ABOUT IPS

Established by an Act of Parliament in December 1988 and formally set up as a legal entity by gazette notification in April 1990, the Institute of Policy Studies of Sri Lanka (IPS) was designed to promote policy-oriented economic policy analysis in Sri Lanka. Today, the IPS has established itself as the foremost economic research institute in the country and has gained recognition in the South Asian region for its independence and excellence in economic policy research.

Since its inception, the IPS has had considerable autonomy in setting and implementing its research programme. The Institute is managed by a Board of Governors and the Executive Director. Its institutional structure has allowed the IPS to acquire a unique position as an authoritative and independent voice in economic policy analysis enabling it to work closely with a cross-section of stakeholders including the government, private sector, academia and civil society.

MISSION

The Institute's mission is to contribute to the economic development of a democratic Sri Lanka and enhance the quality of life of its people by providing research based analysis of socio-economic policy making.

VISION

The Institute's vision is to be a leader in conducting timely, independent, high quality research-based analysis of national economic policy issues that inform and influence public policy debates on the economic development of a democratic Sri Lanka.

BOARD OF GOVERNORS

W. D. Lakshman, Chairman

Director General, Department of National Planning (Ex-officio)

Governor, Central Bank of Sri Lanka (Ex-officio)

P. A. Abeysekera - Deputy Secretary to the Treasury, representing Secretary, Ministry of Finance & Planning (Ex-officio)

S. T. Hettige - Professor of Sociology, University of Colombo

A. Ekanayake - Chairman, Ceylon Chamber of Commerce

L. Gunaruwan - Senior Lecturer in Economics, University of Colombo

CHAIRMAN'S MESSAGE

It is with a great deal of satisfaction that I look back and review the performance of the IPS in the year 2011. Peace returned to Sri Lanka in mid-2009 as the separatist war conditions which prevailed for nearly thirty years were brought to an end. People as well as organizations and institutions in the country anticipated huge benefits from this return of peace. These changes of 2009 in the country's political environment were noted in the IPS Annual Report for 2010 with optimistic expectations. The favourable conditions for economic growth, stability and human development, which peace and security brought about in 2010, continued to prevail in 2011 too. The official attempts to promote rehabilitation, reconciliation and development, particularly in areas that were previously affected by the separatist war, gradually gained momentum. These gave rise to expectations that political solutions to the problems, which earlier pushed the country into separatism and separatist war conditions, would gradually be worked out, thus building up national unity and establishing permanent peace. These general socio-political conditions were indeed extremely valuable and promising for the progress of the IPS during the year reviewed in this Annual Report.

Coupled with these favourable conditions in the surrounding socio-political environment, several internal developments helped strengthen the performance of the Institute during this year. First, having moved into its own premises at Independence Square in the previous year, the Institute had settled down to work with stable and congenial infrastructure facilities. The year under review was the Institute's first full year of work at its new premises. All members of the IPS were happy and content in their new work place. The general City development work around Colombo's Independence Square has enhanced the attraction of the IPS surroundings providing very congenial infrastructure indeed, for a research institute.

Second, as the following pages of this Annual Report show, the Institute in 2011 came to enjoy the benefits of the long-term measures of human resource development it had implemented over several years in the past. The highly qualified and trained core staff committed to independent research, ably managed by the Executive Director and the Deputy Director, made the IPS a highly recognized institute of policy research, both domestically and internationally. Its research output, communicated through both print and electronic media, attracts the abiding interest of academic and professional readers, policy makers, and the observant general public, with a critical awareness about policy issues.

Third, the improvement in its financial performance in 2011 as compared to the previous year is noted in this Annual Report. Improved financial outcomes of the year were helped by the significant institutional development grant from the IDRC of Canada. During a period of recognized dearth of international research funding, the IPS must congratulate itself for being able to effectively compete internationally to secure this funding assistance. The Institute has strengthened its image in society during the year under review. Its dissemination seminars and conferences continued to attract large numbers. The premises of the IPS, its auditorium facilities in particular, have been in strong demand from many domestic and international agencies. Its international image, particularly among research institutes in Asia with similar missions and agendas, got further strengthened during the year.

Let me use this opportunity to record my appreciation of the work of the Board of Governors who guided the work of the Institute during the period under review and that of the Executive Director who provided the management leadership to the Institute. The country's policy makers, I am sure, would be able to look towards the IPS with greater confidence in the years to come as a policy research entity equipped with improved and strengthened conditions in terms of the working environment and the human resource base.

Professor (Emeritus) W. D. Lakshman
Chairman

EXECUTIVE DIRECTOR'S REPORT

The year 2011 marked the first full year of occupation of the new head office of the IPS and many activities were planned and put into operation to make full use of the facilities available at the new premises.

One of the key achievements during the year was completing the interior work of the Auditorium. It was opened by the Chairman in the presence of a number of Board Members and IPS staff in mid-July 2011. Ever since then, the Auditorium was used for a number of IPS Conferences/Workshops and was also rented out for third parties. The latter became a new source of revenue to the IPS.

The IPS finances showed a remarkable turnaround during the year showing an overall profit compared to the loss made in 2010. This was mainly due to the income from amortization of the new building, income support from the TTI (Think Tank Initiative) grant, and project income increasing to nearly Rs.33 million compared to Rs. 30 million in 2010. The financial performance could have been even better if not for the reduction of investment income due to the low interest rates prevailing in 2011 and reduction in Government of Sri Lanka's contribution by Rs.1.3 million due to state budgetary constraints. The IPS budget for 2012 aims to improve the performance vis-a-vis the performance in 2011.

The much delayed external Audit Committee was formed in late 2010 and held four meetings during the year. A number of new suggestions were made by the Audit Committee to improve IPS accounts. The status of the IPS Endowment Fund was also examined and suggestions were made to either integrate it with the IPS accounts or maintain its autonomous status via a Trust Fund. Both these suggestions were closely scrutinized by the IPS Governing Board.

IPS completed 21 projects during the year and was successful in acquiring 17 new projects. Noteworthy among the new projects were the preparation of the Second National Human Development Report for Sri Lanka, the preparation of the Sri Lankan Migration Profile, and the Child Well-being and Equity Project. Among the completed projects, the three done for SACEPS under ADB-RETA funding, were included as Chapters in a Volume published by Edward Elgar in 2012. The IPS was also represented in the Advisory Committee on Labour Migration formed in August 2011. Consequently, IPS research on migration-related work saw a rapid increase with plans to launch a Migration Net in the Institute's website.

The IPS brought out 9 publications during the year of which three were books on the following: (i) Migration Remittances and Development in South Asia, (ii) Trade Liberalization and Poverty in South Asia, and (iii) Economic and Social Development under a Market Economy Regime in Sri Lanka. There were more than 25 blog posts during the year and all of them were published in the print media as mentioned elsewhere in this report. The Arab Spring, global double dip recession, the Japanese earthquake, etc., dominated the global scene in 2011 and some of our blog posts reflected the impact of these events on the Sri Lankan economy. The blog entries of 2010 and those of the first half of 2011, were compiled into two different publications sponsored by a local bank and TTI grant.

The IPS flagship publication – State of the Economy, focused on the Post-Conflict Growth Scenario in Sri Lanka. For the first time, the report was launched with a major conference with two Senior Ministers participating in the inaugural session. There was wide-scale stakeholder participation at the event.

During the year, the IPS had 9 in-house seminars and several Conferences/Workshops as elaborated elsewhere in this report. The International Day for Eradication of Poverty was marked with a policy dialogue (with the support of the UNDP) and for the first time the new Video Conferencing facility in the Auditorium was utilized to connect with both the University of Jaffna and the University of Ruhuna. A Conference on Taxation jointly organized with the International Centre for Tax and Development, UK and local partners revisited a

IPS

EXECUTIVE DIRECTOR'S REPORT

number of tax issues that were addressed by the Presidential Commission on Taxation. Two Senior Ministers participated at the inauguration of this Seminar.

IPS researchers participated in a number of international Seminars/Conferences, particularly on events relevant to the South Asia region. These included the following: South Asia Forum, South Asia Diaspora Convention, 4th South Asia Economic Summit, SAARC Business Leaders Conclave, World Conference on Recreating South Asia, 5th South Asia Conference on Collaborative Security Framework, SAARC Democratic Charter: Citizens Initiative, Economic Freedom and Business Environment in South Asia, and Knowledge Sharing on Regional Cooperation and Integration. Through the last mentioned Conference, IPS made inputs to the 17th SAARC Summit that took place in Maldives in early November. IPS researchers were also involved in a number of Seminars related to industrialization and SMI development.

Like in previous years, IPS worked closely with the government, private sector and the donors. A proposal for the establishment of a Centre of Excellence on Indian Ocean Sciences and Environment was submitted to the Ministry of Finance and Planning, among others. IPS contribution to the private sector was mainly on SMI issues, Corporate Social Responsibility – Best Corporate Citizens Award, pros and cons of Import Liberalization of Tea for Value Addition, etc. IPS work with donors during the year was mainly with the World Bank, ADB, Asia Foundation, and the UNDP. With UNDP collaboration, IPS launched both the Human Development Report 2011 and the Trade and Investment Report for Asia and Pacific (UNESCAP).

A hallmark contribution to the capacity building and institutional strengthening of the IPS was the TTI grant to which reference was made in my report last year. This grant went a long way in not only ensuring the financial stability of the Institute, but also in organizing a number of events that could not have been done if not for the grant, as elaborated elsewhere in the report. For the first time, an IPS retreat was organized where the staff was given an opportunity to come out with new ideas to strengthen the Institute.

In respect to staff, one Research Fellow qualified with a PhD degree during the year, while a number of Project Interns were accommodated and three new recruitments were made to the research staff. However, the Head of the Information Systems, who played a key role in modernizing the IT system, quit IPS for a private sector position. This is not new to us and the Institute has developed an excellent second-layer to ensure that on-going operations are not disrupted as a result of such staff turnovers. Many staff members, as elaborated elsewhere in the report, were sent for various training programmes during the year.

As we settled down in the new building, a number of new areas had to be addressed. Internal Management Committees were appointed for the garden and pond maintenance, and significant progress was made in beautification of the garden/ ponds. With the certificate of conformity of the new building issued in October 2011, additional work on the building was done in order to complete the structure.

Overall, 2011 manifested a new beginning for IPS. I would like to take this opportunity to thank the members of the IPS Governing Board and staff for extending their fullest support and cooperation to me, in spearheading the organization in this eventful year of 2011.

Saman Kelegama
Executive Director

June 2012

RESEARCH PROGRAMMES

The core aim of the IPS research programme is to contribute constructively to the discussions and debates on medium-term economic policy priorities for Sri Lanka. The Institute's research output over time has addressed many of the development issues that are relevant to the country such as unemployment, regional disparities, and rural poverty. The aim of the current programme of research is to build on the substantive work that has already been carried out, identifying gaps in the existing body of research, and formulate an integrated medium-term work programme. This programme addresses strategies to achieve more durable and equitable growth to meet the country's development priorities.

The IPS research agenda is fulfilled by our Research Units, each headed by a senior staff member. Each Unit works within the medium-term research agenda developed to ensure coherence to the overall direction of the Institute's work. The Research Units are as follows;

- Macroeconomic Policy
- International Economic Policy
- Labour, Employment and Human Resources Development Policy
- Industry, Public Enterprise Reform and Regulatory Policy
- Poverty and Social Welfare Policy
- Agricultural Economic Policy
- Environmental Economic Policy
- Health Economic Policy

Further, in 2011, our research agenda was focussed on six broad thematic areas. Reflecting a shift towards a holistic multi-angle research approach, the research studies embarked on this year have thus, been separated not via Unit but via thematic direction. The six thematic directions are as follows;

1. Migration and Development
2. Human Development and Social Infrastructure
3. Post-Conflict Growth
4. External Competitiveness
5. Poverty and Vulnerability
6. Innovations and External Growth Drivers

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

1 Migration and Development

At present, over one million Sri Lankans are estimated to have migrated for foreign employment. The estimated number of annual migrants is higher than the number of new entrants to the labour market. The bulk of such migrants are to be found in the Middle Eastern countries, where female migrants make up about 70 per cent of the total number. Lack of adequate livelihood and employment opportunities at home is the prime driver for most such out-migration. Skilled migrants, estimated to make up about 20 per cent on the other hand, mostly seek better employment and financial opportunities abroad.

Migrant remittance flows, into Sri Lanka, are significant and rising. Remittance inflows have come to account for nearly 8 per cent of Sri Lanka's GDP in 2011, second only to export earnings from goods and far above that of average Foreign Direct Investment inflows.

The macroeconomic implications of related remittance flows are significant in terms of the contribution to GDP growth, easing Sri Lanka's foreign exchange constraints and pressure on the exchange rate by providing valuable Balance of Payments support.

At the micro level, remittances have been an important flow of income for poorer households. However, the effect of remittances on household welfare can be both positive and negative, depending on the characteristics of the migrant and their household. Migration for employment can have social costs, particularly in terms of family breakdown, risks to migrants arising from breach of contracts, non-payment of wages, excessive working hours and harassment by employers, as well as brain/skills drain cost to the country.

IPS has conducted several studies to examine the implications of remittances both at the macro and the micro levels.

Research Studies:

➯ **"Implementation of a Readmission Agreement with the European Commission,"** funded by the International Organization for Migration (IOM).

(Team: Dushni Weerakoon, Nisha Arunatilake, Ashani Abayasekara and Chandana Karunaratne).

The European Commission (EC) and the Government of Sri Lanka (GoSL) signed a Readmission Agreement (RA) in 2005. Its implementation has thus far not taken place due to various operational and political reasons that have postponed the creation of the Joint Readmission Committee and the finalization of bilateral Readmission Protocols with member countries. The actual implementation of the RA is a pre-condition for a greater access to EU labour markets for Sri Lankan migrant workers in the long-term. The overall objective of this study is to identify the costs and benefits for both the EU and Sri Lanka of enacting the RA, and conduct an assessment aimed at providing the necessary background information, RA implementation in other countries and recommend best practices.

➯ **"Country Studies on Migration and Development: Sri Lanka",** funded by the Food and Agriculture Organization of the United Nations (FAO).

(Team: Parakrama Samaratunga, Dilani Hirimuthugodage, Roshini Jayaweera and Nethmini Perera).

This study is intended to formally examine the impact of migration on rural agricultural production and the food security situation in farm families resulting from outmigration of the members of the rural agricultural sector of Sri Lanka. The main finding of the study is that, in order to maximize the development impact of migration on agricultural investment, food security, rural development and poverty reduction, there is a need for consistency between the macro objectives of increased migration and the sectoral policies for grassroots development. Increasing the profitability in the rural agricultural sector by increasing investment on research and extension on new crops and livestock enterprises for diversification of agriculture, both vertically and horizontally, so that the rates of return on investment in agriculture would be attractive, is the major intervention needed in the agricultural sector.

➪ **"Migration Profile Sri Lanka 2011,"** funded by the Ministry of Foreign Employment.

(Team: Roshini Jayaweera, Nethmini Perera, Chandana Karunaratne, Nisha Arunatilake and Dushni Weerakoon).

Migration, whether it is within the national boundary or beyond, has a significant impact on the economy, on politics, on the environment and on the socio-economic conditions, not just in the case of Sri Lanka but in each and every country in the world. It therefore requires the special attention of policy makers to link it with development agendas. The creation and maintaining of a credible database on migration and periodic analytical reviews of all aspects of migration and its consequences, both positive and negative, is essential in this regard.

The study aims to provide comprehensive information of migration trends in the country and to summarize how these influence various aspects of development. More specifically, the profile intends to outline and analyze information in relation to the status of different types of migrant categories, as well as the nature, consequences and contributions to the economy. It further tries to outline the major challenges facing migrants from Sri Lanka. The study highlights the key areas relating to Sri Lankan migration which need further improvements in terms of planning, implementing and management.

Publications:

➪ Arunatilake, N., P. Jayawardena and D. Weerakoon, (2011) "Sri Lanka" in Kelegama, S., (ed.), *Migration, Remittances and Development in South Asia,* Sage Publications, New Delhi.

➪ Jayawardhana, T., and R. Jayaweera (2011), " Afghanistan," in Kelegama, S., (ed.) *Migration and Development Nexus in South Asia,* Sage Publication, India.

➪ Kelegama, S. (ed.) (2011) *"Migration, Remittances and Development in South Asia"* , Sage Publications, India.

➪ Samaratunga, P., Jayaweera, R., and Perera, N., (2011), "Impact of Migration and Remittances on Agriculture and Food Security: Case of Sri Lanka" Agricultural Economic Policy Series IPS, No. 8 - November 2011.

Conferences/Workshops:

➪ "Middle East Crisis and its Effect on Sri Lanka," organized by the Alumni Association of the University of Peradeniya Colombo Chapter at the Meteorological Department Auditorium - 7 April 2011 (Saman Kelegama).

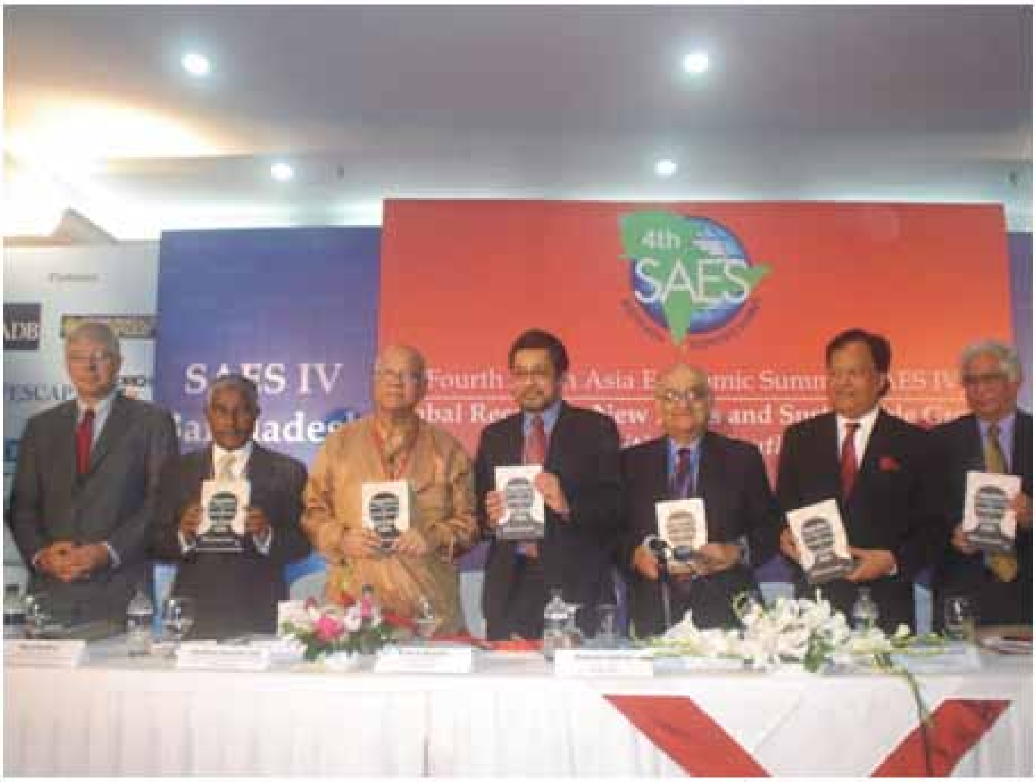
➪ "Cross-Border Labour Mobility and Remittances in South Asia," organized by the World Bank at Hilton Colombo - 13 June 2011 (Nisha Arunatilake).

➪ "Towards a Better Governance of Labour Migrations: Global Trends and National Realities" at Ceylon Continental Hotel, Colombo - 10 September 2011 (Roshini Jayaweera).

➪ "Way Forward for the South Asia Migration Commission" at the International Conference on 'Institutionalizing Regional Approaches to Migration Management in South Asia' organized by IPS - 25th November 2011 (Roshini Jayaweera).

➪ "Civil Society Organization's Responsibility, Government Developmental Policies and Mainstreaming Migration in to Development of Sri Lanka" at the Joint Migration and Development Initiative : National Event in Sri Lanka on 'Giving back what we learned, moving ahead' organized by the International Organization for Migration - 13th December 2011 (Roshini Jayaweera).

Dr. Saman Kelegama, ED, IPS, addressing the "Middle East Crisis and its Effect on Sri Lanka," University of Peradeniya Alumni Association, 7 April 2011.



Executive Director launched the book 'Migration, Remittances, and Development in South Asia,' and presented copies to the Hon. Minister of Finance of Bangladesh, Hon. Senior Minister for International Monetary Cooperation of Sri Lanka, Hon. Special Envoy to the President of the Maldives and Hon. Senior Advisor on Economic Affairs to the President of Afghanistan, 22 - 23 October, Dhaka, Bangladesh.

International Conference on 'Institutionalizing Regional Approaches to Migration Management in South Asia,' 25 November, Taj Samudra Hotel, Colombo.

2 Human Development & Social Infrastructure

The skills demanded by the global labour market are constantly in flux and the importance of a skilled workforce, in order to stay competitive while attracting investment and business, is now well recognized. The demand for skilled workers is already rising in Sri Lanka and some sectors, such as Information and Communication Technology (ICT), are experiencing worker shortages. The immediate human resource need for the country is to cater to this rising demand. However, on the long run, a flexible workforce that can create new ideas and easily adapt to new technology will be essential for the country to make its mark on the global knowledge economy and stay competitive in the global market.

Developing the country's human resources to meet the changing demand will require improving access to high quality tertiary level education that gives due attention to the changing requirements of the market and training workers who are able to learn new skills. While this remains pivotal to the future of the country, expanding and improving the tertiary education sector alone will not be sufficient. The foundations for further training in advanced science and technology related subjects and skills development in problem solving and creativity should be laid at a primary level.

In addition, health is an important determinant of human resource development and it would ensure success in education as well as result in greater productivity at work. Therefore improving the health of the population will be critical in order to make best use of available human resources.

IPS carried out several studies to assess achievements and distribution of human development outcomes in the country.

Research Studies:

➩ **"Financing Secondary Education in Asia and the Pacific: Questionnaire Survey,"** funded by the Education Policy and Reform Unit, UNESCO, Bangkok.

(Team: Nisha Arunatilake, Priyanka Jayawardena and Sunimalee Madurawela).

Data and information were gathered for the Sri Lankan component of the regional study which is a part of the "Secondary Education Policy Research in Asia Project," coordinated by the Education Policy and Reform Unit of UNESCO Asia and Pacific Regional Bureau for Education in Bangkok. The data and information provided by the survey were analyzed and compiled in order to prepare a regional synthesis paper on the topic, discussing regional trends and issues while highlighting some country cases through which other countries could draw lessons.

➩ **"Private Nursing Homes, Co-operative and Estate Hospital Survey 2010,"** IPS core funding.

(Team: G. D. Dayaratne and Sunimalee Madurawala).

Sri Lanka's private health care sector has leaped forward since 2001 and now shares the burden of health care coverage by reducing the workload of state hospitals up to some extent. Privately financed health goods and services have taken the place of second tier in Sri Lanka's health system. These goods and services include both In-Patient and Out-Patient which covers dental, eye care and other non-government funded health services. The costs are paid through a combination of out-of-pocket expenses and private voluntary insurance programmes. Although there is a Private Hospital Regulatory Bill to regularize the functions of these hospitals, the government has not interfered with user fee charges, provisions and accessibility issues.

The results of the fourth consecutive publication of the Census of Private, Co-operative and Estate Hospitals, covering the period of 2007-2008, reveals that 133 non-government health institutions were in operation in 2008, out of which 90 were private hospitals for allopathic treatment. Out of the total number of private hospitals, 53 were located in the Western Province, mainly in Colombo District, which has a high population density, close proximity to state-owned teaching hospitals and other socio-economic factors such as crowding of *middle and upper level urban working class population.*

One of the major sources of revenue in private institutions is the Out-Patient Channelling of Consultants and Physicians. The number of Out-Patient visits in private hospitals all island was recorded as 419,000 in 1990 and reached 5,706 000 patients in 2008 which reflect a growth of over 1000 per cent over that period. Out of the total number of 0ut-Patient visits in 2008, 87 per cent was recorded in the Western Province. The main contributory factor has been the location of 36 such institutions in Colombo District out of the total 53 institutions located in the Western Province. Out-patient visits to Colombo hospitals which was 3.9 million in 2003, reached 4.8 million in 2008, which was a 23 per cent increase in a 5 year period which provided an annual average growth of 5 per cent per annum.

⇨ **"Sri Lanka National Health Accounts 2005 - 2009,"** IPS core funding.

(Team: G. D. Dayaratne).

The fourth series of Sri Lanka National Health Accounts (SLNHA) produced by IPS covers the period 2005-2009.

In terms of GDP, total health expenditure was 3.9 per cent in 2005, but decreased to 3.7 per cent in 2007, 3.5 per cent in 2008 and 3.4 per cent in 2009. During the period 2005 to 2009, in terms of sharing costs, private sources accounted for 53.4 per cent in 2005, 51.1 per cent in 2006, 50.6 per cent 2007, 51.7 per cent in 2008 and, 51.7 per cent in 2009. Public sector, including donors, accounted for the balance. Public sources of funds consisted mainly of central government revenue and donor assisted external resources. Other public sources were the Employees' Trust Fund, President's Fund, and the Provincial Council revenues which are relatively insignificant.

In 2005, 92.2 per cent of expenditure by function was estimated under health care personnel, of which 61 per cent was funded by the private sector. The major portion of this private spending was for Out-Patient services, medical goods dispensed to Out-Patients, pharmaceutical and other medical durables. In 2009, health care personnel accounted for 92 per cent in which 58 per cent was funded by the private sector.

Out of the total public expenditure on health, provincial governments' share has been 37 per cent in 2005, 31 per cent in 2006, 34 per cent in 2007, 28 per cent in 2008 and 27 per cent in 2009.

⇨ **"Health Sector Survey,"** funded by Pakistan Institute of Trade and Development (PITD).

(Team: G.D. Dayaratne).

⇨ **"Intersectoral Action for Health in Addressing Social Determinants of Health through Public Policies in Sri Lanka: Health in All Policies (HiAP),"** funded by IPS.

(Team: Nisha Arunatilake, Sunimalee Madurawala and Samanthi Bandara).

As a key component of the ongoing research on "Intersectoral Action for Health in addressing Social Determinants of Health through Public Policies in Sri Lanka: Health in All Policies (HiAP)," a round table discussion on "Public Policies and their impact on Health: Health in All Policies (HiAP)" was organized and funded by IPS. The main objectives of this discussion were to gain an understanding about the current health related policy formulation processes of the different ministries; policies of directorates which have an impact on health; and the mechanism used to assess the impact of these ministries/ directorates on health. The forum expected to improve the interactions between the IPS and Government officials.

➪ **"EU-ACAP Assistance to Conflict Affected People Programme Study,"** funded by OXFAM.

(Team: Asha Gunawardena, Roshini Jayaweera, Kanchana Wickramasinghe, Nethmini Perera and Sunimalee Madurawala).

This study was carried out in 2010-11 to establish baseline data for the European Union Assistance for Conflict Affected Communities (EU-ACAP) through OXFAM in the Northern and Eastern Provinces. EU-ACAP interventions are mainly to do with the provision of technical support under five main themes such as; livelihood, capacity building, community infrastructure, gender and protection, and conflict mitigation. The programme has been implemented in all three districts - Batticaloa, Ampara and Trincomalee in the Eastern Province and one district (Vavuniya) in the Northern Province.

The main objectives of the study were to validate project logical framework indicators and targets and most importantly to provide the basis for comparison and the evaluation of project impact. Since the study attempted to establish baseline information of target communities to use in the future as an initial reference point to evaluate the impacts of programme interventions, the Double Difference Method was proposed as the evaluation design. A stratified random sample of 2000 households was selected for the survey, of which two-thirds were from beneficiary villages and the rest from comparison villages.

Conferences/Workshops:

➪ Pre-Conference Professional Development Workshops on "Evaluation and Action" organized by Sri Lanka Evaluation Association - June 2011 (Sunimalee Madurawala).

➪ "Asia- Pacific Capacity Development on Gender and Macroeconomic Issues" Second Regional Intensive Course offered by UNDP Asia- Pacific & Ochanomizu University, Japan - July 2011 (Sunimalee Madurawala).

➪ Symposium on "Climate Change and Health," organized by the Sri Lanka Medical Association (SLAM) and the Sri Lanka Association for the Advancement of Science (SLAAS) - 31 October 2011 (Samanthi Bandara).

Media Highlights:

➪ Wijesinha, A., Jayaweera, R., and Perera, N.,"Korea Calling: Results from a Snap Survey of Job Seekers and Issues of Youth Unemployment" in *The Island*, August 10, *DailyMirror*, August 11, 2011.

➪ Madurawala, S., "Climate Change and Human Health: Is Sri Lanka Ready to Face the Challenge?" in *DailyMirror*, 1 April and *The Island*, 04 April 2011.

➪ Bandara, S., "Emerging Health Challenges in Sri Lanka: More Money for Health and More Health for the Money," *DailyMirror*, 25 April and *The Island*, 13 April 2011.

➪ Jayawardena, P., "Sri Lanka Grapples with Child Malnutrition despite Major Improvements in the Health Sector," *DailyMirror*, 25 November, *The Island*, 21 November 2011.

Sunimalee Madurawala, Research Officer, particpating at the Second Regional Intensive Course offered by UNDP Asia-Pacific & Ochanomizu University, Japan on 2 July.

3 Post-Conflict Growth

The end of the armed separatist conflict in May 2009, brought Sri Lanka closer to the prospect of long-term stability and sustained socio-economic development. The economic benefits of peace will be manifold; ranging from a halt to the destruction of the country's human and social capital, its infrastructure, as well as a renewed confidence in its economy. It will also help by opening markets and reintegrating economic activities. Post-conflict development will also allow the rehabilitation and reconstruction of the Northern and Eastern Provinces of the country to commence, ensuring the effective delivery of employment and livelihoods to the conflict-affected population.

A primary issue in planning for Sri Lanka's post-conflict development is to determine what kinds of economic policies will best help to promote socio-economic development and sustain longer term stability. Economic policies that are sensitive to issues of inequities among groups, can hold significant implications for political stability.

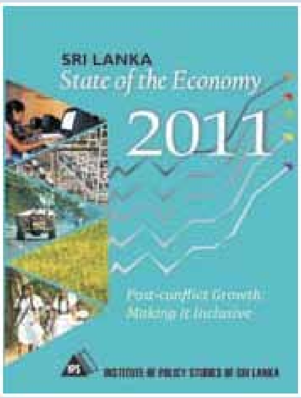
IPS Annual National Conference on the theme "Post-conflict Sri Lanka: Towards Shared Growth," 19th October. The Chief Guest at the occasion was Hon. Tissa Vitarana, Senior Minister of Scientific Affairs and the Guest of Honour was Hon. D.E.W. Gunasekera, Senior Minister of Human Resources.

Sri Lanka: State of the Economy 2011

The IPS's annual flagship report, Sri Lanka: State of the Economy, assessed the emerging risks to growth and stability for the Sri Lankan economy in the light of developments in both the external and domestic economic environment. While Sri Lanka has made a rapid economic recovery with the end of the conflict in May 2009, threats to sustained growth remain in view of a weakening global economic environment. In the circumstances, the report highlighted that the necessity of retaining fiscal, monetary and exchange rate policy flexibility to respond appropriately to changing economic conditions is vital for macroeconomic stability.

The central theme of the Sri Lanka: State of the Economy 2011 report is on the need to make Sri Lanka's post-conflict growth process an inclusive one in order to meet the country's broader socio-economic development objectives. Apart from the desirability of inclusive growth from a purely ethical standpoint, inclusiveness is needed for sustaining economic growth, as exclusion leads to underemployment of productive resources that could restrict growth. The report focuses on how rapid growth can address disparities in the delivery of public services and improve the business environment across different population groups in post-conflict Sri Lanka.

Inclusive development, however, is not only about sharing growth. It is also about empowering people to participate meaningfully in creating growth. This involves empowering people through investing in their health and education and giving them equitable opportunities to access productive resources. The demands of the labour market and the needs of the education and health sectors of the country are evolving alongside development, demographic, technological and market changes. The report explores the considerable challenges faced by Sri Lanka in meeting the changing demands of these sectors.



Rapid growth must also not leave the vulnerable behind. Sri Lanka's large share of informal sector workers, currently estimated to be 62 per cent of the workforce, are in less productive sectors such as agriculture and fisheries. The report examines in detail issues and policy options to broaden and enable equal access to economic opportunities for them. The analysis includes an assessment of the vulnerabilities faced by poor informal employees and the unemployed in terms of socio-economic, political, and geographical factors, and existing social protection measures and their gaps.

The report was released to coincide with the Institute's Annual National Conference under the theme of "Post-conflict Sri Lanka: Towards Shared Growth" held at the IPS Auditorium, 19 October 2011.

Research Studies:

➪ **"Macro Economic Policies for Growth and Employment Generation,"** funded by the International Labour Organization (ILO), Geneva.

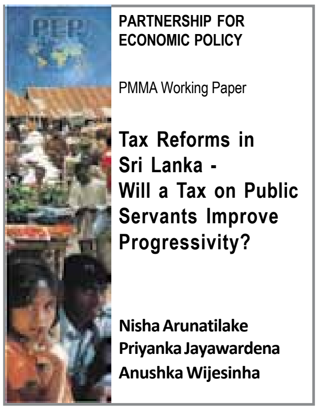
(Team: Dushni Weerakoon and Nisha Arunatilake).

Re-thinking in the approach to macroeconomic policy, in the wake of the global economic crisis has generated a discussion on the need to adopt a more flexible approach and broaden the goals of monetary and fiscal policy. The aim of this study, funded by the ILO, Geneva, was to review the available evidence, and provide new evidence, to assess to what extent macroeconomic management (monetary, fiscal exchange rate and capital account regimes) in the past has either helped or hindered the goal of attaining full and productive employment, and to suggest policy options for the future.

Drawing on the above study, IPS researchers served on two Working Groups - Macroeconomic Policies for Employment Generation and Human Resources Planning, Development, Management and Productivity - convened by the Secretariat for Senior Ministers of the Government of Sri Lanka, to formulate a National Human Resources and Employment Policy.

"Tax Reforms in Sri Lanka - Will a Tax on Public Servants Improve Progressivity?" Economic Policy Research Network (PER).

(Team: Nisha Arunatilake, Priyanka Jayawardena, Anushka Wijesinha and Nethmini Perera).



The need to reduce budget deficits by increasing government revenue was a challenge facing the Sri Lankan government over a long period of time. The Sri Lankan government introduced tax reforms in 2011, given the need to improve tax revenue and expand the tax base while keeping the tax rates competitive to mobilize professionals and to build a knowledge reserve in the country. IPS conducted a study ("Tax Reforms in Sri Lanka - Will a Tax on Public Servants Improve Progressivity?") funded by Poverty and Economic Policy Research Network (PER) to assess how the proposed tax reforms affect tax revenue and the tax base as well as to examine its effects on the distribution of taxes and net income. The results indicated that the 2011 tax reforms reduced tax revenue and the tax base, mainly because under the 2011 tax system the tax rate is reduced and the tax free threshold is increased. The results also indicated that compared to the 2007 tax systems, inequality increased under the current system.

"Second National Human Develoment Report for Sri Lanka," funded by the UNDP.

(Team: Nisha Arunatilake, Wimal Nanayakkara, Anushka Wijesinha, Priyanka Jayawardena, Sunimalee Madurawala, Ayodya Galappattige).

Bridging Disparities in Development:

Sri Lanka produced its first National Human Development Report (NHDR) "Regional Dimensions of Human Development," in 1998. This Report assessed the extent of human development disparities at a regional, provincial and district level. Much has changed since then. Two major factors were involved: the tsunami of 2004 and the culmination of the protracted separatist war in the Northern and Eastern regions of the country in 2009. Both these events put significant strains on human security. They have also undermined human development prospects in many regions of the country. Taking stock of progress after these major events, the second MDG Report of Sri Lanka, produced in 2010, showed continued progress regardless. At the same time however, it also revealed persistence of significant disparities within the country - a fact which was highlighted in the first NHDR, with some regions lagging considerably behind others. Hence, it is opportune to estimate and analyze human development within the context of inequalities that exist to get a better understanding of the policy directives that can be initiated to enhance human development not only at a country level, but in all regions on an equitable basis. Therefore the second NHDR for Sri Lanka was focused on disparities and inequalities that exist within the country, in order to advocate policy directives for more egalitarian development.

"Research and Advocacy for Improved Sub-National Business Climates," funded by The Asia Foundation.

(Team: Malathy Knight and Anushka Wijesinha).

This project, funded by The Asia Foundation (TAF), sought to get a deeper understanding of the barriers to growth in lagging regions and post-war areas. More specifically, the study attempts to understand the policy-related constraints to business faced by the Small and Medium Enterprise (SME) sector at the local government levels. Whilst the SME sector is widely recognized as being the key to inclusive regional growth, evidence-based research *on the nature of the enabling environment for these entities, of local level policy challenges and of strategic work-around solutions to grow the sector, is a significant gap in Sri Lanka's policy space. In addition, this collaborative research project was structured to take full advantage of IPS's unique role as a meta-policy institution that has the capacity to gather evidence at the micro or local government level and package it in a manner that facilitates policy buy-in at the highest levels of national government.*

The principal areas of research included: 1) Issues pertaining to access to credit; 2) Issues pertaining to fiscal decentralization; and, 3) Issues coming out of specific Public-Private Dialogues (PPDs) facilitated by IPS and TAF.

➯ **"Global Competitiveness Report 2011/2012,"** funded by the World Economic Forum (WEF) and Information and Communications Technology Agency (ICTA).

(Team: Ayodya Galappattige, Anushka Wijesinha, Dilani Hirimuthugodage).

The Global Competitiveness Report (GCR) series continues to provide the world's most respected assessment of national competitiveness for over three decades. The GCR presents rankings of the Global Competitiveness Index (GCI), introduced in 2005. The GCI is based on 12 pillars of competitiveness, providing a comprehensive picture of the competitiveness landscape in 142 countries in the world which are at different stages of economic development. The ranking shows the productive potential of nations and is widely used in foreign and domestic investment decisions.

Sri Lanka was first included in the year 2000 and will be included for the twelfth consecutive year in the 2012 report. The study was in the form of an Executive Opinion Survey among business leaders who were able to provide information and bring to light competitive issues that are important for the country, which were not available in other published courses. The survey in Sri Lanka was carried out by the IPS.

➯ **"Role of ICT in Climate Change Adaptation: Case Study on Disaster Early Warning Systems in Sri Lanka",** funded by IDRC (International Development Research Centre).

(Team: Kanchana Wickramasinghe).

The study assesses the role of ICT in disaster early warning, based on the Disaster Early Warning Network (DEWN) in Sri Lanka. DEWN represents a multipartite effort and a case for public-private partnerships in delivering ICT-based early warnings. The study finds that public-private partnerships can play a valuable role in ICT-enabled climate related disaster management. Multi-operator collaboration is necessary for fuller coverage. Also, the study identifies the need for other actions such as awareness raising and specific trainings complementary to ICT-based solutions.

➯ **"The Climate Change Policy Network of Sri Lanka,"** funded by IPS.

(Team: Kanchana Wickramasinghe, Anushka Wijesinha and Nethmini Perera).

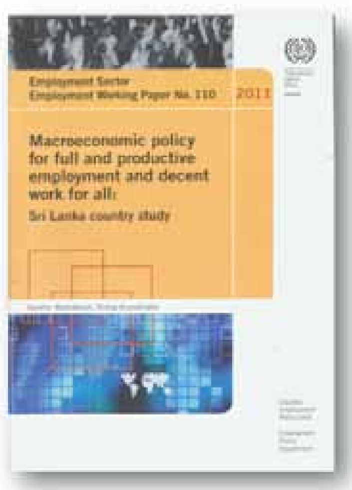
The CLIMATEnet is a virtual network (www.ips.lk/climatenet/) launched by IPS for monitoring, information sharing and experience exchange on climate change. It will act as a catalyst for coordinated action by relevant stakeholders and a breeding ground for innovative ideas while overseeing that the national agenda set by the project will be adopted and evolved gradually over the process. Its main focus is on the South Asia region with particular attention to Sri Lanka. It is also open to views and ideas on climate change policies from anywhere in the world that can make a useful contribution to the dialogue.

The CLIMATEnet objectives are to create a dialogue on different aspects of climate change policy, to build up a fruitful collaboration with professionals from all relevant disciplines on a basis of mutual benefit and cooperation and to improve its outreach to various stakeholders and build linkages necessary for a productive policy dialogue. As part of this, CLIMATEnet blog was also launched (http://climatenet.blogspot.com/). By the end of 2011 there were approximately 6 blog entries.

Publications:

- Arunatilake, N., Jayaweera, R., and Wijesinha, A., (2011), Background study on "Review of Active Labour Market Programmes in Sri Lanka" in the *Regional Flagship Report : More and Better Jobs in South Asia,* World Bank.

- Wickramasinghe, K. (2011), "Review of Twenty-first Century Macroeconomics Responding to the Climate Challenge," (eds.) J. M. Harris and N.R. Goodwin, Edward Elgar Publishing Limited, Cheltenham in *South Asia Economic Journal* 2009 12, 1 (2011): 143-183.



- Weerakoon, D. and Arunatilake, N. (2011), "Macroeconomic Policy for Full and Productive Employment and Decent Work for All: Sri Lanka Country Study", ILO, Employment Working Paper No.110.

Media Highlights:

- Thassim, B., "Budget 2012: First Steps Towards Strengthening Sri Lanka's Logistics Sector," *The Island,* 12 December 2011.

- Wijesinha, A., "SMEs and Budget 2012: Strong Steps, but Tax Relief is Half the Story," *The Island,* 25 November and *DailyMirror,* 01 December 2011.

- Kelegama, S., "Accelerating Economic Growth in Sri Lanka," in *Daily FT*, 10 June 2011.

- Kelegama, S., "Budget 2012: Bold Step to Depreciate Rupee," in *Lakbima News*, 27 November 2011.

- Editorial Team, "Post-conflict Growth: Making it Inclusive," *DailyMirror,* 18th November 2011.

- Brahmanage, B., "Electricity Constraints: Can CEB Profits Lighten the Burden on the Industrial Sector?" *The Island,* 31 October 2011.

- Editorial Team, "Pulling Ourselves Up: Taxation, Development, and Away from Aid," *Daily Mirror,* 18 August 2011.

- Ekanayake, A., "Realizing the Post-war Miracle: Challenges, Opportunities and Private Sector Leadership," *The Island,* 03 August 2011.

- Abayasekara, A., "Economic Freedom: Involving Stakeholders in Improving the Business Regulatory Environment in Sri Lanka," *Daily Mirror,* 26 July 2011.

- Wijesinha, A., "2010: 'Phenomenal Year' for Corporates, but Shared Growth across Sri Lanka Remains a Challenge," *The Island,* 17 June 2011.

- Wijesinha, A., and Perera, N., "Making Public Servants Liable for PAYE Tax: Ending the Exclusive Exemption, but what Implications for Revenue?" *DailyMirror*, 18 March and *The Island*, 7 March 2011.

- Kelegama, S., "Excerpts of the Representation Made before the Lessons Learnt and Reconciliation Commission," in *The Island*, 21February 2011.

- Kelegama, S., "Global Economic Outlook for 2011 and Emerging Concerns for Developing Countries," in *The Island*, 3 January 2011.

- Wijesinha, A., "SME Development Strategies for Sri Lanka: Learning Lessons from Neighbouring Countries," *The Island,* 1 January 2011.

4 External Competitiveness

For a small open economy like Sri Lanka, the fact of global commercial interaction is all but given, and hence, it is not a question of whether the country should engage in the global economy, but how it should do so in a pragmatic manner. Several key issues need to be considered with regard to strengthening the competitiveness of Sri Lanka's export sector, including engagement in preferential trade arrangements and improving behind the border trade infrastructure.

Government policy in conjunction with the private sector and other stakeholders will also need to devise ways of making trade more inclusive so as to ensure that the benefits of trade reaches a wider population, particularly in geographically isolated regions. It is also important to ensure that such objectives can be achieved with minimum distortionary implications for efficiency.

➪ **"Implementing Preferential Trade Agreements: Sri Lanka Country Study,"** funded by World Bank, Washington, D.C.

(Team: Dushni Weerakoon).

➪ **"Strategic Partnership for Policy Development and Action to Foster Regional Cooperation in South Asia,"** funded by ADB and Research and Information System for Developing Countries (RIS), India.

(Team: Parakrama Samaratunga, Anushka Wijesinha, Asha Gunawardena and Dilani Hirimuthugodage).

The study, funded by the ADB and Research and Information System for Developing Countries (RIS), focused on analyzing the tea sector value chain in Sri Lanka with a special emphasis on the South Asian region. More importantly, the implications of regional value chains for domestic firms in terms of improving production efficiency, acquiring technology and finally, moving up in the value adding activities with vertical and horizontal integration were looked at comprehensively. Further, it attempted to identify the existing policies and regulations which either promotes or hinders tea exports to South Asia.

➪ **"Cost of Economic Non-Cooperation to Consumers in South Asia (COENCOSA),"** funded by Asia Foundation and Consumer Unity & Trust Society (CUTS).

(Team: Ashani Abayasekara).

With support from The Asia Foundation, the Consumer Unity and Trust Society in India (CUTS International) implemented a project titled "Cost of Economic Non-Cooperation to Consumers in South Asia," which highlighted the costs to South Asian consumers as a result of existing trade restrictions in the region. The study was conducted in five South Asian countries: Bangladesh, India, Nepal, Pakistan and Sri Lanka. IPS carried out the survey in Sri Lanka. Based on a meta-analysis of the existing literature on economic integration in South Asia, a quantitative analysis, and a survey of some key stakeholders on their perceptions of regional trade integration, the study estimated the gains that would accrue to consumers from enhanced intra-regional trade. Quantitative analysis shows that importing from within the region as opposed to from outside could lead to savings of approximately US$ 2 billion a year in terms of aggregate consumer expenditure. The perception survey revealed that a lack of awareness of potential benefits and minimal representation of consumers in the trade policy making process, as opposed to producers, has led to low expectations about consumer welfare gains.

Other Research Studies:

➪ **"Utilization of FTAs in Sri Lanka,"** funded by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).
(Team: Deshal De Mel, Suwendrani Jayaratne and Dharshani Premaratne).

➪ **"Making SAFTA Effective: An Approach to Prune Sensitive Lists in South Asia,"** funded by Indian Council for Research on International Economic Relations (ICRIER).
(Team: Deshal De Mel and Dharshani Premaratne).

➪ **"Handbook on the India-Sri Lanka Free Trade Agreement,"** funded by the Indian High Commission, Colombo.
(Team: Suwendrani Jayaratne, Dharshani Premaratne and Ashani Abayasekera).

- **"Trade Facilitation in South Asia,"** funded by South Asia Center for Policy Studies (SACEPS)/ Asian Development Bank (ADB).
(Team: Suwendrani Jayaratne and Dharshani Premaratne.

- **"Regional Study on Improving Regional Trade Procedures and Processes: Sri Lanka Case Study,"** funded by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).
(Team: Deshal De Mel, Suwendrani Jayaratne and Dharshani Premaratne).

- **"Implication of Standards on Tea and Fish Exports in Sri Lanka,"** funded by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).
(Team: Janaka Wijayasiri and Suwendrani Jayaratne).

- **"Liberalization of Air Services in South Asia: Prospects and Challenges,"** funded by South Asia Center for Policy Studies (SACEPS)/ Asian Development Bank (ADB).
(Team: Deshal De Mel and Anushka Wijesinha).

Publications:

- Kelegama, S., (2011), "The Case for Liberalization of Tea Imports for Increasing Value Addition and Enhancing Tea Exports from Sri Lanka," in Wimalaratana, W. (ed.), *Agriculture and Rural Development in Sri Lanka*, University of Colombo.

Conferences/Workshops:

- "Chinese Engagement with SAARC: Priorities and Possibilities in Trade and Investment," at the International Conference on "China-SAARC: Towards a Better Understanding through Enhanced People to People Exchanges," organized by the China Institute of International Studies and Yunnan Academy of Social Sciences, Kunming, Yunnan Province, China - 26 & 27 July 2011 (Saman Kelegama).

Dr. Saman Kelegama, Executive Director, IPS at the International Conference on "China-SAARC: Towards a Better Understanding through Enhanced People-to-People Exchanges," Kunming, China, 26-27 July.

Media Highlights:

- Samaratunga, P., "Sri Lanka as a Rice Exporting Country: Possibilities and Problems," *DailyMirror*, and *The Island*, 8 December, 2011.

- Kelegama, S., "UAE-Sri Lanka Economic Relations - A Growing Partnership," in *DailyMirror*, 24 November 2011.

- Kelegama, S., "SAARC Needs a Major Shakeup!" in *The Island*, 27 September 2011.

- Wijesinha, A., and Hirimuthugodage, D., "Sri Lanka Continues its Rise up Global Competitiveness Index," in *The Island*, 7 September, *DailyMirror, 13* September, 2011.

- Wijesinha, A., "Sri Lanka Continues its Rise up Global Competitiveness Index: Jumps 10 Ranks in 2011-12 World Economic Forum Report," *DailyMirror*, 13 September and *The Island*, 7 September 2011.

- Editorial Team, "World Economy Health Check: Snapshot of Continuing Concerns," *The Island*,24 August 2011.

- Wijesinha, A., "As Global Economic Power Shifts, Where Will Sri Lanka Place Herself?" *DailyMirror*, 24 May and *The Island*, 16th May 2011.

- Kelegama, S., "What Does the Latest WTO Review Say on Sri Lanka's Trade Policy?" in *Daily FT*, 29 April 2011.

- Wijesinha, A., Premaratne, D., Perera, D., Weerasekera, H., and Editorial Team, "World Economy Health Check: Prospects and Challenges in 2011, and Implications for Sri Lanka," *Daily Island*, 25 April 2011.

- Kelegama, S., "Crises in Japan, Middle East, West Africa Will Not Hinder Global Recovery," in *Sunday Observer*, 27 March 2011.

- Wickramasinghe, K., "Half of the World's Trade Travels through it, but are We Protecting it?" *The Island*, 10 January 2011.

5 Poverty and Vulnerability

To be competitive in the global market, the firms in the modern economy had to continuously improve productivity and decrease costs. Faced with increased competition, employers look for greater flexibility in adjusting workforces and reducing fixed costs. As a result, work has become more intense and greater demands are made on the worker to meet targets and sustain quality - raising issues concerning the health and safety of workers. Together, these developments have made employment more 'uncertain, unstable and insecure.'

In addition, certain safety nets need to be created for the care of Sri Lanka's rapidly ageing population, the segment of population most vulnerable to environmental change, and those in acute poverty. Unlike in more developed countries, the Sri Lankan Social Security system is not developed enough to cater to all the welfare needs of these groups of people. IPS has conducted several studies on the development issues of ageing, climate change and microfinance in Sri Lanka.

The Asian Development Bank is carrying out an upgrading and improvement of the "Social Protection Index (SPI)" in order to help enhance the capacity of developing member countries (DMCs) to measure and monitor social protection programmes. The IPS was engaged in order to collect relevant social protection information and data from the Government agencies/offices. The social protection data on expenditures and beneficiaries are analyzed to develop the SPI for Sri Lanka, which will then be used as a tool for social-protection programmes on a country level rather than for the relative ranking of countries in Asia and the Pacific.

Research Studies:

⇨ **"Review of Active Labour Market Programmes in Sri Lanka,"** funded by World Bank.

(Team: Nisha Arunatilake, Roshini Jayaweera and Anushka Wijesinha).

⇨ **"Factors Affecting the Repayment Performance of Loans Granted by Microfinance Institutions in Sri Lanka,"** funded by the University of Griffith.

(Team: Ayodya Galappattige and Roshini Jayaweera).

The University of Griffith, Brisbane, Australia was conducting a study on microfinance in the Asia Pacific region, including Indonesia, Malaysia, Thailand, Philippines and Sri Lanka. The survey in Sri Lanka was carried out by the IPS. The objective was to understanding the factors affecting the repayment performance of loans granted by the micro financing institutions (MFIs) in the Asia Pacific region.

The study consisted of two parts. The first part involved interviewing the managers who were familiar with the loan appraisal and disbursement process at each selected MFI. The second part involved development of a database with loan repayment information of loan clients of the selected MFIs at community level institutions (e.g., Community Based Organization/Society/cluster level).

⇨ **"Effects of the Global Financial Crisis on the Poor,"** funded by the United Nations Children's Fund (UNICEF).

(Team: Wimal Nanayakkara, Ayodya Galappattige and Roshini Jayweera.

IPS carried out a study for the Ministry of Social Services, funded by the UNICEF. The study was carried out in the four poorest areas of the country. The poorest Divisional Secretariats of Baticaloa and Moneragala, both estate and non-estate sectors of Nuwara-Eliya, and the urban poor of Colombo were included in the study. It reviews the social protection for children and women as well as the effect of the global economic crisis on the poor.

⇨ **"Safety Nets, Social Protection and Assistance: Updating and Improving the Social Protection Index for Sri Lanka,"** funded by the Asian Development Bank (ADB).

(Team: Ayodya Galappattige, Roshini Jayaweera and Nethmini Perera.

The Asian Development Bank is carrying out "Upgrading and Improving the Social Protection Index (SPI)" to help enhance the capacity of developing member countries (DMCs) to measure *and monitor social protection programmes. The IPS is engaged in doing the country analysis and the report for Sri Lanka. The revised SPI is regarded more as a useful analytical and assessment tool for social-protection programmes at the country level rather than for the relative ranking of countries in Asia and the Pacific.*

IPS is engaged in collecting relevant social protection information and data from the Government agencies/offices. The social protection data on expenditures and beneficiaries are analyzed to develop the SPI for Sri Lanka.

Publications:

- Kelegama, S., (Joint ed.) (2011), *Trade Liberalization and Poverty in South Asia*, Routledge, UK.

- Kelegama, S. (2011), "Book Review of Trade and Poverty in Asia and Pacific" in *Pacific Affairs*, Vol. 84, No.4, 2011.

- Wickramasinghe, K. (2011), "Role of ICT in Climate Change Adaptation: Case Study on Disaster Early Warning System in Sri Lanka,"International Development Research Centre (IDRC), Canada.

- Senaratne, A. and Wickramasinghe, K. (2011), "Commons vs. Commons: Managing Scarce Water Resources in Dry Zone Village Tank Systems in Sri Lanka, Economy and Environment Program for Southeast Asia," in *Research Report No. 2010-RR13*, Economy and Environment Program for Southeast Asia, Singapore.

- Wickramasinghe, K. (2011), "Review of Climate Finance: Regulatory and Funding Strategies for Climate Change and Global Development," R. B. Stewart, B. Kingsbury, B. Rudyk, (Eds.), in *Trade Insight* Vol.7, No. 2. New York University Press, New York and London.

- Wickramasinghe, K. (2011), "Role of ICTs in Early Warning of Climate Related Disasters: A Sri Lankan Case Study," Published electronically at the "Notes on ICTs, Climate Change and Development" (http://www.niccd. org/).

- Wickramasinghe, K. (2011), Book Review on Bina Agarwal, *Gender and Green Governance: The Political Economy of Women's Presence Within and Beyond Community Forestry*, New Delhi: Oxford University Press, 2010, in the *South Asia Economic Journal*, 12: 349-354: September 2011.

- Wickramasinghe, K. & Senaratne, A. (2011), "Community Forestry under Conditions of Low Forest Dependence: Experience from Dry and Intermediate Zones of Sri Lanka," A paper presented at the First International Community Forestry Workshop, Pokhara, Nepal, 18th September 2009, published electronically http://ommunityforestryworkshop.com.np/Keynotes&paper/keynotes.html

Conferences/Workshops:

- 13th Biennial Conference of the International Association for the Study of the Commons, Hyderabad - 12-15 January 2011 (Asha Gunawardena and Nethmini Perera).

- UNESCO Forum of Ministries in Charge of Social Development from South Asia, Organized by UNESCO and the Ministry of Social Services - 20-22 February 2011 (Nisha Arunatilake).

- Professional Development Workshop on "Increasing the Developmental Impact of Evaluation Outputs and What's New in Real World Evaluation," organized by the Sri Lanka Evaluation Association - 6 to 7 June 2011 (Ayodya Galappattige).

- Fourth South Asian Training Programme on CGE Modelling, organized by SANEM and SAWTEE - 20 to 23 September 2011 (Roshini Jayaweera).

Media Highlights:

- Kelegama, S., "Human Development Report 2011 - Review," in *The Island*, 4 December 2011.

- Kelegama, S., "Regional Poverty," in *Himal South Asian*, 17 November 2011.

- Jayaweera, R., "Is Low Agricultural Productivity Keeping Batticaloa Poor?" in *DailyMirror*, and *The Island*, 29 September 2011.

- Kelegama, S., "Food Prices Up Again: Why, How and What?" in *Daily News*, 3 January 2011.

- Dayaratne, G. D., "Alcohol Policy in Sri Lanka Needs a Rethink," *DailyMirror*, 14 July 2011.

Roshini Jayaweera, Research Officer, participated at the "Fourth South Asian Training Programme on CGE Modelling," 20-23 September, Kathmandu, Nepal.

Dr. Nisha Arunatilake, Research Fellow, IPS, participated at the UNESCO Forum of Ministries in Charge of Social Development from South Asia, Organized by UNESCO and the Ministry of Social Services, 20-22 February, Colombo, Sri Lanka.

6 Innovation & External Growth Drivers

In today's global context, growth is driven by innovation and rapid technological advancements. To create a niche, Sri Lanka has had to embark on several innovation drives in various sectors such as infrastructure, agriculture and communications. In order for these efforts to be successful, the necessary regulatory frameworks and government support in terms of research and development as well as intensive training needs to be available and access needs to be ensured.

Research Studies:

➡ **"Sector Performance Review (SPR) and Telecom Regulatory Environment (TRE),"** funded by LIRNEasia.

(Team: Malathy Knight, Anushka Wijesinha and Buddhika Brahmanage).

This project, funded by LIRNEasia, seeks to evaluate regulatory efficacy in Sri Lanka's telecommunications sector, using a particular technique - the TRE method. The Sri Lanka study is a part of broader cross-country research in the South Asian region and the 2011 study is also the third in a series of collaborative TRE research projects undertaken by IPS and LIRNEasia. The TRE method, is a parsimonious way of assessing regulatory effectiveness using perception surveys and systematically eliciting responses from three informed groups of stakeholders: those directly involved in the telecommunications sector (e.g., operators); those observing the sector with broader interest (e.g., investment consultants); and those representing the public interest (e.g., the media).

Whilst similar studies on regulatory efficacy in the telecommunications policy space, use sector performance as a proxy to evaluate regulatory effectiveness, TRE research is premised on the fact that the former method is not sufficient for the purposes of understanding regulatory governance and that sector performance in itself is the outcome not only of regulatory governance and efficacy but also of a vast range of global and country-specific economic and socio-political variables, which also means that a comprehensive analysis of these various factors is a costly exercise.

The TRE survey for 2011 looked at regulatory effectiveness in the fixed, mobile and broadband sectors. The specific dimensions for evaluating efficacy are five from the GATS Telecommunications Reference Paper-market entry, access to scarce resources, interconnection, tariff regulation, regulation of anti-competitive practices- combined with quality of service and universal service obligations.

➡ **"Feasibility Study on India - Sri Lanka Power Grid Interconnection,"** funded by Ministry of Power and Energy.

(Team: Anushka Wijesinha and Buddhika Brahmanage).

Governments of India and Sri Lanka signed a Memorandum of Understanding (MOU) in 2010 to conduct a feasibility study for the interconnection of the power grids of the two countries. The feasibility study is jointly conducted by Power Grid Corporation of India Limited (POWERGRID) and Ceylon Electricity Board (CEB). The IPS along with Resource Management Associates and Tiruchelvam Associates, undertook the Complementary Studies for the Ministry of Power and Energy (MoPE)/CEB, as part of the feasibility study under the MOU commitments.

- "**Intellectual Property Rights in Protecting Plant Varieties and Farmers' Traditional Knowledge in Sri Lanka,**" funded by National Science Foundation (NSF).

(Team: Parakrama Samaratunga and Dilani Hirimuthugodage).

The overarching objective of this study is to propose feasible protection methods and techniques to plant varieties and farmers traditional knowledge. Moreover, the study attempts to identify issues, existing policies and policy gaps with regard to plant protection especially on rice varieties. Further, it will evaluate the effectiveness of the present policy framework and the present legal and institutional system relating to plant varieties and farmers' traditional knowledge.

Other Research Studies:

- **"Socio-Economic Impact of Nanotechnology Applications in Sri Lanka,"** funded by the International Development Research Centre (IDRC).

(Team: Asha Gunawardena).

Publications:

- Hirimuthugodage, D. (2011), "The Trade Related Intellectual Property Rights (TRIPs) Agreement and the Agriculture Sector in Sri Lanka", ARTNeT, Working Paper Series No. 92.

- Hirimuthugodage, D. (2011), "Role of the Trade Related Intellectual Property Rights Agreement in the Protection of Plant Varieties and Farmers' Traditional Knowledge in Sri Lanka," in *Sri Lanka Economic Journal*, Vol.11, No.1, pp.96-132.

- Hirimuthugodage, D. (2011), "TRIPs Agreement and the Agriculture in South Asia: A Sri Lankan Perspective," in *South Asian Economic Journal*, Vol.12,No.2,pp. 287-305.

- Samaratunga, P. (2011), "*Articulating and Mainstreaming Agricultural Trade Policy and Support Measures,*" FAO, Rome.

Media Highlights:

- Hirimuthugodage, D., (2011), "Guarding What is Ours," in *The Island*, 23rd of January 2011.

- Samaratunga , P., (2011), "Sri Lanka as a Rice Exporting Country: Possibilities and Problems," in *The Island*, 8 December 2011.

- Editorial Team "Repositioning South Asia: A Positive Look," in *The Island*, 22 October and *DailyMirror* 08 November 2011.

- Wijesinha, W., "Dynamic Growth in Sri Lanka: the Innovation Imperative," *DailyMirror*, 17 October and *The Island* 13 October 2011.

THINK TANK INITIATIVE (TTI)

The IPS as a successful grantee of a competitive global funding effort that supports 51 independent policy research institutions in the developing world - the Think Tank Initiative (TTI), implemented by the International Development Research Centre (IDRC) of Canada - continued to engage in activities intended to support the following long-term institutional objectives:

- Enhance research quality
- Strengthen organizational performance
- Improve policy linkages, communication and outreach

Under each of these objectives, the IPS implemented a host of activities, some of which are highlighted below:

- 15 IPS researchers benefited from a training course on "Qualitative Research Methodology" carried out by trainers from the Centre for Poverty Analysis (CEPA), 15-30 August 2011.

- A scoping study on "Intersectoral Collaboration in Addressing Social Determinants of Health through Public Policies in Sri Lanka: Health in All Policies (HiAP)" was developed in consultation with the Ministry of Health and carried out by IPS researchers.

- A successful one-day event, the "First IPS Retreat," was organized in June 2011 with an external facilitator brought in to conduct sessions geared for team building through tailored exercises and setting long-term objectives for the organization.

ThinkTank Initiative
Local research for lasting solutions

- The Institute's blog, 'Talking Economics' was overhauled and redesigned to facilitate easier access and to increase traffic to the site. A printed compilation of blog articles - 'Talking Economics Digest' - was launched and is produced bi-annually.

- With the intention of contributing national capacity building in economic research, the IPS has entered into a Memorandum of Understanding with local universities to provide internships for undergraduate students.

- Presentation of a paper on 'Microinsurance: A Risk Management Tool for the Poor in Sri Lanka?' at a conference on 'Contemporary Microfinance: Institutions, Policies, and Performance' organized by the German University, Cairo, Egypt, 5-7 September 2011.

- The IPS held its first Annual National Conference on the theme of "Post-conflict Sri Lanka: Towards Shared Growth" to coincide with the release of the Institute's flagship publication "Sri Lanka: State of the Economy" on 19th October 2011, with the objective of sharing and disseminating findings related to the Institute's priority research areas and generate a forum for constructive debate and discussion.

IPS SUPPORT SERVICES

Finance and Administration

The Department of Finance and Administration comprising of five units, Financial Operations; Administration; Human Resources; Maintenance Operations; and Procurement Services; provide internal support services to each of the Research Units in the IPS.

The year commenced with much hope and expectations of achieving comparatively superior financial results. This was realized as the Institute recorded a surplus of Rs. 344,742 which was a remarkable improvement from the previous year's deficit of Rs.27.7M. The revenue from Project income showed an increase of 57% compared to 2010. The total allocation of Rs. 14 million from the Ministry of Finance and Planning was not received as the final instalment was curtailed due to government's budgetary constraints. The IDRC Think Tank Initiative (TTI) grant was a great source of support to enhancing overall revenue of the Institute and constituted 20% of the overall revenue. Many steps were taken for reduction of costs in an attempt to keep operating costs to the minimal. The maintenance cost was lower as the new building equipped with new assets did not require much maintenance. As a result, utility, travelling and operating costs showed a reduction of 28% as against the previous year. However, the depreciation charge on the newly acquired property plant and equipment was higher than the previous year, thereby overall expenses of 2011 increased by 6% as compared to the previous year.

The Finance and Administration Unit achieved a key milestone during the financial year. The Institute successfully implemented an Enterprise Resource Planning Solution, Microsoft Dynamics NAV 2009, covering the financial functions of the sales, purchases, General Ledger, Accounts Receivable, Accounts Payables, Cash Management, and Fixed Asset Modules. The package will facilitate the collection of amounts due, payment processing, reporting, budgeting, and efficient cash management. It also provides a flexible, robust and user-friendly system.

The Unit was also successful in computerizing the Human Resource (HR) function by implementing the Human Capital Gateway software package, a software developed by Pricewaterhouse Coopers. The personal details, leave and employment information of employees have been computerized, thereby the paper based system has now been switched online, fully systemizing all documentation related to the HR function, ensuring that the human resource function is streamlined and efficient.

The IPS External Audit Committee was formed in late 2010 and the first sitting took place in 2011. The committee consists of **Chandra Jayaratne** (Chairman), **V. Kanagasabapathy** (Former Director, Public Enterprises, Ministry of Finance and Planning) and **Ajith Ratnayake** (President, Sri Lanka Institute of Auditing and Standards) and the IPS is represented by the Deputy Director and Director Finance and Administration.

The Audit Committee met on four occasions in the year 2011 and made valuable suggestions to strengthen financial control. A Board of Survey was carried out during the year.

The Finance and Administration Unit looks forward to another challenging year in 2012. The Unit will coordinate with the Internal Auditors and commence a quarterly Internal Audit. This will strengthen the processes already in place and ensure that the financial system can be relied upon in preparation and presentation of Financial Statements. The IPS looks forward to renting out the Auditorium in order to generate a new source of revenue in 2012.

The Unit was pleased to welcome on board the new Accountant, Ranushi Jayatilaka, passed finalist of CIMA (UK) and the Assistant Accountant, Ayantha Paranavithana, a student of CIMA (UK). Urmila Jayasekera who served in the capacity of the Receptionist left the Institute in order to pursue higher studies. Whilst wishing Urmila all the best, the Unit welcomes Anjalee Komangoda who took over the duties of the Receptionist in April 2011.

Communications Outreach

The Publications and Communications Unit (PCU) of IPS is the Centre of its information dissemination. The PCU is overall responsible for dissemination of IPS research through print, web and other media, which includes publications, as well as international and local conferences, workshops, and seminars. The PCU also provides assistance to the research staff to promote their capabilities and research work in the electronic and print media. Main responsibilities of the PCU include:

- Producing and disseminating IPS publications
- Organizing local and international conferences, seminars, and workshops
- Implementing corporate communication and promotional activities
- Designing and development of content for the Institute's public website.

While 'quality' is a top priority in the Unit's agenda, it also focuses on effective promotion of the Institute's research publications. Sales activities are carried out mainly at the IPS premises and through selected dealers island-wide. Apart from overall monitoring of the publications at dealers, necessary follow-ups are also carried out by the PCU staff. The Unit continues to enhance its services to ensure wider accessibility and acceptance of IPS publications, both locally and internationally.

As the local publishing market becomes more competitive, it is important that the Institute constantly improves its publishing and marketing strategy. With this in mind an overall marketing strategy will be developed to enhance the image of the Institute.

Outreach using new instruments also continued in 2011, through both online and print media. The IPS blog - 'Talking Economics' - continued to receive increasing numbers of visitors and commenters. Monthly page views on the blog grew from just over 2,000 in January 2011 to around 8,200 in December 2011. The majority of page views (nearly 70%) were from Sri Lanka, followed by USA, Australia, UK, and India. The PCU brought out two issues of the 'Talking Economics Digest' (TED), a bi-annual print version containing all of the blog articles and additional features. The TED is distributed to a wide stakeholder group, including leading private sector personalities, government officials, heads of multilateral agencies in the country, and academics. Copies were also distributed on a complimentary basis at IPS events and to visitors to the Institute.

Publications Sales

Given the prevailing economic conditions, the year 2011 had a total sales turnover close to Rs.800,000. More active outlets were identified, which made a significant contribution to sales.

The PCU continued to provide content management services for the IPS public web, www.ips.lk. and ips.lk/climatenet.

Moving Forward

The primary medium term goal of the Publications and Communications Unit is to enhance the dissemination of IPS research by engaging a broader audience through;

- Re-packaging IPS academic research into more accessible forms like policy briefs and e-bulletins
- Utilizing alternative forms of media - e.g. IPS blog 'Talking Economics'

The objective of these measures is to enhance the public image of the Institute and to help the Institute contribute more effectively to public debate on contemporary economic issues.

Currently, the primary avenues of communicating IPS research, is through the regular publications, conferences, website, newspaper reports and TV interviews. In addition, we are engaged in the re-packaging of IPS academic research into more accessible formulations. Through this, the PCU endeavours to more effectively engage the general public, students, international networks and the diaspora. IPS communications utilize the internet in a limited manner through the formal website; however IPS has begun using modern online social media, such as blogs and microblogs, and has made more effective use of modern communication tools available through the internet.

In the future, the PCU will also explore new ways of engaging the key stakeholders of IPS, including the government, private sector and international development agencies. Regular review meetings to discuss and obtain feedback on contemporary IPS work and more informal round table discussions with key stakeholders are among the measures that will be looked into by the PCU. In addition, we are targeting the vernacular language audiences through options such as TV documentaries and regular panel discussions.

Information Systems Unit

The Information Systems Unit (ISU) of the IPS concentrates on the following core areas: a) Software, Hardware, Networking and IT infrastructure management; b) Web Development, Maintenance and Information Dissemination, and c) Database Development, Maintenance and Management. In doing so, it supports the Institute to remain competitive as a regional centre of excellence.

The Local Area Network

A completely new LAN was conceptualized and implemented at IPS, with the objective of meeting the IPS ICT demands for the next 5 years.

Unified Communications

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 the implementation of a separate telephone network.

Virtual Private Networking

Ability for the researchers to securely connect to the IPS network, from various locations outside of the IPS premises (e.g., while at conferences abroad, from the field, or working from other locations such as from home) and access necessary resources, communicate remotely via soft phones thereby enabling researchers to collaborate and engage in virtual team work was introduced. This system is used within the IPS team as well as with other organizations with which IPS researchers collaborate.

Audio/Video Conferencing

Audio conferencing facilities were also integrated to the network, in Conference Rooms for the Staff and for the

Executive Director. As planned, the implementation of integrated video conferencing devices and web casting is underway.

Data Centre

To host central IT equipment and provide efficient data and information dissemination service, an equipped data centre was also incorporated. Redundant un-interrupted power supplies were also introduced until the building generators take over, as part of the solution for power failures.

Wi-Fi

Secure Wi-Fi Zone is provided within the IPS Premises to facilitate Internet for IPS Staff as well as for visitors.

Web

IPS web operations continued, with the maintenance of the existing web site and the expansion of the IPS blog. Initiatives were also made to improve IPS web presence through social networks, including Twitter, Facebook, YouTube and Flickr.

PCs

New PC's were introduced to staff members with Microsoft Windows 7 as the standard operating system and Microsoft Office Suite 2010.

Plans

As planned, work is underway to replace the central Email facility servers and will be completed in October 2012.

The web site is considered as the information point to the world, and therefore a more attractive and user friendly IPS web site is to be launched by the end of 2012.

The Information System Head, Haren Kodagoda, resigned from the IPS in November 2011 to pursue a private sector career. The IPS IT system benefitted from Haren's leadership during the period 2003 - 2011. He was instrumental in designing the IPS Web, LAN and many other IT related services. The Institute wishes Haren all the best in his new career.

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

Over the years, library has made significant progress in developing collections, developing and applying new information technologies, and transforming library services and facilities to respond to the changes taking place in both Institute's and information environments. It has now strengthened ties between library staff, resources and the Institute's research staff as well as with the broader research community affiliated to other research organizations and universities. The library is committed to achieving the highest standards of provision and delivery of information resources and services to advance the Institute's research. As detailed in this report, library made a noteworthy progress in accomplishing the three goals stated in its 2010 Annual Report. Consequently, library contributed to achieving the Institute's overall goals.

Collection Development

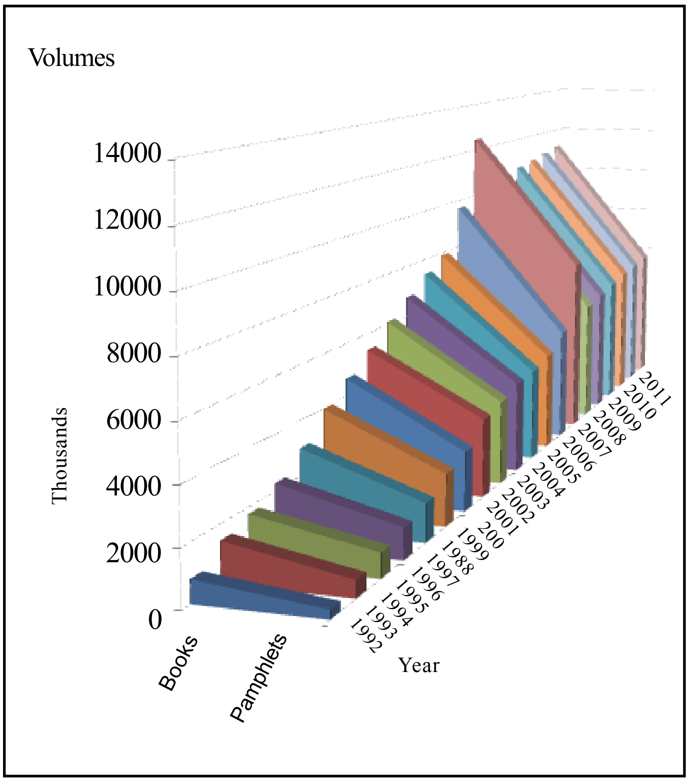
Building a collection more responsive to the evolving needs of the Institute's researchers is a challenging task, especially in a time of economic downturn. However, library took every effort to tackle the issue and worked together with the Institute's researchers and similar research organisations to develop such a collection. In addition, the library further strengthened the exchange programme which it developed over the years with various national, regional and international organizations. A large number of items were added to library's print collection of books and pamphlets mainly through these collaborative efforts. Similarly, library also managed to add a considerable amount of printed and electronic publications to the repository, which it maintains on Sri Lankan economic and sectoral policy. Library also continued its subscriptions to print journals which covers 69 titles of local and international journals.

Access to on-line full-text databases

All these years, a considerable portion of Library budget was spent on online full-text databases as the costs of databases have exceeded the general inflation rate. However, with the generous support of IDRC/Think Tank Initiative (TTI), Library gained access to a range of online full-text databases for a period of three years starting from 2011 to 2013. Thus, Library has the advantage of using its budget for acquiring other resources as well as upgrading infrastructure and providing professional training to its staff.

On the other hand, as stated in the IPS Annual Report - 2008, presenting a great challenge to Sri Lankan libraries, the support received to access on-line databases from International Network for the Availability of Scientific Publications (INASP) and Programme for the Enhancement of Research Information (PERI) came to an end in 2009. Although the INASP/PERI negotiated with publishers and obtained reduced subscriptions for Sri Lanka, respective national level institutes in the country were not successful in formulating a national level consortium to take advantage

Collection Development 1992 - 2011



of it. Therefore the Library is currently engaged in seeking the possibilities of formulating a small-scale consortium with similar organisations in the country to address the issue. It has already negotiated with a different support programme and was successful in obtaining a reasonably reduced subscription fee for the whole country. Library also held preliminary discussions with a few libraries regarding participation in the consortium and received positive responses.

Enhancing Services

The purpose behind the setting up of all three goals (i.e., development of a digital library to utilize existing provision of electronic resources to deliver value-added services to users at the desktops; increase users' interaction with Library catalogue, resources and sharing content; increase efficiency of circulation) for 2011 as stated in the IPS Annual Report of 2010, was to enhance user experience to library resources and services. Despite the issues related to moving into new premises and infrastructure, Library staff continued their efforts in accomplishing these goals and progressed well. Whilst disrupted Library Intranet and web OPAC due to moving into new building were restored with a more user-friendly format, Library also successfully modified and restarted its digital library named 'EconSearch'. The Library was able to test the new Integrated Library Management System (ILMS) and trained its staff on all the necessary aspects of the system. However, it was not possible to fully implement the new ILMS due to the issues related to converting existing databases and purchasing of new Library servers. The new system will be in operation by mid 2012. Both the digital library and the new ILMS have been created using open source software Dspace and Koha, respectively.

As pointed out in past Annual Reports, the demand from outsiders to use the Library is increasing annually. Therefore with the intention of extending services to outsiders and also Library to be a revenue earner in the future, Library investigated how the other Libraries function in this respect. Based on the findings of the survey carried out, the Library is in the process of revising its policy for external users and extending services to outsiders.

Library Networking and Cooperation

Library actively participates in a number of national and regional networks such as Economics and Banking Network of Sri Lanka (EBankNet), Sri Lanka Science and Technology Information Network (SLSTINET), and Programme for the Enhancement of Research Information (PERI).

Library also reviewed and revised its existing exchange and inter-library loan (ILL) agreements with the National Library, university libraries and other research libraries in order to promote resource sharing.

With the intention of strengthening its networking and cooperation activities in 2011, for the first time, library organized a guest lecture. Dr. Dan Dorner, Senior Lecturer of the Department of Library and Information Sciences, Victoria University of Wellington, New Zealand, delivered the lecture on 21st October. The lecture which was on digital preservation, was very timely and useful for Sri Lankan librarians as most of them are currently engaged in digitalizing activities. The lecture was well received and also the event provided an excellent opportunity for interacting with librarians. The overwhelming request received from the librarians was to organize similar events and activities regularly. Thus the Library is planning to organize at least one such event on an annual basis.

Library Committee

The Library Committee which plays an advisory role assists the Librarian in setting overall library policy and in defining broad guidelines for the further development of the IPS Library. The Committee provides an efficient avenue to channel requests for acquisition of new materials, 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.

Achievements*

Premila Gamage, Librarian, continued to serve in the Regional Standing Committee of Asia and Oceania Section (RSCAO) of International Federation of Library Associations and Institutions (IFLA). She also continued her appointment as a Trainer to the Building Strong Library Association (BSLA) Programme of Bill and Melinda Gates Foundation and IFLA.

In an advisory capacity, she participated in a number of international groupings and meetings during 2011.

- Train the Trainer BSLA Workshop, 27 - 30 January and 24-25 June 2011, Beirut, Lebanon
- World Library and Information Congress and the 7th IFLA General Conference and Council, 13-18 August 2011, San Juan, Puerto Rico
- Annual General Meeting of CILIP, 22 September 2011, London, UK

Gayani Bentotage attended the workshop on Research Methodology organized by the Sri Lanka National Library and Documentation Centre, on 10th of June 2011.

*Both Dilrukshi Ariyaratne and Chamari Yapa, Assistant Librarians were on maternity leave and did not attend any training programmes. Mihiri Gallage was hired for a period of six months.

Priorities for the Coming Year

As has always been the case, the main concern of the Library is on delivering efficient and effective information services to advance the Institute's research. In doing so, the Library contributes to achieving both Library's and Institute's missions. Library Corporate Plan for 2011-2015 provides a framework for meeting these missions and sets out the following goals and actions for 2012. In addition, the Library is committed to realizing partially achieved goals of 2011.

Goal One

Access: To advance the Institute's research by facilitating the availability and accessibility of information resources irrespective of format and location.

Action: Make available Library Intranet on the IPS home page (thereby enabling IPS staff to access the Library and its specialized services anywhere in the world). Develop and implement an information literacy programme.

Goal Two

Resources: To provide, maintain and produce quality information resources, which support the Institute's research staff and the research community affiliated to other research organizations in the country.
Action: Develop Sri Lankan Economic Literature Portal using open source software.

Goal Three

Human Resources: To create a team of highly skilled, trained and motivated staff in sufficient numbers to carry out Library services and activities.
Action: Assess training needs and find training opportunities to improve leadership and communication skills.

Goal Four

Collaboration: To identify partners and foster collaboration with other libraries and organizations which enhances services and resource sharing.
Action: Organize training workshops for the librarians of similar organizations on Library 2.0 and digital library.

Goal Five

Innovation and Evaluation: To apply and develop appropriate evaluation techniques, organizational structures, and information transfer technologies in order to deliver new or improved services to users and staff.
Action: Implement a system (web analysis) to monitor and study usability of the Library Intranet and Web OPAC.

Personnel

Premila Gamage, Dilrukshi Ariyaratna, Chamari Yapa and Gayani Bentotage.

Guest lecture on 'Digital Preservation' delivered by Dr Dan Dorner, Senior Lecturer, School of Information Management, Victoria University of Wellington on 21 October 2011 at IPS Conference Room.

IPS

OUR TEAM - RESEARCH RESOURCES

Saman Kelegama, PhD, Executive Director - Dr. Kelegama is a Trade Policy Economist who also works on Industrial Economics, Public Enterprise Reform, and Macroeconomics. Widely published and respected around the world as a pre-eminent Sri Lankan economist, Dr. Kelegama has served in the Board of Directors of many government, private sector and professional institutions, and currently serves in the governing boards of a number of regional and international institutions. Dr. Kelegama has also served as Chairman in many Sri Lankan and regional associations, and groupings and has represented the Sri Lankan academia at a number of official delegations. He is a Fellow of the National Academy of Sciences of Sri Lanka. He obtained his doctorate D.Phil (Econ) from Oxford University, UK in 1990.

Dushni Weerakoon, PhD, Deputy Director - Dr. Weerakoon is the Head of Macroeconomic Policy Research at the IPS and her research and publications have covered areas related to regional trade integration, macroeconomic policy and international economics. She has extensive experience working in policy development committees and official delegations of the Government of Sri Lanka including as a member of the Macro and Trade Policy Steering Committee of the Ministry of Policy Development and Implementation, and as an official delegate to the Committee of Experts to negotiate the South Asian Free Trade Agreement. She also served on the Trade and Tariff Committee of the National Council for Economic Development (NCED) of the Ministry of Finance, Sri Lanka.

Dr. Weerakoon has worked as a consultant to international organizations such as the ADB, the World Bank, UN-ESCAP and UNDP. She also currently serves on the Board of Directors of the Nations Trust Bank (NTB), as well as the Centre for Poverty Analysis (CEPA), in Sri Lanka. Dushni Weerakoon holds a BSc in Economics with First Class Honours from the Queen's University of Belfast, U.K., and an MA and PhD in Economics from the University of Manchester, U.K.

Nisha Arunatilake, PhD, Research Fellow - Dr. Arunatilake is the Head of Labour, Employment and Human Resources Development Research at the IPS. Her research and publications have covered various dimensions of development, especially in areas of education, health, labour, employment and social protection. As a graduate student, she worked at the Centre for Health Policy at Duke University, where she conducted policy related research work on substance abuse and ageing. She was recently at the UNESCO International Institute for Education Planning as a Visiting Researcher. Dr. Arunatilake has collaborated with, and has been a consultant to, the World Bank; ADBI; ILO; Save the Children; and the GTZ in numerous research studies. She has served in National Level Committees on labour, employment, human resource development, health sector reform, and tobacco and alcohol policy formulation. At present, she is serving in the National Advisory Committee on Manpower Planning of the Ministry of Labour Relations and Manpower Planning.

Nisha Arunatilake holds a BSc in Computer Science and Mathematics with summa cum laude from the University of South USA and an MA and PhD in Economics from Duke University, USA.

Malathy Knight, PhD, Research Fellow - Dr. Knight is the Head of Industry and Enterprise Development Policy Research at the IPS. Her research interests include institutional economics, privatization/public enterprise reform, competition and regulatory policy, industrial policy, economics of infrastructure, telecommunications reforms and regulation, governance/regulatory governance and the political economy of reform and she has published extensively in these areas both locally and internationally.

She has served in an advisory capacity and in positions of research consulting with the government, the private sector and leading donor agencies on policy issues including,improving the sub-national business climate, evaluating Sri Lanka's telecommunications regulatory environment (TRE), understanding the conditions for change in state-owned enterprises, a national industrial policy framework, rehabilitation of sick industries,physical infrastructure reforms, regulatory impact assessment (RIA) and national disaster management.

Malathy Knight holds a BA in Economics from Swarthmore College, USA, an MA in Economics from the University of Colombo, Sri Lanka, and a PhD from the University of Manchester, UK on the subject ‘Privatization, Competition and Regulatory Governance: A Case Study of Sri Lanka's Telecommunications Sector.’

Parakrama Samaratunga, PhD, Research Fellow - Dr. Samaratunga is the Head of Agricultural Economic Policy Research at the IPS. He has previously served in the Department of Agriculture of Sri Lanka, first as an Agricultural Economist and later as the Director, Socio-Economics and Planning. He has also been a Visiting Lecturer in several universities in Sri Lanka and currently serves in the teaching panel of the Post Graduate Institute of Agriculture (PGIA) at the University of Peradeniya, Sri Lanka.

During his career, he has served in many National Level Committees on agricultural development and policy and served numerous private and non-governmental organizations as a consultant. His research interests are in agricultural, natural resource and environmental economics.

Dr. Samaratunga received his BSc (Agriculture) with honours from the University of Peradeniya in Sri Lanka and went on to specialize in agricultural economics at postgraduate level and earned his MSc from the University of the Philippines at Los Banos. He received his PhD in the field of Agricultural and Natural Resource Economics from La Trobe University in Melbourne, Australia.

Ganga Tilakaratna, PhD, Research Economist - Dr. Tilakeratne is the Head of Poverty and Social Welfare Policy Research at the IPS. Her key research interests have been in the areas of poverty impact assessment, social security and microfinance where she has carried out a number of projects and national level surveys funded by various multilateral and bilateral organizations. She led a team of researchers in successfully securing a major research grant examining issues related to the microfinance sector in Sri Lanka, implemented by the Ministry of Finance, Sri Lanka, in collaboration with the GTZ.

Dr. Tilakaratna obtained a Postgraduate Diploma in 'Universalizing Socio-Economic Security for the Poor' from the Institute of Social Studies in the Netherlands and received training from the Boulder Microfinance Programme in Italy. She is also a member of the Poverty and Economic Policy (PEP) Research Network funded by the International Development Research Centre (IDRC), Canada.

Dr. Tilakaratna holds a BA (Hons.) in Economics from the University of Manchester, UK; M.Phil in Economics from the University of Cambridge, UK.; and a PhD from the University of Manchester, UK.

Athula Senaratne, Research Fellow - Athula Senaratne is the Head of Environmental Economic Policy Research at the IPS. He has gathered considerable experience on the management of environmental resources and economic policy in Sri Lanka, serving in the government sector as a Research Officer of the Department of Agriculture, as an Agricultural Economist at the Land Use Policy Planning Division, as an Aquaculture Economist at the National Aquaculture Development Authority of Sri Lanka and as the Director-Competition Promotion of the Consumer Affairs Authority of Sri Lanka.

He has researched and published in areas such as sustainable agricultural systems, supply and demand analysis of fish, economic utilization of non-timber forest products (NTFP), deforestation and land use planning and institutional analysis of community-based aquaculture. His major current research interests are climate change economics, economics of rural institutions and environment and macroeconomic policy. He jointly authored the Sinhala language text book on Natural Resource and Environmental Economics which is being used at undergraduate level in Environmental Economics at universities in Sri Lanka.

Athula Senaratne holds a BSc in Agriculture with Second Class (Upper) Honours and M.Phil in Agricultural Economics from the University of Peradeniya, Sri Lanka. He is currently reading for PhD at the Deakin University, Australia.

Janaka Wijayasiri, Research Economist - Janaka Wijayasiri is the Head of International Economic Policy Research at the IPS. His areas of research interest have been primarily related to trade issues at the bilateral, regional and multilateral levels. These include issues of policy significance to Sri Lanka covering bilateral and regional preferential trade initiatives, multilateral negotiations under the WTO and issues related to the textile and garment industry in Sri Lanka. He has received training in GTAP (Global Trade Analysis Project) from the Center for Global Trade Analysis, Purdue University, Canada.

Janaka Wijayasiri has a number of publications to his name which have appeared as articles and chapters in both journal and book publications. He has been part of Sri Lanka's official delegation representing the academia at regional forums such as Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC).

Janaka Wijayasiri holds a BA in Economics with Development Studies from the University of Sussex, UK and an MA in Economics of Development from the Institute of Social Studies, the Netherlands. He is a PhD candidate at the Monash University Australia.

Anushka Wijesinha, Research Economist - Anushka is attached to the State Enterprise Reform and Regulatory Policy Unit at the IPS.
His key areas of research include industrial development strategy, SME policy, economic governance, and public-private partnerships. He was previously seconded as the Research Officer to the Presidential Commission on Taxation and worked as the Assistant Director of Economic Affairs, at the Government Peace Secretariat, where he was involved in identifying key opportunities and constraints in the conflict-affected economies of the North and East, and promoting private sector enterprise.
He has also worked as a short-term consultant at the World Bank, Sri Lanka, in the South Asia Finance and Private Sector Development section.
Anushka holds a BSc (Hons.) in Economics from the University College London, UK, and an MA in Economics and Development from the University of Leeds Business School, UK.

Asha Gunawardena, Research Economist - Asha holds a BSc in Agriculture with Second Class Honours from the University of Peradeniya and a MBA (Technology Management) from the University of Moratuwa. Her research interests are in development, agriculture, natural resource and environmental economics.

Ruwan Jayathilaka,Research Officer - Ruwan's research interests include econometrics and economic modelling, poverty and development policy, demographic studies, environmental economics, international economics and trade. He received his BA (First Class Honours) and MEcon (Distinction Pass) from the University of Colombo, and MSc (Economics) from the National University of Singapore. He is currently reading for his PhD at the Griffith University, Australia.

Ayodya Galappattige, Research Officer - Ayodya's key research interests are in the areas of development policy studies, specifically in areas of poverty impact assessment, social security, microfinance, agriculture and environmental economics. She has contributed to a number of national level surveys and studies. She holds a BSc (Hons.) in Agriculture from the University of Peradeniya, and an MSc in Agricultural Economics from the Post Graduate Institute of Agriculture, University of Peradeniya. She has also obtained a Postgraduate Diploma in 'Universalizing Socio-Economic Security for the Poor' from the Institute of Social Studies, Netherlands, and has part qualifications of CIMA-UK.

Priyanka Jayawardena, Research Officer - Priyanka's research interests are in econometrics and economic modelling, economics of education, health economics, labour economics and demographic studies. She holds a BSc (Hons) in Statistics from the University of Colombo, and an MA in Economics from the University of Colombo.

Roshini Jayaweera, Research Officer - Roshini's key research interests are in the areas of poverty impact assessment, development studies, social security, microfinance, micro-insurance, and migration where she has been involved in a number of projects and national level surveys. She holds a BA (Hons.) in Economics from the University of Peradeniya and an MSc in Economics from the National University of Singapore.

Sunimalee Madurawala, Research Officer - Sunimalee's research interests include health economics, population studies and policy, poverty and development policy, and environmental economics. Sunimalee holds a BA (Economics Special) degree and a Masters in Economics (MEcon) degree from the University of Colombo.

Kanchana Wickramasinghe, Research Officer - Kanchana's research areas include environmental and natural resource economics, agricultural economics, and poverty analysis. She holds a BSc (Hons) degree in Economics (Specialized in Agricultural Economics) from the University of Peradeniya and a Masters in Economics from the University of Colombo.

Manoj Thibbotuwawa, Research Officer - Manoj's key research interests are in the areas of agriculture, agricultural trade, and environmental and natural resources. He received his BSc (Agriculture) with Honours from the University of Peradeniya and an MSc (Agricultural Economics) from the Post Graduate Institute of Agriculture, Sri Lanka. He has obtained a Post-graduate Diploma in "Modelling and Accounting for Sustainable Development" from the Institute of Social Studies in the Netherlands. He is a PhD candidate at the University of Western Australia.

Dilani Hirimuthugodage, Research Officer - Dilani's research interests include agricultural economics, infrastructure services (telecommunication, energy and transport), and econometrics and economic modelling. She holds a BA in Economics with a Second Class (Upper) and Masters in Economics (Distinction Pass) from the University of Colombo.

Samanthi Bandara, Research Officer - Samanthi Bandara is currently attached to the Health Economics Policy Unit at the IPS. Previously she worked at the Ministry of Health, initially as a Research Assistant of the World Health Survey and National Commission on Macroeconomics and Health in Sri Lanka, and later as a Development Assistant of the Management Development and Planning Unit. Her research interests are in the areas of economic evaluation, health systems financing and impact assessment of health policies/interventions.

She obtained a BA (Hons.) in Economics with a special module of Health Economics from the University of Colombo and MSc in Health Economics from the Centre for Health Economics, University of Chulalongkorn, Thailand.

Nethmini Perera, Research Assistant. Nethmini Perera's research areas include health economics and environmental economics. She holds a BA (Hons) degree in Economics (Specialized in Econometrics) from the University of Colombo, and a Masters in Financial Economics from the University of Colombo.

Ashani Abayasekara, Research Assistant. Ashani Abayasekera's research interests include international economics and trade, trade facilitation, regional integration and labour economics. She holds a BA in Economics with First Class Honours from the University of Peradeniya.

Chandana Karunaratne, Research Assistant. Chandana Karunaratne's areas of interests are in poverty alleviation and development policies, econometric analysis, and regional and global financial crises and their effects on development. He studied economics at the University of Virginia and subsequently completed a Master of Economics Postgraduate degree specializing in Econometrics at the University of Sydney and a Master of Applied Finance Postgraduate degree at the University of Western Sydney. During his time in Australia, he worked as a research analyst.

Buddhika Brahmanage, Research Assistant. Buddhika's research interests include public enterprise reform, regulatory economics, energy and macroeconomics. She holds a BA in Economics with First Class Honours from the University of Peradeniya.

G. D. Dayaratne, Manager, Health Policy Unit. G. D. Dayaratne is the Head of the Health Policy Unit of the IPS. His key research interests are in the areas of database management, health economics and public policy. G. D. Dayaratne received his BA in Economics from the University of Peradeniya, a Postgraduate diploma in Statistics from the Statistical Institute for Asia and the Pacific in Tokyo, and a Postgraduate diploma in Population Studies from the University of Colombo. In addition G. D. Dayaratne was the Hubert Humphrey Fellow at the Texas A&M University. He has been working in the field of Health Statistics, Economics and Policy since 1989 and was previously engaged at the Ministry of Finance and Planning.

SENIOR VISITING FELLOWS

Wimal Nanayakkara, Senior Visiting Fellow. Wimal Nanayakkara is a Senior Visiting Fellow at the IPS. His key research interest is in Poverty. He received his BSc in Mathematics and Physics from the University of Peradeniya and has a Postgraduate Diploma in Applied Statistics from the University of Reading (UK). Mr. Nanayakkara is also a specialist in Sampling and was previously engaged at the Department of Census and Statistics where he functioned as the Director General for 12 years.

S. A. Karunaratne,
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Research Interests: Econometrics and Economic Modelling, Environmental Economics, Macroeconomic Policy and Planning.

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Harini Weerasekara (*University of Colombo, SL*), **Naomi Jayaratne** (*University of Brisbane, Australia*),
Tiloka De Silva (*University of Colombo, SL*), **Kithmina Hewage** (*Johns Hopkins University, USA*),
Inuri Illeperuma (*Colby University, USA*), **Ayushka Nugaliyadda** (*University of Cambridge, UK*),
Minal Cabraal (*London School of Economics, UK*), **Burhanudeen Thassim** (*London School of Economics, UK*)

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IPS

EVENTS & REPRESENTATION AT LOCAL EVENTS

Seminars, Conferences, Workshops and Book Launches

Asia Forum on Remittances and Development, Hotel Taj Samudra, 11-12 January

Asia Forum on Remittances and Development was organized by the Project Consultancy Unit of SEEDS (Gte) Ltd. in collaboration with Joint Migration and Development Initiative (JMDI) under the theme of "Implications of Migration, Remittances and Remittance Based Livelihood in Developing Economies." Priyanka Jayawardena, Research Officer, presented a paper on "Impact of Remittance on the Household Welfare of the Emigrants in Sri Lanka" at this forum.

SME Access to Finance Programme, Hotel Taj Samudra, 26th March

Anushka Wijesinha, Research Officer, IPS, participated in the 'SME Access to Finance' programme organized by the Federation of Chambers of Commerce and Industry of Sri Lanka and the Association of Development Financing Institutions in Asia and Pacific (ADFIAP), in collaboration with the International Chamber of Commerce.

The programme was attended by 40 participants representing the Small and Medium Enterprise (SME) sector in the country, financial sector officials, advisors, consultants and public and private officials involved in SME development. Sessions were conducted by consultants from ADFIAP from the Philippines, and banking sector experts from Sri Lanka.

Consultations/Seminars Main Conference Room, IPS, 7th and 8th April

IPS organized two Consultative Meetings on 'Promoting Agrarian Reforms in Sri Lanka' and 'Budgetary Policies for Poverty Eradication in Sri Lanka.' These two Consultation Seminars were conducted by Prof. Rehman Sobhan, Chairman, Centre for Policy Dialogue, Dhaka, Bangladesh. Dr. Saman Kelegama, Executive Director IPS, and Prof. W. D. Lakshman, Chairman of the IPS chaired the two meetings, respectively.

Seminar and Panel Discussion on 'Middle East Crisis and its Effect on Sri Lanka,' Colombo, 7th April

Executive Director was Speaker/Panelist at the Seminar and Panel Discussion on 'Middle East Crisis and its Effect on Sri Lanka' organized by the Alumni Association of the University of Peradeniya, Colombo Chapter.

Seminars, Conferences, Workshops and Book Launches

Launch of the UN Economic and Social Survey of Asia and the Pacific 2011 ,Sri Lanka Foundation Institute, 5th May

The UN Economic and Social Survey of Asia and the Pacific 2011, prepared by UN-ESCAP, was launched by the UNDP and Dr. Dushni Weerakoon, Deputy Director, IPS made a presentation at the event.

106th Birth Anniversary N. M. Perera Memorial Lecture, N M Perera Centre, 6 June

Executive Director, Dr. Saman Kelegama, delivered the 106th Birth Anniversary N. M. Perera Memorial Lecture on "Accelerating Economic Growth in Sri Lanka."

COSATT Conference on "Energy & Environmental Security: A Cooperative Approach in South Asia," Galle Face Hotel, 5-7 June

Dr. Saman Kelegama, Executive Director and Kanchana Wickramasinghe participated at the COSATT (Consortium of South Asian Think Tanks) Dialogue on "Energy and Environmental Security: A Cooperative Approach in South Asia," collaboratively organized by the Institute of Peace and Conflict Studies (IPCS) and Konrad Adenauer Stiftung (KAS).

Seminars, Conferences, Workshops and Book Launches

Dissemination Workshop on 'A Baseline Assessment of OXFAM- EU-ACAP Programme,' Conference Room, IPS, 10th June

A Workshop to disseminate findings conducted by a team of researchers at IPS, for the study on 'Baseline Assessment of the OXFAM EU-ACAP (European Union Assistance for Conflict Affected People) Programme was conducted at the IPS Conference Room.

Stakeholder Consultation: Strategic Partnership for Policy Development and Action to Foster Regional Cooperation in South Asia, Cinnamon Grand, Colombo 11th July

Anushka Wijesinha, Research Economist, IPS, made two presentations at a Stakeholder Consultation on Strategic Partnership for Policy Development and Action to Foster Regional Cooperation in South Asia organized jointly by RIS (India) and the Pathfinder Foundation (Sri Lanka), and supported by the ADB.

The presentation focused on the opportunities and challenges for services trade between the two countries, following previous presentations which had focused on the progress in trade in goods under the India-Sri Lanka-FTA.

Launch of the Book: "Migration, Remittances, and Development in South Asia," Ministry of Foreign Employment Promotion & Welfare, 3rd August

"Migration, Remittances, and Development in South Asia" published by Sage, India was launched by handing over the first copy of the book to Hon. Dilan Perera, Minister of Foreign Employment Promotion and Welfare by the Executive Director of the IPS, at the Ministry. Dr. Dushni Weerakoon, Deputy Director and Dr. Nisha Arunatilake, Research Fellow, were also present at the launch.

Seminar & 'Expert Insights' Panel on '2011 and Beyond: Trade & Investment Prospects in Asia and Implications for Sri Lanka,' IPS Auditorium, 12th September

A Seminar & 'Expert Insights' Panel on '2011 and Beyond: Trade & Investment Prospects in Asia and Implications for Sri Lanka' organized by the IPS and supported by the Asia-Pacific Research and Training Network on Trade (ARTNeT) took place at the IPS Auditorium. Chief Guest at the occasion was Hon. Dr. Sarath Amunugama, Senior Minister for International Monetary Cooperation, Government of Sri Lanka and Chairman, 67th Session of the Commission, United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

Seminars, Conferences, Workshops and Book Launches

Public Lecture on 'Sri Lanka in a Changing Global Economic Landscape,' American Centre, 22nd September

Anushka Wijesinha, Research Economist, IPS, gave a Public Lecture titled 'Sri Lanka in a Changing Global Economic Landscape' at the American Centre in Colombo.

Policy Dialogue: "From Poverty to Sustainability - People at the Center of Inclusive Development," IPS Auditorium, 17th October

On the occasion of the "International Day for the Eradication of Poverty" a Policy Dialogue, was hosted jointly by the IPS, Ministry of Economic Development and the United Nations in Sri Lanka. Hon. Sarath Amunugama, Senior Minister for International Monetary Cooperation, was the Chief Guest at the occasion.

Seminar on Post-Conflict Sri Lanka: Rebuilding of Society, Cinnamon Lakeside, Colombo, 28th September

Prof. W. D. Lakshman, Chairman and Dr. Saman Kelegama Executive Director, participated at the "Post-Conflict Sri Lanka: Rebuilding of Society," organized by the Centre for Security Analysis, Chennai and the Regional Centre for Strategic Studies, Colombo.

IPS Annual National Conference - "Post-conflict Sri Lanka: Towards Shared Growth," IPS Auditorium, 19th October

The IPS Annual National Conference on the theme "Post-conflict Sri Lanka: Towards Shared Growth," took place at the IPS Auditorium. The Chief Guest at the occasion was Hon. Tissa Vitarana, Senior Minister of Scientific Affairs and the Guest of Honour was Hon. D.E.W. Gunasekera, Senior Minister of Human Resources. At the National Conference, IPS released its flagship report "Sri Lanka: State of the Economy 2011." The theme for 2011 was: "Post-conflict Growth: Making it Inclusive."

Seminars, Conferences, Workshops and Book Launches

International Conference on Taxation and Development, 'Pulling Ourselves Up: Taxation, State-Building, and Away from Aid' Ceylon Continental Hotel, 3-4th November

IPS together with the International Centre for Tax and Development, UK, organized an International Conference on Taxation and Development under the theme 'Pulling Ourselves Up: Taxation, State-Building, and Away from Aid'. The Inland Revenue Department (IRD), Sri Lanka Institute of Taxation, and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) were partner organizations in this Conference.

Launch of the UNDP Human Development Report (HDR) 2011, IPS Auditorium, 22nd November

The launch of the UNDP Human Development Report 2011 titled, "Sustainability and Equity: A Better Future for All," took place at the IPS Auditorium in the presence of Hon. Anura Priyadarshana Yapa, Minister of Environment, who delivered the keynote address. The report focuses on the challenge of sustainable and equitable progress, and shows how environmental degradation intensifies inequality through adverse impacts on already disadvantaged people and how inequalities and human development amplify environmental degradation.

International Conference on 'Institutionalizing Regional Approaches to Migration Management in South Asia,' Taj Samudra Hotel, Colombo,25th November

IPS, in collaboration with the Friedrich Ebert Stiftung (FES), Colombo, organized an International Conference on 'Institutionalizing Regional Approaches to Migration Management in South Asia.' The objective of the conference was to discuss the role of existing regional consultative forums for managing migration in South Asia, and defining the role of the proposed South Asia Migration Commission in this consultative process. The conference included researchers on migration from the South Asian region, government officials, and participants from national and international agencies dealing with issues of migration.

"SMI Policy Isues and the Budget 2012" at the SMI CCI Annual Session, Battaramulla, 22nd November

Dr. Saman Kelegama, Executive Director, signed as witness for a MOU between the Regional Development Bank and Small & Medium Industry Chamber of Commerce and made a presentation on "SMI Policy Issues and the Budget 2012" at the SMI Chamber of Commerce and Industry Annual Session.

IPS

Overseas Representation

24 - 26 February
World Conference on Recreating South Asia: Democracy, Social Justice, and Sustainable Development, New Delhi

Prof. W.D. Lakshman, Chairman, IPS, chaired the Plenary Session on 'Democracy and Inclusive Growth in South Asia' at the 'World Conference on Recreating South Asia: Democracy, Social Justice, and Sustainable Development,' jointly organized by the South Asia Centre for Policy Studies, Research and Information Systems for Developing Countries and the India International Centre in New Delhi. Executive Director, IPS, Dr. Saman Kelegama, presented the Sri Lanka Country Study on Inclusive Growth in the Parallel Session which was chaired by Dr. Shekar Bonu, Director, South Asia at the Asian Development Bank.

11 - 20 April
2011 IMF-World Bank Spring Meeting, Washington, D.C., USA

Executive Director, Dr. Saman Kelegama was offered a Fellowship for the 2011 IMF-World Bank Spring Meeting. Executive Director participated with the Sri Lanka delegation: Dr. Nandalal Weerasinghe, Sri Lanka Representative at the IMF (left) and Hon. Sarath Amunugama, Senior Minister of International Monetary Cooperation (Middle) in various discussions.

3 - 5 May
International Seminar on "Selected Outstanding Issues in Services, Trade and Development," Manila, Philippines

Anushka Wijesinha, Research Officer, IPS, participated in an International Seminar "Selected Outstanding Issues in Services, Trade and Development" organized jointly by ARTNet of UNESCAP, and the Asian Development Bank Institute (ADBI). The purpose of the event was to promote a policy dialogue between trade officials and researchers in the region on the current state of readiness of countries to conduct analytical research in these new areas, as well as the implications of such research to the broader development objectives of the countries in the region. Trade experts from WTO and other organizations also provided their insights on trade and related issues.

18 May
Seminar on "Economic Freedom and Business Environment in South Asia," Dhaka, Bangladesh

Ashani Abayasekara, Research Assistant, IPS, made a presentation on “Economic Freedom: The Role of Stakeholders in the Regulation of the Business Environment - A Sri Lankan Perspective” at a seminar on Economic Freedom and the Business Environment in South Asia. It was organized by the SAARC Chamber of Commerce and Industry in collaboration with the Federation of Bangladesh Chamber of Commerce and Industry.

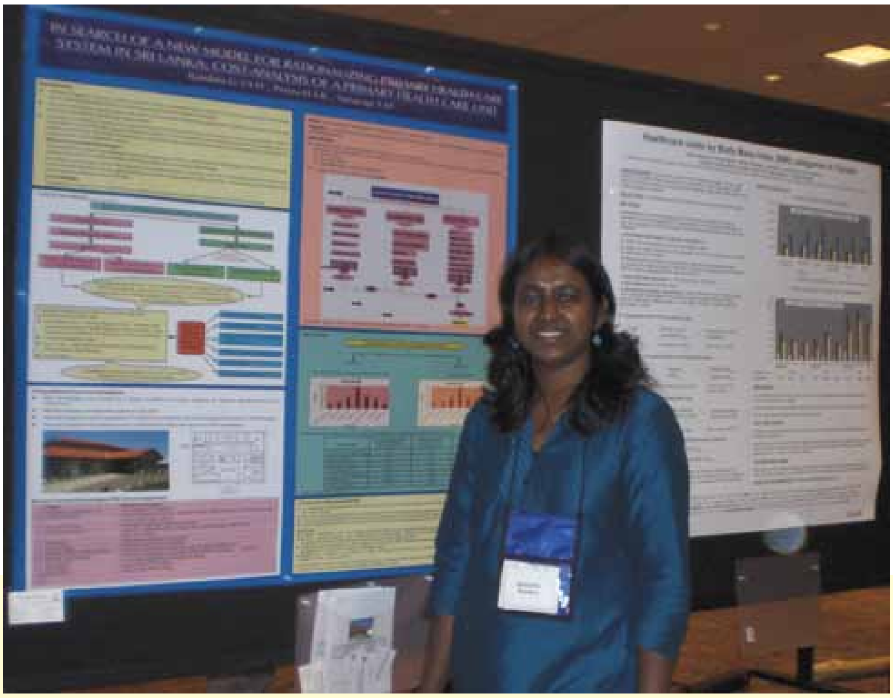
22 June

Regional Symposium on 'Improving Trade Flows in and from South Asia: Overcoming Logistics Challenges,' Dhaka, Bangladesh

Anushka Wijesinha, Research Officer, IPS, was a resource person at a Regional Symposium on 'Improving Trade Flows in and from South Asia: Overcoming Logistics Challenges' organized by the Bangladesh Enterprise Institute and the Commonwealth Secretariat UK. Wijesinha made a presentation on "Trade Facilitation Issues in South Asia: Key Highlights" at the session on 'Overview of Regional Trade Facilitation' and was a discussant for the session on 'Trade Facilitation Initiatives: Country Perspectives.'

07- 13 July

Poster-Oral Presentation of the 8th World Congress on Health Economics, Toronto, Canada



Samanthi Bandara, Research Officer, participated at the Poster -Oral Presentation of the 8th World Congress on Health Economics in Toronto. The theme for Sri Lanka was "In Search of a New Model for Rationalizing Primary Health Care Systems in Sri Lanka - Cost Analysis of a Primary Health Care Unit."

21-22 July
South Asian Diaspora Convention 2011, Resorts World Sentosa, Singapore

Dr. Saman Kelegama, Executive Director, made a Presentation on "South Asia's Emerging Economic Power", at the South Asia Diaspora Convention organized by the Institute of South Asian Studies, Singapore.

19 September
SAARC Democratic Charter: Citizens' Initiative' at the "Regional Conference on SAARC Democratic Charter: Citizens' Initiative" organized by SACEPS and International IDEA, Park Village Hotel, Kathmandu, Nepal

Executive Director, Dr. Saman Kelegama participated at the 'SAARC Democratic Charter: Citizens' Initiative' at the "Regional Conference on SAARC Democratic Charter: Citizens' Initiative" organized by SACEPS and International IDEA.

5 - 7 September
Conference on 'Contemporary Microfinance: Institutions, Policies and Performance' hosted by the German University, Cairo, Egypt

Ayodya Galappattige, Research Officer, IPS made a presentation on "Microinsurance: A Risk Management Tool for the Poor in Sri Lanka?" at the conference Contemporary Microfinance: Institutions, Policies and Performance hosted by the German University, Cairo.

7 - 9 September
First South Asia Forum organized by the FICCI with the support from the SAARC Secretariat and the Government of India, Taj Man Singh Hotel, Delhi, India

Executive Director, Dr. Saman Kelegama, participated in the first South Asia Forum organized by the FICCI with the support from the SAARC Secretariat and the Government of India. The Sri Lankan Delegation was headed by the Minister of International Monetary Cooperation, Hon. Sarath Amunugama. Executive Director addressed the Session on Trade and Investment which also included an address by the Indian Minister of Commerce, Textile and Industry, Shri Anand Sharma.

20 - 22 September
4th SAARC Business Leaders Conclave, Kathmandu, Nepal

The 4th SAARC Business Leaders Conclave took place in Soltee Oberoi Crown Plaza Hotel, Kathmandu, Nepal. Executive Director made a presentation on 'Trade and Investment in South Asia: Opportunities and Challenges'. The Conclave was inaugurated by the President of Nepal, H.E. Dr. Ram Baran Yadav in the presence of the Guest of Honour, the former Prime Minister of Sri Lanka, Hon. Ratnasiri Wickremanayake. The Conclave was organized by the SAARC Chamber of Commerce and Industry in collaboration with the Federation of Nepalese Chamber of Commerce and Industry in partnership with Friedrich Naumann Stiftung.

8 - 9 October
Regional Conference on 'Knowledge Sharing on Regional Cooperation and Integration' and Consultative Meeting on Strengthening SAARC's Institutional Mechanism, Malé, Maldives

Regional Conference on 'Knowledge Sharing on Regional Cooperation and Integration,' held in Malé, Maldives. It was organized by the Government of the Republic of Maldives in association with the SAARC Secretariat, and the Asian Development Bank (ADB). Executive Director made a presentation on 'Vertical Integration of Industries in South Asia' while Anushka Wijesinha made presentations on 'Trade Facilitation Issues in South Asia' and 'Liberalization of Air Services in South Asia.' All three presentations were based on research studies that the IPS completed for the SACEPS. These research papers will be forthcoming as Chapters in a book edited by Hans Brunner of the ADB and published by Edward Elgar, U.K. Dr. Kelegama met the President of Maldives, His Excellency Mohamed Naseem. In the extreme left of the second photograph is the Special Envoy to the President of Maldives, Ibrahim Hussain Zaki.

20 - 23 October
Fourth South Asia Economic Summit: Dhaka, Bangladesh

Dr. Dushni Weerakoon, Deputy Director, IPS made a presentation on "Managing Migration and Remittances: a Sri Lankan Perspective" at the *Fourth South Asia Economic Summit: Global Recovery, New Risks and Sustainable Growth*, organized by the Centre for Policy Dialogue (CPD) in Dhaka, Bangladesh. Dr. Kelegama, Executive Director and Anushka Wijesinha, Research Officer also made presentations at this summit.

25 - 26 October
Asia - Pacific Policy Forum on Regional Trade Agreements and Food Security, Beijing, China

Executive Director, Dr. Saman Kelegama was a discussant to a presentation on 'SAFTA and Country Experience from the SAARC Region' by Prof. Mustafizur Rahaman (CPD) and Prof. Indranath Mukherji (RIS). The Forum was organized by the Agricultural Promotion Centre, Ministry of Agriculture, China and the FAO.

11 November
17th Meeting of the Indian Ocean Rim Academic Group, Bengaluru, India

Executive Director, Dr. Saman Kelegama represented Sri Lanka at the "17th Meeting of the Indian Ocean Rim Academic Group" in Bengaluru, India 11th November.

15 - 16 November
5th South Asia Conference on Collaborative Security Framework for South Asia, Delhi, India

Dr. Dushni Weerakoon, Deputy Director, IPS, made a presentation on "Economic Development and Regional Integration" at the 5th South Asia Conference on Collaborative Security Framework for South Asia, organized by the Institute for Defence Studies and Analyses (IDSA), Delhi, India.

29 - 1 December
4th High Level Forum on Aid Effectiveness - Building a New Global Partnership for Effective Development Cooperation

Dr. Saman Kelegama , Executive Director, IPS, participated with the Sri Lankan delegation at the "4th High Level Forum on Aid Effectiveness" on the theme "Building a New Global Partnership for Effective Development Cooperation," Busan, Korea.

15-16 December
Opening of the ESCAP Sub-Regional Office for South and South West Asia in Delhi, India

Dr. Saman Kelegama, Executive Director, IPS, made a presentation at the "High-Level Policy Dialogue on Development Challenges Facing the South and South West Asia Region" at the inaugural event of the ESCAP Sub-Regional Office for South and South West Asia in Delhi, India. The ESCAP Sub-Regional Office was declared open by Hon. Sarath Amunugama, Senior Minister, International Monetary Cooperation where many South Asian dignitaries participated, including the Nobel Laureate, Prof. Amartya Sen. This was followed by the High-Level Policy Dialogue.

IPS Distinguished Visitors

Maldivian State Minister of Finance, Adam Maniku-Maizan (Left) and Special Envoy to the Maldivian President, Ibrahim Hussain Zaki (Right) visited the IPS and met the Executive Director, Dr. Saman Kelegama, to discuss the IPS involvement and support for preparing the Maldivian State of the Economy report for the year 2012. Meeting took place on 10th June 2011.

Former Foreign Minister of Singapore, Mr. George Yeo, Chairman of the Institute of South Asian Studies (ISAS), Singapore, Mr. Gopinath Pillai, together with two officials of the Ministry of Foreign Affairs, Singapore, visited the IPS on 30th July 2011.

Mr. George Yeo discussed the post-conflict economy and the on-going reintegration of the North and Eastern provinces with the rest of the Sri Lanka economy with the Executive Director, Dr. Saman Kelegama, while Mr. Gopinath Pillai discussed the on-going research work at the IPS and possible collaborative work with the ISAS in the near future. The preparation of the Encyclopedia of the Sri Lankan Diaspora by the ISAS and the South Asian Diaspora Convention of the ISAS also featured in the discussions.

IPS AUDITORIUM

Declared open on the 13th of July, 2011 the IPS auditorium has already been the venue for several high profile local and regional conferences, workshops and seminars. Located at the IPS premises it is equipped with all modern conferencing facilities such as high tech audio, video and simultaneous translating facilities. The Auditorium has a hundred theatre style seating capacity and has call conferencing facilities as a value added feature.

The auditorium was declared open by Chairman, Professor W. D. Lakshman, at an event which featured IPS staff and Board of Directors Dr. B. N. S. Batagoda (Director General of the Department of National Planning), Dr. Lalithsiri Gunaruwan (Senior Lecturer in Economics at the University of Colombo), Mr. P. A. Abeysekera (Deputy Secretary to the Treasury) and Architect of the IPS building, Mr. Ashley de Vos.

IPS IN-HOUSE SEMINARS

TOPIC	PRESENTER	DATE
The TRIPs Agreement and the Agriculture Sector in Sri Lanka	Dilani Hirimuthugodage, Research Assistant, IPS	**11 February**
Modelling Trade in Services	Dr. H. N. Thenuwara, Adjunct Professor, University of Iowa, and former Assistant Governor, Central Bank of Sri Lanka	**26 April**
Foreign Direct Investment in Sri Lanka: A Comparison with Malaysia and Future Potential	Dr. Chalaka Subasinghe, Deputy General Manager, State Engineering Corporation of Sri Lanka	**26 May**
Taxation, Governance and Development	Prof. Mick Moore, Professorial Fellow and CEO, International Centre for Tax and Development, IDS, University of Sussex	**04 July**
Socio Economic Conditions of the Post Conflict Communities in Sri Lanka	Prof. Mick Moore, Professorial Fellow and CEO, International Centre for Tax and Development, IDS, University of Sussex	**04 July**
Can the Transport Sector Continue to be a Driver of Economic Activity in Sri Lanka?	Dr. Lalithasiri Gunaruwan, Senior Lecturer, Department of Economics, Colombo University	**14 September**
The Real Exchange Rate and Structural Change in Sri Lanka: Is There a Link?	Francis Rowe, Senior Country Economist, Sri Lanka and Maldives, South Asia Region, The World Bank	**01 November**
Implications of 2011 Income Tax Reforms and Making Public Servants PAYE Tax Liable	Priyanka Jayawardena, Research Officer, IPS	**23 November**
Asian FTAs: Trends, Prospects and Challenges	Dr. Ganeshan Wignaraja, Principal Economist, Office of Regional Economic Integration, Asian Development Bank, Manila	**21 December**

IPS PUBLICATIONS - 2011

Health Statistics 2010

This is the fourth consecutive publication of Census of Private, Co-operative and Estate Hospitals and it covers the period 2005-2008. The study is carried out as a supplement to the Sri Lanka National Health Accounts of the IPS.

In 2006, the Private Medical Institution Regulatory Bill was enacted in Sri Lanka's Parliament for the registration, regulation, monitoring and inspection of private medical institutions, and to provide for the necessary infrastructure to foster the sector's development.

Sri Lanka's health care system maintains a credible standard today due to an unofficial sharing of the workload between state hospitals and private hospitals.

The private health facilities deliver both Western medical care, and other forms such as, Ayurveda, Homeopathy and Chinese traditional medicine. Bulk of the private health is delivered by Western medical care, and services are largely ambulatory. The major portion of health care delivery in the private hospital sector is delivered by the medical professionals employed in government hospitals utilizing the provisions available for them to engage in private practice. Doctors employed in the government hospitals are allowed to practice in private hospitals after completion of allocated daily official working hours. Private sector health services mainly depend on the capacity of the government doctors to work in these hospitals. A few hospitals have employed expatriate doctors in their institutions mainly for cardio-vascular surgeries to meet the rising demand for such surgeries.

http://www.ips.lk/publications/series/healthecon.html

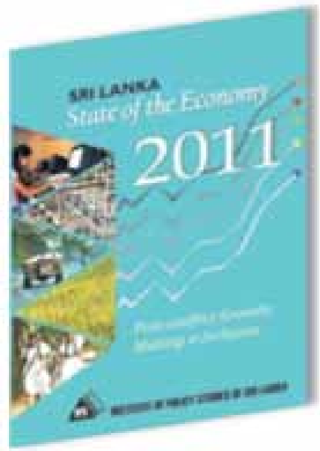
Talking Economics Digest (January-December 2010)

The bulletin is a collection of articles posted on IPS 'Talking Economics' Blog in 2010. Blog post range from changing dynamics in the international economic arena to critical themes in domestic poverty alleviation and development. Three articles in the bulletin investigates the proposed reforms to social security, education and telecom taxes announced in the 2011 Budget.

Blog 'Talking Economics': www.ips.lk/talkingeconomics

Sri Lanka: State of the Economy 2011 Report

Theme: Post-conflict Growth: Making it Inclusive



The report begins by assessing the emerging risks to growth and stability for the Sri Lankan economy in the light of developments in both the external and domestic economic environment. While Sri Lanka has made a rapid recovery, with GDP growth continuing at 8 per cent into the first half of 2011, threats to sustained growth remain in view of a weakening global economic environment. In the circumstances, retaining necessary fiscal, monetary and exchange rate policy flexibility to respond appropriately to changing economic conditions is vital for macroeconomic stability.

Growth that is underpinned by stability will allow Sri Lanka to meet its broader socio-economic development objectives of an inclusive growth process that will help bridge existing inequities. Apart from the desirability of inclusive growth from a purely ethical standpoint, inclusiveness is needed for sustaining economic growth, as exclusion leads to underemployment of productive resources that could restrict growth. The report focuses on how rapid growth can address disparities in the delivery of public services and improve the business environment across different population groups in post-conflict Sri Lanka.

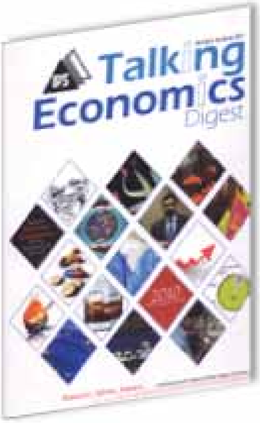
Inclusive development, however, is not only about sharing growth. It is also about empowering people to participate meaningfully in creating growth. This involves empowering people through investing in their health and education and giving them equitable opportunities to access productive resources. The demands of the labour market and the needs of the education and health sectors of the country are evolving alongside development, demographic, technological and market changes. The report explores the considerable challenges faced by Sri Lanka in meeting the changing demands of these sectors.

Rapid growth must also not leave the vulnerable behind. Sri Lanka's large share of informal sector workers, currently estimated to be 62 per cent of the workforce, are in less productive sectors such as agriculture and fisheries. The report examines in detail issues and policy options to broaden and enable equal access for economic opportunities for them. The analysis includes an assessment of the vulnerabilities faced by poor informal employees and the unemployed in terms of socio-economic, political, and geographical factors, and existing social protection measures and their gaps.

http://www.ips.lk/publications/series/soe/sri_lanka_soe_2011/sri_lanka_soe_2011.html

PUBLICATIONS- 2011

Talking Economics Digest (January – June 2011)

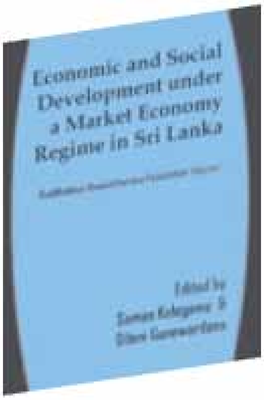


This issue contains all blog articles posted by the IPS researchers from January - June 2011. The blogs ranged from climate change, environmental challenges, health and healthcare financing, taxation policy, small and medium entrepreneurship, intellectual property rights in agriculture, Sri Lanka in the global economic landscape, alcohol policy, political economy and private sector development.

Blog 'Talking Economics': www.ips.lk/talkingeconomics

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

Edited by Saman Kelegama and Dileni Gunewardena



These two volumes cover a broad spectrum of Sri Lanka's economic and social development and critically explores the market economy. The volumes offer accounts of the actually existing market economy of Sri Lanka, complete with disaggregated analyses of key economic and social problems faced by the country during recent decades. The individual chapters examine many aspects, ranging across a broad spectrum of issues: public finance and money, fiscal policy and taxation, the impact of the market economy on different sectors and parts of society, and issues relevant to regional disparities and income distribution.

http://www.ips.lk/publications/series/economic/econmic_social_develop/economic_social_more.html

Trade Liberalization and Poverty in South Asia

Edited by Prema-chandra Athukorala, Jayatilleke S. Bandara, and Saman Kelegama, July 2011, Published by Routledge, UK and USA

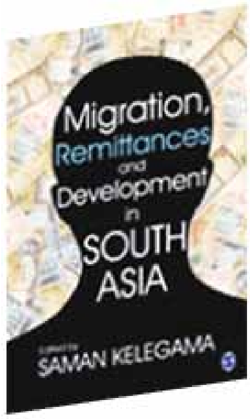
The link between trade liberalization and poverty has arguably been one of the most debated topics in development policy debate. Existing studies on the subject have primarily used multi-country cross-sectional data, and there is a growing concern about the limitations of this approach in providing a sound empirical basis for informing the policy debate. These limitations point to the need for undertaking in-depth analyses within individual countries over time.

In order to examine the connection between trade liberalization and poverty, this book provides case studies of trade policy reforms and poverty reduction outcomes of seven countries in South Asia - Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. The South Asia region allows for an excellent comparative study given the widespread emphasis on liberalization reforms in the region over the past two decades, as well as highlighting significant inter-country differences in terms of the timing and comprehensiveness of reforms, and the heavy concentration of world poverty in the region. This book is a useful contribution to studies on South Asia, as well as International Trade and Development Economics.

http://www.ips.lk/staff/ed/publications_ed/international/trade_liberalization_poverty/trade_liberaliation_more.html

Migration, Remittances and Development in South Asia

Edited by: Saman Kelegama



Migration, Remittances and Development in South Asia explores the impact of migration on development in South Asian countries, compiling extensive information on the migration flows and trends, migrant remittances and migration policies. It discusses a number of proposals for effective cooperation on protection of migrant rights and promotion of migration and development linkages.

Through a nuanced look at the role of remittances in bringing about development, it takes cognizance of the fact that remittances alone are unlikely to lift people out of poverty; rather, it is their interplay with other economic, social and cultural factors which determines the scale and type of impact that remittances can have on poverty reduction.

The book also examines how migration should be brought into the mainstream of development planning where development must be understood as a dynamic process implying growth, advancement, empowerment and progress, with the goal of enlarging the scope of human choices and creating an environment where citizens can live with dignity and equality.

http://www.ips.lk/staff/ed/publications_ed/international/migration_remittances_development/migration_remittances.html

South Asia Economic Journal

Vo.11, No.1 & 2, March and September, 2011

Edited by: Saman Kelegama

IPS Training and Development

Research Staff Training on
Introductory Training on Qualitative Research
Center for Poverty Analysis (CEPA)
15 - 30 August
IPS

Anushka Wijesinha

ArtNet Industrial Policy Seminar
Asia-Pacific Research and Training Network (ARTNeT)
25 - 26 July
UNESCAP, Bangkok

SME Access to Finance Program
Federation of Chambers of Commerce and Industry of Sri Lanka (FCCISL)
25 - 26, July
Taj Samudra Hotel, Colombo

Asha Gunawardena

Global Forum of Sri Lankan Scientists
National Science Foundation
13 -15 December
Hotel Galadari,
Colombo

Policy Analyses for Environmental Economics
South Asian Network for Development and Environmental Economics (SANDEE)
Asian Institute of Technology Conference Centre (AITCC)
22 - 24 May
Thailand

Budgetary Policies for Poverty Eradication in Sri Lanka
Prof. Rehman Sobhan
8 April
IPS

CEPA's Colloquium on Current Imperatives in Understanding Poverty
Centre for Poverty Analysis
30 June
Continental Hotel
Colombo

Project Inception-Workshop Nanotechnology in South Asia Nanotechnology South Asia - Phase 2 projects
International Development Research Centre (IDRC)
8 March
National Science Foundation
Colombo

HARTI 2010 Research Conference
Hector Kobbekaduwa Agrarian Research and Training Institute
20 March
Hector Kobbekaduwa Agrarian Research and Training Institute
Colombo

Workshop on Palk Bay Fisheries Conflict
By LIRNEAsia
24 March
Sri Lanka Institute of Engineers
Colombo

Ashani Abayasekera

Macroeconomic Modelling for Monetary Policy and Economic Management
Central Bank of Sri Lanka,
1 - 5 August
Centre for Banking Studies
Rajagiriya

Recent Advances in the Field of Trade Theory and Policy Analysis Using Micro-Level Data
United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)
Trade and Investment Division
12 - 16 September
Center for World Trade Studies (CWTS),
Universitas Gadjah Mada
Yogyakarta
Indonesia

Ayodya Galappattige

Professional Development Workshop on "Increasing the Developmental Impact of Evaluation Outputs" and " What's New in Real World Evaluation,"
Sri Lanka Evaluation Association (SLEvA)
6 June
Sri Lanka Evaluation Association (SLEvA)
Colombo

Buddika Brahmanage

World Bank Capacity Building Training Workshop on Practical Implementation Guidelines for Trade and Transport Facilitation Assessments (TTFA)
World Bank
21 - 23 November
The World Bank Office
Kathmandu

Applied Econometrics: A Practical Approach Using E-views
Central Bank of Sri Lanka
13 July
Centre for Banking Studies
Rajagiriya

Training and Development

Chandana Karunaratne

ARTNeT/RIS Capacity Building Workshop on Use of Gravity Modelling
Asia-Pacific Research and Training Network (ARTNeT)
1 November
Indian Habitat Centre
Delhi, India

International Workshop on New Directions in Financial Regulation
IDEAs
22 - 26 November
Centre for Banking Studies
Rajagiriya

Workshop on Macroeconomic Modelling for Monetary Policy and Economic Management
Central Bank of Sri Lanka
1 - 5 August
Centre for Banking Studies
Rajagiriya

Dilani Hirimuthugodage

E-Learning Course on Intellectual Property and Development
United Nations Institute for Training and Research (UNITAR) -South Centre
5 September -21st October

E-Learning Course on Intellectual Property and Development
United Nations Institute for Training and Research (UNITAR) -South Centre
9 May - 21 October

IPRs for Growth & Prosperity
Industrial Technology Institute with the Alumni Association of International Development Law Organization (IDLO) Sri Lanka
7 - 9 February
Industrial Technology Institute
Main Auditorium
Colombo

Malathy Knight

LawAsia Business Law Conference 2011
Law Asia BASL
12 - 13 March
Hilton Hotel
Colombo

Nisha Arunatilake

UNDP Human Development Training Course 2011
Oxford University
28 February - 11 March
London, UK

Priyanka Jayawardena

PEP Training Programme on Poverty Mapping Techniques, Partnership for Economic Policy (PEP)
3 - 4 December
Cambodia

STATA Net Course 151
StataCorp LP
9 September - 21 October
On Line Training

Tax Progressivity Analysis
Dr. Abdelkrim Araar
University Level
On Line Training

Roshini Jayaweera

SAWTEE and SANEM Fourth South Asian Training Programme on CGE Modelling
SAWTEE and SANEM
20 - 23 September
Kathmandu - Nepal

Samanthi Bandara

Impact Evaluation
Sri Lanka Evaluation Association
6 - 9 June
Colombo

Sunimalee Madurawala

Asia-Pasific Capacity Development on Gender and Macroeconomic Issues Second Regional Intensive Course
UNDP Asia-Pacific Regional Centre & Ochanomizu University, Japan
4 - 16 July
Saitama, Japan

Auditor General's Report

විගණකාධිපති දෙපාර්තමේන්තුව
கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல. / My No: EL/A/IPS/FA/2011
ඔබේ අංකය / உமது இல / Your No.
දිනය / திகதி / Date: 19 September 2012

The Chairman
Sri Lanka Institute of Policy Studies

Report of the Auditor General on the Financial Statements of the Sri Lanka Institute of Policy Studies for the year ended 31 December 2011

The audit of financial statements of the Sri Lanka Institute of Policy Studies for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income 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 18 of the Sri Lanka Institute of Policy Studies Act, No.53 of 1988 as amended by the Amendment Act, No.09 of 1999. My comments and observations on the above financial statements appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from 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. 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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assess ments, the auditor considers internal control relevant tot he Institution'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 accounting policies used and the reasonableness of account ing estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my of opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri lanka Institute of Policy Studies as at 31 December 2011 and its financial performance and cash flow for the year then ended in accordance with /generally Accepted Accounting Principles.

අංක 306/72 පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை
No.306/72, Polduwa Road, Battaramulla, Sri Lanka
දුරකථනය / தொலைபேசி / Telephone: 2887028 -34
ෆැක්ස් අංකය / பக்ஸ் இல / Fax No.: 2887223
ඉලෙක්ට්‍රොනික් තැපැල් / ஈ- மெயில் / E-mail: oaggov@sltnet.lk

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies
The following accounting deficiencies were observed.

(a) Even though the Institute had a fixed deposit (Fixed Deposit No.3-048634-130) amounting to Rs.82,900,000 invested in a Private Bank, that amount had not been disclosed in the Financial Statements. Even though I was informed that money belonged to the Endowment Fund, that account was not furnished to audit.

(b) Even though the interest receivable as at 31 December 2011 on 06 fixed deposits of the Institute amount to Rs.283,599, it had been shown as Rs.387,052, thus revealing an overstatement of Rs.103,453.

(c) The interest receivable on the fixed deposits had been brought to account after deducting the Withholding Tax. As such it was observed that the actual interest income had not been disclosed in the accounts.

2.2.2 Unreconciled Account Balances

A difference of Rs.30,852 was observed between the following items appearing in the Financial Statements and the related subsidiary registers.

Item	Value according to Financial Statements	Value according to Subsidiary Register	Name of the Subsidiary Register	Difference
	Rs.	Rs.		Rs.
Balance of Fixed Deposits	11,999,000	12,002,154	Confirmation of Balance	3,154
Balance Savings	3,803,798	3,791,239	Bank Reconciliation	12,559
AccountTreasury Bills	95,679,986	95,653,749	Trial Balance	13,763
Interest Receivable	3,839,901	3,838,525	Trial Balance	1,376
Total Differences				30,852

2.2.3 Accounts Receivable and Payable

The following deficiencies were observed.

(a) It was observed that the value of air ticket charges amounting to Rs.851,475 to be reimbursed by the officers who had proceeded abroad had been included in the balance of the Other Accounts Receivable and out of that amount sums Rs.124,179, Rs.246,800 and Rs.259,000 due from 2008, 2009 and 2010 respectively.

(b) Even though a sum of Rs.793,845 had been shown as provision receivable from the Treasury in respect of the year 2010 and action had not been taken to write off that amount even by the date of audit in the year 2012.

(c) The sum of Rs.97,861 receivable from the International Institute of Research and Development for Project No.297 of the year 2009 had not been received even up to the date of audit.

(d) The sum of Rs.101,200 receivable as salaries from Ministry brought forward from the year 2005 had not been received even upto the date of audit. Action taken thereon was not revealed to audit.

(e) The retention money payable to a private institution amounting to Rs.4,945,668 had not been shown under the creditors balance in the financial statements for the year under review. As such the net assets had been overstated by that amount.

(f) It was observed that a sum of Rs.216,172 out of Rs.1,311,005 receivable as at 31 December 2011 on the completed projects had been brought forward from the year 2010.

2.2.4 Lack of Evidence for Audit

The following deficiencies were observed.

(a) Confirmation of the balance had not been furnished for the balance of the Bank Account No.2536901 amounting to Rs.9,890.

(b) Even though a sum of Rs.5,460,000 had been paid at present as the lease rent on the land in extent of one half acre allocated to the Institute of Policy Studies out of the Samurdhi Nursery in the Torrington Square in the Division of the Divisional Secretariat, Thimbirigasyaya, action had not been taken to obtain the long term lease deed.

2.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules Regulations and Management Decisions	Non-compliance
(a)Section 20(2) of the Sri Lanka Institute of Policy Studies Act, No.53 of 1988 and Amendment Act, No.9 of 199	Even though the staff of the Institute can be appointed on temporary or permanent basis, the entire staff from the inception of the Institute has been appointed on contract basis.
(b)Public Enterprise Circulars	
(i) Public Enterprises Circular No.PED/12 of 02 June 2003 Section 9.2(b)	Even though each institution should have an approved cadre and an Organizational Chart the Institute had not taken action accordingly.
Section 9.3 (1)	The approval of the Ministry and the concurrence of the Department of Public Enterprises of the General Treasury had not been obtained for the Scheme of Recruitment and Promotion of the Institute.
Section 9.14.2	The approval of the Treasury had not been obtained for the Operating Manual of Human Resources Management of the Instittute.
Section 9.7 and 9.8	A total sum of Rs.40,691,115 comprising of Rs.32,700,274, Rs.1,108,312, Rs.3,757,763 and Rs.3,124,766 respectively had been paid as salaries, allowances, honorarium and incentive allowances from january to December of the year under review to the employees recruited without a Scheme of Recruitment.
(c)State Accounts Circulars Paragraph 01 of the Circular No:PN437 of 18 September 2009	Even though the Medical Insurance Scheme should be obtained from the National Insurance Trust Fund of the Sri Lanka Insurance Corporation, the Medical Insurance Scheme for the employees of the Institute had been obtained from Celinco Insurance company.
(d)Section 2.14.1 of the Procurement Guidelines 2006	(i) A Ministry Procurement Committee had not been appointed for the contract (Local Area Network Unified Communication and Power Solutions with Infrastructure) calued at Rs.51,678,014.
	(ii) A formal Procurement Committee had not been appointed in connection with the expenditure on the modernization of the auditorium for Rs.495,700 and purchase of chairs for the auditorium for Rs.2,251,334
	(iii) Action had not been taken to select the contractors calling for public quotations for the above 03 contracts.
	(iv) A Procurement Plan had not been prepared for the purchases during the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations for the year under review had resulted in a surplus of Rs.343,442 as against the deficit or Rs.26,294,271 in the preceding year, thus indicating an improvement of Rs.26,637,713 in the financial results. The increase of the project income by Rs.24,143,028 and amortisation by Rs.4,769,899 had been the main reason for the improvement.

4. Operating Review

4.1 Performance

According to the Action Plan for the year 2011 of the Institute of Policy Studies, plans had been made for holding 16 projects and one workshop. the Progress Reports furnished as at 31 December 2011 had not bee prepared in a manner to enable a reconciliation of the progress.

.2 Management Inefficiencies

The following matters were observed.

(a) Even though the Fund for the employees welfare had been established over 08 years ago, it had not been utilized up to date for the benefit of the officers. The balance of the Fund as at 31 December 2011 amounting to Rs.1,176,955 had been invested in the Treasury Bills.

(b) According to the Aid Agreement entered into with the Government of the Netherlands on 30 May 2006, the agreement period should have been completed by 30 December 2008 and the agreement period had been extended up to 30 June 2010 as the construction of buildings had not been completed during the specified period. Nevertheless, expenditure on construction works had been incurred from that fund up to August 2011. As the HSBC EURO Account had not been closed down up to August 2011, an exchange loss of Rs.7,833,583 proportionate to Sri Lankan Currency in the years 2010 and 2011 as shown below.

Date	Particulars	Amount
2010-12-31	Exchange Loss	4,883,138
2011-09-28	Exchange Loss	2,348,122
2011-09-30	Loss on Fixed Deposit of the Building Fund	2,952,012
2011-01-01	Exchange Gain	(2,349,689)
		7,833,583

(c) The exchange loss resulting from the identification of expenditure and accounting after the completion of the Project amounted to Rs.237,537.

4.3 Deficiencies in Contract Administration

(a) A summary of the major deficiencies out of the deficiencies observed at the inspection of the construction of the new building for the Institute of Policy Studies is given below.

(i) The completion of the agreement period due in December 2008, according to the agreement entered into between the Institute and the Government of the Netherlands on 30 May 2006, had been completed only in August 2010.

(ii) An overpayment of Rs.6,184,914 had been made due to the failure to take correct measurements, payments made for price changes, irregular payments made for the pond constructed near the building and payments made for concrete exceeding the rates in the bill of quantities.

(iii) Even though additional payment of Rs.33,000 made for item No.7.1.10 in the bill of quantities (inflow through in pond No.2) was revealed, the consultant company had reported a sum of Rs.376,750 had been paid for the work.

(iv) An exchange loss of Rs.5,885,281 had been incurred due to the failure to complete the contract for the construction of the building on time.

(v) Seven items of work of the contract for the construction of the building valued at Rs.1,852,607 remained without being completed by 20 April 2011.

(vi) Penalty interest had not been charged for the overpayment of Rs.5,669,449.

(vii) Advances exceeding the allowable advance amount to 43 per cent had been granted.

(viii) Action had not been taken to recover interest for 170 days on the sum of Rs.13 million paid by the Institute for the purchase of contract materials and 20 per cent for the work not done.

(ix) According to the plans, the walls which should have been finished with concrete had been completed with bricks and it is observed that the expected construction had not been reached.

(b) The execution of work valued at Rs.126,242,254 in accordance with the agreement had been assigned on 33 sub-contracts. According to the test check, the following deficiencies were observed.

(i) A Performance Security of not less than 5 per cent of the contract sum had not been furnished in terms of Section 5.4.8 of the Procurement Guidelines.

Name of Contract	Contract Cost Rs.
Carpet Tiles	4,830,872
Aluminium Partitions	5,704,871

(ii) Even though a maximum advance of 20 per cent of the contract sum could be granted in terms of Section 5.4.4. of the Procurement Guidelines, exceeding such limit a sum of Rs.5,427,402 had been granted as advances.

Name of Contract	Contract Value	Advance Granted	Amount exceeding 20 per cent
	Rs.	Rs.	Rs.
Carpet Tiles	4,830,872	2,829,510	1,863,336
Aluminium Partitions	5,704,871	4,322,157	3,181,183
Fire Protection and Prevention System	2,079,660	798,820	382,883
Total			5,427,402

(iii) Agreement in terms of Section 8.9.1 of the Procurement Guidelines had not been entered into for the following 03 Sub-contracts valued at Rs.12,615,403.

Name of Contract	Contract Value Rs.
Carpet Tiles	4,830,872
Aluminium Partitions	5,704,871
Fire Protection and Prevention Systems	2,079,660
Total	12,615,403

4.4 Staff

The Institute had not maintained an approved staff and an organization chart and according to the information made available to audit, the staff of the Institute as at 22 November 2011 had been 49.

5. Accountability and Good Governance
5.1 Internal Audit
5.2 Follow up action on Decisions of the Board of Directors

Two meeting of the Board of Directors had been held in the year under review and the following matters were observed in connection with implementation of the decisions taken at those meetings.

(a) Paragraph 50.1 of the Minutes of the Meeting of the Board of Directors held on 18 March 2011.

According to the Board Minutes, the Board had discussed that the Institution of Policy Studies is an institution implementing projects on foreign aid and maintaining its operations to a large extent from foreign aid and operating income. therefore, the comments made in the reports of the Auditor General with regard non-compliance with the provisions in the Financial Regulations, the Establishments Code and the Circulars of the General Treasury had become a great problem and obstacle to the Institution. In addition, these matters were discussed again at the meeting held on 13 July 2011 and the following proposals had been made.

(i) To obtain the approval of the Cabinet of Ministers to function as an independent Institute.
(ii) Abolition of the Amendment Act, of 1999.
(iii) Function as a non-profit making company.

The particulars relating to the follow up action taken on the above matters had not been furnished to audit. Insurances of action taken contrary to the Government Financial Regulations, the Establishment Code and other Circulars were observed even in the year under review.

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 drawn to the following areas of control.

(a) Moneys Receivable
(b) Maintenance of Registers
(c) Award and Administration Contracts

H. A. S. Samaraweera
Auditor General

Mn/2,241

Management Response to Audit Report

Ref No: EL/A//IPS/FA/ 2011

2.2.1 Accounting Deficiencies

(a) HSBC fixed deposit of Rs. 82,900,000 does not relate to the IPS. This is a deposit taken under the Endowment Fund. This was explained to the Audit Team at the time of the audit.

(b) Interest receivable has been correctly accounted for. The bank has confirmed incorrectly as they have confirmed the balances including interest for 2012, which is incorrect.

(c) Interest net of WHT has been accounted for. Therefore, the WHT is deducted and the correct interest shown in order to correctly record the interest in the accounts.

2.2.2 Un-reconciled Account Balances

Rs.3,154, interest on call deposit is a timing issue and cannot be considered to be material. This arises as the days are calculated manually by the IPS whereas the Bank calculation is automated.

HSBC Account 012-139630-040 bank statement balance was correctly used to prepare the HSBC bank reconciliation and therefore there is no discrepancy.

The balances are correct on the Treasury bills and the interest receivable accounts. There is no discrepancy .

Treasury bill account balance	DR of Rs.95,693,748.74
Less Treasury Bill Premium account	CR of Rs.13,763
Total Treasury bill as per accounts and per the bill value	**Rs.95,679,986**
Interest receivable account	DR of Rs.3,838,524.67
Add Accrued Interest	DR of Rs.1,376.20
Total Interest Receivable as per accounts and per the accounts	**DR Rs.3,839,901**

2.2.3 Accounts Receivable and payable

(a) Air ticket reimbursements are received and cleared in the month or two after the travel is made. However, in instances where amounts are not received immediately there are delays in receiving the funds. As all attempts have been made to recover amounts due, the amounts long outstanding can be written off as the Audit has pointed out the same. This will be done in 2012.

(b) Rs.793,845 of the Government grant were not paid to IPS in 2010. As the Finance Department realized that this will not be paid by the Treasury, permission was sought from the Executive Director to write off same in early 2011. However, this was not approved on the understanding that the Treasury may release the funds. As the Audit has pointed this out and as it is not likely that the IPS will receive the funds, this amount will be written off in 2012 with the approval of the Executive Director.

(c) All attempts have been made to collect the amount of Rs.97,861 due from the International Research Development (IRD) on project number 297. As this has not been received and is outstanding since the year 2009, this amount can be written off in 2012.

(d) The amount of Rs.101,200 receivable from the Treasury relates to an old outstanding sum due for the services of two researchers that were seconded to the Treasury from the IPS. A part of the outstanding amount was received and cleared. However, this amount remains outstanding due to lack of paper work, both from the point of view of the IPS and the Treasury. This amount can be written off in 2012.

(e) Retention money of Rs.4,945,668 payable to the Building contractor K. D. Ebert was not disclosed in the accounts for the year ended 31st December 2011. The amount in question was not provided as it was understood that the amount would not be paid due to the long list of defects and associated deductions. This can be disclosed if required in the accounts. However, the defects are still outstanding and the payment will not be made.

(f) The projects not completed as at year end have been carried forward. Income cannot be recognized on these projects as the work is not complete. Therefore amounts not utilized are shown as Deffered Income.

Of the Trade Debtors receivable of Rs.1,311,005 only the following is outstanding, even though several attempts have been made to recover same.

Project (No.)	Description	Donor	Amount (Rs.)
1) 248A	MDG Country Report additional printing of Report	Ministry of Finance	216,712
2)PJ 007 F	Handbook on the India/Sri Lanka Free Trade Agreement	Indian High Commission	403,760

2.2.4 Lack of Evidence for Audit

(a) Confirmations were called from all banks. People's Bank had not sent a response regarding the Rs.9,890 balance on Account 2536901. The confirmation was received only on the 31st of March and is available in the file.

(b) The long-term lease agreement relating to the land has not been received to date.

2.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

(a) Staff are recruited on a contract basis due to the nature of funding (relying on project funds).

(b)The IPS does not come under the Government of Sri Lanka Administrative Regulations (ARS) and Financial Regulations (FRS). The IPS Act No: 53 of 1988, Section 6 (a) provides full powers to the IPS Governing Board and management to formulate its own rules and regulations. Accordingly, the Manual of Operations (MOO) has been designed to govern the code of conduct in the IPS. Therefore the staff cadre, recruitments, promotions and remuneration is as per the MOO and is not sent for approval from the Treasury. It should be noted that the Secretary to the Treasury is a Governing Board member of the Institute.

The Manual of Operations approved by the Governing Board has been sent to the Mr. C. S. Perera, Director, Department of National Budget, Ministry of Finance and Planning on the 12th of November 2010. No response has been received to date.

(c)The medical insurance taken from 2003 has been renewed year-on-year due to the excellent customer services offered by the Ceylinco Insurance and the marginal increase in premium despite enhancements made to the policy. It was found that Sri Lanka Insurance Company (SLIC) Premium was far in excess of the premium offered by Ceylinco Insurance. Quotes were called for and a letter issued by SLIC stating that they were unable to match the benefits and premium offered by Ceylinco Insurance company. This letter was made available to Audit. Therefore transferring the Medical Health Insurance to SLIC is not a feasible solution as the IPS is self-financing and no assistance for such payments is made from the Government.

(d) Approval was obtained by the Presidential Secretariat for the expenditure of Rs.51,678,014. Letter was made available for Audit.

The Auditorium equipment was purchased on the recommendation of the Buildings Steering Committee.

03 quotations are called for all material purchases. This is analyzed and approved based on the requirements also by a designated committee appointed by the Executive Director.

3. Financial Review

3.1 Financial Results

A surplus of Rs.343,442 was recorded in the year 2011.

4. Operating Review

4.2 Management Inefficiencies

(a) The staff welfare investment has been used when required. As no requirement arose in the year 2011, this was not utilized. This is mainly as the long-term grant obtained from the IDRC TTI initiative allowed for staff welfare expenditure. Therefore, the welfare requirements (training, etc.) was incurred under the IDRC TTI budget line.

(b) An exchange loss on the buildings projects was recorded mainly as the building project was delayed by the Contractor.

4.3 Deficiencies in Contract Administration

The Consultant's explanatory report on the above subject matter is available at the IPS office and was made available to the Auditors.

5. Accountability and Good Governance

5.1 Internal Audit

An Internal Audit has now been established. A quarterly Internal Audit is carried out as per Audit Committee requirements.

5.2 Follow up action on Decisions of the Board of Directors

Board Meetings are normally held twice a year, however it is not possible to have more meetings per year without issues where Board approval is required and most often inability to obtain a qurom.

Future issues to be taken from Board Meeting Decisions such as:

(a) The outcome on the Board discussions on making the IPS autonomous, (b)abolishing the 1999 amendment to the IPS Act and (c)to make the IPS a non-profit company was not made available to Audit as there were no action taken on these matters. At this point the Board has discussed these issues only and no follow up action has taken place to date.

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2011 Rs.	2010 Rs.
ASSETS			
Current Assets			
Cash and Cash Equivalent	10	18,064,518	12,938,296
Trade receivables		1,311,005	2,787,956
Inventories - Publications		1,535,187	1,520,329
Deposits and Prepayments	11	2,240,133	2,892,874
Interest Receivable		3,839,901	1,228,147
VAT Receivable		710,098	0
Other Receivables	12	4,085,528	8,959,780
Total Current Assets		31,786,369	30,327,362
Non Current Assets			
Property, Plant and Equipment	13	360,016,948	340,926,955
Investments	14	188,586,304	218,468,324
Total Non Current Assets		548,603,252	559,395,279
Total Assets		580,389,621	589,722,640
LIABILITIES			
Current Liabilities			
Trade and Other Payables	15	13,389,653	8,934,622
Advance Receipts on Projects	16	17,091,061	26,679,276
Total Current Liabilities		30,480,713	35,613,898
Non Current Liabilities			
Employee Benefits	17	9,027,633	7,478,652
Staff Welfare Fund		1,164,402	982,636
Deferred Income- Capital Grants	18	305,858,626	312,132,649
Total Non Current Liabilities		316,050,660	320,593,937
Total Liabilities		346,531,374	356,207,834
Net Assets		233,858,248	233,514,806
NET ASSETS/EQUITY			
Capital contributed by;			
Accumulated surplus		231,714,104	231,370,662
Initial Transfer of Assets from Government/Grantor		2,144,144	2,144,144
		233,858,248	233,514,806

The Annexed notes to the financial statements are an integral part of these financial statements.
These financial statements have been prepared in accordance with the Sri Lanka Public Accounting Standards and Sri Lanka 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.

Approved and signed for and on behalf of the Board of Governors:

(Governor)
28 February 2012

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

For the year ended 31st December 2011

	Assets	Surplus/ (Deficits)	Total
	Rs.	Rs.	Rs.
Balance as at 01 January 2010	2,144,144	231,370,662	233,514,806
Surplus of income during the year	-	343,442	343,442
Balance as at 31 December 2011	**2,144,144**	231,714,104	233,858,249

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CASH FLOW

For the year ended 31st December		2011 Rs.	2010 Rs.
Cash Flow From Operating Activities			
Surplus/(Deficit) Before Taxation		**343,442**	(26,294,271)
Adjustments for;			
Contribution from Staff Welfare Fund		181,766	79,954
Depreciation on Property, Plant and Equipment		16,521,793	5,722,590
Income on the Amortization of Building		(6,274,023)	(1,504,124)
Provision for Gratuity		2,117,104	3,363,362
Interest Income		(14,569,419)	(17,775,479)
Gain/(loss) on Disposal of Fixed Assets		(860,000)	(520,873)
Net cash inflow/(outflow) Before Working Capital Changes		(2,539,337)	(36,928,841)
Decrease in Trade Receivables		1,476,931	2,240,822
(Increase) /Decrease in Inventories		(14,858)	247,545
Decrease in Deposits and Prepayments		652,741	5,133,490
(Increase)/ Decrease in Vat and Other Receivables		4,164,141	(2,425,983)
Increase/(Decrease) in Advance Receipts		(9,588,215)	14,527,587
Increase/(Decrease) in Trade and Other Payables		4,455,031	4,795,021
Net cash inflow/(outflow) Generated From Operations		(1,393,567)	(12,410,359)
Gratuity Paid		(568,123)	(412,300)
Net Cash inflow/(outflow) From Operating Activities		(1,961,690)	(12,822,659)
Cash Flow From Investing Activities			
Purchase of Property, Plant and Equipment		(44,925,938)	(117,742,105)
(Increase)/Decrease in Capital Work in Progress		9,314,164	
Interest Received		11,957,665	25,450,700
Sales Proceeds from Disposal of Property, Plant and Equipment		860,000	914,352
(Sale) /Purchase of Investments		57,899,593	(93,342,699)
(Outflow)/Proceeds from Sale Investments		(28,017,573)	153,688,252
Net cash inflow/(outflow) From Investing Activities		7,087,912	(31,031,491)
Cash Flow From Financing Activities		0	
Grants Received		0	48,214,520
Net cash inflow/(outflow) from Financing Activities		0	48,214,520
Net (Decrease)/Increase in Cash and Cash Equivalents		5,126,222	4,360,370
Cash and Cash Equivalents at the beginning of the year (Note 10)		12,938,296	8,577,926
Cash and Cash Equivalents at the end of the year (Note 10)	a)	18,064,517	12,938,296
a) Reconciliation of Cash and Cash Equivalents			
Cash at bank		18,024,517	12,901,296
Cash in Hand		40,000	37,000
		18,064,517	12,938,296

The Institute of Policy Studies of Sri Lanka
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

1. Domicile and legal form
Institute of Policy Studies was established by an Act of Parliament in 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 laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL).
The Company has early adopted Sri Lanka Public Sector Accounting Standards, which will be effective for the financial period beginning on or after 01 January 2011. However, there is no implication on the prior year amounts as result of adoption of the SLPSAS.

1.2.2 Basis of Measurement
The financial statements have been prepared on the historical cost basis.

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

1.3 Summary of significant accounting policies
The policies have been consistently applied to all the years presented, except in respect of provision for gratuity, which has been stated in Note j, such change in accounting policy that has been adjusted through statement of changes in equity under accumulated surplus/deficits reserves.

(a) Foreign currency transactions
These financial statements are presented in Sri Lankan Rupees, which is the Institute's functional currency.
Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions: gains and losses resulting settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Such balances are translated at the financial year end exchange rates.

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

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

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

Computer Equipment	33%
Web Page Design	33%
Motor Cycle	20%
Furniture	20%

The Institute of Policy Studies of Sri Lanka
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

Office Equipment/Generator	20%
Motor Vehicles	20%
Library Books	25%
Buildings	2%

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

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

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

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

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

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

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

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

(f) Inventories
Inventory consists of stock of Publications. Publications are stated at cost. Any publications held for more than 10 years has been 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. Bad debts are written off during the year in which they are identified.

(h) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise of cash at bank, cash in hand and call deposits held with banks,net of bank overdrafts. In the balance sheet, bank overdrafts are included under current liabilities.

The Institute of Policy Studies of Sri Lanka
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

(i) Liability and provisions

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

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

(j) Employee Benefits

i. Defined contribution plans

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

ii. Defined benefit plan

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

(k) Revenue recognition

i. Contribution from the Government of Sri Lanka

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

ii. Project Income

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

iii. Income from Seminars/Workshops

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

iv. Interest Income

Interest Income is accounted for on an accrual basis.

(l) Recognition of Capital Expenditure

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

Classification of Expenditure

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

INSTITUTE OF POLICY STUDIES OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December

		2011 Rs.	2010 Rs.
2.	**Contribution from the Government of Sri Lanka** Represents the allocation received from the Government of Sri Lanka for the rent and maintenance of the Institute.		
3.	**Project Income**		
	Income from projects-Institutions	32,713,173	29,339,789
	Income from International Development Research Centre	21,447,639	677,996
		54,160,812	30,017,784
4.	**Income from Seminars and Workshops** This consists of income generated from seminars and workshops conducted on the request of donors and, as a form of dissemination of the research work carried out.		
5.	**Miscellaneous Income**		
	Sale of Publications	746,289	529,388
	Profit on Sale of Fixed Assets	860,000	520,873
	Other Income	167,747	201,681
		1,774,036	1,251,942
6.	**Employee Cost**		
	IPS Staff Salary	32,626,503	27,674,416
	EPF	3,916,461	3,295,899
	ETF	981,008	828,183
	Honorarium (Note 6.1)	3,388,887	2,248,069
	Staff Welfare Cost	3,681,077	4,703,250
	Other Benefits	1,777,922	2,018,331
	Decrease in Provision for gratuity (Note 17)		(117,103)
		46,371,858	40,651,046
6.1.	**Honorarium**		
	Includes payments made to Board of Governors	544,000	387,000
7.	**Research Cost**		
	Printing & Typesetting Publication Cost	2,571,472	2,242,602
	Internet Charges	1,907,138	1,886,115
	Consultation Charges	7,362,336	5,856,184
	Other Research Costs	1,448,709	1,770,558
		13,289,655	11,755,459
8.	**Other Operating Expenses**		
	Bad Debts	-	520,000
	Registration and Membership Fees	604,525	424,139
	Printing Cost	58,993	18,445
	Office Costs	737,389	1,458,245
	Consumables	476,042	1,089,550
	Professional and Legal Fees	306,861	162,003
	Audit Fees	90,244	90,000
	Advertisements	60,200	459,424
	Bank Charges/Commission	206,870	356,849
	Other Admin Related Costs	119,089	355,755
	Lease rental	780,000	780,000
	Miscellaneous Expenses	45,000	40,800
		3,485,215	5,755,210

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

As at 31st December		2011 Rs.	2010 Rs.
9.	**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 and section 2 (3) (LIX) of the Inland Revenue (Amendment) Act of No 42 of 1990.		
10.	**Cash and Cash Equivalents**		
	Cash at Bank	6,024,617	1,788,278
	Cash in Call Account	11,999,900	-
	Cash at Bank-Foreign Currency (Note 10.1)	-	11,113,017
	Petty Cash	40,001	37,000
		18,064,518	12,938,296
10.1	**Cash at Bank-Foreign Currency**		
	Account in EURO	-	11,113,017
		-	11,113,017
11.	**Deposits and Prepayments**		
	Prepayments (Note 11.1)	1,676,423	1,212,298
	Deposits	296,000	696,000
	Advances to new building sub-contractors		937,516
	Other Advances	267,710	47,060
		2,240,133	2,240,133
11.1	**Prepayments**		
	Medical Insurance	855,957	809,266
	Other Insurance	397,484	385,552
	Other Pre-Payments	422,982	17,480
		1,676,423	1,212,298
12.	**Other Receivables**		
	Other Receivables (Note 12.1)	1,914,624	7,111,030
	Staff Debtors	2,170,903	1,792,746
	NBT Receivable	-	56,004
		4,085,528	8,959,780
12.1	**Other Receivables**		
	Contribution from the Government of SL allocation for 4th Quarter	793,845	5,793,845
	Air ticket reimbursements for staff travel from Donors	851,475	1,084,975
	Other Receivable	269,304	232,210
		1,914,624	7,111,030

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

As at 31st December 2011

13. Property, Plant and Equipment

Cost	Building on Leasehold Land Rs.	Computer Equipment Rs.	Motor Vehicles Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Library Books Rs.	Total Rs.
Balance as at 01st January 2011	300,824,754	31,481,429	10,604,125	13,547,166	8,367,873	1,234,366	366,059,713
Additions	23,244,225	2,409,415	-	5,429,440	13,837,358	5,500	44,925,938
Less: Disposal	-	-	-	-	-	-	-
Balance as at 31st December 2011	324,068,979	33,890,844	10,604,125	18,976,606	22,205,231	1,239,866	410,985,651
Accumulated Depreciation							
Balance as at 01st January 2011	1,504,124	21,732,949	7,964,124	1,213,954	814,554	1,217,205	34,446,910
Depreciation Charge	4,637,866	4,245,613	1,320,000	3,369,610	2,945,488	3,216	16,521,793
Less: Disposal							-
Balance as at 31st December 2011	6,141,990	25,978,562	9,284,124	4,583,564	3,760,042	1,220,421	50,968,703
Carrying Value							
As at 31 December 2011	**317,926,989**	**7,912,283**	**1,320,001**	**14,393,042**	**18,445,189**	**19,445**	**360,016,948**
As at 31 December 2010	299,320,631	9,748,479	2,640,001	12,333,212	7,553,318	17,161	331,612,802

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

As at 31st December		2011 Rs.	2010 Rs.
14.	**Investments**		
	Repurchase Agreements	13,915,303	98,475,670
	Treasury Bills (Note 14.1)	95,679,986	69,419,418
	Treasury Bills (Note 14.1) - Gratuity Fund	11,065,712	10,847,270
	Treasury Bills (Note 14.1) - Staff Welfare Fund	1,176,955	995,191
	Treasury Bond (Note 14.1)	0	19,911,976
	Fixed Deposits	66,748,349	18,818,800
		188,586,304	218,468,324
14.1	**Market Value of Investments**		
	Treasury Bills	107,616,895	81,267,450
	Treasury Bond		20,942,320
		107,616,895	102,209,769
15.	**Trade and Other Payables**		
	Creditors	10,561,838	5,893,135
	Accruals (Note 15.1)	2,105,649	2,100,525
	Withholding Tax Payable	(25,237)	771,462
	Cheque Return Control Account	0	169,500
	EPF Payable	636,032	0
	NBT Payable	18,042	0
	PAYE payable	93,329	0
		13,389,653	8,934,622
15.1	**Accruals**		
	Research Project Expenses	628,179	896,312
	Telephone/Internet Charges	280,000	696,993
	Audit Fees	415,000	325,000
	Electricity	578,832	160,000
	Other Office Costs	94,462	22,219
	Fuel	109,175	0
		2,105,649	2,100,525
16.	**Advance receipt on projects**		
	Balance as at 01 January	26,679,276	12,151,689
	Receipts during the year	48,568,778	51,645,910
	Income recognized	(58,156,993)	(37,118,324)
	Balance as at 31 December	17,091,061	26,679,276

The income on incomplete projects deferred in the Balance Sheet to be recognized as income over the period of projects. Amount carried forward together with expected future receipts on projects are estimated to be sufficient to meet the future expenses of these projects.

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

As at 31st December		2011	2010
17. Employee Benefits			
Balance as at 01 January		7,478,652	4,527,590
Expense Recognized During the year	(Note 17.1)	2,117,104	3,363,361
Payments made During the year		(568,123)	(412,300)
		9,027,633	7,478,651
Balance as at 31 December		9,027,633	7,478,651

Number of employees of the Organization as at 31 December 2011 is 56 (2010-61).
Number of employees of the Organization eligible for Employee Benefits as at 31 December 2011 is 46 (2010-46).

The liability is not externally funded and has been valued by a professional actuarial company.
The following assumptions are used in determining the cost to the institute of providing these benefits:

Discount Rate	10.50% (2009-11%)
Increase in rate of salary	5% (2009-5%)
Rate of Staff Turnover	7%

	2011	2010
17.1 Expense recognized during the year	Rs	Rs
Current Service Cost	811,998.00	768,105.00
Interest Cost	785,258.00	498,035.00
Actuarial Gain/Loss	519,848.00	2,097,221.00
	2,117,104.00	3,363,361.00

	2011	2010
	Rs.	Rs.
18. Deferred Income-Capital Grants		
Balance as at 01 January	312,132,649	265,422,253
Grants obtained during the year represents	-	
Grant from the State of the Netherlands	-	13,214,520
Grant from the Endowment Fund		35,000,000
Amortized during the year	(6,274,023)	(1,504,124)
Balance as at 31 December	305,858,626	312,132,649

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

19. Lease Commitment

The Institute has a commitment to make annual repayment of Rs. 780,000 p. a as a rental for the construction of building on land owned by the Land Commissioner on an operating lease arrangement for a period of 30 years. However steps are being taken to obtain the land on an outright grant from the Government of Sri Lanka.

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

Less than one year	Rs. 780,000
Between 1-5 years	Rs. 3,900,000
More than 5 years	Rs. 14,040,000

20. Capital Commitment

As at 31.12.2011 there were no capital commitments.

21. Related Party Transactions

The Institute and the Endowment Fund are governed by the same Board of Governors. During the year the Institute has received Rs. 7,500,000 as a contribution for the operations of the Institute.

The Institute is granted Rs. 14,000,000 from the Government of Sri Lanka for recurrent expenditure. The Secretary to the Treasury is an ex officio member of the Board of the IPS.

22. Contingent Liabilities

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

23. Events occurring after the Balance Sheet Date

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

24. Board of Governors' Responsibility

The Board of Governors is responsible for the preparation and presentation of these financial statements in accordance with SLPSAS. Wherever there are no standards in SLPSAS, the SLAS has been adopted.


IPS In the Media
Korea Calling
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A growing partnership
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A positive look
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Regional poverty reduction systems ineffective
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