, which was presented at the fifth ADB-ATTN Development Forum 2017 organized by IPS and the Asian Development Bank (ADB).

POLICY ENGAGEMENT

- Bilesha Weeraratne attended a meeting on “Unlocking Skilled Labour for the Future”, organized by Prime Minister’s Office, at Temple Trees,
- On the same theme, IPS Research Assistant Harini Weerasekera attended a panel discussion on “Skilled Labor Migration and its Impact on the Local Community” at SDG Media Zone event at the “Peace Expo 2017”, organized by the Ministry of National Integration and Reconciliation in collaboration with Road to Rights and the UN SDG Action Campaign on labour migration and skills deficit in Sri Lanka.
- Bilesha Weeraratne continued to serve in the “National Advisory Committee on Labour Migration”, for the Ministry of Foreign Employment, and both Dr. Weeraratne and Dr. Arunatilake serve as Experts for the National Labour Migration Policy (NLMP) Implementation Review, organized by International Labour Organization (ILO).
- Bilesha Weeraratne appeared as a panelist for the live TV discussion “Face the Nation” on TV1, on the theme of socio- economic impact of Sri Lankan migrant workers and modern day slavery.
- Bilesha Weeraratne also served as a panelist for the World Food Day panel discussion on “Change the Future of Migration - Invest in Food Security and Rural Development”, organized by the Food and Agriculture Organization, Sri Lanka, and published an article on the IPS Talking Economics Blog and in local media outlets titled “Did the Blue-Green Budget Forget Migrants and their “Greenbacks”?

OTHER ACTIVITIES INCLUDED-

- During 2017 Bilesha Weeraratne mentored an undergraduate student from the University of Colombo, and served as an examiner for a PhD Thesis Defense Examination of the Postgraduate Institute of Agriculture of University of Peradeniya.
- Bilesha Weeraratne also submitted a proposal during 2017 on “The Interaction of Climate Change and Out-Migration in the Agriculture Labour Market in Sri Lanka” for funding by the Ministry of Agriculture.

PUBLICATIONS

- Weeraratne, Bilesha (2017), “Retaining, Re-integrating and Attracting Talent for Growth and Competitiveness”, Institute of Policy Studies of Sri Lanka, Colombo, Sri Lanka.
- Blog article published by Bilesha Weeraratne on “Pay as You Throw! A Solution to Sri Lanka’s Mounting Garbage Issue?” on the IPS Talking Economics Blog and in local media.
- Bilesha Weeraratne also wrote a chapter on “Tourism and Urbanization in Coastal Areas in Sri Lanka” for the edited conference volume on IORA Blue Economy Dialogue held in 2016.
- Arunatilake, Nisha, Jayaratne, Suwendrani, Perera, Nipuni, and Gunasekara, Neluka. (2017). “Returning Home: Challenges of Reintegration”, in S. Irudaya Rajan, South Asia Migration Report, (pp 267-291), Oxon, United Kingdom Routledge.
- Weeraratne, Bilesha. (2017). “Sri Lanka - Global Compact on Safe, Orderly and Regular Migration”. National Consultation Outcome Report. International Organization for Migration and the Ministry of Foreign Employment.
- Bilesha Weeraratne (2017). “Profile of Urban and Rural Population in Sri Lanka: Alternative Estimates”. Downloadable datasheets published by the Institute of Policy Studies of Sri Lanka.

COMMUNICATIONS /DISSEMINATION

Study findings of “Recruitment of Temporary Migrant Workers & the Evolving Role of Sub-Agents in Sri Lanka” were also presented at the 1st Annual REALM workshop, organized by the New York University Abu Dhabi, in Abu Dhabi, to an audience of donors and researcher, and to an audience of academics at the New York State Economic Association Annual Conference, Farmingdale College, New York. Weeraratne developed alternative estimates of the Profile of Urban and Rural Population in Sri Lanka, which is disseminated as Free Downloadable Datasheets Published on the IPS website.



Private Sector Development

Private sector development is an essential component of the government's policy vision, proposed through Vision 2025, towards creating a knowledge-based, highly competitive, social-market economy. Given a relatively small domestic market of 20 million consumers with modest per capita income, Sri Lanka's progression beyond low-middle income status will rely on transforming into an export-oriented economy. In order to do so, the country needs to create the necessary frameworks to successfully leverage high external demand for a sustained period of time. The government aims to raise per capita income to USD 5,000 per year, create one million new jobs, increase FDI to USD 5 billion per year, and double exports to USD 20 billion per year. Moreover, with a stated government policy objective of achieving GDP growth of 8 per cent or higher, Sri Lanka would need to raise its annual rate of investment from the current level of approximately 28 per cent of GDP to at least 35 per cent. With increasing pressures on public finances and announcements that public investment is likely to be capped at around 6 per cent of GDP, this higher investment ratio would need to come almost entirely from private investment.

RESEARCH FOCUS

The focus of research in 2017 has been on two key thematic areas; (1) The regulatory environment for private sector development and its impact on competitiveness, (2) Entrepreneurship, innovation, and private sector investment trends in Sri Lanka. Regulatory barriers have been identified as causing significant bottlenecks to improving Sri Lanka's competitiveness and ease of doing business by several international indices. As a result, with a greater focus on improving economic conditions for private sector investment, regulatory reforms have gained prominence in recent years. Research in this area has not only helped identify areas of potential reform but also chart a policy direction that could be pursued. Beyond the regulatory environment, research over the year has also focussed on sector specific trends in private sector development. This area of research has enabled greater insight into sector specific challenges and opportunities to contribute towards evidence-based policymaking.

RESEARCH STUDIES

Since the conclusion of the conflict and Sri Lanka's



IPS Research Officer, Kithmina Hewage, made a presentation on 'Industrial Policy and Development in Sri Lanka' at the Third Trans-Himalaya Development Forum, held in Mangshi, China, on 09 – 12 July.

graduation to low-middle income status, its economy is currently undergoing significant transformation. The IPS in partnership with the World Economic Forum (WEF), embarked on a project to identify key areas of transformation in the Sri Lankan economy by creating the **WEF Transformation Map for Sri Lanka**. Research identified seven themes of transformation: equitable growth, employment and employability, productive agriculture, digital transformation, export competitiveness, reconciliation and development, and reform and good governance.

The Map was initially presented to Prime Minister Ranil Wickremesinghe at the WEF's annual meeting in Davos in 2017 and subsequently made available to the public. The Map is expected to operate as a platform for all WEF stakeholders to engage on Sri Lankan economic affairs. Moreover, IPS researchers, Dushni Weerakoon and Kithmina Hewage have since been appointed to the WEF's Expert Network.

Inefficient government bureaucracy, policy instability, and restrictive labour regulations are some key regulatory bottlenecks affecting better private sector participation in the economy. These areas of concern were highlighted through the **Global Competitiveness Report 2017**. IPS continues to be the partner institute in Sri Lanka in developing this report for the World Economic Forum (WEF).

Since graduating to middle income status, Sri Lanka's access to concessionary development finance through traditional donors has reduced significantly. Combined with the island's important strategic position and the emergence of India and China as significant players in the country's development narrative, South-South Cooperation has increasingly played an important role. In recognition of this, Kithmina Hewage and Harini Weerasekera undertook a study to analyse the **Changing Landscape of Development Finance in Post-Conflict Sri Lanka**. This research was funded by the Research and Information System for Developing Countries (RIS) in India and been accepted to be published.

In recent years, foreign direct investment (FDI) flows into Sri Lanka have been underwhelming and investment in the manufacturing sector in particular has reduced significantly. In order to gain further insights into investments in the manufacturing sector, IPS researchers Kithmina Hewage and Harini Weerasekera are conducting a **Firm-Level Analysis of Manufacturing Sector Investment in Sri Lanka**. This study will be published as an IPS policy paper in 2018.

POLICY ENGAGEMENT

- Kithmina Hewage briefed the National Level Core Team on World Economic Forum (WEF) engagement set up by the Ministry of Development Strategies and International Trade (MoDSIT).
- Contributed towards the development of the section on investment policy and reforms for the government's three year strategy plan developed under the Ministry of National Policies and Economic Affairs.
- Kithmina Hewage attended a round table discussion organized by the SAARC Chamber of Commerce and Industry on "Revitalizing SAFTA".

PUBLICATIONS

- Weerakoon, D., and Hewage, K.V. (2017). "Fiscal Policy, Growth, and Macrostability" in Kelegama, S. (ed.), "Tax Policy in Sri Lanka: Economic Perspectives". Institute of Policy Studies of Sri Lanka, 17-42.
- Hewage, K. V. (2017). "Re-energising Economic Cooperation through Regional Aid for Trade: Lessons from Europe" in "New Futures for South Asia: Commerce and Connectivity", Routledge.



Vishvanathan Subramanian, Research Assistant, chaired the panel at the World Consumer Rights Day Forum on 15 March 2017 in the IPS Auditorium.

- Hewage, K.V. (2017). Book review of "South Asia's Turn: Policies to Boost Competitiveness and Create Next Export Powerhouse". South Asia Economic Journal, 18 (1), SAGE journals, 126-30.

COMMUNICATION / DISSEMINATION

As discussed above, the focus for research and dissemination during the year has been on engaging in economic reforms to facilitate better private sector investment. Research Officer, Kithmina Hewage discussed this urgent need to reorient the Sri Lankan economy during a presentation at the annual Asian Development Bank (ADB) – Asian Think Tank Development Forum, held in Colombo. This presentation was reported on by the national print media and was further discussed during a television interview on the Biz1st 360° Review.

Low female labour force participation in the formal economy in Sri Lanka has been a significant constraint to growth in the country. Several newspaper articles were published on the issue of female participation in the MSMEs, especially the spice and coir sectors in Sri Lanka based on research done by Janaka Wijeyasiri, Sunimallee Madurawala, Dilani Hirimuthugodage, and Dharshani Premaratne.

Several other articles and media interviews have been conducted in conjunction with addressing gaps in investment reforms, bottlenecks to domestic private sector investment, and the impact of domestic and external shocks such as natural disasters and economic policy changes in Europe and the US as well.

Research Team Leaders



L - R: Ganga Tilakaratna, PhD (Manchester), Janaka Wijayasiri, PhD (Monash), Nisha Arunatilake, PhD (Duke), Saman Kelegama, D.Phil (Oxon), Bilesha Weeraratne, PhD (CUNY), Dushni Weerakoon, PhD (Manchester), Athula Senaratne, PhD (Deakin), Manoj Thibbotuwawa, PhD (Western Australia)

Research Staff



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



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



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



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Research Officer



Samanthi Bandara
BA (Colombo), MSc (Chulalongkorn)
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BA (Johns Hopkins), MSc (UCL)
Research officer



Neluka Gunasekara
BA (Colombo)
Research Assistant



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BA (Colombo)
Research Officer



Ashani Abayasekara
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Research Officer



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



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

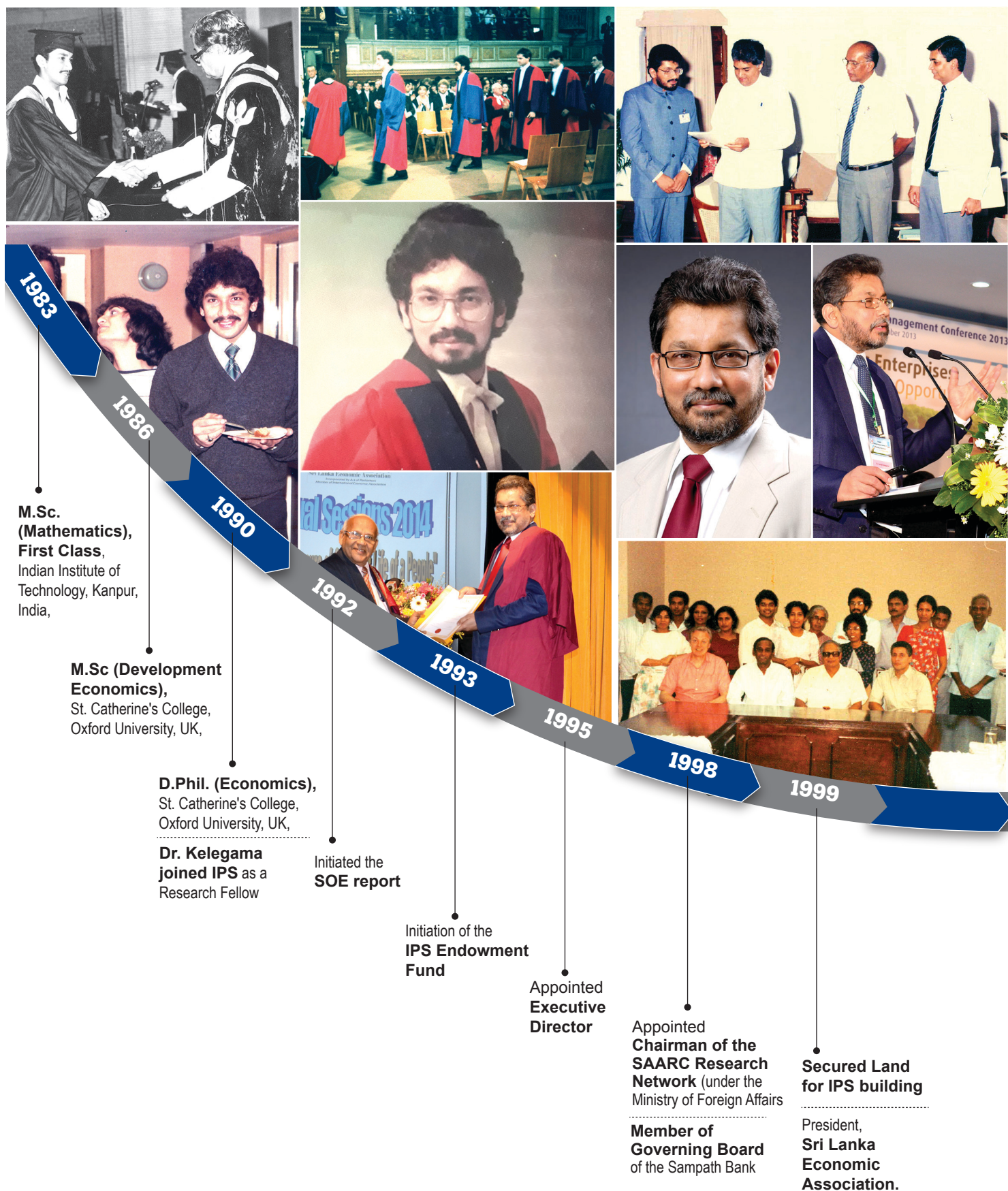


Yolanthika Ellepola
BSc (St.Andrews), MSc (LSE)
Research Assistant



Wimal Nanayakkara
BSc (Peradeniya)
Senior Visiting Fellow

TIMELINE OF DR. SAMAN KELEGAMA 1959 - 2017





International Books:

Regional Economic Integration

Challenges for South Asia During Turbulent Times (joint editor), Published by, South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu; and South Asia Centre for Policy Studies (SACEPS), Kathmandu, 2012

Foreign Aid in South Asia

The Emerging Scenario (editor), Sage Publications, India, 2012 Routledge Publications, UK, 2011

Trade Liberalization and Poverty in South Asia (joint editor)

Sage Publications, India, 2011

Migration, Remittances and Development in South Asia (editor)

Sage Publications, India, 2010 Promoting Economic Cooperation in South Asia - Beyond SAFTA (joint editor), Sage Publications, India, 2009 Trade in Services in South Asia (editor),

South Asia Year Book of Trade and Development on Harnessing Gains from Trade

Domestic Challenges and Beyond (joint editor), Academic Foundation, India for Centre for Trade and Development CENTAD, 2008 Sage Publications, India, 2007 South Asia in the WTO (editor),

South Asian Yearbook of Trade and Development 2006 - Multilateralism at Cross-Roads:

Reaffirming Development Priorities (joint editor), Wiley Publications, India, 2007 Development under Stress Sri Lankan Economy in Transition Sage Publications, India, 2006

Economic Policy in Sri Lanka

Issues and Debates (editor), Sage Publications, India, 2004



Local Books:

Economic and Social Development under a Market Economy Regime in Sri Lanka, Buddhadasa Hewavitharana Felicitation

Volume I, October, 2011 (edited with Dileni Gunewardena)

Economic and Social Development under a Market Economy Regime in Sri Lanka, Buddhadasa Hewavitharana Felicitation

Volume 2, February, 2012 (edited with Dileni Gunewardena)

“Contemporary Economic Issues:

Sri Lanka in the Global Context”

Sri Lanka Economic Association, 2006

“South Asia after the Quota System:

Impact of the MFA Phase-Out” (editor), IPS/FES, 2005

“Ready-Made Garment Industry in Sri Lanka:

Facing the Global Challenge” (editor) IPS, 2004

Sri Lanka Economic Journal (Special Issue in Honour of Gamani Corea) (edited with A.D.V. de S. Indraratna), 2004

400 Years of Dutch-Sri Lanka Relations:

1602-2002” (edited with R. Madawela), IPS, 2003

Impediments to Regional Economic Cooperation in South Asia

(editor), joint publication of the Coalition for Action for South Asian Cooperation and IPS, 2001 “Study on the Impact of Labour Legislation on Labour Demand in Sri Lanka” (with R. Gunatilaka), Department of National Planning, Ministry of Finance and Planning, 1997

“Privatization in Sri Lanka:

The Experience During the Early Years of Implementation”, Sri Lanka Economic Association-USAID joint publication, Colombo, 1993.



TTI Funded Programmes 2017



Publications

Sri Lanka State of the Economy 2017
Taxation in Sri Lanka; Current Trends and Perspectives
TE Digest – 2017 – Issue One and Two
Sri Lankan Tea Industry in Transition: 150 years and Beyond

Events

Asian Think Tank Development Forum

Research Projects

Profile of Urban and Rural Population in Sri Lanka:
Alternative Estimates
Teacher Availability in Sri Lanka – Quality Matters!
School Characteristics and Student Performance in
Sri Lanka
Does Health Insurance Affect Health Seeking Behaviour
in Sri Lanka?

Sri Lanka's Grade Five Scholarship Exam:

Evaluating Performance and Effectiveness - PJ 281 I

Training

Support staff

Staff Training on – “Conflict Management Skills for Women”
Staff Training on "Training Needs Analysis"
Two day workshop on Digital Photography

Research staff

2018 PEP online course for Ashani Abayasekara,
Research Officer

Staff Interaction

Day Out at Avani Kalutara



SUPPORT SERVICES

Finance and Administration

The Department of Finance and Administration is set up to provide support services to the Research units. These support services comprise of financial, administration, human resource, maintenance, operations, transportation and procurement services.

The financial year 2017 was closed with uncountable loss due to the sudden demise of Dr. Saman Kelegama. However, the guidance we received from him strengthens us to work hard to keep IPS in a visionary direction.

The institute's financial performance for the year shows Rs. 14.68 Mn surplus. The total revenue of Rs. 144 Mn was collectively supported by project revenue (37%), interest income 25%, Government grant 10%, IDRC TTI grant 18% and other miscellaneous income 10%. Recorded project revenue of Rs. 53 Mn was a significant increase as compared to Rs. 25 Mn and Rs. 36 Mn reported during last two years.

In 2016, the Institute bid farewell to four researchers and three support staff members, while ten new staff members were recruited to research and support sections of the Institute.

STAFF

Gayani Caldera, Director Finance and Administration

Ranushi Jayatilake, Accountant

Thakshila Withanage, Accounts Assistant

Madusha Hettiarachchi, Finance and Administrative Assistant

Nilanthi Alahakoon, Secretary

Bernadette Prabalogy, Receptionist

Harshani Fonseka, Human Resource and Administration Officer

Renuka Wijekoon, Facility Management Officer

P. U. K. Rajasiri, Driver/Office Aide

G. R. Wickremasena, Driver/Office Aide

H. S. Udayakantha, Driver/Office Aide

Nihal Wasantha, Driver/Office Aide

S. P. Gamini, Office Aide

SUPPORT SERVICES

Communications & Outreach

Disseminating IPS research and expanding outreach through effective use of communication channels is one of the key objectives of the Institute, and is led by the Communications and Publications Units of the IPS. This includes distributing the multi-dimensional research activities of IPS to local and international stakeholders, policymakers, and the general public through various mediums. These include publications, policy briefs, print, electronic, and broadcasting media, digital and social media, and events and dialogues. In 2017, the IPS Communications Strategy and Communications Plan was further developed and followed through in consultation with the research staff.

RESEARCH DISSEMINATION THROUGH PUBLICATIONS

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

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

OTHER CHANNELS

IPS academic research is also repackaged into more accessible and easily-digestible formulations such as Policy Insights, with the aim of effectively engaging with the target audiences - national, regional, and international stakeholders, of the Institute, as well as policymakers. In 2017, IPS developed 19 policy insights based on its publications and on-going research. Of these, 15 of the Policy Insights were based on IPS' flagship annual publication, 'Sri Lanka: State of the Economy 2017.'

Regular review meetings to discuss and obtain feedback on contemporary IPS work and more informal round table discussions with key stakeholders are among the IPS outreach



measures. In addition, IPS targets vernacular language audiences through options such as TV documentaries, regular panel discussions and translated outreach and publications material.

OUTREACH THROUGH A STRATEGIC RELATIONSHIP WITH THE MEDIA

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

In 2017, IPS issued 50 blog articles to the English media (generated by Talking Economics and ClimateNet). In total there were 507 media hits in the press and electronic media in 2017. As a new initiative, IPS held a press conference to distribute its latest research on education. One-on-one interviews between the press and research staff have been facilitated to strengthen IPS' relationship with media as well as to disseminate the Institute's research with a better focus.

As another new initiative, IPS researchers started participating in television interviews and discussion programmes in 2017; six such programmes featured IPS researchers, discussing areas of their expertise, including blue-economy, labour market inefficiencies, education reforms, migration, Sri Lanka's economic outlook, and climate insurance.

SUPPORT SERVICES



EVENTS

Among the events that were held in 2017, IPS in collaboration with the Centre of Development Economics and Sustainability (CDES), and the South Asia Research Network (SARN), Monash University, Australia, organized a conference on 'Human Capital, Food Security and Economic Development in South Asia' in January. A workshop to disseminate the findings of a study titled 'Climate Insurance for Dry Zone Farmers in Sri Lanka' was also held in January.

To mark the World Consumer Rights Day, IPS held a forum, centered on the theme 'Consumer Rights in the Digital Age' in March, with the participation of experts in the field, digital consumers, entrepreneurs and stakeholders. A Stakeholder Validation Workshop, organized by the IPS, Global Living Wage Coalition (GLWC), and Fairtrade International (FLO) was held in August, with the participation of a wide range of stakeholders. The fifth ADB-ATTN Development Forum 2017 was held in Colombo in September. The Forum, which saw the participation of more than 25 countries, was co-organized by the Asia Development Bank (ADB) and the IPS. IPS launched its flagship report, 'Sri Lanka: State of the Economy 2017', in October.

KNOWLEDGE DISSEMINATION THROUGH ONLINE MEDIUMS

As increasingly the world turns towards online mediums for information, IPS too has embraced a series of social and digital media channels to generate wider interest around the Institute's research and to communicate key insights on socio-economic policy issues.

The IPS website, social media platforms as well as the blogs – Talking Economics and ClimateNet – are among the key online platforms used for knowledge dissemination. The revamped IPS website was launched in April 2017, with new content on the Institute's activities being uploaded almost weekly. The blogs are one of the main modes of outreach – with regular posting of 'long-read' essays, op-eds and rapid-response articles. IPS produced 50 such blogs in year 2017, touching on important and timely economic and policy issues of both national and international interests. Select researchers' articles have also been published in global platforms such as the 'South Asian Voices' and the 'World Politics Review.'

IPS' social media presence also increased significantly in 2017, with its Facebook, Twitter, LinkedIn, and YouTube pages being updated regularly. The number of Likes on the official IPS page increased from 1893 in 2016 to 2639 in 2017. IPS also co-hosted a Twitter Chat with the World Bank, and its own Twitter Chat on the State of the Economy report. This was a novel way for researchers to engage with the online community of Sri Lanka. As a result, most of the IPS research staff became active on Twitter. The IPS also created 11 YouTube interviews, including one on the National Budget, which communicated the views and the initial reactions of the Institute's researchers. In these ways, the IPS has managed to reach out to a variety of stakeholders with the Institute's premier research.

STAFF

Charmaine Wijesinghe, Manager Publication & Events
Shihara Maduwage, Manager Communications and Strategic Outreach
Amesh Thennakoon, Publications Officer
Asuntha Paul, Secretary
Nayomi Jayakody, Secretary
Ayoni Rangala, Coordinating Secretary/HR Assistant
Gayendri Karunarathne, Part Time Editor

SUPPORT SERVICES

Information Systems

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

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

Audio and Video conferencing facilities were also integrated to the network so that this facility could be used by the staff

when they are in the Conference Rooms and Auditorium. Audio and Video conferencing facilities were also integrated to the network so that this facility could be used by the staff when they are in the Conference Rooms and Auditorium. The un-interrupted power for these servers is being supplied by two on line UPS.

With the view of crating wider public of IPS research work by providing more user-friendly interface. The new site was lunched on April 2017 by the former Executive Director Dr. Saman Kelegama

Given the fact that the IT network served IPS beyond it's full lifecycle it is initiated the process to implement a replacement for the same by the year 2018.

It was started the process of improving the server system of IPS to replace the older version with newest available in the market, to provide better and faster IT services.

STAFF

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

SUPPORT SERVICES

Library

MISSION:

Library advances research by delivering responsive knowledge services and connecting staff with quality information resources.

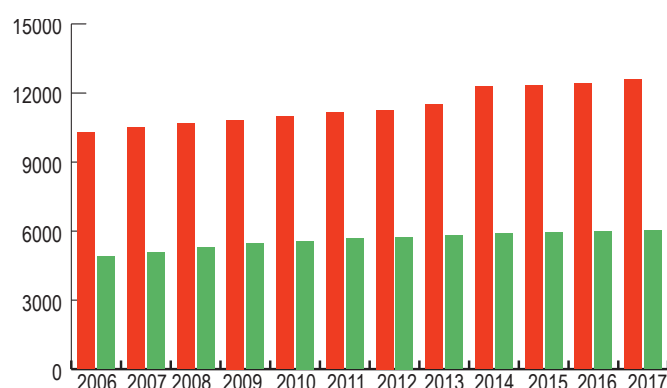
VISION:

Library is the centre of choice for essential knowledge services for Sri Lankan socio-economic policy research.

OVERVIEW

As stated in last year's annual report, in 2017 the main focus of the Library was to restructure library services according to the information needs as well as the information seeking behaviours of its researchers and the resources available; especially the human resources.

COLLECTION DEVELOPMENT



Taking into consideration the restructuring programme underway, library mainly focused on acquiring electronic versions of key publications of local, regional and international organisations (i.e. Central Bank of Sri Lanka, Department of Census and Statistics, Ministry of Finance, International Monetary Fund, International Labour Organisation) and were able to add a considerable number of items to its books and pamphlet collection.

Besides the electronic publications, library also received a substantial amount of printed publications and documents as exchanges and gifts. These were valuable additions to the



Librarian also attended the World Library and Information Conference of IFLA, 19-25 August, Wroclaw, Poland.

repository, which the library maintains on Sri Lankan economic and sectoral policy.

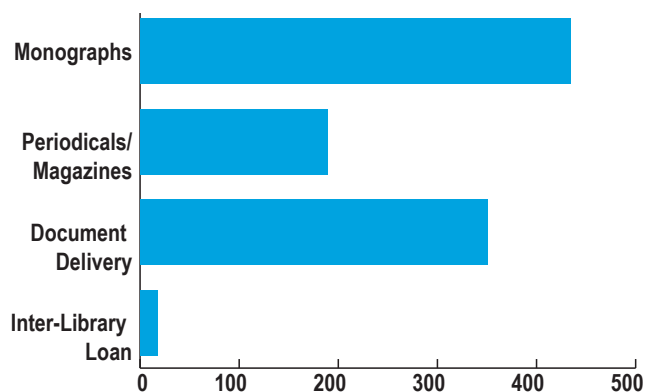
ACCESS TO ON-LINE FULL-TEXT DATABASES

In 2017 also library continued to provide access to several databases with the generous support of IDRC/Think Tank Initiative (TTI). However, with the phasing out of TTI and IMF e-library providing access to online full-text database will be a huge challenge to library. Amongst the other challenges library has to tackle with this will be the top priority under our restructuring efforts.

ENHANCING SERVICES

Due to the current awareness services and user education activities usage of library Intranet, OPAC, Electronic databases has increased considerably.

In 2017, researchers borrowed around 434 print items which included monographs, pamphlets and working papers and 189 print journals and magazines. In addition library attended to a large number of Inter Library Loan (ILL) and Document Delivery (DD) requests. By end December 2017 on the request of its researchers library has delivered around 351 electronic documents.



LIBRARY CIRCULATION, DD AND ILL STATISTICS FOR 2017

In addition to responding to a considerable number of e-mail and telephone queries a number of national and international professionals and students used its services by visiting the library.

LIBRARY COMMITTEE

Chaired by Nisha Arunatilake, the Library Committee which plays an advisory role assists the Librarian in setting overall library policy and in defining broad guidelines for further development of the IPS library. The Committee especially, informs the Librarian of the priority needs of the researchers, and sets the direction for the IPS library within the context of the Institute's overall goals.

HUMAN RESOURCES

The staff issues pointed out in previous reports still remains but will be addressed through the restructuring of library services. A trainee library assistant was hired on temporary basis until the finalisation of the restructuring programme.



Librarian attended the mid-meeting of Regional Standing Committee of Asia and Oceania (RSCAO) of International Federation of Library Associations and Institutions (IFLA), New Delhi, India from 20-22 February 2017.



As an accredited trainer of IFLA Building Strong Library Associations (BSLA) Programme librarian also participated in two training workshops in New Delhi, India (from 4-7 October 2017) and in Kathmandu, Nepal (from 9-11 December 2017).

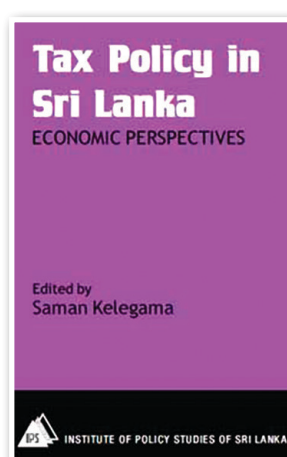
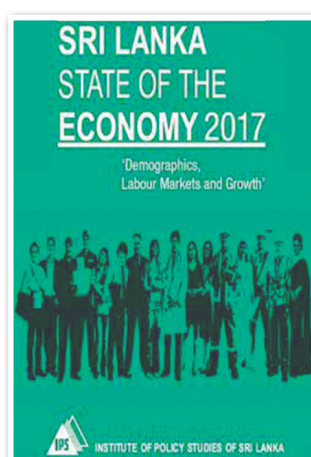
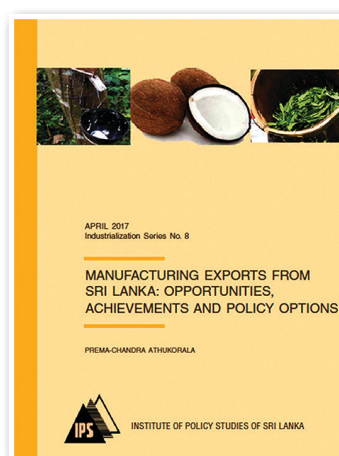
PRIORITIES FOR THE COMING YEAR

The development of a special collection in the library for Institute's former Executive Director Dr Saman Kelegama and creation of a digital library of his writings will be the top most priority for 2018. The special collection will be developed with some of his private library which the Kelegama family so kindly donated to IPS library. The collection includes books, journals and pamphlets on economics which were authored by him as well as others. The restructuring of library services and staff duties accordingly will also be remained as a priority for year 2018.

STAFF

Premila Gamage, Librarian
Vishaka Narmadha, Trainee Library Assistant

IPS Publications 2017



IN-HOUSE SEMINARS 2017



“Incidence of Taxes and Government Transfers”, by Nisha Arunatilake, Research Fellow and Priyanka Jayawardena, Research Economist, IPS, IPS Conference Room, 27 March.



“Child Poverty”, by Wimal Nanayakkara, Senior Visiting Fellow, IPS, IPS Conference Room, 28 February.



“Mutual Micro-insurance”, by Chinthani Sooriyamudali, Research Assistant, IPS, IPS Conference Room, 28 April.



“School Resources and Educational Outcomes in Sri Lanka”, by Nisha Arunatilake, Research Fellow and Ashani Abayasekara, Research Officer, IPS, 10 July.

“Technology Transfer and Intellectual Property Rights: Where Does Sri Lanka Stand?”, by Dilani Hirimuthugodage, Research Officer, IPS, 25 August.



“Sri Lanka Tourism: Trends, Impact and Challenges”, by Yolanthika Ellepola, Research Assistant, IPS, 29 September.



“What is the Export Benefit of GSP+ to Sri Lanka in Numbers”, by Janaka Wijayasiri, Research Fellow, IPS, 04 August.



“Sri Lankan Girls’ and Young Women’s Economic and Social Empowerment for Leadership”, by Sunimalee Madurawala, Research Economist, IPS, 28 November.

Local Presentations

- Chaired the Session “Development Challenges in South Asia” at the Conference on “Human Capital, Food Security and Economic Development in South Asia” jointly organized by the IPS and University of Monash, Hotel Galadari, on 12 January.
(By: Saman Kelegama)
- Delivered a Speech on the “Regional Political Economy: Sri Lankan Perspective”, Norwegian Ambassadors of South Asia Meeting, Galle Face Hotel, 30 January.
(By: Saman Kelegama)
- Delivered the 27th J. E. Jayasuriya Memorial Lecture on the topic: “Non-State Actors in Higher Education in Sri Lanka: Issues and Challenges”, organized by the J. E. Jayasuriya Memorial Foundation, SLFI, 13 February.
(By: Saman Kelegama)
- Delivered a speech on the “Current State of the Economy in Sri Lanka”, Young Jaycees International, Sri Lanka Foundation Institute, 25 March.
(By: Saman Kelegama)
- Made a presentation on “Sri Lanka’s Economic Policy and an Overview of Sri Lanka’s Current Economic Situation” at the EU Economic Counsellors’ meeting, EU Delegation, 2 May.
(By: Saman Kelegama)
- Made a presentation on “State of the Economy 2017: Economic Outlook” at the launch of the Sri Lanka: State of the Economy report, Dr. Saman Kelegama Auditorium, IPS, 10 October.
(By: Dushni Weerakoon)
- Panellist at an event on “BIMSTEC at 20 - Priorities for the Future”, organized by the Lakshman Kadirgamar Institute (LKI), LKI Auditorium, 8 December.
(By: Dushni Weerakoon)
- Presentation on the draft “National Strategic Review of Food Security and Nutrition” at the Government Pillar Meeting organized by World Food Programme (WFP), Presidential Secretariat, 17 January.
(By: Manoj Thibbotuwawa)



Local Presentations

- Panelist in the workshop on “Climate Insurance for Dry Zone Farmers in Sri Lanka”, IPS Auditorium, 24 January.

(By: Manoj Thibbotuwawa)

- Presented the key findings and policy implications of a study titled “Climate Insurance for Dry Zone Farmers in Sri Lanka” at workshop on “Climate Insurance for Dry Zone Farmers in Sri Lanka”, IPS Auditorium, 24 January.

(By: Kanchana Wickramasinghe)

- Presentation on “Findings of the Cinnamon Value Chain Analysis” at the final Advisory Committee meeting at IPS, 7 March.

(By: Dilani Hirimuthugodage)

- Presentation on “Analysis of Cinnamon Value Chain in Sri Lanka” at national dissemination workshop on “Cinnamon, Pepper and Cardamom Value Chains Study”, IPS Auditorium, 20 March.

(By: Dilani Hirimuthugodage)

- Presentation on “Cardamom Value Chain in Sri Lanka” at the dissemination workshop on “Cinnamon, Pepper and Cardamom Value Chains Study”, IPS Auditorium, 20 March.

(By: Manoj Thibbotuwawa)

- Panelist at the discussion on “Draft National Policy on Traditional Knowledge and Cultural Expressions”, organized by the National Intellectual Property Office (NIPO), Churchill Virtual Room of Miloda Academy of Financial Studies 7 April.

(By: Dilani Hirimuthugodage)

- Presentation on “Role of Intellectual Property Rights in Promoting Ecotourism in Sri Lanka” at 6th International Conference of Sabaragamuwa University of Sri Lanka, organized by the University of Sabaragamuwa, Grand Kandy Hotel, 3 to 5 May.

(By: Dilani Hirimuthugodage)

- Panelist at the session titled “Practical Recommendations to Implement Green Accounting in Sri Lanka” at the National Workshop on “Green Accounting”, Central Bank of Sri Lanka, 17 August.

(By: Kanchana Wickramasinghe)

- Panelist on the Twitter Chat on “Environmental Benefits of Economic Management in Sri Lanka”, organized by the World Bank in collaboration with the IPS, 21 August.

(By: Kanchana Wickramasinghe)



- Featured on the Biz1st Review 360 (MTV News1st) on “Blue Economy and How Sri Lanka Can Benefit from it”, 16 June.

(By: Athula Senaratne)

- Presentation on “Challenges in Implementing Land Use Policy” at “Land Health is National Wealth” expert workshop, Dr. Saman Kelegama Auditorium, IPS, 11 to 13 October.

(By: Manoj Thibbotuwawa)

- Presentation on “Food Security Issues in Agriculture” at “SLEA Annual Sessions-2017”, Centre for Banking Studies, Rajagiriya, 28 October.

(By: Manoj Thibbotuwawa)

- TV Interview on “Climate Resilience Aspects of Blue Green Budget”, Biz1st Review 360, broadcasted over TV1 (formerly MTV Sports) on 1 December.

(By: Kanchana Wickramasinghe)

- Panellist at the discussion titled “2018 Blue Green Budget of Sri Lanka: It's Reality in Environmental Perspective”, organized by the Institute of Environmental Professionals Sri Lanka (IEPSL), National Library and Documentation Board's Auditorium, 14 December.

(By: Kanchana Wickramasinghe)

- Keynote speech on “Climate Change, Gender Issues and Sustainable Development Goals (SDGs)” at the “Encountering SDGs and Climate Change Challenges: A Roundtable for Women Professionals”, organized by the Centre for Women's Research, NetWater, Sri Lanka Water Partnership, and the National Committee on Women, Centre for Women's Research in Colombo, 22 December.

(By: Kanchana Wickramasinghe)

Local Presentations

- Presentation on “Education for a Knowledge Based Economy” at the conference on “Human Capital, Food Security and Economic Development in South Asia” organized by the IPS in collaboration with the Centre of Development Economics and Sustainability (CDES), and the South Asia Research Network (SARN), Monash University, Australia, Anthurium Room, Hotel Galadari, Colombo, 11 and 12 January.

(By: Nisha Arunatilake)

- Presentation on “Issues with Increasing Female Labour Force Participation in Sri Lanka” at WiLAT (Women in Logistics and Transport) 4th Anniversary panel discussion, organized by WiLAT, Kingsbury Hotel, 20 March.

(By: Nisha Arunatilake)

- Presentation on “Why Do Older Workers Choose to Participate in Different Livelihood?”, at “Annual Sessions and Annual General Meeting of the Population Association of Sri Lanka”, Economics Auditorium, University of Colombo, 15 July.

(By: Samanthi Bandara)

- Presentation on “Sri Lanka Living Wage: Estate Sector (Tea)” at the conference on “Living Wage for the Estate Sector of Sri Lanka: Is it Sufficient?”, organized by IPS, Global Living Wage Coalition (GLWC), and Fairtrade International (FLO), IPS Auditorium, 24 August.

(By: Manoj Thibbotuwawa)

- Presentation on the findings of “Living Wage Study for the Estate Sector”, at the Stakeholder Validation Workshop, organized by IPS, Global Living Wage Coalition (GLWC) and Fairtrade International (FLO), IPS Auditorium, 24 August.

(By: Priyanka Jayawardena)

- Presentation on the findings of “Why People Choose to Participate in the Temporary Forms of Employment in Sri Lanka”, at the Department of Manpower and Employment, 12 September.

(By: Priyanka Jayawardena)

- Presentations on “Assessing Sri Lankan Girls’ and Young Women’s Economic and Social Empowerment for Leadership”, at the launch event of the Sri Lankan Girls and Young Women’s Economic and Social Empowerment for Leadership, to Disseminate key findings of the “Review and Prioritize Girls Rights in the 2030 Sustainable Development Agenda”, organised by the Plan International Sri Lanka, and at the media briefing organized by the Plan International Sri Lanka Study to commemorate the International Girl Child Day, BMICH, 10 October.

(By: Sunimalee Madurawala)



- Chaired the session on “Labour Market Reforms” at the “Advocata Economic Freedom Summit”, Global Towers Hotel, Colombo, 12 October

(By: Nisha Arunatilake)

- Press conference to disseminate findings of IPS publication “Better Schools for Better O-Level Results in Sri Lanka”, organized by IPS, IPS Conference Room, 28 November.

(By: Nisha Arunatilake and Ashani Abayasekara)

- TV appearance on “Sri Lanka: State of the Economy 2017”, State of Business, broadcasted over Art TV on 28 November.

(By: Nisha Arunatilake)

- Panellist to seminar on “Triumph through Turbulence in 2017: Economic Outlook and Implications for Business”, organized by the Ceylon Chamber of Commerce, CCC Auditorium, 26 January.

(By: Dushni Weerakoon)

- Made a presentation on “Sri Lanka: Economic Outlook 2017/18” organized by the CA Sri Lanka Business School, CASL Auditorium, Colombo, 3 March.

(By: Dushni Weerakoon)

- Presentation on “Distributional Impact of Fiscal Policy” at “Evidence-based Policy for Poverty Education” workshop, organised by World Bank, Cinnamon Grand Hotel, 8 May.

(By: Priyanka Jayawardena)

- Presentation on “Growing the Giants” at the annual Management Conference, jointly organized by MBA Alumni Association of University of Colombo with Daily FT, Cinnamon Grand, 14 June.

(By: Janaka Wijayasiri)

Local Presentations

- Panellist at the session on “Executing a Smarter Trade Strategy Amidst Turbulence” at the “Sri Lanka Economic Summit 2017”, organized by the Ceylon Chamber of Commerce (CCC), Cinnamon Grand, Colombo, 25 July.

(By: Dushni Weerakoon)

- Presentation on “Sri Lanka’s Economic Outlook” at “ADB-Asian Think Tank Development Forum”, co-organized by the IPS and the Asian Development Bank (ADB), Cinnamon Grand Hotel, Colombo, 20 and 21 September.

(By: Kithmina Hewage)

- Presentation on “Trade Policy Analysis” at “UNESCAP Capacity Building Programme”, Miloda Academy of Financial Studies, Colombo, 22 September.

(By: Janaka Wijayasiri)

- TV appearances at Biz 1st Roundup - TV1, 29 September.

(By: Kithmina Hewage)

- Presentation on “Impact of the GSP+ on Key Sectors of the Economy: Some Preliminary Estimates”, at national forum on “Sri Lanka and GSP Plus: Ensuring Sustainable Supply Chains”, JAIC Hilton, 2 October.

(By: Janaka Wijayasiri)

- Presentation on “Recruitment of Temporary Migrant Workers & the Evolving Role of Sub-Agents in Sri Lanka” at the Program Action Committee (PAC) meeting by New York University Abu Dhabi, organized by the Ministry of Foreign Employment, Ministry of Foreign Employment, 31 March.

(By: Bilesha Weeraratne)

- Presentation on “Recruitment Intermediaries in the Foreign Employment Industry - Sri Lanka”, organized by International Organization for Migration (IOM), IOM, Colombo, 6 July.

(By: Bilesha Weeraratne)

■

- Presentation on “Globalization of Family: the Role of the State”, at research workshop on “Families, Kin and the State in Sri Lanka”, organized by the American Institute for Lankan Studies (AILS), Colombo, 24 and 25 July.

(By: Bilesha Weeraratne)

- Presentations on “Global Compact on Migration: Way Forward for Sri Lanka”, at “GCM Sensitization Workshop for Government



Officials” and “GCM Sensitization Workshop for Non-Government Officials”, organized by International Organization for Migration (IOM) and Ministry of Foreign Employment, IPS, 8 August.

(By: Bilesha Weeraratne)

- Presentation on “Summary of Stakeholder Input”, at National Multi-Stakeholder Consultation on “Global Compact on Safe, Orderly and Regular Migration”, Movenpick Hotel, 25 August.

(By: Bilesha Weeraratne)

- TV appearances at Face the Nation - TV1, 4 September.

(By: Bilesha Weeraratne)

- Panellist at the World Food Day panel discussion on “Change the Future of Migration - Invest in Food Security and Rural Development”, organized by the Food and Agriculture Organization, Sri Lanka, Kingsbury Hotel, Colombo, 17 October.

(By: Bilesha Weeraratne)

- Conducted IPS in-house seminar on “The Demand for Mutual Microinsurance in Sri Lanka”, IPS Conference Room, 28 April.

(By: Chinthani Sooriyamudali)

- Guest lecture on “Millennium Development Goals and Sustainable Development Goals”, SANASA Education Campus Limited, 14 August.

(By: Ganga Tilakaratne)

- Presented the draft paper on “Roles and Responsibilities of Stakeholders in SDG Implementation Process” to the SDG consultative committee of the Ministry of Sustainable Development and Wildlife (MSDW), MSDW Auditorium, 27 October.

(By: Ganga Tilakaratna)

Overseas Presentations

Presentation on “Sustainable Development Goals: Keeping the Promise Alive”, and a Panellist at the session on “Independent Think Tanks: Challenges in Shrinking Spaces”, at the Twentieth Sustainable Development Conference, organized by Sustainable Development Policy Institute (SDPI), Islamabad, Pakistan, 5 December.
(By: Samanthi Bandara)

Panellist at the session on “Regional Cooperation on Climate Change” at the “10th South Asian Economic Summit”, Kathmandu, Nepal, 14 to 16 November.
(By: Manoj Thibbotuwawa)

Presentation on “The Effect of Recruitment Intermediary’s Informal Status on Negotiating Recruitment Incentives for Migrant Workers”, at New York State Economic Association Annual Conference, Farmingdale College, New York, 6 and 7 October.
(By: Bilesha Weeraratne)

Presentation on “An Example of High Level Political Commitment to the SDGs, with Benefits for Health in Sri Lanka”, at the “Accelerating Political Support for SDG Implementation Conference”, Santiago, Chile, 25 to 27 July.
(By: Yolanthika Ellepola)

Presentation on “Recruitment of Temporary Migrant Workers & the Evolving Role of Sub-Agents in Sri Lanka” at the 1st annual REALM workshop, organized by New York University Abu Dhabi, Abu Dhabi, 12 and 13 March.
(By: Bilesha Weeraratne)



Panellist at the “South and South-West Asia Forum on Implementation of the Sustainable Goals”, organized by the United Nations ESCAP, Kathmandu, Nepal, 1 and 2 November.
(By: Ganga Tilakaratne)

Panellist at the session on “SDGs and Inclusive Growth in South Asia” at the 10th South Asia Economic Summit, co-organized by the South Asia Watch on Trade, Economics and Environment (SAWTEE) Nepal, Centre for Policy Dialogue (CPD) Bangladesh, Research and Information System for Developing Countries (RIS) India, Sustainable Development Policy Institute (SDPI) Pakistan and IPS, Kathmandu, Nepal, 14 to 16 November.
(By: Ganga Tilakaratna)

Panelist at a Session on Inclusive Growth: “Managing Growth for Social Inclusion” held at the BRAC Centre Inn Auditorium in Mohakhali, Dhaka, Bangladesh, 18 and 19 February.
(By: Saman Kelegama)

Presentation on “Fisheries Subsidies” at Dhaka retreat and public dialogue on “Towards Eleventh Ministerial of the WTO: Reclaiming the Development Agenda”, organized by the Centre for Policy Dialogue (CPD), in collaboration with the Commonwealth Secretariat, Friedrich-Ebert-Stiftung (FES) Dhaka, Think Tank Initiative (TTI), and LDC IV Monitor, Dhaka, Bangladesh, 29 and 30 November.
(By: Manoj Thibbotuwawa)

Speech on “The Role of Think Tanks for the Belt and Road Initiative” at the workshop on “Building a NGO Network for Belt and Road Initiative”, Beijing, 9 June.
(By: Ganga Tilakaratne)

Presentation on “Industrial Policy and Development in Sri Lanka” at “Trans Himalayan Development Forum”, organized by China Institutes of Contemporary International Relations, Mangshi, China, 9 to 12 July.
(By: Kithmina Hewage)

Panelist at the Session on “Current State of the Economy and Outlook for Inflation, Rates, Trade, Currency, and Financial System”, at the 2nd Sri Lanka Investment Summit organized by Finance Asia, Ritz Carlton Hotel, Hong Kong, 16 and 17 March.
(By: Saman Kelegama)

Panellist at the event on “Meeting Employment Challenges of South Asia” and a Discussant at the session on “Informality and Labour Markets”, at the 59th annual conference of the Indian Society of Labour Economics (ISLE), organised by RIS, SACEPS and IHD, Kerala, India, 16 to 18 December.
(By: Ganga Tilakaratne)

Made a presentation on “Opportunities for Intra-Commonwealth Trade” at the High Level Panel on Opportunities in Intra-Commonwealth Trade at the “First India-Commonwealth SME Trade Summit”, New Delhi, India, 30 and 31 May.
(By: Saman Kelegama)

Presentation on “Income Security for Older Persons in Sri Lanka” at the symposium on “Old-Age Income Security and Universal Basic Income in South Asia”, organized by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), New Delhi, India, 27 February.
(By: Ganga Tilakaratne)

Panellist at the High-Level Dialogue on “Regional Economic Cooperation and Integration for Enhancing Sustainable Development in Asia and the Pacific”, organized by UN ESCAP, Bangkok, Thailand, 20 and 21 April.
(By: Saman Kelegama)

Moderated a session on “Identifying the Linkages between Preferential Trade Arrangements and Inclusive Trade: Revisiting the Literature”, at the Regional Dialogue on “Enhancing the Contribution of Preferential Trade Agreements to Inclusive and Equitable Trade”, UN-ESCAP, Bangkok, Thailand, 21 and 22 June.
(By: Saman Kelegama)



Beyond Research



IPS Annual Staff outing was held at Avani Kalutara, in December.



Financial Statement

31st December 2017

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL PERFORMANCE

For the Year ended 31st December

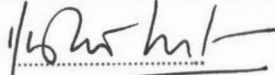
	Notes	2017 Rs.	2016 restated Rs.
Revenue			
Grant from the Government of Sri Lanka	2	13,750,000	15,000,000
Contribution from the Endowment Trust Fund	23	-	23,000,000
Non-Monetary Government Grant for Land	14	-	151,320,000
Project Income	3	53,236,088	25,027,771
Income from International Development Research Centre (IDRC) TTI Grant	4	25,986,931	24,085,393
Income from Seminars/Workshops	5	3,760,013	908,104
Interest Income		36,017,937	27,051,179
Income arising from Capital Grant Amortization	20	8,580,945	9,364,140
Income from Hiring the Auditorium		1,737,581	859,346
Miscellaneous Income	6	679,086	1,936,994
Profit on Disposal		41,000	-
Exchange Gain		240,927	-
Total Revenue		144,030,508	278,552,927
Expenses			
Employee Cost	7	62,440,591	59,107,356
Depreciation on Property, Plant and Equipment	14	11,827,882	18,241,514
Research Cost	8	26,944,861	13,605,136
Seminars and Workshops Cost		1,207,272	665,840
Utility Expenditure		16,255,686	18,109,225
Travel Expenses		457,437	463,122
Other Operating Expenses	9	9,485,173	13,612,477
Hire of Auditorium		727,825	325,239
Exchange Loss		-	220,237
Total Expenses		129,346,727	124,350,146
Surplus Before Taxation		14,683,781	154,202,781
Income Tax Expense	10	-	-
Surplus for the Year		14,683,781	154,202,781

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL POSITION

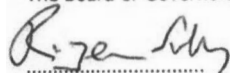
<i>As at 31st December</i>		2017	2016 restated
	Notes	Rs.	Rs.
ASSETS			
Current Assets			
Cash and Cash Equivalent	11	22,176,135	77,045,881
Investments	15	184,763,234	87,379,240
Trade receivables	16	9,555,164	4,118,021
Inventories - Publications		1,246,995	772,096
Deposits and Prepayments	12	4,855,642	13,945,420
Interest Receivable		9,800,488	4,326,087
Other Receivables	13	17,819,478	3,102,472
Total Current Assets		250,217,136	190,689,217
Non Current Assets			
Property, Plant and Equipment	14	455,721,262	460,504,829
Long Term Investments	15	176,243,382	165,124,210
Total Non Current Assets		631,964,644	625,629,039
Total Assets		882,181,780	816,318,256
LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	6,608,208	4,272,594
Advance Receipts on Projects	18	33,586,149	40,418,819
Total Current Liabilities		40,194,357	44,691,413
Non Current Liabilities			
Employee Benefits	19	12,615,364	11,567,679
Staff Welfare Fund		2,410,366	2,147,380
Deferred Income - Capital Grants	20	419,786,540	353,514,579
Long Term Advances received on Projects	18	-	11,905,833
Total Non Current Liabilities		434,812,270	379,135,471
Total Liabilities		475,006,627	423,826,884
Net Assets		407,175,153	392,491,372
EQUITY			
Accumulated Surplus		407,175,153	392,491,372

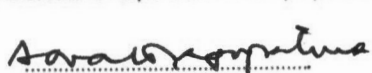
These financial statements have been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

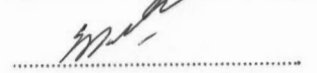

 Chief Financial Officer


 Executive Director

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


 Chairman


 Member of the Board of Directors


 Member of the Board of Directors

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

26th February 2018
 Colombo

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

For the year Ended 31st December

	Accumulated Surplus
	Rs.
Balance as at 31 st December 2015 (restated)	238,288,591
Surplus of income for the year (restated)	154,202,781
Balance as at 31 st December 2016 (restated)	<u>392,491,372</u>
Surplus of income for the year	14,683,781
Balance as at 31st December 2017	<u>407,175,153</u>

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CASH FLOW

For the year ended 31st December

2017

2016 restated

Rs.

Rs.

Cash Flow From Operating Activities

Notes

Surplus/(Deficit) Before Taxation

14,683,781

154,202,781

Adjustments for;

Movement of the Staff Welfare Fund

262,986

903,121

Depreciation on Property, Plant and Equipment

14

11,827,882

18,241,514

Income arising from Non-Monetary Government Grant for Land

-

(151,320,000)

Income arising from Capital Grant Amortization

(8,580,945)

(9,364,140)

Provision / (Reversal) of Gratuity

19

4,952,911

(645,252)

Interest Income

(36,017,937)

(27,051,179)

Decrease in Provision for Bad debt

1,079,714

699,209

(Profit) / Loss on sale / write down of assets

(41,000)

195,076

Property, Plant & Equipment Reclassification Adjustment

-

11,486

Net cash inflow/(outflow) Before Working Capital Changes

(11,832,608)

(14,127,384)

(Increase)/ Decrease in Trade Receivables

(6,516,857)

2,759,171

(Increase) /Decrease in Inventories

(474,899)

(71,097)

(Increase)/Decrease in Deposits and Prepayments

9,089,778

(3,185,523)

(Increase)/ Decrease in VAT and NBT Receivables

-

2,305,243

(Increase)/ Decrease in Other Receivables

(82,641)

(483,912)

Increase/(Decrease) in Advance Receipts

(41,890,439)

2,926,010

Increase/(Decrease) in Trade and Other Payables

2,335,600

(7,136,317)

Net cash inflow/(outflow) Generated From Operations

(49,372,066)

(17,013,809)

Gratuity Paid

19

(3,905,226)

(1,178,190)

Net cash inflow/(outflow) From Operating Activities

(53,277,292)

(18,191,999)

Cash Flow From Investing Activities

Purchase of Property, Plant and Equipment

14

(7,044,315)

(10,606,983)

Interest Received

33,241,211

22,889,480

Sales Proceeds from Disposal of Property, Plant and Equipment

41,000

-

Purchase of Investments

(120,214,811)

(51,215,177)

Proceeds from Sale of Investments

63,932,441

4,514,213

Net cash inflow/(outflow) From Investing Activities

(30,044,474)

(34,418,467)

Cash Flow From Financing Activities

Grants Received

23,151,936

26,399,025

Capital Grant from Endowment Trust Fund

20

60,218,541

31,503,513

Net cash inflow/(outflow) From Financing Activities

83,370,477

57,902,538

Net (Decrease)/Increase in Cash and Cash Equivalents

48,711

5,292,072

Cash and Cash Equivalents at the beginning of the year (Note 11)

5,748,865

456,793

Cash and Cash Equivalents at the end of the 3rd quarter

5,797,576

5,748,865

a) Reconciliation of Cash and Cash Equivalents

Cash at Bank

5,707,576

5,658,865

Cash in Hand

90,000

90,000

5,797,576

5,748,865

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

For the year ended 31st December 2017

1. Domicile and legal form

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

1.1 Principal activities and nature of operations

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

1.2 Basis of preparation

1.2.1 Statement of compliance

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

1.2.2 Basis of measurement

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

1.2.3 Going concern

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

1.3 Summary of significant accounting policies

The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Foreign currency transactions

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

(b) Property, plant and equipment

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

Subsequent Expenditure

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

For the year ended 31st December 2017

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.

For the year ended 31st December 2017

Investments (continued)

iii. Treasury Bonds

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

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

iv. Corporate Debentures

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

(e) Capital grants

The Capital grants are recorded as per the guidelines issued in LKAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. Grants relating to the purchase of property, plant and equipment are included under non-current liabilities as deferred income and credited to the statement of financial performance on a basis consistent with the basis of depreciation of the related assets.

Government grant in the form of non-monetary assets are account at the fair value (both grant and asset) and the grant is recognized as revenue in the statement of financial performance.

(f) Inventories

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

(g) Receivables

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

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.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash at bank, cash in hand, 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.

(i) Liability and provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the 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.

For the year ended 31st December 2017

(j) Employee benefits

i. Defined contribution plans

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

ii. Defined benefit plan

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

(k) Revenue recognition

i. Contribution from the Government of Sri Lanka

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

ii. Project income

Revenue is recognized based on the stage of completion of the projects undertaken. Works completed and not billed to customers are recorded in the progress billing account. Advance receipts arising from the project are classified as deferred income and presented as current liabilities in the statement of financial position.

iii. Income from seminars/workshops

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

iv. Interest income

Interest Income is accounted for on an accrual basis.

(l)

i. Recognition of capital expenditure

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

ii. Classification of recurrent expenditure

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

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

As at 31st December

2 Grant from the Government of Sri Lanka

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

3 Project Income

Income from Institutions

2017 Rs.	2016 Rs.
53,236,088	25,027,771

4 Income from International Development Research Centre (IDRC) TTI Grant

TTI Grant for the Period

2017 Rs.	2016 Rs.
25,986,931	24,085,393

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

5 Income from Seminars and Workshops

This consists of income generated from seminars and workshops conducted on the request of donors and, as a form of dissemination of the research work carried out.

6 Miscellaneous Income

Sale of Publications
Other Income
Donations

2017 Rs.	2016 Rs.
505,396	728,525
173,690	208,469
-	1,000,000
679,086	1,936,994

7 Employee Cost

IPS Staff Salary
EPF
ETF
Honorarium (Note 7.1)
Health Benefits and Fees
Other Benefits
Provision for gratuity / (reversal) (Note 19)

2017 Rs.	2016 Rs.
46,485,828	47,829,936
5,269,136	5,260,206
1,317,284	1,315,051
2,677,086	3,421,302
1,568,974	1,581,313
169,373	344,800
4,952,911	(645,252)
62,440,592	59,107,356

7.1 Honorarium

Includes payments made as sitting allowance for board meetings

2017 Rs.	2016 Rs.
72,000	60,000

8 Research Cost

Printing & Typesetting Publication Cost
Internet Charges
Consultation Charges
Field Visits
Project Related Dissemination
Project Related Assets Donations
Other Research Costs

2017 Rs.	2016 Rs.
843,688	1,267,459
3,839,472	2,942,993
4,990,970	3,656,293
6,779,776	2,499,537
2,630,339	1,963,443
3,976,980	-
3,883,636	1,275,411
26,944,861	13,605,136

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

As at 31st December

	2017	2016
	Rs.	Rs.
9 Other Operating Expenses		
Registration and Membership Fees	490,620	478,698
Office Costs	4,643,998	4,894,232
Provision for long outstanding VAT receivable	-	2,305,242
Consumables	218,400	147,546
Professional and Legal Fees	2,516,813	2,317,419
Audit Fees	262,200	230,000
Advertisements	471,572	65,041
Bank Charges/Commission	152,184	143,723
Other Admin Related Costs	1,809,100	463,586
Bad Debts Provision / (Reversal) (Note 9.1)	(1,079,714)	(699,209)
Prior year corrections	-	3,266,201
	9,485,173	13,612,479

- 9.1** The provision of Rs. 1,147,747 was made for long outstanding balances from the Ministry of Youth Affairs & Skills Development, during the year 2014 and the same was recovered in 2017, which resulted in a reversal in provision. During the year a net provision of Rs. 68,033 was made against current year long outstanding balance.

2016

The provision of Rs. 699,209 was made for long outstanding balances during 2015 and the same was recovered in 2016, which resulted in a reversal in the total provision.

10 Income Tax Expense
Current tax Expense

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

	2017	2016
	Rs.	Rs.
11 Cash and Cash Equivalents		
Cash at Bank	3,173,051	4,020,240
Cash in Call Deposit Account	2,534,525	1,250,000
Petty Cash	90,000	90,000
Corporate Credit Card	-	388,625
Investments held for less than 03 months		
Fixed Deposits and Treasury Bills under Repurchase Agreements*	16,378,559	71,297,016
	22,176,135	77,045,881

* The 2016 investment value includes an investment amounting to Rs. 1,000,444.00 made for the Staff welfare Fund.

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

As at 31st December

	2017	2016
	Rs.	Rs.
12 Deposits and Prepayments		
Prepayments (Note 12.1)	4,220,042	7,158,910
Deposits	278,150	319,750
Other Advances (Note 12.2)	357,450	6,466,760
	4,855,642	13,945,420
	2017	2016
	Rs.	Rs.
12.1 Prepayments		
Medical Insurance	675,034	549,663
Other Insurance	233,812	972,570
Other Prepayments	3,311,196	5,636,677
	4,220,042	7,158,910
12.2 Other Advances	2017	2016
	Rs.	Rs.
Advance payment in connection to long term research project	350,950	2,755,200
Advances in connection survey related expenses	-	1,988,490
Advance payment relating to conferences	6,500	1,246,944
Advances to other suppliers	-	476,124
	357,450	6,466,758
	2017	2016
	Rs.	Rs.
13 Other Receivables		
Staff Debtors	3,181,120	2,863,544
Other Receivables (Note 13.1)	14,638,358	238,928
	17,819,478	3,102,472
	2017	2016
	Rs.	Rs.
13.1 Other Receivables		
Air ticket reimbursements for staff travel from Donors	-	202,428
Receivable From Endorsement Trust Fund	14,634,365	-
Other Receivable	3,993	36,500
	14,638,358	238,928

14 Property, Plant and Equipment

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

Note:

As of 31st December 2017, the total value of fully depreciated assets were Rs. 112,591,893/-(2016: Rs. 93,148,650/-).

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

14 Property, Plant and Equipment (Continued)

	Land	Building	Computer Equipment	Motor Vehicles	Furniture & Fittings	Office Equipment	Library Books	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost								
Balance as at 01 st January 2016	-	323,359,366	75,268,238	19,165,045	19,345,468	22,244,239	1,814,090	461,196,446
Additions (restated)	156,000,000	809,435	9,107,569	-	-	684,528	5,450	166,606,982
Less: Reclassification Adjustment	-	-	(7,946,972)	(150,600)	(763)	-	(102,077)	(8,200,412)
Less: Disposals	-	-	-	-	-	-	-	-
Less: Write down of Assets	-	-	(465,000)	-	-	-	-	(465,000)
Balance as at 31st December 2016 (restated)	156,000,000	324,168,801	75,963,835	19,014,445	19,344,705	22,928,767	1,717,463	619,138,016
Accumulated Depreciation								
Balance as at 01 st January 2016	-	31,924,622	67,512,911	8,910,663	18,816,246	20,282,621	1,403,460	148,850,523
Depreciation Charge	-	6,472,957	7,526,189	2,165,340	345,403	1,577,812	143,813	18,241,514
Less: Reclassification Adjustment	-	-	(7,946,972)	(150,600)	-	-	(91,354)	(8,188,926)
Less: Disposals	-	-	-	-	-	-	-	-
Less: Write down of Assets	-	-	(269,924)	-	-	-	-	(269,924)
Balance as at 31st December 2016	-	38,397,579	66,822,204	10,925,403	19,161,649	21,860,433	1,455,919	158,633,187
As at 31st December	156,000,000	285,771,223	9,141,631	8,089,042	183,057	1,068,334	261,544	460,504,829

Note:

- Assets written down consists of the library scanner at a cost of Rs.465,000/- and an accumulated depreciation of Rs.269,924/- as at June 2016. Scanner was burnt and damages were claimed and recovered from the Insurance.
- The Institutes office building was constructed on land was under an operating lease agreement for 30 years from 2005 to 2035. The Institute paid a lease rental of Rs. 10.92 Mn as land rental, which was charged to the Statement of Financial Performance. During 2014, the Institute applied to obtain the land as an outright grant and initial approval was obtained. Since 2014 no rental payments were made to the Government of Sri Lanka and this rental was accrued. During 2016, the Institute received the approval for the outright grant request. Based on the assessment done by Chief Valuer - Department of valuation the fair value of the land was Rs. 156 Mn. The total value of the outright purchase was 10% of the fair value which is Rs.15.6 Mn and the payable balance was communicated to the Institute after deducting the amounts paid. As such the total Non-Monetary Government Grant for Land recognized in the Statement of Financial Performance includes this Rs. 10.92 rental expenses which was already charged to the Statement of Financial Performance and Rs. 140.4 Mn being the fair value which is given as a grant to the institute. Further, the outright grant is subject to restrictions. As such it could be only use for the activities of the institute.

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

As at 31st December

	2017	2016
	Rs.	Rs.
15 Investments - Short Term		
Treasury Bills under Repurchase Agreements (Repo)	-	10,753,175
Treasury Bills Under Repurchase Agreements (Gratuity Fund)	-	13,601,280
Treasury Bills Under Repurchase Agreements (Staff Welfare Fund)	-	1,774,784
Fixed Deposit - Staff Welfare Fund	2,910,298	-
Fixed Deposit - Gratuity Fund	13,936,856	-
Fixed Deposits	167,916,080	61,250,000
	184,763,234	87,379,240

Investments - Long Term

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

	2017	2016
	Rs.	Rs.
Treasury Bond	99,688,114	99,559,190
Corporate Debentures	76,555,268	65,565,020
	176,243,382	165,124,210

	2017	2016
	Rs.	Rs.
16 Trade Receivables		
Trade Receivables Projects	4,872,973	3,595,547
Provision for Bad Debts	(733,675)	(1,813,389)
Progress Billing	5,415,866	2,335,901
	9,555,164	4,118,021

	2017	2016
	Rs.	Rs.
17 Trade and Other Payables		
Accruals (Note 17.1)	5,363,772	4,236,208
Withholding Tax Payable	378	36,386
Creditors	55,200	-
EPF & ETF Payable	848,270	-
PAYE payable	340,588	-
	6,608,208	4,272,594

	2017	2016
	Rs.	Rs.
17.1 Accruals		
Office Costs	1,409,863	2,186,748
Audit Fees	1,379,640	876,937
Electricity	596,510	615,468
Telephone/Internet Charges	379,586	422,345
Fuel	36,240	81,155
Research Project Expenses	1,561,933	53,554
	5,363,772	4,236,208

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

As at 31st December

	2017	2016
	Rs.	Rs.
18 Advance Receipt on Projects		
Balance as at 01st January	40,418,819	22,999,617
Receipts during the year	36,372,118	58,112,792
Income recognized	(55,110,621)	(28,787,757)
Long term advances received on the projects	-	(11,905,833)
Advances transferred from long term to short-term category	11,905,833	-
Balances as at 31st December	<u>33,586,149</u>	<u>40,418,819</u>

	2017	2016
	Rs.	Rs.
19 Employee Benefits		
Balance as at 01 st January	11,567,679	13,903,551
Expense recognized / provision reversal during the year (Note 19.1)	4,952,911	(645,252)
Payments made during the year	(3,905,226)	(1,178,190)
Accrued Payments for Staff	-	(512,430)
Balance as at 31st December	<u>12,615,364</u>	<u>11,567,679</u>

Number of employees of the Organization as at 31st December 2017 is 46 (2016: 46).

Number of employees of the Organization eligible for Employee Benefits as at 31st December 2017 is 42 (2016: 40).

The liability is valued by a professional actuarial company.

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

Discount Rate	11% (2016: 11%)
Increase in rate of salary	7% (2016: 5%)
Rate of Staff Turnover	17% (2016: 7%)

	2017	2016
	Rs.	Rs.
19.1 Expense recognized during the year		
Current Service Cost	1,171,993	890,030
Interest Cost	1,272,444	1,529,391
Actuarial (Gain)/Loss	2,508,474	(3,064,673)
	<u>4,952,911</u>	<u>(645,252)</u>

20 Deferred Income-Capital Grants

	Grant for the Building	2017 Grant from the Trust	Total
	Rs.	Rs.	Rs.
Balance as at 01 st January	274,648,562	78,866,017	353,514,579
Grant from the Endowment Trust Fund	-	74,852,906	74,852,906
Amortized during the year	(6,242,013)	(2,338,932)	(8,580,945)
Balance as at 31 st December	<u>268,406,549</u>	<u>151,379,991</u>	<u>419,786,540</u>

	Grant for the Building	2016 Grant from the Trust	Total
	Rs.	Rs.	Rs.
Balance as at 01 st January	280,890,575	50,484,631	331,375,206
Grant from the Endowment Trust Fund	-	31,503,513	31,503,513
Amortized during the year	(6,242,013)	(3,122,127)	(9,364,140)
Balance as at 31 st December	<u>274,648,562</u>	<u>78,866,017</u>	<u>353,514,579</u>

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

As at 31st December

21 Lease Commitment

No lease commitments as at the Statement of Financial Position date (2016 : Nil).

22 Capital Commitment

No capital commitments as at the Statement of Financial Position date (2016 : Nil).

23 Related Party Transactions

The Institute's Endowment Trust Fund ("Trust Fund") had a net assets value of Rs. 502,113,792/- as at 31st December 2017 (2016: Rs. 502,635,253/-). Separate accounts are maintained for the Endowment Trust Fund which is audited separately. The Trust Fund consists of five Trustees of which two are Ex-Officio members (Chairman and Executive Director of IPS). During the year the no grant collected as a contribution for the operations of the Institute (2016: Rs. 23,000,000/-) from the Endowment Trust Fund. Further Rs. 60,218,541/- (2016: Rs. 31,503,513/-) was received as a capital grant and Rs. 14,634,365 is receivable.

The Institute is granted Rs. 13,750,000/- from the Government of Sri Lanka for recurrent expenditure. The Secretary to the Ministry of National Policy & Economic Affairs, Governor of the Central Bank and the Director General of the National Planning Department are Ex-Officio members of the Board of the IPS.

24 Contingent Liabilities

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

25 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.

26 Comparative Figures

Comparative figures have been restated where necessary for the purpose of presentation. Please refer to note 28 for details.

27 Board of Governors' Responsibility

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

As at 31st December

28 Restatement of Balances

The restatement of balances were resulted due to the accounting of Non-Monetary Government Grant for the Land and recording the initial contribution under accumulated surplus. The adjustments and effect on the financials are as follows:

1) The total value of the Non-Monetary Government Grant for Land was accounted as Rs. 15.6 Mn being the actual amount paid, However this has been now adjusted to reflect the fair value of the Land which is Rs. 156 Mn. The difference of Rs. 140.4 Mn is now accounted under Non-Monetary Government Grant for Land.

2) Initial Transfer of assets were previously accounted under "Initial Transfer of assets by Government/Grantor" as a separate item of statement of changes in equity. Since this is not a owners contribution the balance is now classified under Accumulated Surplus.

Effect on the STATEMENT OF FINANCIAL PERFORMANCE : 2016

	Previously Stated	Increase / (Decrease)	Restated Balance
Non-Monitory Government Grant for Land	10,920,000	140,400,000	151,320,000
Total Revenue	138,152,927	140,400,000	278,552,927
Surplus for the Year	13,802,781	140,400,000	154,202,781

Effect on STATEMENT OF CHANGES IN EQUITY

	Previously Stated	Increase / (Decrease)	Restated Balance
Initial Transfer of Assets by Government/Grantor	2,144,144	(2,144,144)	-
Accumulated Surplus as of 31 December 2015	236,144,447	2,144,144	238,288,591
Surplus for the year 2016	13,802,781	140,400,000	154,202,781

Effect on STATEMENT OF FINANCIAL POSITION : 2016

	Previously Stated	Increase / (Decrease)	Restated Balance
Total Non Current Assets	485,229,039	140,400,000	625,629,039
Net Assets / Equity	252,091,372	140,400,000	392,491,372

As at 31st December

29 Standard Issued but not yet Effective

The institute has not applied the "SLPSAS 11 - Non-Exchange Transactions" that has been issued but are not yet effective as of 31 December 2017. The implementation of the new standard will have following impact on the institute financials:

Effect on the STATEMENT OF FINANCIAL PERFORMANCE :

	<u>Increase / (Decrease)</u>
Total Revenue	74,852,906
Surplus for the Year	74,852,906

Effect on STATEMENT OF FINANCIAL POSITION :

	<u>Increase / (Decrease)</u>
Non Current Liabilities	(74,852,906)
Net Assets / Equity	74,852,906



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No. }

LEW/C/IPS/1/17/01

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உமது இல.
Your No. }

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திகதி
Date }

15 October 2018

The Chairman,
Institute of Policy Studies of Sri Lanka

Report of the Auditor General on the Financial Statements of the Institute of Policy Studies of Sri Lanka for the year ended 31 December 2017 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of financial statements of the Institute of Policy Studies of Sri Lanka for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 18 of the Institute of Policy Studies of Sri Lanka Act, No.53 of 1988 as amended by the Act, No.09 of 1999. My comments and observations which I consider should be published with the Annual Report of the Institute in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detail report as per the section No.13 (7)(a) of the finance act was issued to the Chairman of the institute on 21 September 2018.

1.2 Management's Responsibility for the Financial Statements

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



1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements 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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2.1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Institute of Policy Studies of Sri Lanka as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

As the useful life of the non-current assets had not been reviewed annually in terms of Section No.65 of Sri Lanka Public Sector Accounting Standard 07, assets costing Rs.115,394,076 were further in use despite being fully depreciated. Accordingly, action had not been taken to revise the error in the estimation in accordance with the Sri Lanka Accounting Standard 03.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Institute for the year under review had resulted in a surplus of Rs.14,683,781 as compared with the corresponding surplus of Rs. 154,202,781 for the preceding year thus indicating an deterioration of Rs.139,519,000 in the financial result of the year under review as compared with the preceding year. A sum of Rs.151,320,000 received as capital grant from the government for lands had included to the previous year income was the main reason for the above deterioration.

Analysis of the financial results of the year under review and four preceding years revealed that, there had been a surplus from the year 2013 up to the year 2017. When readjusting the employees remuneration and the depreciation for the non-current assets to the financial results, the contribution of the Institute amounting to Rs.68,837,107 in the year 2013 and had increased up to Rs.74,018,254 in the year 2014 and then had decreased upto Rs.73,390,333 in the year 2015. However, the contribution had increased up to Rs.220,274,231 in 2016 and then again had decreased to Rs.72,997,491 in 2017.

4. Operating Review

4.1 Performance

4.1.1 Planing

The following observations are made.

- (a) In terms of section 5.1.1 of the public enterprises Circular No.PED/12 of 02 June 2003, the institutions is fully responsible prepare a corporate plan at least for three years including short term and long term vision to manage institutes activities and then the institute should operate to achieve forecasted targets. The institute had not prepared a corporate plan accordingly.
- (b) The uncompleted research project in the previous year had been included in to the action plan prepared for the year under review but expected time period for completion of those projects had not been indicated in the Action Plan. Thus, progress of the action plan could not be measured.

4.1.2 Performance and Review

The following observations are made.

- (a) The following functions had not been done in terms of the Sri Lanka Policy Studies Act No.53 of 1988.
 - (i) As per section 5(h) of the Act, the institute should establish and maintain coordination committees with Sri Lankan and foreign research institutes that having same objectives as institute and should facilitate to act with those institutes cooperatively.
 - (ii) As per section 12(1) of the Act, the Board of Directors had not appointed a Research advisory committee to give advises to the Board of Directors on the policy studies programme which should be taken over with the assistance and cooperation of the institute.

- (b) The institute had been earned a sum of Rs.53,326,088 from 37 research projects during the year under review. However, a performance report, indicating the progress of the research projects, at the end of the year under review had not been prepared by the institute.
- (c) Incompleted fourteen research projects relevant to five research field in the previous year had been included in to the action plan of this year and estimated income was Rs.32,122,534. Out of those 14 research projects 07 projects had not been completed during the year under review. Thus, a sum of Rs.13,592,237 had been received as advances for 05 other research projects from granters during the year under review and from preceeding year, but those projects had not been completed at the end of the year under review.

4.2 Management Activities

A sum of Rs.818,400 had been spent for the purpose of printing 3100 books of 11 categories of books published during the year under review. An income of Rs.505,393 had been earned from the sale of 1662 books out of the above books and 1438 books had remained at the end of the year. However, as books had been printed without properly identifying the requirement, and 46 per cent of the printed books during the year had remained either unsold or undistributed. Also, 4005 books valued for Rs.1,246,995 remained in the publishing section since 2013 to year under review.

5. Sustainable Development

5.1 Achievement of Objectives of Sustainable Development

Every government institution should act in compliance with the United Nations 'Agenda 2030' on Sustainable Development. The Institute of policy studies of Sri Lanka had not aware as to how to take measures relating to the activities under purview of their scope.

6. Accountability and Good Governance

6.1 Internal Audit

As per Section 09 of the Management and Audit Circulars No.DMA/2009 (i) of 09 June 2009, an internal audit report should be prepared quarter to the Management and Audit Committee for discussion. However, internal audit reports for 2017 could not be forwarded on the stipulated dates mentioned in the Circular.

6.2 Procurement Plan

The institute had prepared a Procurement Plan but had not followed the format mentioned in the guideline No.4.2.1 of the Government procurement guideline 2006. Thus, the time frame work had not been mentioned and had not been regularly supervised and updated.

6.3 Budgetary Control

As variances ranging from 6.6 per cent to 102.2 per cent between the budgeted and actual income and expenses were observed, thus indicating that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Institute from time to time. Special attention is needed in respect of the following areas of control.

Area of Systems and Control

Observations

(a) Fixed Assets Management

Failure to revalue the fixed assets after reviewing their useful life annually.

(b) Preparation of Plan

A corporate plan had not been prepared for the year under review and Action Plan had not been periodically evaluated.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe
Auditor General

Institute of Policy Studies

Responses to Audit Queries

LEW/C/IPS/1/17/01

Financial Statement Audit 2017

2.2.1 Sri Lanka Accounting Standard

We have adhere to the auditor recommendation made in connection to re-estimating the useful life time of the assets. As such during 2017 useful life time of the assets categories were revised. These revisions were done in the Accounting software. However, the revising the depreciation rate for fully depreciated assets were not feasible in the system. Such revision would cost the institute more than US\$ 2,000/- hence revision was not done. Follow up actions and progress were informed to the Audit Committee and Board of Governors.

4.1.1 Planning

(a) Corporate Plan

The Institute has a Corporate Plan covering 2013 – 2017 periods covering all operational areas. Further, a three-year Research Agenda is prepared to plan the activities, which is updated on annual basis.

4.1.2 Performance and Review

Deviations from the IPS Act.

(a) (i) Coordination Committee

Following example can be given to support our networking:

IPS is part of the Think-Tank-Initiative (<http://www.thinktankinitiative.org/>), which is a network of global research entities.

(a) (ii) Research advisory Committee

IPS Governing Board by the very nature of its membership (ex-officio members from key economic agencies and appointed members with expertise in the field of economics) plays the role of the Research Advisory Committee (RAC). Specifically, in this role, the Governing Board members review and provide inputs to guide IPS' medium term research agenda prepared internally by the Research Committee.

(b) Performance report

Annual action plan details the institute annual budget, which is used as the performance measurement tool and performance review is done on a quarterly basis. Further, progress of the research projects also carried out on a quarterly basis.

(c) Performance and Review (continue)

The research project work are planned to meet the agreed time periods. However, project period can be extended due to external factors which are beyond our controls. In such instances agreement extensions are obtained to support additional time frames. Details of research projects carried out in 2017 were provided to the auditors along with the project extension supporting documents and details of unspent balances.

4.2 Management Inefficiencies

The Institute Publications activities are to share the knowledge. Also when setting the number of copies to print we have to adhere to minimum qty requirement of printers and also to get economical cost price. As such we will have to print at a minimum 100 to 150 copies.

The Publication closing stock of Qty 4005 includes both stock with IPS and stock held in Bookshops for sale, the breakdown is as follows:

Stocks with IPS Qty 2945

Stock with Book shops Qty 1060

Actions taken for slow moving stocks:

Slow moving long outstanding book matter was referred to the Library Committee and with the approval of executive director "Free Book" day was conducted on 31st March 2017.

IPS' primary output as a research institute is its publications. These are used for the purpose of policy impact. As such, our policy is to provide complimentary copies to targeted stakeholders in government, private sector and development partners. In addition, sales of publications are made to recover some of the costs but their value goes beyond sales to a research institute.

Even an old publication can become relevant if the policy issues becomes a government priority. As such, that a stock pile of publications will build up is anticipated. IPS has adopted measures to reduce these from time to time through discounts, book fairs, donations to university students, etc.

5 Sustainable development

5.1 Achievement of objectives of sustainable development

We were informed on 2030 SDG's by our line Ministry being, Ministry of National policies and Economic Affairs and such information is circulated internally.

Our institute role is to provide research inputs and we have fulfilled that requirement as follows:

Our role:

- Research Undertaking
- Sharing our knowledge by participating for committee meeting
- Identifying research requirements and including those in our research agenda

What we have done:

Certain number of our ongoing research in areas of food security, climate change, education, health, gender, etc. are relevant to providing policy inputs on Sri Lanka's preparedness to meet SDG 2030 Agenda.

Specifically, the IPS collaborated with the Ministry of Sustainable Development and Wildlife to prepare Sri Lanka's Voluntary National Review on implementation of SDGs to be presented at the High Level Political Forum (HLPF) held in July 2018 in the United Nations in New York. The IPS organized two multi-stakeholder consultative workshops for this purpose in collaboration with the Ministry of Sustainable Development and Wildlife on 16 and 19 March 2018 to obtain views on SDGs from government officials, civil society, academia and private sector.

All the project details in connection to project related to SDG 2030 and Terms of Reference of the project with Ministry of Sustainable Development and Wildlife were send to the "Performance Audit Division" on March 21, 2018.

6 Accountability and Good Governance

6.1 Internal Audit

Audit observations are noted and corrective actions were taken to avoid such reporting delays in future.

6.2 Procurement Plan

Procurement plan is developed with time frames and quarterly follow up actions were done. We will do timely amendments in future.

6.3 Budgetary Controls

The institute budget is used as fund management tool, when the actual funding sources are significantly different from the budgeted, such variances are referred to the board for approval. During 2017 also such amendments were done and approval was obtain from the board.



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