Annual Report
2012

Institute of Policy Studies of Sri Lanka

Contents

Annual Report 2012 Cover:

The IPS Annual Report 2012 cover depicts a number of images from events and publications launched in 2012. The State of the Economy report, Sri Lanka National Health Accounts and Working Paper on Fostering Innovations to Fast Forward Growth in Sri Lanka, are a few of the highlighted publications; while the IPS University Forum, the Talking Economics Experts Forum, and a Workshop on Experimental Design for Savings and Payment Research hosted by the IPS, are a few of the highlighted events. More details of these, and a comprehensive list of all 2012 events and publications, can be found in the report.

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 conduct economic policy analysis in Sri Lanka. Today, the IPS has established itself as the foremost economic policy 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)

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CHAIRMAN'S MESSAGE

The Institute of Policy Studies of Sri Lanka (IPS) celebrated its twenty eighth anniversary in 2012. The expansion and advancement of the Institute, observed over the last few decades, continued unabated during this year too, as this Annual Report amply demonstrates. This progress could be seen from many angles – its research and other activities, the number and the quality of its professional and support staff, its domestic and international recognition as a national economic policy think tank and so on.

Many important and policy relevant research projects have been undertaken by the IPS during this year for various governmental institutions, and other domestic and international organizations, thus contributing to useful knowledge creation and policy analysis. In addition to such work carried out for an extensive clientele, the Institute has undertaken research on its own bearing on relevant and important policy issues. All this research has led to a significant number of publications, both printed and electronic. The annual State of the Economy Report continued to hold its supreme position among these publications, with a large institutional and individual readership continuing to depend on it for independent analyses of socio-economic policy issues of relevance in the contemporary Sri Lankan context.

The Institute maintained and expanded its relationships with domestic and international organizations with similar missions such as the domestic universities and chambers of commerce, as well as regional and international research organizations. The programme of work since 2011 undertaken with the support of the International Development Research Centre of Canada as part of its Think Tank Initiative project must receive special mention here in regard to the IPS's global links.

Behind the achievements of the Institute are its competent staff and their continuing commitment to independent policy research. During the year under review there were a few staff resignations but replacements have been found without any significant loss of institutional efficiency. Some of its professionals who were on overseas study returned during 2012 with doctoral qualifications, thus adding to the Institute's strength. An increasing demand could be observed from domestic and international academic/ training institutions for internship positions at the IPS for their students and trainees. This requires to be noted as such interns would constitute a rich source of human resources for the IPS when needed.

Let me conclude this message by recording my appreciation of the services of the Board of Governors who efficiently guided the work of the Institute during the period under review. The foresight, commitment and diligence in which the Executive Director has provided the management leadership to the IPS and played the role of representing the Institute in the world external to the IPS is noted with appreciation. The Institute is in the process of further institutional and financial strengthening. The 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 institutional conditions and a human resource base that continues to gain in competence.

Professor (Emeritus) W.D. Lakshman
Chairman

EXECUTIVE DIRECTOR'S REPORT

2012 was an eventful year, with the IPS organizing a number of high profile events and attracting many distinguished visitors. The year was also marked by the Institute losing a number of experienced Support Staff members. However, steps were taken to ensure the smooth functioning of support services and to minimize the transition costs.

IPS completed 10 projects, and attracted 14 new projects during the year. A noteworthy project that the Institute attracted was on Social Protection and Welfare Analysis. The income from Projects has been averaging close to Rs. 30 million over the last three years, and with the support of the interest income from IPS Reserves and the Endowment Fund, the Institute was successful in mobilizing adequate revenue to meet the growing expenditures. The IPS Auditorium was fully utilized for all major events in 2012, and became a revenue earner to the institute. Consequent to the usage of the Endowment Fund, it was decided to convert it to a Trust by the Governing Board and all preparatory work for this conversion was done during the year.

The growing reputation of the IPS as an authoritative voice on economic policy issues was amply reflected through the presence of many distinguished visitors to the Institute in 2012. These included, Hon. K. Shanmugam, Minister of Foreign Affairs and Law, Singapore; Dr. Ajay Chhibber, Assistant Secretary General, UN; Dr. Kalpana Kochhar, Chief of South Asian Department, The World Bank; and Dr. Sharmini Cooray, Director, IMF Institute. Besides the visitors, the regional consultation for preparing the UN Human Development Reports for 2013 and 2014 was held in the IPS, with the participation of a number of South Asian Scholars. The GDN Conference on the Agriculture Sector in South Asia and the ARTNet Annual Conference also took place with the collaboration of the IPS. The IPS Executive Director was invited as a resource person for the Civil Society Organization Townhall at the World Bank – IMF Annual Meeting in Tokyo, while a Research Economist was invited to contribute to the World Bank IMF Spring Meeting in Washington.

The growing reputation of the IPS as an authoritative voice on economic policy issues was amply reflected through the presence of many distinguished visitors to the Institute in 2012.

Altogether, the IPS brought out 12 publications during the year. The preparation and launch of the second National Human Development Report was a major achievement of the IPS in 2012. So was the 4th issue of the National Health Accounts of Sri Lanka for the period 2005-2009.

The IPS State of the Economy report focused on keeping Sri Lanka on the Growth Expressway. This report celebrated its 20th year of publication in 2012. The IPS Annual Conference based on the State of the Economy report that we initiated in 2011, has now become a regular event. In 2012, an electronic version of the State of the Economy report was also launched for the first time.

New social media tools were used during the year to improve the Institute's outreach. In early 2012, IPS launched its Facebook page and official Twitter account. There were close to 35 blog essays, 8 interviews, online downloads and other entries in the IPS Blog, Talking Economics. The blog essays were also published subsequently in the print media. Talking Economics blog was reformatted for clear viewing in iPads and a "Note Pad" was introduced where IPS researchers could put out short informal opinions for discussion. Steps were also taken to integrate the Climate Net and South Asia Migration Net to the IPS website's Home Page.

Noteworthy contributions by the IPS to the government was seen in the formulation of the following: National Human Resources and Employment Policy, Work for National Advisory Committee on Labour Migration, preparation of the Sri Lankan Migration Profile and Study on Exploring New Markets for Migrants, preparation of the National Health Accounts, North-East Local Authority Survey, formulating of Public Management Reform Policy, Small and Medium Industry Development Task Force, Indian Ocean Rim Academic Group, and many others.

The Institute's collaboration with the private sector was seen in many areas, prominent among them being: contributions to the Sri Lanka Economic Summit 2012; Japan-Sri Lanka 60th Anniversary; Best Corporate Citizens Award 2012 of the Ceylon Chamber of Commerce; and event marking the World Consumer Rights Day, with the Federation of Chamber of Commerce and Industry. IPS research staff members also serve in numerous private sector boards and contribute to their ongoing work.

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The work with the donors continued as in previous years. IPS worked on social protection, inequality, equity and well-being issues, with the ADB; on Safety Nets and Social Protection with the World Bank; on the Human Development reports with UNDP; and on global and Sri Lankan economic issue dialogues with the IMF, and so on.

IPS has immensely benefitted from the Think Tank Initiative (TTI) grant that we received in 2010. The Institute engaged in a number of TTI events during the year which is set out in detail in this report. At the Cape Town meeting of the TTI, IPS collaborated with other institutions to initiate the project on Southern Voices of post-2015 MDGs, which became a reality by end 2012. The IPS also took the initiative to organize two major events in 2013: the 3rd TTI Meeting, and the 6th South Asia Economic Summit, and some of the organizational work for these events started in 2012.

The IPS signed a Memorandum of Understanding (MOU) with the Institute of South Asian Studies of the National University of Singapore, to formalize the ongoing collaborative work between the two institutions. For the first time, IPS organized a University Forum where representatives from the Economic Faculty of all Universities were invited for a two day dialogue. IPS networking with the local universities received a boost through this Forum.

Two research staff members successfully completed their PhD degrees and returned to the Institute in 2012 while our librarian acquired her PhD and joined the ranks of a handful of librarians with such qualifications in Sri Lanka. A new Research Assistant, Web Developer, and an e-Editor, were recruited during the year. The number of Project Interns working during the year also saw an increase. However, the Director of Finance and Administration, two veteran Secretaries, and two Senior Visiting Fellows, who served the Institute for a decade or more, left the Institute. For the first time, awards of appreciation were given to IPS Staff who had completed more than 15 years of service to the Institute.

The TTI grant was a great source of assistance in training some of the IPS staff members during the year. In 2013, IPS plans to create a Human Resource Development Unit, under its support services.

The IPS Governing Board has been very supportive of the Institute's new plans for expansion and diversification. I thank the staff of the IPS for all the support and assistance they gave me to direct and manage the Institute throughout a challenging year.

Saman Kelegama
Executive Director
July 2013

IPS 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

Further, as of 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.

MIGRATION AND DEVELOPMENT

At present, close to 1.7 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 numbers. 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 25 per cent, on the other hand mostly seek better employment and financial opportunities abroad.

Migrant remittance flows in to Sri Lanka are significant and rising. Remittance inflows have come to account for nearly 8 per cent of Sri Lanka's GDP, 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 contributions to GDP growth, easing Sri Lanka's foreign exchange constraints, and pressure on the exchange rate by providing 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, risk to migrants arising from breach of contracts, non-payment of wages, excessive working hours, and harassment by employers. It also contributes to a 'brain-drain' cost to the country.

In 2012, the IPS engaged in several investigations into the implications of migration and remittances on the economy of Sri Lanka.

Research Studies:

"**Migration Profile: Sri Lanka 2011**," funded by the Ministry of Foreign Employment Promotion and Welfare. (Team: Roshini Jayaweera and Nisha Arunatilake).

Data on migration is limited and often scattered between different ministries, and between countries of origin and destination, making it sometimes difficult to develop a coherent migration policy. Thus in 2005, the European Commission (EC) proposed to develop Migration Profiles (MPs) with the major objective of providing information related to migration, making the migratory picture of the country clearer at one glance. Since then, different countries have prepared MPs.

In Sri Lanka also, the limited and scattered nature of migration data has become a major barrier in planning and management of migration. The MP of Sri Lanka aims to provide comprehensive information on migration trends in the country and analyze how these influence various aspects of development. The MP also aims to outline the major challenges faced by the 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:

Karunaratne, C. and Abayasekara, A. (2012), *Managed Migration: Review of Readmission Agreements and a Case Study of Sri Lanka.* Jointly published with the International Organization for Migration (IOM), funded by the European Union.

Kelegama, S. and Jayaweera, R. (2012), "Life and People in Diaspora: Entrepreneurship and Remittances," in Reeves, P. (ed.) *Encyclopedia of the Sri Lanka Diaspora*, Institute of South Asian Studies, Singapore.

Parakrama, A., Jayaweera, R. and Perera, N. (2012), *Impact of Migration and Remittances on Investment in Agriculture and Food Security in Sri Lanka*, IPS Research Studies: Agricultural Economic Policy Series No.8, February.

HUMAN DEVELOPMENT AND 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, in 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:

"**Sri Lanka Skills Development Study: Cost and Financing,**" funded by the World Bank.

(Team: Samanthi Bandara and Nisha Arunatilake).

Skills development is an important component of national development strategies in both developed and developing nations. A skilled and readily trainable labour force is critical for participation in the global economy. Policies related to education, skills development, and labour markets, are often considered important aspects of the economic policies in many countries. Despite remarkable achievements in improving access to primary and secondary education, the country's growth and competitiveness is constrained by the low skills levels of its population. The study aims to inform education authorities about critical policy issues on the demand and supply of skills; and, engage the Government of Sri Lanka and key stakeholders in an informed dialogue on policy directions and options for development of the Government's skills development strategy, to achieve the Government's vision of a competitive middle income country.

"Socio-Economic Determinants of Child and Maternal Malnutrition in the Estate Sector of Sri Lanka", funded by IPS Core Research.
(Team: Priyanka Jayawardena).

Despite overall health indicators being on track to achieve the 2015 MDGs, malnutrition continues to be a serious health concern in Sri Lanka. Prevalence of child and maternal malnutrition is almost double in the estate sector compared to the country average. Thus, this study attempts to contribute to policies on priority areas needing to be addressed in breaking the vicious cycle of malnutrition in the estate sector.

The study used, Demographic and Health Survey (DHS) -2006/07 of Sri Lanka as the primary source of data. The research adopted probit analysis in order to identify the determinants of child and maternal malnutrition in the estate sector. According to the findings, major aspects of estate sector child and maternal malnutrition was due to many inter-related factors, ranging from life cycle of malnutrition, food insecurity, alcoholism, poor socio-economic conditions and also lack of women's education and knowledge. ***It was evident that, a significant reason for child and maternal malnutrition in the estate sector was intake of the 'wrong' kind of food—consuming lack of protein rich food. Further, estate sector alcoholism significantly increased the prevalence of malnourished women.*** *These factors coupled with the household poor socio-economic status perpetuates the vicious cycle of malnutrition in the estate sector.*

"**Sri Lanka National Human Development Report 2012,**" funded by UNDP.
(Team: Nisha Arunatilake, Wimal Nanayakkara, Anushka Wijesinha, Priyanka Jayawardena, Sunimalee Madurawala, and Ayodya Galappattige).

Even when violent conflicts are concluded, the societies which experienced conflict remain vulnerable. Given this, policies designed in a post-conflict environment need to be concerned not only on relief, reconstruction, and reintegration, but also on preventing the recurrence of conflicts by addressing their root causes. Since the ending of the violent conflict in May 2009, the country is looking forward to speeding up development. Any new development strategy will need to establish priorities, identify opportunities, and find ways to deal with challenges and ensure sustainability. This will not happen during the short-term, especially if the goal is human development, which by nature is a long-term commitment engaging all stakeholders.

In the above backdrop, IPS has undertaken a series of studies to assess the gaps in human development for informed policy dialogue. One main activity undertaken by IPS in this regard is the compiling of the second National Human Development Report (NHDR) for Sri Lanka, funded by the United Nations Development Programme, a project secured by IPS through winning a competition for proposals. The main aim of the second NHDR for the country was to better understand the main elements of disparities across various population groups in an important first step in designing policies that mitigate recurrence of violence in a post-conflict setting.

"Sri Lanka Green Job Mapping Study" funded by ILO/GHK Consulting Ltd – UK. (Team: Kanchana Wickremasinghe and Nethmini Perera).

The study deals with mapping the green jobs in different economic sectors in Sri Lanka. Accordingly the study involves identification of more environmentally sustainable activities and environmentally sustainable sub-sectors, identification of screening criteria for identification of sustainable sub-sectors for each sector and estimation of employment for the identified sectors. The information required for the study is collected through key informant interviews and secondary sources. The key economic sectors covered by the study includes, construction, energy, fisheries, forestry, manufacturing, tourism, transport and waste management.

"Development of Action Plan for Households with Undernourished Children and Pregnant Women in Districts of Monaragala and Nuwara Eliya", (Part 2) funded by UNICEF.
(Team: Wimal Nanayakkara, Sunimalee Madurawala and Samanthi Bandara).

The nutritional status of Sri Lankan children does not match the country's achievements in child survival and per capita GDP. Having realized the multi - sectoral nature of nutrition, the government has recently set up a National Nutrition Council. For the Council to be able to propose policy options and programmes, it requires evidence of what has worked so far and identify the gaps including inequalities of opportunities to access the existing services, by those who need them the most. The model of Multi-sectoral approach to reduce under-nutrition and improve equity, a special study was done in Nuwara Eliya and Monaragala Districts, on a pilot basis. The objective of this study was to analyse how effective the services provided at the Divisional Secretariat Division level were, any existing gaps or difficulties in providing the services and suggestions by the service providers themselves to improve the delivery of their services, in order to minimize the problems related to nutritional status of women and children.

Publications:

Arunatilake, A. et al. (2012) *Sri Lanka Human Development Report 2012*, UNDP, Colombo.

Arunatilake, N., Jayawardena, P., Wijesinha, A., and Perera, N. (2012), *Will a Tax on Public Servants Improve Progressivity?* PEPnet Working Paper.

Arunatilake, N. (2012), "Equity in Access for Education and Health" in *Economic Review*, Research Department People's Bank, Vol. 37, No. 11 & 12, pp 20-24.

Dayaratne, G.D. (2012), *National Health Accounts 2005 - 2009*, IPS, Colombo.

Dayaratne, G.D. (2012), "Census of Private, Co-operative and Estate Hospitals 2012", Series No.1, Issue No.5, IPS, Colombo.

Kelegama, S. and Gunawardena, D. (eds.), (2012), *Economic and Social Development under a Market Economy Regime in Sri Lanka, Buddhadasa Hewavitharana Felicitation Volume 2* , Vijitha Yapa Publication, Colombo.

Wijesinha, A. (2012), "What Is an Appropriate Path for Sri Lanka as an Emerging Economy," in *E. F. Schumacher Centenary Birth Celebrations Volume*, Practical Action, Colombo.

POST-CONFLICT GROWTH

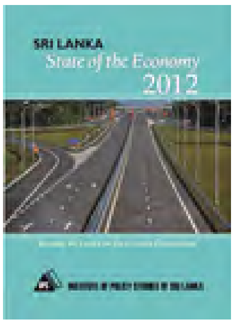
Four years since the end of the armed separatist conflict in May 2009, Sri Lanka has moved closer to the prospect of long-term stability and sustained socio-economic development. The economic benefits of peace are manifold; ranging from a halt to the destruction of the country's human and social capital, its infrastructure, as well as a renewed confidence in its economy. It has also helped 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.

Annual National Conference on the theme "How Can Sri Lanka Stay on the Growth Expressway?, 7th October. The Chief Guest at the occasion was Hon. Tissa Vitarana, Senior Minister of Scientific Affairs.

Research Studies:

Sri Lanka: State of the Economy 2012



While economic growth alone should not be the sole yardstick by which governments attempt to gain legitimacy, growth does matter. Rapid growth over a period of years allows countries such as Sri Lanka to grow from low income levels to middle-income status. The country has seen a remarkable strengthening of its infrastructure development programmes, underpinning the sources of faster growth in recent years. However, sustaining this momentum in the longer term calls for raising Sri Lanka's total factor productivity growth – i.e., the efficiency with which workers and capital are used. With a dwindling working age population, higher long-term growth will critically depend, among other factors, on technological innovation and the availability of a skilled, productive, and flexible workforce.

For Sri Lanka, the transition to a post-conflict era raises legitimate economic, political and social aspirations that call for a steady and politically harmonious growth process. Policies, the role of government, the state of the market, and regulatory institutions will determine the country's long-term growth dynamics. In this context, the Sri Lanka: State of the Economy 2012 report examines the many opportunities and challenges on the road to sustained and equitable growth for Sri Lanka in the coming years.

"Global Competitiveness Report 2012/2013," funded by the World Economic Forum (WEF), and the Information and Communications Technology Agency (ICTA).
(Team: Ayodya Galappattige, Dilani Hirimuthugodage, and Anushka Wijesinha).

The Global Competitiveness Report (GCR) series continues to provide the world's most respected assessment of national competitiveness, for more than 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 144 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 investments decisions.

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

"Environmental Management Practices in the Hotel Sector in Sri Lanka", funded by SANDEE.
(Team: Kanchana Wickremasinghe).

The study intends to assess environmental management practices, which includes energy, water and waste management in the hotel sector. The study also intends to identify the factors determining the adoption of the water, energy and waste management practices in the tourist hotels in Sri Lanka across different hotel categories. The study is based on the registered hotels in the Western Province of Sri Lanka. A survey of hotels, case studies, key informant interviews and secondary information sources were used to collect data and information for the study.

"**Tax Reforms in Sri Lanka – Will a Tax on Public Servants Improve Progressivity?**" funded by Poverty and Economic Policy Research Network (PEP).

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

For the last three decades, Sri Lanka's public sector employees were exempt from paying income tax on their emoluments, while the Sri Lankan government faces a challenge in reducing the budget deficit by increasing government revenue. In this context, tax reforms introduced in 2011 extends the income tax to public sector employees, with the intention of increasing tax revenue and re-introducing tax equity between public sector and private sector workers. This study uses HIES-2006/07 data to evaluate 2007 and 2011 tax systems and examines how taxing public sector employees affect tax revenue and the tax base, and how the proposed reforms redistribute taxes and income.

"Business-Led Growth and Development Matrix" for UNDP, Sri Lanka.
(Team: Anushka Wijesinha).

This project provided a strategic meta-analysis of the key bottlenecks facing private sector development in Sri Lanka, based on available secondary material on business climate constraints. Feasible reform areas, both short and long-term, were identified. The final document was provided to stakeholders in the private sector development arena, including the Ceylon Chamber of Commerce and the Ministry of Economic Development's private sector division, for their own deliberations and necessary follow-up action.

"**Baseline Survey of North and East Local Services Improvement Project (NELSIP): Local Authority Survey,**" Ministry of Economic Development, funded by the World Bank.
(Team: Wimal Nanayakkara, Ayodya Galappattige, and Roshini Jayaweera).

The North-East Local Services Improvement Project (NELSIP), which is now called "Pura Naguma" is a World Bank funded project carried out by the Ministry of Economic Development (MED) to support the Local Authorities (LAs) of the Northern and Eastern Provinces. The primary development objective of the NELSIP is to improve the delivery of local infrastructure services by LAs in the Northern and Eastern Provinces of Sri Lanka in an accountable and responsive manner. In collaboration with MED, the IPS carried out a baseline survey for the 79 LAs, covering all the districts in the Northern and Eastern Provinces to assess the existing situation of Local Authorities (LAs), in these provinces.

Important data on areas such as the demographics, financial Management of LAs and activities under their purview were collected, analyzed and all the information was provided to the MED and the World Bank.

"Research and Advocacy for Improved Sub-regional Business Climates", funded by the Asia Foundation (TAF).
(Team: Anushka Wijesinghe).

SMEs in Sri Lanka are the backbone of regional economic development and the business climate issues they face are distinct to what is captured at the national level. In the current phase of this project funded by The Asia Foundation, IPS conducted a survey of SMEs around the country together with the National Chamber of Commerce of Sri Lanka. The findings are being compiled into a research paper, coupled with a review of Asian initiatives taken to solve SME challenges like access to finance, technology, and business development.

Publications:

Arunatilake, N., P. Jayawardena, A. Wijesinha, (2012), *Assessing the Impact of the 2011 Tax Reforms on Tax Revenues and Income Distribution in Sri Lanka*, PEP Policy Brief 101.

Arunatilake, N,, P. Jayawardena, A. Wijesinha, (2012), *Tax Reforms In Sri Lanka – Will a Tax on Public Servants Improve Progressivity?*, PEP Working Paper 13.

Brahmanage, B. (2012), Book Review of "Business and Polity: Dynamics of a Changing Relationship," in *South Asia Economic Journal*, 13 (2),

Ekanayake, R. (2012), "Non-tariff Barriers Facing South Asia: The Case of Sri Lanka", *Trade Insight*, Vol.8, No.3, 2012, SAWTEE, Kathmandu.

Kelegama, S. (2012), "Socio-Economic Challenges of Post-Conflict Reconstruction in Sri Lanka" in V.R. Raghavam (ed.), *Post Conflict Sri Lanka: Rebuilding of Society*, Vij Book India Pvt. Ltd.

Weerakoon, D. (2012), "Sri Lanka's Economic Reform Process: Progress and Constraints," in Dee, P. (ed.), *Economic Reform Process in South Asia: Toward Policy Efficiency*, Routledge, Oxford.

Wickremasinghe, K. (2012), "Ecotourism as a Tool for Sustainable Forest Management in Sri Lanka", *Journal of Environment Professionals Sri Lanka*, Vol. 1 : No. 2, pp. 16 - 25.

Wijesinha, A. (2012), "Budget 2012: Incentives for Industry and Small and Medium Enterprises (SMEs)," *Economic Review*, People's Bank, Colombo.

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 border trade infrastructure.

The IPS engaged in several studies this year on the impacts of trade facilitation and free trade agreements etc., and the opportunities these will present for industry and trade in the country, particularly for the export sector.

Research Studies:

"**The Impact of EPZs on Poverty Reduction and Trade Facilitation in Sri Lanka,"** funded by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).
(Team: Chandana Karunaratne and Ashani Abayasekara).

This study conducts an evaluation of the effectiveness of Export Processing Zones (EPZs) on trade facilitation measures and poverty reduction in Sri Lanka through an analysis of experiences in selected EPZs and their impact on processes such as simplification of customs procedures, streamlined administration, and socio-economic welfare in the immediate surroundings of these zones. There is limited analysis on how EPZs facilitate trade by providing better governance through more efficient procedures and minimizing bureaucratic interference in customs-related procedures. Furthermore, poverty reduction impacts of EPZs have not been sufficiently explored in Sri Lanka. As such, this study aims to explore the above mentioned issues. The report finds that there are clear economic benefits of EPZs with regard to poverty reduction, but there are also some detrimental impacts of these zones. EPZs are an important employment generator, and draw employment from rural areas, both in the immediate surroundings of the zone and also from areas further away. Furthermore, they provide vital employment opportunities for women, as most of these zones employ a majority of female workers. EPZs also offer important advantages with respect to trade facilitation. Through simplification of customs procedures, reducing the number of steps and documents needed when processing imports and exports, and thereby cutting down on the amount of time taken to process these goods, EPZs have made a significant impact on facilitating trade. This is particularly clear for goods being delivered by sea.

"**Strengthening the Textile and Clothing Industry in Sri Lanka,**" funded by the Asian Development Bank.
(Team: Ashani Abayasekara and Chandana Karunaratne).

This study attempts to assess whether Sri Lanka has improved its competitiveness in both global and regional textile and clothing markets following the phasing-out of the Multi-Fibre Arrangement (MFA) quota in 2005. It mirrors similar studies conducted across South Asia in four other countries. The study conducted by IPS evaluated strategies developed by firms in the industry to move up in global value chains, but also examined whether any potential exists for developing supply chains within the region. In response to several challenges posed in a continually changing and competitive post-MFA environment, the Sri Lankan garment industry embarked on some important strategies for moving up in the global value chain. However, in contrast to the success in penetrating Western markets, value chain development with regard to forward linkages has been minimal within the South Asian region. While sourcing inputs from within the region—particularly India and Pakistan—has seen an increasing trend in the recent past due to poor backward linkages in Sri Lanka, exports continue to be concentrated elsewhere. Sri Lankan exports see limited potential in penetrating regional *markets for their garment exports due to several reasons including limited opportunities for exporting comparable volumes within the region, non-tariff barriers, limited demand for Sri Lanka's high value-added garments in South Asia, and a lack of well-established relationships with South Asian importers.*

"**Trade Opportunities in Sri Lanka for Indian Businesses,**" funded by the Government of India. (Team: Ashani Abayasekara).

Despite the fact that trade between India and Sri Lanka has increased, particularly following the implementation of a Free Trade Agreement (FTA) between the two countries in 2000, the potential for growth and diversification of trade has not been fulfilled. The ending of the war and the revival of the North and East in Sri Lanka is expected to boost the economy in the next few years with consumption expected to increase and the government encouraging foreign investors to make investments in the country. There is thus, an unprecedented opportunity for the Indian business community to engage in the Sri Lankan economy. In this background, this study investigates trade opportunities in Sri Lanka for Indian traders and provides relevant information on trade opportunities in Sri Lanka for Indian businesses.

Apart from traditional export products from India to Sri Lanka like petroleum oils, motor cars and motor cycles, medicaments and cement, several new areas have been identified as offering significant export potential for Indian businesses. These areas include electrical machinery, high-tech agriculture, food processing, energy, logistics and information technology (IT).

"**Strategic Partnership for Policy Development and Action to Foster Regional Cooperation in South Asia,**" funded by the Research and Information System for Developing Countries (RIS).
(Team: Parakrama Samaratunga, Dilani Hirimuthugodage, and Anushka Wijesinha).

The study focuses on analyzing the tea sector value chain in Sri Lanka with special emphasis on the South Asian region. More importantly, it focusses on 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. Further, it attempts to identify the existing policies and regulations which promote or hinder tea exports to South Asia.

"Promoting Participatory Approaches for Removing Regional Trade Barriers in South Asia (COENCOSA Phase II)," funded by Consumer Unity and Trust Society (CUTS).
(Team: Ashani Abayasekera and Raveen Ekanayake).

Ridden with a wide range of barriers other than tariffs, South Asia's efforts to enhance intra-regional trade by reducing tariffs are under the threat of subversion by NTBs. The fact that regional trade has failed to rise to the expected levels and stagnated at a level far below its true potential for the past two decades, despite actively pursuing trade liberalization through a formal legal and institutional system, indicates certain systemic shortcomings in dealing with NTBs. In order to understand the extent and magnitude of NTBs and the need for NTB reforms in South Asia, a research study entitled 'Promoting Participatory Approaches for Removing Regional Trade Barriers in South Asia' was undertaken by CUTS with the support of the Asia Foundation. IPS was the Sri Lankan partner for the project and carried out case studies on the incidence of NTBs affecting Sri Lankan Exporters and Importers as well as a series of stakeholder consultations with government officials, civil society representatives and industry chamber.

"Tax Policy and Enterprise Development in South Asia," funded by Governance Institutes Network International (GINI).
(Team: Anushka Wijesinha and Raveen Ekanayake).

Inclusive growth continues to remain a challenge for South Asian economies. Experts now agree that the missing link between growth and inclusivity is labour market outcomes that generate well-paying and productive jobs. Most non-agricultural employment in South Asia is concentrated in small enterprises characterized by very low productivity and wages. Research indicates that small enterprise development and employment generation is strongly linked to tax policy. First, tax exemptions and concessions are largely skewed to favour large enterprises. Second, small enterprise development is affected by taxes such as the Value Added Tax (VAT). Third, small enterprise development is affected by weak local property taxation. The gender dimension of small enterprise development in South Asia has been ignored in policy and research. These problems need to be researched through an integrated framework from the national and international perspectives. This research aims to fill research gaps, inform policy, and provide opportunities for shared learning outcomes at the regional level. The study covers five South Asian economies namely, Sri Lanka, Pakistan, India, Bangladesh and Nepal.

"**Feasibility of Launching a Tea Hub in Sri Lanka,**" funded by the Tea Exporters Association in Sri Lanka.
(Team: Parakrama Samaratunga and Dilani Hirimuthugodage).

The study attempts to analyse the feasibility of establishing a tea hub in Sri Lanka. It discusses details on tea liberalization in Sri Lanka, value addition to tea, present challenges to tea exports, etc. It also evaluates the positive and negative aspects of establishing a tea hub in Sri Lanka. Furthermore, it discusses the pros and cons in other tea export processing zones around the world.

Publications:

Abayasekara, A. (2012), Book Review on "Potential Supply Chains in the Textiles and Clothing Sector in South Asia: An Exploratory Study," in *South Asia Economic Journal*, 13(2).

Kelegama, S. and Abayasekara, A. (2012), *Regional Economic Cooperation and Connectivity in South and South-West Asia: Potential and Challenges.* South and South-West Asia Development Papers 1205. UNESCAP: South and South-West Asia Office.

Kelegama, S. (2012) "Coping with Recession and Transformation of the Japanese Economy" in H.D. Karunaratne (ed.), *A Journey in Harmony. Sixty Years of Japan - Sri Lanka Relations*, Faculty of Management and Finances, University of Colombo and JAGAAS publication.

Kelegama, S. (2012) "SAARC's Encounter with Poverty Alteration: Looking Back to Look Beyond" in D. Bhattacharya and M. Rahman (eds.), *Global Recovery, New Risks and Sustainable Growth: Repositioning South Asia*, CPD, Publication, Bangladesh.

Kelegama, S. (2012), *Foreign Aid in South Asia: Emerging Scenario,* (Editor), Sage Publications, Delhi, India.

Kelegama, S. et al. (ed.) (2012), "Regional Economic Integration: Challenges for South Asia during Turbulent Times", SAWTEE, Nepal.

Kelegama, S. (2012), "Asian Financial Integration: Generating Sustainability within the Region" in Association of Professional Bankers of Sri Lanka (Edition), *Sustainability in Volatility: The Bankers' Challenge*, Colombo.

Kelegama, S. (2012), "Impact of Trade Imbalances: Contemporary Trade Policies and Agreements" in A.D.V.de S. Indraratne and S. Vidanagama (eds.), *Achieving Economic Goals in the Midst of Global Challenges*, Sri Lanka Economic Association, Colombo.

Weerakoon, D. (2012), "Towards a Cooperative Framework for South Asia: Economic Development and Regional Integration," in Nayak, N. (ed.), *Cooperative Security Framework for South Asia*, Pentagon Press, New Delhi.

Wijesinha, A. (2012), ·"Air Services Liberalization in South Asia" in "Regional Integration and Economic Development in South Asia", ADB, Manila, also in *South Asia Economic Summit (SAES) Journal*, Volume 5, Islamabad.

POVERTY AND VULNERABILITY

Despite the remarkable progress in poverty reduction and achieving the Millennium Development Goals (MDGs), addressing the vulnerability of households remains a challenge for the country. Many households are vulnerable to various risks such as economic shocks, vagaries of weather, and life cycle events that may push the poor into deeper poverty while causing the non-poor to fall into poverty. Moreover, the large informal sector workforce with relatively low levels of social security, high unemployment among youth and the educated, particularly among females, have become major issues of concern. The rapid ageing of population also brings several challenges to the existing social protection system of the country.

Addressing the above challenges requires policies and programmes that cover a broader spectrum of risks and vulnerable people, including the poor, aged, disabled, women, and children. It requires a comprehensive approach that goes beyond the provision of social assistance, such as cash or in-kind transfers, to include social insurance, and skills and livelihood development. In this context, IPS has carried out several studies on safety nets, social protection, and livelihood development in Sri Lanka, to assess the existing mechanisms and to identify areas that need to be strengthened.

Research Studies:

"**Review of Safety Nets in Sri Lanka,**" funded by the World Bank.
(Team: Ganga Tilakaratna, Ayodya Galappattige, and Roshini Jayaweera).

This study aimed at providing a comprehensive analysis of the safety net programmes in Sri Lanka. It reviews safety net programmes that operate at the national level, including the Samurdhi programme, assistance for the elderly, disabled persons, IDPs and resettling families and children, and those that are carried out by the Provincial Councils. It also briefly discusses various safety net programmes carried out by the non-governmental organizations. Furthermore, this study examines the implementation and fund flow structure of the main safety net programmes in Sri Lanka and highlights some of the key limitations of safety nets in the country.

"**Effects of Global Financial Crisis on the Poor,**" funded by the United Nations Children's Fund (UNICEF).
(Team: Wimal Nanayakkara, Ayodya Galappattige, and Roshini Jayaweera).

IPS carried out a study on social protection for children and women and the effect of the global economic crisis on the poor. The study was carried out in four areas of the country including the poorest Divisional Secretaries of Batticaloa, Moneragala, both estate and non-estate sectors of Nuwara-Eliya, and an urban area in Colombo.

Private Investment and Disaster risk Reduction in the Asia Pacific Region", funded by the UNISDR.
(Team: Kanchana Wickremasinghe, Nethmini Perera and Chandana Karunaratne).

A key macroeconomic implication of natural disasters is their impact on private investment, including Foreign Direct Investment (FDI) inflows. The study aims to establish the link between private investment, including FDI, and natural disaster risks using macro level data in relation to the Asia-Pacific region. The study is based on secondary information and data, at regional, sub-regional and country levels, depending on data availability. The country level assessments are based on FDI inflow data and natural disaster data collected for the period 1990 to 2010.

"**Updating and Improving the Social Protection Index for Sri Lanka,**" funded by the Asian Development Bank (ADB), Manila.

(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. IPS was engaged in carrying out the country analysis and the country 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.

"**Employment, Empowerment and Living Standards**",with the German Institute of Global and Area Studies (GIGA), Hamburg, Germany.

(Team: Malathy Knight, Ayodya Galappattige, Roshini Jayaweera).

IPS is carried out a study on "Employment, Empowerment and Living Standards" in Sri Lanka in collaboration with the German Institute of Global and Area Studies. The main objective of the study is to explore the linkages between employment, empowerment and living standards. The study in Sri Lanka is part of a global study carried out in developing countries including Burkina Faso and Uganda. The key areas the study would explore are the relationship between employment and well-being over the life-course, the effects of social ties on micro enterprises, aspirations and perceptions of well-being and good work in the context of informal employment, the lessons that can be learnt from the performance of minority entrepreneurs, and women's choices and constraints in the context of informal employment.

The focus of the study lies on small and medium size entrepreneurs. The study in Sri Lanka used a sample of over 500 enterprises in the Colombo district including enterprises of several manufacturing clusters. In addition to the detailed field survey, focus group discussions and life history interviews were also conducted to explore deep linkages.

Publications:

Arunatilake, N, (2012), "Precarious Work in Sri Lanka" in *American Behavioral Scientist*, published online before print, November 30, doi: 10.1177/0002764212466246.

Galappattige, A., Jayaweera, R., and Tilakaratna, G. (2012),. *Microinsurance in Sri Lanka: Combating Multiple and Overlapping Vulnerabilities*, Poverty and Social Welfare Series, IPS, Colombo.

Jayawardena, Priyanka (2012), "Socio-Economic Determinants and Inequalities in Childhood Malnutrition in Sri Lanka", *Well-Being and Social Policy Journal*, Vol. 8 Number 1, pp. 1-22.

Samaratunga, P. (2012), "Achieving Economic Efficiency & Equitable Distribution of Land use Through Reforms and/or Market Discipline", in Kelegama, S. & Gunawardena, D. (eds.), *Economic & Social Development Under a Market Economy Regime in Sri Lanka*, Vijitha Yapa Publications, Colombo.

Samaratunga, P. (2012), *Agricultural Pricing and Procurement Policy in South Asia*, Policy Paper, Global Development Network, www.agripolicyoutreach.org.

INNOVATIONS AND 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:

"A Study of Supply and Price Behaviour Relating to Selected Crops and Livestock," funded by the National Science Foundation (NSF).
(Team: Parakrama Samaratunga, Dilani Hirimuthugodage, Wimal Nanayakkara, and Chandana Karunaratne).

The study attempts to understand the systematic supply response and price formation relationships of selected crops and livestock products in Sri Lanka. In addition, this study will identify institutional and technical constraints to the efficient supply and price transmission of selected crops and livestock products. Further, it recommends feasible policy interventions to overcome the identified barriers.

"Intellectual Property Rights in Protecting Plant Varieties and Farmers' Traditional Knowledge in Sri Lanka," funded by the National Science Foundation (NSF).
(Team: Parakrama Samaratunga and Dilani Hirimuthugodage).

The overreaching 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 evaluates the effectiveness of the present policy framework and the present legal and institutional system relating to plant varieties and farmers' traditional knowledge.

"An Emerging "Process Innovation" in Agri-Food Industry in Sri Lanka and its Impact on Employment and Income Distribution," funded by IPS core research funding.
(Team: Parakrama Samaratunga and Dilani Hirimuthugodage).

The objective of this study is to evaluatie the impacts of a process (or a business) innovation of introducing small or medium scale processing and marketing enterprises in the spice sector of Sri Lanka on employment and income (both factor and personal) distribution and social inclusiveness, in comparison to the traditional supply chain.

"Institutional Mechanisms for Promoting Intra-regional Investments and Trade in the IOR-ARC Region in the Strategic Sectors" funded by the Indian Ocean Rim Academic Group.
(Team: Ashani Abayasekara and Raveen Ekanayake).

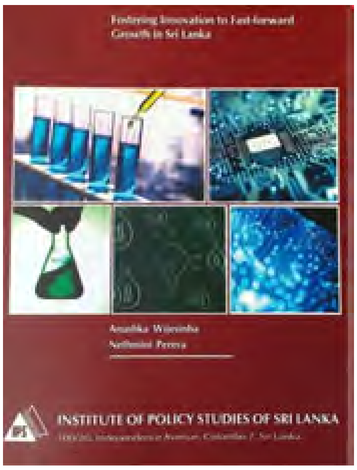
This project aims to explore the potential of economic cooperation in the Indian Ocean Rim Association for Regional Cooperation (IOR-RAC) – a grouping of 19 economies in the Indian Ocean region – in knowledge-based industries and infrastructure development and to identify institutional mechanisms for facilitating the exploitation of this potential. Specific attention is paid to identification of opportunities of trade and investment cooperation in these strategic sectors. The study draws upon national and international sources of information on trade and investments of IOR-ARC member countries, while undertaking in-depth case studies for selected member economies based on different levels of performance in terms of the knowledge economy and infrastructure development.

"Socio Economic Impacts of Nano Technology Applications in Sri Lanka," funded by the National Science Foundation.
(Team: Anushka Wijesinha).

The project looks at the potential for the use of nanotechnology in Sri Lanka for greater value addition and sustainable development, particularly from an industry perspective. It is led by the National Science Foundation, and funded by the IDRC. IPS is part of a group of technical partners in Sri Lanka and South Asia in this regional study.

Publications:

Wijesinha, A. and Perera, N. (2012), "Fostering Innovation to Fast-forward Growth in Sri Lanka", IPS Working Paper, Series No.16, IPS, Colombo.



TTI Activities

Think-Tank Initiative Regional Meeting, Mysore, India, 4-6 March

The Think-Tank Initiative Regional Meeting took place in Mysore, Bangalore, from 4-6 March 2012.The meeting was organized by the Center for Study of Science, Technology and Policy (CSTEP).The Objective of the meeting was to promote structured peer-learning on high priority issues identified by grantees themselves, enable networking and collaborative efforts at institutional levels, as well as at project levels among grantees. Dr. Saman Kelegama, Executive Director, Dr. Dushni Weerakoon, Deputy Director, and Dr. Malathy Knight, Research Fellow, IPS, participated at this Regional Meeting. Executive Director, made a presentation on "Human Resources for Think Tanks in Post-Conflict States".

TTI Exchange 2012: "Enabling Success", Cape Town, South Africa, 18-20 June

The TTI convened a meeting of all its grantees, donors and advisors during June 18-20, in Cape Town, South Africa. The objective of this forum was to generate knowledge and ideas on what constitutes a successful policy research organization, effectively showcase good practices, encourage learning and reflection, and help articulate future directions for the programme and for grantee institutions. Dr. Saman Kelegama, Executive Director and Dr. Dushni Weerakoon, Deputy Director, participated at this First TTI Forum. The Deputy Director made a presentation on "Learning to Monitor Think Tanks: The Experience of IPS." On the final day of the programme there was a session on preparing proposals by a group of think tanks on global economic issues for possible funding by donors. Back to back funding from the TTI was also a possibility for attractive projects. Executive Director participated in a round table discussion on a proposal for Southern Voices for the Post-MDG Development Agenda. The IPS partnered with the CPD Bangladesh and a number of other Southern think tanks for preparing this proposal, and submitting it for funding.

'Think Tanks: Promoting Local Solutions, Influencing Global Thinking', IMF-World Bank 2012 Annual Meeting, Tokyo, Japan, 13th October 2012

Executive Director participated in the TTI discussion sponsored by the IDRC on 'Think Tanks: Promoting Local Solutions, Influencing Global Thinking' which was chaired by Dr. Peter Taylor of the TTI-IDRC.

Learning to Monitor Think Tank Impacts: The Experience of the Institute of Policy Studies of Sri Lanka

The IPS carried out a background research study aimed to develop an analytical framework for monitoring and measuring the policy impact of Think Tanks in developing country contexts. The study sought to integrate different indicators, variables, contexts and approaches in an analytical framework that is expected to help think tanks in their effort to measure impact.

The framework, based on existing literature on the subject was applied to three cases studies (one each from Latin America, Africa, and South Asia), with the results used to identify lessons for Think Tanks.

TTI Funded Events/Programmes in 2012

IPS University Forum

The IPS is continuously looking to reach out to diverse stakeholders and take its insights on socio-economic development issues to broader audiences. As part of this effort, and in an attempt to forge collaborative linkages between policy and academic research, the IPS held a workshop and interactive dialogue – "IPS University Forum" – with over 50 undergraduates and lecturers from universities across the country, from 21-23 March 2012.

The event provided an opportunity for the participants to learn, share, collaborate, and network, with each other, with IPS and with experts in the field of socio-economic development. Specifically, this Forum facilitated access to IPS economists and other leading development experts, opportunities for collaborative research, mentoring by IPS researchers on future projects/dissertations, an opportunity to learn about new media tools for research, and opportunities for internships.

Second Annual National Conference

The IPS held its Second Annual National Conference on the theme, "How Can Sri Lanka Stay on the Growth Expressway?" on 7th November, at the IPS Auditorium. The two critical themes taken up for discussion were, "Bridging Disparities across Sectors, Regions, and Population Groups," and "Private Enterprise Growth, Foreign Direct Investment, Innovation, and Competitiveness". The conference drew wide participation from government, private sector, academia, and donor agencies. The IPS flagship report "Sri Lanka: State of the Economy 2012" was launched at the start of the conference.

Health in All Policies

Health Economic Policy Unit held a round table discussion on "Intersectoral Actions for Health in Addressing Social Determinants of Health through Public Policies in Sri Lanka: Health in All Policies (HiAP)," with responsible officials from selected key ministries along with the officials from the Ministry of Health on 21st February 2012, at the IPS Main Conference Room. This round table was held as part of the research project, "Intersectoral Actions for Health in Addressing Social Determinants of Health through Public Policies in Sri Lanka: Health in All Policies (HiAP)".

Presentation Skills Training

A training programme on presentation and communication skills was conducted, with the assistance of an external Human Resource Development Specialist, for IPS staff over a period of 15 weeks.

Statistical Training

A training programme on SPSS data processing and analysis was carried out by Mr. Wimal Nanayakkara, Senior Visiting Fellow, for IPS research staff over a period of 10 weeks. This training programme was designed for the participants interested in processing and analyzing micro data generated through their own research activities and micro data sets from other reliable sources.

Talking Economics Digest

The Talking Economics Digest is a bi-annual publication of the IPS, which compiles the articles featured on the Talking Economics blog every 6 months, together with 'feature' segments. Two issues of the digest were produced with TTI grant assistance.

Access to full text data bases at the IPS Library

The IPS Library was able to gain access to a range of online full-text databases until 2013, with the support of the TTI grant.

SUPPORT SERVICES

Finance and Administration

The Department of Finance and Administration comprises of five units, Financial Operations; Administration; Human Resources; Maintenance Operations; and Procurement Services. This Unit provides internal support services to the Research Units in the IPS.

The year commenced with expectations of achieving improved financial results and increased efficiencies in processes and systems. This was realized, as the Institute recorded a surplus of Rs.916,970 as against Rs.344,742 recorded in the previous year. Although there was a drop in project income by 9%, the income from seminars and workshops and interest income increased significantly recording an increase of 91% and 40%, respectively. Contribution from the Government of Sri Lanka increased by 8% mainly because there were no budgetary constraints from the Government as witnessed in the previous year. The IDRC Think Tank Initiative (TTI) grant continued to enhance the overall revenue as in the previous year, and constituted 16% of the overall revenue. As planned, the Auditorium was rented out with the intention of earning revenue and the Auditorium income became a minor revenue generator. The contribution from the Endowment Fund also strengthened the overall revenue of the Institute. Although the Institute was able to control maintenance and travelling costs, increase in depreciation, lease rent, research, seminar and workshop costs increased the overall costs by 20% as compared to the previous year. During the year, The Finance and Administration Unit successfully migrated to the new Accounting and Human Resource systems. Using these systems the Unit was able to record and execute transactions smoothly and efficiently and closely monitor time and attendance of staff. A Board of Survey was carried out during the year. Quarterly Internal Audits were performed to further improve the processes and reliance on Financial Statements. The Unit continued to work with the Audit Committee and obtained valuable inputs during the year.

The Unit faced challenges due to the resignation of several long standing employees of IPS. Ms. Iloka Wickremasinghe, who served the Institute for ten years as Director Finance and Administration left due to family commitments and was replaced by Ms. Jayani Ladduwahetty. Ms. Nirmala Meegama, Secretary to the Executive Director who served for ten years migrated overseas and was replaced by Ms. Nilanthi Alahakoon. Ms. Shamini De Silva Co-ordinating Secretary to the Executive Director left due to family commitments after serving for nine years. Ms. Veronica Jacob, Secretary, and Mr. Ayantha Paranawithana, Assistant Accountant left and were replaced by Ms.Nayomi Jayakody and Jeevani Herath, respectively.

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. Outreach using new instruments also continued in 2012, through both online and print media.

The IPS blog - 'Talking Economics' - continued to receive increasing numbers of visitors and commenters. 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. The PCU continued to provide content management services for the IPS public web, www.ips.lk. and ips.lk/climatenet, and the climatenet Blog.

Publications Sales

Given the prevailing economic conditions, the year 2012 had a total sales turnover close to Rs.908,887/-. More active outlets were identified, which made a significant contribution to sales.

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' and the 'Climatenet Blog'.

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

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.

Servers

Presently, a new server system has been installed with virtualization solutions. As a result, centralized main system is in operation (i.e., users can access the relevant email boxes from anywhere of the world). Backup system/disaster recovery systems also have been installed.

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

At the moment the Unit is in the process of modifying the appearance of the website. This will be completed in August 2013.

Library

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

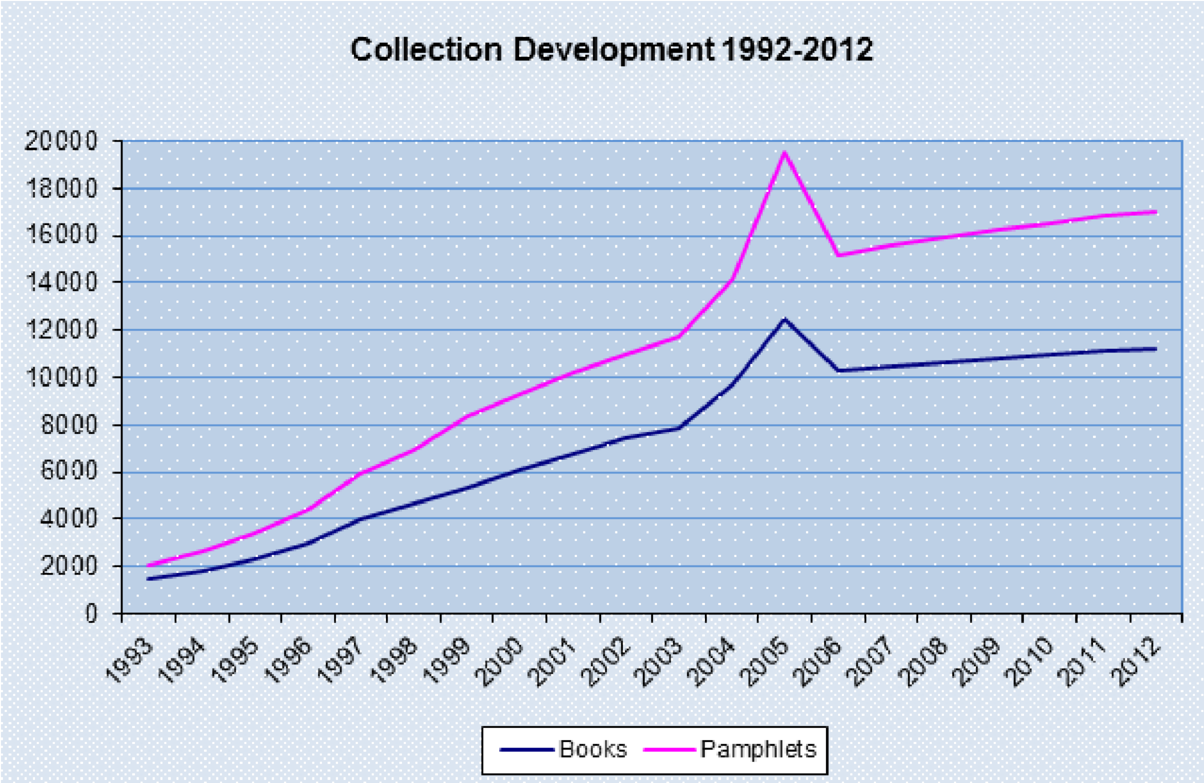
Library is an integral part of the Institute's research process, providing exceptional research support to its researchers. It takes every effort to facilitate timely information discovery and dissemination to advance the Institute's research. Even though the library has made considerable progress in terms of developing resources and services, it could not accomplish the goals stated in its 2011 Annual Report due to non-delivery of IT infrastructure in time.

Collection Development

Maintaining a collection that is on par with the growing needs of the Institute's researchers has always been a priority of the library. Due to the continuing growth of information and the economic recession, this has become more and more challenging for libraries. Yet, in 2012 library managed to acquire a considerable amount of new resources both in electronic and print formats. Besides direct purchases, a large number of items were added to library's print collection of books and pamphlets mainly through its well established exchange programme. In addition, library expanded the repository which it maintains on Sri Lankan economic and sectoral policy with a large number of printed and electronic documents. At the same time, library maintained its subscriptions to both local and international journals. The current collection consists of 11,264 volumes of books and 5,740 pamphlets.

Access to on-line full-text databases

Providing continuous access to on-line full-text databases is a major challenge faced by the librarians all over the world mainly due to high cost of subscriptions. Library was able to overcome this issue temporarily and gained access to a range of on-line full-



text databases till 2013 thanks to the generous support of IDRC/Think Tank Initiative (TTI). In addition, libraryalso obtained access to e-Library of the International Monetary Fund (IMF).

Since the best way to overcome the high subscription cost of on-line databases is to form a library consortium, Librarian investigated the possibilities of establishing a small-scale consortium with similar organizations. Discussions were held with Electronic Information for Libraries (EIFL) which is an international not for profit organization working with libraries in more than 60 developing and transition countries in enabling access to knowledge for education, learning and research. EIFL helps its members to get started and also ensures the sustainability of consortiums. Librarian managed to negotiate a discounted annual membership fee for Sri Lanka with EIFL. Currently, discussions are going on with EIFL about terms and references and with potential libraries regarding participation in the consortium.

Enhancing Services

Library staff continued its efforts in accomplishing library's prime goal to enhance user experience to library resources and services. Though the test versions of new Integrated Library Management System (ILMS) and 'EconSpace' digital library work well, library was unable to fully implement those in 2012 as expected. As stated above, the main reason behind this was the non-delivery of necessary IT infrastructure which was beyond the control of the library.

With the intention of further connecting researchers with library resources and services, library carried out a survey with internal staff to find out what they think about library services, whether they use the facilities provided by the library and if not why. The survey found good feedback and several good suggestions for the development of services further and also library intranet. Immediately after the survey, library implemented several of their suggestions within the limits of existing ICT resources in the library. More changes and improvements will be done once the entire IT systems are in place.

In 2012, library revised its access, circulation and external user policies. The main reason behind revising access and circulation policies was to provide quality information resources and services for the advancement of the Institute's research and to serve all Internal Users in an accurate, accountable manner and to ensure fair and equitable access. The external user policy was revised in order to cater to the growing demand coming from outsiders to use the library as well as library becoming a revenue earner to the Institute.

During 2012, in addition to e-mail and telephone queries, a considerable number of national and international professionals and students used its services by visiting the library.

Library Networking and Cooperation

Whilst actively participating in national and international 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 investigates the possibilities in obtaining membership of Health Literature Libraries and Information Services (HELLIS) network and Agricultural Information Network (AgriNet) to promote resource sharing. At the moment, the library is in the process of submitting its applications for membership.

The library organized two successful events in 2012. One day 'Workshop on Conducting Library Research' was held on 12 July at IPS Executive Lounge. Dr Stella Walsh, Senior Lecturer, Leeds Metropolitan University, UK acted as the resource person of the workshop. 25 librarians from various institutes participated in the orkshop. The library received requests to organize similar events regularly from the librarians who attended the guest lectures which were organized to strengthen library's networking and cooperation activities.

Library also organized a presentation for visiting Male University Library and Information (LIS) students. As a part of their study tour, around 10 students, a lecturer, a university librarian and few members of the Council of Male Library Association visited IPS on 12 June 2012. In addition to library induction, librarian made a presentation on the activities of the International Federation of Library Associations and Institutions (IFLA) and its Building Strong Library Associations (BSLA) programme which they requested from librarian prior to their arrival. The event was sponsored by IFLA's BSLA programme.

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.

Human Resources

A team of knowledgeable, highly skilled, trained and motivated staff in sufficient numbers is vital to carry out services and activities in a rapidly changing information and communication technology environment. In 2012, Ms. Chamari Yapa, Assistant Librarian left IPS library after serving more than 8 years. The library greatly acknowledges Yapa's contributions towards the development of IPS library and information services.

Ms Gayani Bentotage was promoted to the post Assistant Librarian from June 2012.

Currently, library operates with only two Assistant Librarians and a Librarian even though the library is undergoing major service-oriented transformations.

Ms. Gayani Bentotage was trained on the 'Presentation Skills Training Programme' which was conducted at IPS for both its research and support staff from February to July 2012.

Priorities for the Coming Year

Since the library could not fully achieve its goals set out in 2011 Annual Report due to the reasons mentioned elsewhere, same goals and actions remain for the year 2013.

GOALS

1 **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 implementation of an information literacy programme.*

2 **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.*

3 **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.*

4 **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.*

5 **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.*

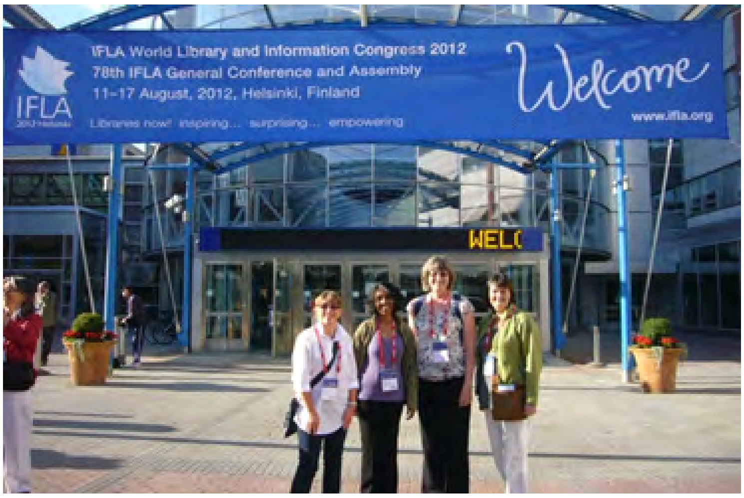
Achievements

Premila Gamage, Librarian was awarded PhD in Information Management for her thesis titled 'Utilization of Tele-service in Sri Lanka: A Grounded Theory Analysis of 1000 Telecentre Programme', Submitted to Leeds Metropolitan University, UK.

She continued to serve as the Information Coordinator and Web Editor 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 2012.

- The Future of Information and Library Associations Conference, The Hague, Netherlands, 8- 9 August 2012.
- World Library and Information Congress and the 78th IFLA General Conference and Council, Helsinki, Finland, 11-17 August 2012.
- CIRN 2012 Community Informatics Conference, Monash Centre, Prato, Italy, 7-9 October.
- Assistant Librarians, Gayani Bentotage and Dilrukshi Ariyaratne attended National Institute of Library and Information Sciences (NILIS) Symposium which was held from 22 to 23 November 2012 at Sri Lanka Foundation.



Dr. Premila Gamage, IPS Librarian, at the IFLA World Library Information Congress 2012, Helsinki, Finland, 11- 17th August 2012.

Dr. Premila Gamage, IPS Librarian, at the CIRN 2012 Community Informatics Conference, Monash Centre, Prato, Italy, 7- 9th October 2012.

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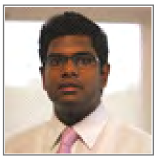

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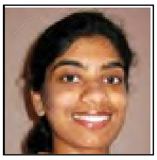

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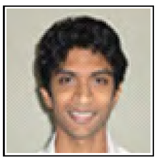

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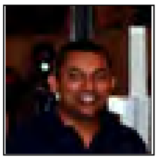

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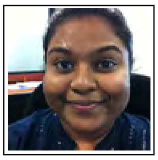

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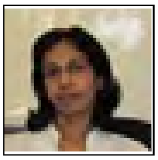

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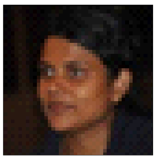

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IPS Events

Seminars, Conferences, Workshops, and Book Launches

Book Launch: 'Marx's Theory of Price & Its Modern Rivals', IPS Auditorium, 20 January

The Book Launch of 'Marx's Theory of Price and Its Modern Rivals' by Howard Nicholas, published by Palgrave, Macmillan, 2011, took place on the 20th January. A Portrait of Dr. Howard Nicholas was also unveiled by the Chairman of the IPS at the IPS Conference Room at the occasion. Dr. Howard Nicholas was the first Resident Coordinator (representing the Institute of Social Studies [ISS], The Hague, Netherlands – the Coordinator of the Sri Lanka-Netherlands Technical Cooperation Project) at the IPS.

'South Asian Regional Consultation on Human Development Report & Measurement of Human Development Progress', IPS Auditorium, 30-31 January

A 'South Asian Regional Consultation on Human Development Report & Measurement of Human Development Progress' was organized by the IPS, UNDP Human Development Report Office, New York, and UNDP – Sri Lanka. The objective of the consultation was to elicit a feedback on the planned content and structure of the Human Development Reports for 2012 and 2013. Khalid Malik of the UN, New York and Subney Nandy, UNDP, Sri Lanka made the introductory remarks. The keynote address was delivered by Hon. D. E. W. Gunasekera, Senior Minister of Human Resources.

Handing Over of Report of the Committee on Industrial Estates Issues, 14 February

A four-member committee appointed by the Minister of Traditional Industries and Small Enterprise Development, Hon. Douglas Devananda, tasked with investigating issues related to the Industrial Development Board (IDB) Industrial Estates, submitted its Final Report and held a de-briefing at the Ministry. Anushka Wijesinha, Research Economist IPS, as a member of the Committee was involved in preparing the Final Report. The Committee was tasked with looking into problems of lease rentals, infrastructure gaps, business development service provision, and other issues relating to industrial estates operated by the IDB, with a view to strengthening the Small and Medium Industry sector.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

Launch of the Report and Discussion on 'More and Better Jobs in South Asia: Sri Lankan Perspectives', IPS Auditorium, 01 March

Launch of the World Bank Report and Discussion on 'More and Better Jobs in South Asia: Sri Lankan Perspective took place on 1st March. The event on 'More and Better Jobs in South Asia' was jointly organized by the World Bank and IPS. Introductory Remarks were made by Diarietou Gaye, Country Director (Sri Lanka), World Bank. Chief Guest at the occasion was Hon. Dr. Sarath Amunugama, Senior Minister for International Monetary Cooperation. Reema Nayar, Lead Economist, South Asia Region, World Bank made a keynote presentation on "More and Better Jobs in South Asia". Closing Remarks were made by Kalpana Kochhar, Chief Economist, South Asia Region, World Bank. This programme was streamed live via ips.lk.

Brainstorming Session on World Bank Report 'Equity and Human Development in South Asia', IPS Conference Room, 1 March

The IPS, together with the World Bank, hosted a brainstorming session on the next edition of the World Bank's South Asia Development Matters flagship report series on 'Equity and Human Development in South Asia'. John Newman, Lead Economist, World Bank, the lead author of the new report, led the brainstorming along with Kalpana Kochhar, Chief Economist South Asia Region, World Bank.

Policy Dialogue on 'Equity & Well-Being: Measurement & Policy Practice - Sri Lankan Perspective', IPS Auditorium, 13 March

The IPS together with the Asian Development Bank (ADB) organized a Policy Dialogue on 'Equity & Well-Being: Measurement & Policy Practice - Sri Lankan Perspective'. The Policy Dialogue was based on a book on the subject matter by the ADB. Introductory remarks were made by Rita O' Sullivan, Resident Representative (Sri Lanka), ADB. Chief Guest at the occasion was Hon. Geethanjana Gunawardana, Deputy Minister of Finance & Planning, Ministry of Finance & Planning.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

World Consumer Rights Day Forum, IPS Auditorium, 15 March

The IPS together with the Federation of Chambers of Commerce and Industry (FCCISL) organized a forum on Consumer Rights to mark the World Consumer Rights Day. The introductory and welcome address was delivered by Dr. Saman Kelegama, Executive Director, and Kumar Mallimaratchi, President, FCCISL, respectively. The keynote speaker at the occasion was Sarath Wijesinghe, Sri Lanka Ambassador to United Arab Emirates and the former Head of the Consumer Affairs Authority of Sri Lanka.

High-Level Policy Workshop "South Asia Region Urbanization Knowledge Platform Launch: Sustainable Urban Regeneration and Inclusive Growth for South Asian Cities", 20- 21 March

IPS, together with the World Bank and other funding agencies organized a High-Level Policy Workshop, on "South Asia Region Urbanization Knowledge Platform Launch: Sustainable Urban Regeneration and Inclusive Growth for South Asian Cities". The keynote address was delivered by Mr. Gotabhaya Rajapakse, Secretary, Ministry of Defence and Urban Development, Sri Lanka. Mr. Jesse Robredo, Secretary, Department of Interior and Local Government, Philippines was the Guest of Honour. The Urbanization Knowledge Platform (UrbKP) is an initiative launched by the World Bank's Urban Development and Local Government Unit in February 2011.

IPS University Forum, IPS Auditorium, 21 – 23 March

IPS held a workshop and interactive dialogue – "IPS University Forum" – with over fifty undergraduates and lecturers from Universities across the country. The event provided an opportunity for the participants to learn, share, collaborate and network with each other, with IPS and with experts in the field of socio-economic development. Specifically, this Forum facilitated access to IPS economists and other leading development experts, opportunities for collaborative research, mentoring by IPS researchers on future projects/dissertations, an opportunity to learn about new media tools for research, and opportunities for internships.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

Seminar on 'Exploring the Potential for Sri Lanka-Vietnam Economic Cooperation' IPS Auditorium, 30 March

IPS together with the Embassy of Vietnam organized a seminar on 'Exploring the Potential for Sri Lanka-Vietnam Economic Cooperation' which focused on the key areas of Sri Lanka-Vietnam Economic relations: Trading, Investment & Tourism opportunities and prospects. Hon. Dr. Sarath Amunugama, Senior Minister for International Monetary Cooperation was the Chief Guest, and Ton Sinh Thanh, Vietnam Ambassador to Sri Lanka, was the Guest of Honour.

Launch of two Volumes on, 'Economic & Social Development under a Market Economy Regime in Sri Lanka', Felicitation for Prof. Buddhadasa Hewavitharana, Ramada Colombo, 03 April

The IPS and the Department of Economics and Statistics of the University of Peradeniya launched two Volumes on "Economic and Social Development under a Market Economy Regime" edited by Saman Kelegama, Executive Director of the IPS and Dileni Gunawardena, Senior Lecturer of the University of Peradeniya. The Volumes were in honour of Professor Buddhadasa Hewavitharana, former Professor of Economics at the University of Peradeniya and former Board Member and Chairman of the IPS. Senior Minister for International Monetary Cooperation, Hon. Dr. Sarath Amunugama was the Chief Guest and the former Minister of Higher Education, Prof. Viswa Warnapala delivered the keynote address.

Launch of 'Economic and Social Survey of Asia and the Pacific – 2012', IPS Auditorium, 10 May

The IPS launched the 2012 United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Report: 'Economic and Social Survey of Asia and the Pacific: Pursuing Shared Prosperity in an Era of Turbulence and High Commodity Prices' in collaboration with the UNDP, Sri Lanka. The welcome address was delivered by Mr. Douglas Keh, Country Director, UNDP Sri Lanka. Dr. Vatcharin Sirimaneetham, Economic Affairs Officer, ESCAP, Bangkok, gave an introduction to the ESCAP Economic & Social Survey of Asia & the Pacific-2012. Chief Guest, at the occasion was Hon. Dr. Sarath Amunugama, Minister of International Monetary Cooperation.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

Seminar: 'What will South Asia look like in 2025?' IPS Auditorium, 24 May

A Seminar on 'What will South Asia Look Like in 2025?' was organized by IPS and The World Bank. The seminar was based on the book: 'Reshaping Tomorrow: Is South Asia Ready for the Big Leap,' edited by Ejaz Ghani, Economic Advisor to South Asia PREM, World Bank. Susan Razazz, Senior Country Director (Sri Lanka) of the World Bank made the Introductory Remarks. The editor of the Book, Ejaz Ghani gave a comprehensive overview of both the optimistic and pessimistic scenarios for South Asia based on the chapters in the book.

Regional Seminar on "Emerging Issues on Trade, Climate Change and Food Security: Way Forward for South Asia", IPS Auditorium, 31 May – 1 June

A Regional Seminar on "Emerging Issues on Trade, Climate Change and Food Security: Way forward for South Asia" was organized by the IPS, South Asia Watch on Trade, Economics, and Environment (SAWTEE) and Oxfam Novib. Minister for Environment, Hon. Anura Priyadarshana Yapa, was the Chief Guest at the Seminar.

Workshop on "Promoting Productive Social Protection & Labour Systems in Sri Lanka for Inclusive Growth: Developing an Integrated Social Protection & Labour Strategy", IPS Auditorium, 25 - 26 June

IPS, Department of National Planning of the Ministry of Finance and Planning together with the World Bank organized a workshop on "Promoting Productive Social Protection & Labour Systems in Sri Lanka for Inclusive Growth: Developing an Integrated Social Protection & Labour Strategy", as a platform through which a policy and implementation dialogue could be started with relevant stakeholders and concerned parties on the subject of Social Protection in Sri Lanka.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

Sri Lanka Economic Summit 2012, Cinnamon Grand Hotel, 10 – 12 July

The Sri Lanka Economic Summit 2012, took place at the Cinnamon Grand Hotel. The summit was organized by the Ceylon Chamber of Commerce. Dr. Nisha Arunatilake, Research Fellow, IPS was one of the keynote speakers at the "Skills & Productivity to Compete in the Global Market" Plenary Session. Dr. Arunatilake highlighted the importance of innovation for sustaining competitiveness and productivity in the country. She further stated that, Sri Lanka's innovation performance needs improvement. In the latest Global Innovation Index (GII), launched earlier this month, Sri Lanka was ranked 94 out of 141 countries. Even within the lower middle income countries, Sri Lanka's performance is just average (rank 15 out of 36 lower middle income countries).

Seminar on 'Trade Facilitation in South Asia: Addressing Barriers to Foster Trade Chain,' Taj Samudra Hotel, Colombo, 13 July

Seminar on 'Trade Facilitation in South Asia: Addressing Barriers to Foster Trade Chain,' organized by the SAARC Chamber of Commerce and Industry in collaboration with the Federation of Chambers of Commerce and Industry of Sri Lanka and Friedrich Naumann Stiftung took place at Taj Samudra Hotel. Ashani Abayasekara, Research Assistant, IPS, made a presentation on "Improving Trade Processes and Procedures in Sri Lanka" at this seminar.

"Middle East Crisis and its Impact on Global Trade" at the 5th CEO's Meeting of the Regional Group of the Berne Union, at Cinnamon Lodge, Habarana, 21st July

Executive Director delivered a lecture on the "Middle East Crisis and its Impact on Global Trade" at the 5th CEO's Meeting of the Regional Group of the Berne Union. The meeting was organized by the Sri Lanka Export Credit Insurance Corporation (SLECIC), which is a member of the International Union of Export Credit and Investment Insurers (known as the "Berne Union"). D. P. Mendis, Chairman and Managing Director, SLECIC, chaired the meeting where 45 delegates from 12 countries participated.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

Dissemination workshop on "Social Protection Index and Incorporation of Social Protection Module in Household Income and Expenditure Survey", IPS Conference Room, 03 August

IPS organized a dissemination workshop on "Social Protection Index and Incorporation of Social Protection Module in Household Income and Expenditure Survey" with the Asian Development Bank (ADB). IPS organized this workshop to disseminate the country results of the Social Protection Index (SPI) among the various stakeholders in social protection. The workshop also discussed initiatives taken by the Department of Census and Statistics of Sri Lanka (DCS) to include social protection in its household surveys to improve the measurement of impact of social protection, under the technical assistance of ADB.

'Expert Voices', panel discussion on "The Jobs Challenge", IPS Executive Lounge, 22 August

IPS 'Talking Economics' hosted a unique networking event and 'Expert Voices' panel discussion on "The Jobs Challenge". The panelists, drawn from diverse sectors included Kishu Gomes (Managing Director/CEO, Chevron Lubricants Lanka PLC), Prajeeth Balasubramanium (Founder and Managing Director, Blue Ocean Ventures), Nisha Arunatilake (Research Fellow and Head, Human Resources Development Policy Unit, IPS), Rashitha Delapola (International Affairs Coordinator, National Youth Services Council), Gayan Panditharathna (young entrepreneur). Anushka Wijesinha, Research Economist and Editor of the 'Talking Economics Blog' was the Moderator at the discussion.

Workshop on 'Experimental Design for Savings and Payments Research: South Asia,' IPS Conference Room, 10-13 September

IPS, in partnership with the Global Financial Inclusion Initiative at Innovations for Poverty Action (IPA), organized a training workshop on "Experimental Design for Savings and Payments Research". The workshop aimed at gathering researchers from South Asia to discuss experimental research in designing and implementing Randomized Controlled Trials (RCTs) in the field of savings and payments. The topics covered in the workshop include project development for micro savings and payments research, methodology for RCTs, survey instrument design, and best practices in project implementation.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

Training Programme on Research Methodology for Department of Manpower and Employment, Productivity Secretariat, 24 - 27 September

IPS conducted a four day training programme on Research Methodology for the officers of the Research Division of Department of Manpower and Employment. The objective of the programme was to improve the analytical and research skills of the staff of the Research Division of the Department of Manpower and Employment and to enhance their analytical capabilities and skills in preparation of project proposals and research reports.

Sri Lanka Tourism Development Authority (SLTDA), commemoration – 'World Tourism Day 2012', Ramada Hotel, Colombo, 27 September

Kanchana Wickramasinghe, Research Officer, IPS served as a resource person at the Seminar titled "Tourism and Sustainable Energy" organized by the Sri Lanka Tourism Development Authority (SLTDA), to mark the World Tourism Day 2012. The 2012 theme was "Tourism & Sustainable Energy: Powering Sustainable Development". Wickramasinghe made a presentation on "Energy Management in the Hotel Sector: Concepts and Trends".

Launch of the Sri Lanka Human Development Report 2012 (UNDP), IPS Auditorium, 05 October

The launch of the Sri Lanka Human Development Report 2012 (UNDP) titled, "Bridging Regional Disparities for Human Development," took place on October 5. The Chief Guest at the launch was the Senior Minister of International Monetary Cooperation, Hon. Dr. Sarath Amunugama. The keynote address was delivered by Dr. Ajay Chhibber, UN Assistant Secretary General and Director of Regional Bureau for Asia and Pacific. The 2012 report focused on issues of disparity and inequality in Sri Lanka. IPS undertook extensive research and analysis for the preparation of the report. The authors and key contributors from IPS were Dr. Nisha Arunatilake (lead author), Wimal Nanayakkara, Sunimalee Madurawala, Priyanka Jayawardena, Ayodya Galappattige and Anushka Wijesinha.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

MIM-CPM International Management Conference, Taj Samudra Hotel, Colombo, 17 October

Anushka Wijesinha, Research Economist, IPS, was a speaker at the MIM-CPM International Management Conference 2012 organized by the Malaysian Institute of Management and the Institute of Certified Professional Managers. Wijesinha made a presentation titled 'The Five Keys to Unleash Sri Lanka's Potential for Economic Expansion and Job Creation', at the first Technical Session of the conference on 'Change Management in the New Global Economic Order'. The session was chaired by Prof. Lakshman Watawala, President, CPM, and the other speakers in the session were Dr. Koshy Mathai, Resident Representative IMF, and Dr. Nazily Mohd Noor, CEO, Malaysian Institute of Management.

Global Development Network (GDN) Regional Workshop, Galle Face Hotel, Colombo, 22 – 23 October

GDN Regional Workshop on "Supporting Policy Research to Inform Agriculture Policy in Sub-Saharan Africa and South Asia," took place at the Galle Face Hotel. Dr. Parakrama Samaratunga, Research Fellow, IPS, led the research team that looked into the problem of "Agricultural Pricing and Procurement Policy in South Asia". Senior Minister of International Monetary Cooperation, Hon. Dr. Sarath Amunugama was the Chief Guest and the Minister of Agriculture, Hon. Mahinda Yapa Abeywardena was the Guest of Honour.

Launch of the 'Regional Cooperation for Inclusive and Sustainable Development: South and South-West Asia Development Report 2012-13' prepared by UN-ESCAP South and South-West Asia Office, New Delhi, IPS Auditorium, 01 November

The 'Regional Cooperation for Inclusive and Sustainable Development: South and South-West Asia Development Report 2012-13' features a Foreword by Dr. Noeleen Heyzer, the UN Under-Secretary General and Executive Secretary of ESCAP, and an Executive Summary by Dr. Nagesh Kumar, Director of ESCAP South and South-West Asia Office and ESCAP's Chief Economist. This report was launched by the Senior Minister of International Monetary Cooperation, Hon. Dr. Sarath Amunugama, and it was followed by a discussion with a large number of participants.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

ARTNeT Conference on 'Empirical and Policy Issues of Integration in Asia and the Pacific,' Hotel Galadari, 01 – 02 November

ARTNeT Conference on 'Empirical and Policy Issues of Integration in Asia and the Pacific', took place at the Hotel Galadari. The conference theme was competitiveness and economic diversification. It aimed to provide a forum for policy makers and researchers to present and discuss the ARTNeT Phase 3 research findings and policy implications. This event was organized back-to-back with the Asia-Pacific Trade Facilitation Forum 2012. The Chief Guest at the Conference was the Senior Minister of International Monetary Cooperation, Hon. Dr. Sarath Amunugama. Chief of Trade Division, UNESCAP, Dr Ravi Ratnayake and IDRC South Asia Director, Dr. Evan Due were the key speakers at the inauguration.

IPS Annual National Conference, "How Can Sri Lanka Stay on the Growth Expressway?" IPS Auditorium, 07 November

The IPS annual flagship publication 'Sri Lanka: State of the Economy' for the year 2012 was launched in the presence of the Senior Minister of Scientific Affairs, Hon. Prof. Tissa Vitarana. Delivering the opening address, Executive Director of the IPS, Dr. Saman Kelegama stated that the State of the Economy report, now in its 20th year, is "widely quoted by academics, private sector interest groups, parliamentarians, and civil society groups." The report, which was conceptualized early this year, is a compilation of contributions from IPS research staff on a variety of subjects integral to the economy of the Post-Conflict Sri Lanka. The topics explored in the State of the Economy 2012 include, Sri Lanka's global presence; reducing inequality while aiming for rapid economic growth; optimizing natural resources; stimulating innovation; and maximizing the human resource potential in the country.

National Policy Dialogue on 'The Taxation Link in Sri Lanka's Development: Emerging Issues,' IPS, Conference Room, 23 November

IPS together with the Partnership for Economic Policy (PEP) organized the National Policy Dialogue which was attended by top officials from the Department of Inland Revenue and the Central Bank of Sri Lanka, university academics, as well as representatives from civil society organizations like Transparency International and Plan Sri Lanka. The dialogue was concluded by identifying key knowledge gaps in development implications of taxation in the country and possibilities for collaboration by different stakeholders for filling these gaps.

IPS Events

Seminars, Conferences, Workshops, and Book Launches

International Symposium on 'Agriculture and Environment 2012', Faculty of Agriculture, University of Ruhuna, 29 November

Dilani Hirimuthugodage, Research Officer, IPS, made a presentation on "The TRIPs Agreement in Protecting New Plant Varieties and Farmers' Traditional Knowledge in Sri Lanka" at the International Symposium on 'Agriculture and Environment' which was held at, and organized by, the Faculty of Agriculture of the University of Ruhuna.

17th Joint Committee Meeting of Business Cooperation Committees to mark the 60th Anniversary of Japan-Sri Lanka Diplomatic Relations, BMICH, 6 December

A full day conference to mark the 60th Anniversary of Japan-Sri Lanka Diplomatic Relations took place at the BMICH. The conference took place parallel to the 17th Joint Committee Meeting of the Sri Lanka-Japan and Japan-Sri Lanka Business Cooperation Committees. The Conference was inaugurated by Hon. Sarath Amunugama, Deputy Minister of Finance and H.E. Nobuhito Hobo, Ambassador for Japan in Sri Lanka. Many business persons from both Sri Lanka and Japan participated in the conference. Executive Director, Dr. Saman Kelegama made a presentation on Japan-Sri Lanka Economic Relations: Trends and Opportunities at the conference.

IPS Representation at Overseas Conferences

Seminar on 'Cost of Economic Non-Cooperation to Consumers in South Asia' Kathmandu, Nepal, 03-04 February

Executive Director, IPS, made a presentation on 'Trade Liberalization and Consumer Welfare in South Asia' at a seminar on 'Cost of Non-Cooperation to Consumers in South Asia' organized by CUTS, SAWTEE, The Asia Foundation, and the Commonwealth Secretariat, at the Himalaya Hotel, Kathmandu. Hon. Lekh Raj Bhatta, Minister of Commerce and Supply, Government of Nepal, graced the occasion as the Chief Guest.

High-Level Sub Regional Forum on 'Accelerating Achievement of the Millennium Development Goals (MDGs) in South Asia' and the launch of the 'Asia-Pacific MDG Report 2011-2012: Closing the Gap in Health and Nutrition', New Delhi, India, 17-18 February

A High-Level Sub Regional Forum on 'Accelerating Achievement of the Millennium Development Goals (MDGs) in South Asia' and the launch of the 'Asia-Pacific MDG Report 2011-2012: Closing the Gap in Health and Nutrition', organized by the UN-ESCAP, ADB, and UNDP took place at the Claridges Hotel, Delhi, India. Executive Director, IPS, made a presentation on 'MDG Achievements and New Challenges and Opportunities in Sub-Regional Cooperation'.

IPS Representation at Overseas Conferences

IDRC TTI Regional Meeting, Mysore, India, 04-06 March

The IDRC TTI Regional Meeting of 16 South Asian grantee institutions took place at Mysore, from 4th -6th March, 2012. The meeting was organized by the Centre for Study of Science, Technology and Policy (CSTEP), India. The objective of the meeting was to promote structured peer-learning on high priority institutional issues identified by the grantees themselves; enable networking and collaborative efforts at institutional levels as well as at project levels among grantees; feed structured South Asia regional input into the aims and objectives of the First Think Tank Initiative Exchange (global meeting of all TTI grantees planned at Cape Town in June 2012); and provide opportunities for programme learning on select research questions, including questions around research quality, impact, and institutional sustainability. Dr. Saman Kelegama, Executive Director, Dr. Dushni Weerakoon, Deputy Director, and Dr. Malathy Knight, Research Fellow represented the IPS at this Regional Meeting.

World Bank-IMF Spring Meetings, Washington, D.C., 16-22 April

Anushka Wijesinha, Research Economist, IPS, attended the World Bank-IMF Spring Meetings in Washington, D.C. representing Sri Lanka, and part of an 8 member South Asian youth delegation. Wijesinha, along with Sri Lankan counterpart, Fadhil Bakeer Markar (UNV, Sri Lanka) attended several debates and discussions of the Civil Society Policy Forum of the Spring Meetings. He made a presentation to a group of World Bank South Asia Region officials on 'Youth in a Post-conflict Economy in Transition', and was a panelist for a discussion on 'Youth Unemployment: Causes and Responses', alongside senior World Bank economists, David Robalino (Labour Team Leader) and Dena Ringold (Lead Economist, World Development Report 2013).

IPS Representation at Overseas Conferences

"To Serve Sri Lankan Migrant Workers Better" Regional Consultation on Welfare & Protection of Migrant Workers, Amman, Jordan, 13-15 May

Executive Director, IPS, spoke on the "Importance of Overseas Employment and Remittances for the Sri Lankan Economy" at a Regional Consultation on Welfare & Protection of Migrant Workers organized by the Ministry of Foreign Employment, Ministry of External Affairs, and the ILO, at the Le Meridien Hotel, Amman, Jordan, from 13-15 May 2011. Hon. Dilan Perera, Minister of Foreign Employment was the Chief Guest at the event.

Expert Group Meeting on "Inclusive Development and Regional Cooperation in South West and South Asian Region (SSWA)", New Delhi, India, 30-31 July

Executive Director, IPS, made a presentation on 'Regional Economic Integration and Connectivity in the SSWA' and chaired a session on 'Food Security and Agriculture in the SSWA Region' at the Expert Group Meeting on 'Inclusive Development and Regional Cooperation in SSWA,' organized by the UN-ESCAP SRO for SSWA, ESCAP-SRO Office, Delhi, India during 30-31 July 2012.

Regional Consultation on "Strengthening Competitiveness of South Asia in Leather and Leather Products," Chennai, India, 03-04 September

Executive Director, IPS, made a presentation on "Regional Integration: Implications and Policy Constraints," and was a panelist for a presentation on "Potential Intra-Regional Trade in Leather: Need for Regional Integration" at the Regional Consultation on "Strengthening Competitiveness of South Asia in Leather and Leather Products" under UNCTAD's project on "Development-Oriented Integration in South Asia" funded by ADB and Commonwealth Secretariat. The Consultation was organized by the Council for Leather Exports and Federation of Small and Medium Enterprises, India.

IPS Representation at Overseas Conferences

Communication Policy Research South 7 – Young Scholar Seminar Programme, Port Louis, Mauritius, 03 - 07 September

Buddhika Brahmanage, Research Assistant, IPS, won a competitive scholarship to attend the Communication Policy Research South 7 – Young Scholar Seminar Programme. 2012 CPRafrica 2012/CPRsouth7 was held in Port Louis, Mauritius. It was jointly organized by ICT Africa, LIRNEasia and the University of Mauritius with funding by the International Development Research Centre, Canada (IDRC) and the Department for International Development, UK. CPRsouth is a capacity building programme for the Asia Pacific policy intellectuals, especially junior to mid-level scholars. The two day seminar series was conducted by ICT policy experts in the Asia and African region followed by the CPRafrica2012/CPRsouth 7 Conference.

5th South Asia Economic Summit, Islamabad, Pakistan, 11 - 13 September

Executive Director and Deputy Director, IPS, and Anushka Wijesinha, Research Economist of IPS, were resource persons at the 5th South Asia Economic Summit (SAES), held in Islamabad, Pakistan. It was organized by the Sustainable Development Policy Institute, Pakistan. IPS was a co-organizer of the 5th South Asia Economic Summit, along with CPD (Bangladesh), SAWTEE (Nepal), RIS (India), and SACEPS (Nepal).

IPS Representation at Overseas Conferences

Regional Symposium on 'Universalization of Social Security in South Asia', Kathmandu, Nepal, 03-04 October

Dr. Ganga Tilakaratna, Research Fellow, attended the Regional Symposium on 'Universalization of Social Security in South Asia' jointly organized by the South Asia Centre for Policy Studies (SACEPS) and the Friedrich-Ebert-Stiftung (FES), in Kathmandu, Nepal. The objective of the symposium was to identify existing practices, problems and prospects for universalizing social security in the national and regional context, and to develop policy recommendations and action plans towards the universalization of social security in the South Asian region. Dr. Tilakaratna presented the national paper for Sri Lanka on Universalization of Social Security.

Book Launch: 'Regional Economic Integration: Challenges for South Asia during Turbulent Times', Everest Hotel Kathmandu, Nepal, 05 October

Executive Director was a speaker at the launch of the book, 'Regional Economic Integration: Challenges for South Asia during Turbulent Times' at the Everest Hotel, Kathmandu, Nepal. The book, edited by Executive Director, Ratnakar Adhikari, Pushpa Sharma, and Paras Kharel, was published by SAWTEE and SACEPS and it is based on the revised papers submitted to the Third South Asia Economic Summit held in Kathmandu, Nepal in December 2010.

IPS Representation at Overseas Conferences

IMF-World Bank 2012 Annual Meeting, Tokyo, Japan, 08 – 14 October

IPS Executive Director was invited as a Speaker for the IMF-World Bank Civil Society Town Hall Meeting of the IMF-World Bank 2012 Annual Meeting in Tokyo, Japan. The IMF Managing Director, Christine Lagarde, The World Bank President, Jim Kim, and Sheela Patel (second Speaker from India) participated at the Forum where the two Speakers posed questions to the Managing Director of the IMF and the President of the World Bank. As an IMF Fellow, the IPS Executive Director posed the questions to the IMF Managing Director at the Forum.

The Meeting took place on 11th October 2012, at the Tokyo International Forum with more than 200 participants. The Civil Society Forum brought together IMF and World Bank staff, academics, government officials, Civil Society Organization representatives, and others, to exchange views on a variety of topics ranging from global economic crisis to food security, to debt restructuring, and to health.

Regional Consultation on Human Development in South Asia, Kathmandu, Nepal, 10-11 October

Dr. Ganga Tilakaratna, Research Fellow, IPS, served as a panelist at the 'Regional Consultation on Human Development in South Asia,' co-organized by the United Nations Development Programme (UNDP) and the South Asia Centre for Policy Studies (SACEPS) in Kathmandu, Nepal.

The Regional Consultation focused on the state of human development in the South Asian region, the policies required to achieve it, and the threats and barriers to sustaining it. It also provided participants with an opportunity to learn more about the contents of the Human Development Report 2012, due for release in November, and to express their views on how to shape the Human Development Report 2013, which will look at the post-2015 agenda.

IPS Representation at Overseas Conferences

Regional Conference on "Strengthening Cooperation between Members of Parliament and the Private Sector in Making Public Private Partnerships More Effective" Dhaka, Bangladesh, 20 October

Dr. Malathy Knight, Research Fellow and Head of Industry, Public Enterprise Reform, and Regulatory Policy Research, IPS, was invited to make a Key Note Presentation at a Regional Conference on "Strengthening Cooperation between Members of Parliament and the Private Sector in Making Public Private Partnerships More Effective," jointly organized by the Bangladesh Enterprise Institute (BEI) and The Asia Foundation (TAF), in Dhaka. The objective of the Regional Conference was to identify issues and challenges pertaining to private sector development in general, and public private partnerships (PPPs) in particular, that countries in the South Asian region confront. Further, the Conference aimed to bring together Members of Parliament, leading representatives of the private sector, the academic community, and civil society organizations from countries in the region, to discuss and develop policy recommendations for effective partnerships between Members of Parliament and the private sector.

Indian Ocean Rim Academic Group (IORAG) Meeting, Gurgaon, India, 30 October

Dr. Saman Kelegama, Executive Director, IPS, represented Sri Lanka in the Indian Ocean Rim Academic Group (IORAG) meeting on 30th October 2012 in Gurgaon, India. Dr. Kelegama presented the key findings of the IPS study on Institutional Mechanisms for Promoting Intra-regional Investments and Trade in the IOR-ARC Region in Strategic Sectors which is jointly done with RIS, India. The Sri Lankan proposal for establishing a Centre for Excellence on Ocean Sciences and Environment for the Indian Ocean Rim Countries was also presented to the IORAG.

IPS Representation at Overseas Conferences

International Conference on 'Value Chains for Inclusive Development – Lessons and Policies for South Asia', BRAC Centre Inn, Dhaka, Bangladesh, 24 - 25 November

Dr. Saman Kelegama, Executive Director, IPS, Sunimalee Madurawala, Research Officer, IPS and Ashani Abayasekara, Research Assistant, IPS participated as resource persons at an International Conference on "Value Chains for Inclusive Development: Lessons and Policies for South Asia", jointly organized by the Institute for Human Development, New Delhi and Capturing the Gains Research Network, University of Manchester, in association with UN-ESCAP, South and South-West Asia Office, New Delhi, Centre for Globalization, Governance and Competitiveness, Duke University, Centre for Policy Dialogue, Bangladesh and CARE-International, Bangladesh, held in Dhaka. Presentations were made by all three participants from the IPS.

ADB South Asia Research Department (SARD) Economists' Conference, Kathmandu, Nepal, 04-05 December

The ADB South Asia Research Department (SARD) Economists' Conference took place in Kathmandu, Nepal. The Conference brought together discussions on economic issues in the region and in individual South Asian countries. Economists from a number of South Asian countries participated in the Conference. The primary focus in the 2012 SARD Conference was on the themes of inflation and economic urbanization. Executive Director of the IPS was a Discussant to a Session on Inflation in South Asia and commented on the country papers on Sri Lanka, Bangladesh, and India.

Distinguished Visitors to IPS

Ambassador of Vietnam in Sri Lanka and Counsellor visits IPS, 04 January

Ambassador of Vietnam in Sri Lanka, Ton Sinh Thanh and Counsellor, Phung Trong Tuan, made a courtesy call at the IPS and met the Executive Director to discuss possible collaboration of the Vietnam Embassy with the IPS to organize a conference on Economic Relations between Vietnam and Sri Lanka. The meeting took place at the Board Room, IPS on 4th January 2012.

Meeting with the Governance Institutes Network International (GINI), Pakistan, IPS, 24 April

Executive Director, met with Daniyal Aziz, Advisor, and Usama Ahmed, Manager/Research, Governance Institutes Network International (GINI), Pakistan. The IPS is part of a networking of research institutions in South Asia on a research project entitled 'Tax Policy and Enterprise Development in South Asia', funded by the Canadian IDRC and administered by GINI (http://giniweb.net/) based in Islamabad, Pakistan.

Distinguished Visitors to IPS

Signing of MOU between IPS and the Institute of South Asian Studies (ISAS) of the National University of Singapore, IPS Conference Room, 25 April

A delegation from the Institute of South Asian Studies (ISAS) of the National University Singapore, visited the IPS. The delegation headed by the ISAS Chairman, Ambassador Gopinath Pillai, included Professor Tan Tai Yong, Director of ISAS, Dr. Razeen Sally and Ms. Gloria Spittal of the ISAS. They met with the Executive Director, Dr. Saman Kelegama, Deputy Director, Dr. Dushni Weerakoon and all the Research Unit Heads of the IPS for a discussion on possible modes of cooperation and exchanges between the two institutes. A Memorandum of Understanding was signed between ISAS and IPS by Professor Tan Tai Yong (on behalf of ISAS) and Dr. Saman Kelegama (on behalf of IPS) for future collaborative work.

Hon. K. Shanmugam, Minister for Foreign Affairs and Law of Singapore visits IPS, 01 June

Hon. K. Shanmugam, Minister for Foreign Affairs and Law of Singapore who was on an official visit to Sri Lanka during 29 May-1 June 2012, visited the IPS on 1st June with a delegation of officials from the Ministry of Foreign Affairs of Singapore and business leaders. Mr. Gopinath Pillai, Chairman of the Institute of South Asian Studies (ISAS), National University of Singapore (NUS) was also a member of the Singaporean delegation. During their visit to the IPS, there was a discussion on Sri Lanka's post-conflict economic development, business environment, and future prospects for the country. From the IPS, Saman Kelegama, Executive Director, Dushni Weerakoon, Deputy Director, and Anushka Wijesinha, Research Economist, participated in the discussion.

In-House Seminars

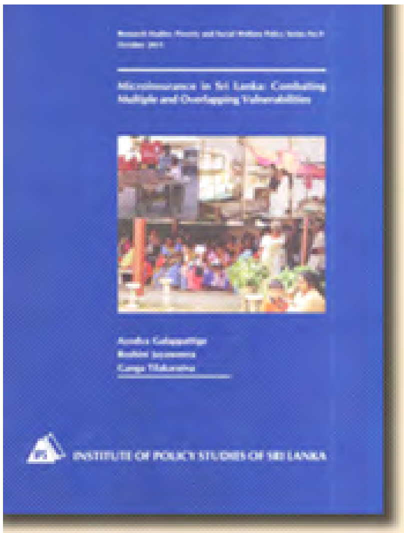
Topic	Speaker	Date
Economics of Development	H.N. Thenuwara, Adjunct Professor, University of Iowa, and former Assistant Governor, Central Bank of Sri Lanka	**3 January**
Stressful Events and Cancer Incidence: Evidence from the Chinese Cultural Revolution	Tilak Abeysinghe, Department of Economics and FASS Health Cluster, National University of Singapore (based on a jointly written paper with Dr. Jiaying Gu, Department of Economics, University of Illinois)	**24 January**
Do Only High Skilled Migrants Contribute to Home Country Income? Evidence from South Asia	Arusha Cooray, Senior Lecturer, School of Economics, University of Wollongong, Australia	**27 January**
Korea's Development Model and its Relevance to Sri Lanka	Gamini Wijesinghe, Deputy Commissioner, Department of Inland Revenue	**16 February**
Equity and Human Development in South Asia	John Newman, Lead Economist, World Bank, and Ms. Kalpana Kochhar, Chief Economist/South Asia Region, World Bank, IPS Conference Room	**01 March**
Sri Lanka: From Peace Dividend to Sustained Growth Acceleration	Francis Rowe, Senior Country Economist, Sri Lanka and Maldives, South Asia Region, World Bank, IPS Conference Room	**12 March**
The Effect of Trade Reforms on Industry Wage Structure and Volatility: The Case of Sri Lanka	Priyanga Dunusinghe, Lecturer in Economics, University of Colombo	**23 April**
Managed Migration: An Overview of Readmission Agreements and a Case Study of Sri Lanka	Chandana Karunaratne and Ashani Abayasekara, *Research Assistants, IPS*	**29 June**
Final Session on Presentation Skills – for IPS Staff	Dananjaya Hettiarachchi, Professional Trainer, IPS	**24 July**
Growing with Global Production Sharing: The Tale of Penang Export Hub, Malaysia	Prema-chandra Athukorala, Professor of Economics, Arndt-Corden Department of Economics, Crawford School of Public Policy, Australian National University	**7 August**
A Global View on Emerging Economic Challenges	Sharmini Coorey, Director, IMF Institute, Washington D.C., USA	**17 August**
Environmental Management Practices in the Hotel Sector in Sri Lanka	Kanchana Wickremasinghe, Research Officer, IPS	**26 September**
Impact of Migration and Remittances on Investment in Agriculture and Food Security in Sri Lanka	Roshini Jayaweera, Research Officer, IPS	**18 October**
Binding Constraints to Economic Growth with Special Reference to Small Island Economies	Hilarian Codippily, former Senior Economist, The World Bank	**20 November**
South-South Trade: Trends, Patterns and Policy Implications	Prema-chandra Athukorala, Professor of Economics, Australian National University,	**17 December**

IPS PUBLICATIONS

JANUARY

Microinsurance in Sri Lanka: Combating Multiple and Overlapping Vulnerabilities

Ayodya Galappattige, Roshini Jayaweera and Ganga Tilakaratna



The provision of financial services (credit and savings) to the poor through microfinance is an established concept, while the provision of insurance to the poor through microinsurance is relatively new. As a result, most microinsurance providers are affiliated to microfinance institutes while specialized providers are fewer in number. This study fills the gap in literature currently available on microinsurance, by providing a critical insight through the examination of the behaviour and needs of segments of the microinsurance market in Sri Lanka. This establishes the basis for the design and development of demand driven, risk managing financial products.

This study looks at the differences of the products, delivery methods and the extent to which they reflect the needs and preferences of the poor households. It used both qualitative and quantitative research methods through desk reviews, key informant interviews, and a household survey of 330 households in 2008.

FEBRUARY

Impact of Migration and Remittances on Investment in Agriculture and Food Security in Sri Lanka

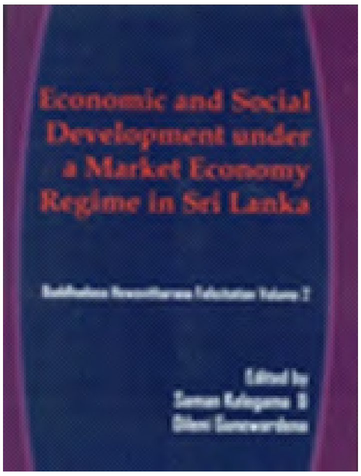
Parakrama A. Samaratunga, Roshini Jayaweera and Nethmini Perera

Out-migration of small farmers or members of their families can have both a positive and negative effect on the rural agricultural production as well as consumption. This study examines the impact on rural agricultural production and the food security situation in farm families resulting from the out-migration of the members of the rural agricultural sector of Sri Lanka.

Analysis of data gathered through a survey of existing literature, key informant interviews, Focus Group Discussions representing the commercial agricultural, semi-subsistence agricultural and fisheries sectors, as well as analysis of secondary data through the Household Income and Expenditure Survey (2006/7) showed that remittances account for a larger portion of the incomes of poorer segments of society, with the contribution reaching up to 81 per cent for the poorest 10 per cent of the population. Subsequently the study explores the degrees of change for instance, in food security and quality for the respective societies studied.

MARCH

Economic and Social Development under a Market Economy Regime in Sri Lanka, Buddhadasa Hewavitharana Felicitation - Volume 2
Edited by Saman Kelegama and Dileni Gunewardena



The second volume in the Professor Buddhadasa Hewavitharana Felicitation publication, presents important policy issues in the current juncture of long-term development process of Sri Lanka. The second volume contains chapters 24-40 and explores areas such as food security, social development, healthcare, and education.

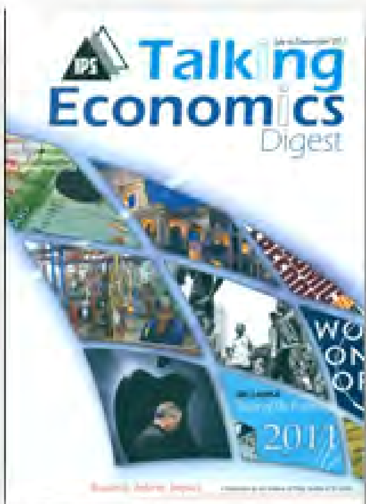
The chapters in the second volume continues to offer comprehensive accounts of the existing market economy of Sri Lanka, with disaggregate analyses of key economic and social problems faced by the country during the recent decades.

South Asia Economic Journal (Vol.13, No. 1, March 2012)

APRIL

Talking Economics Digest (July – December 2011)

The ***Talking Economics Digest*** is a bi-annual publication of the IPS, which compiles the articles featured on this blog every 6 months, together with 'feature' segments.

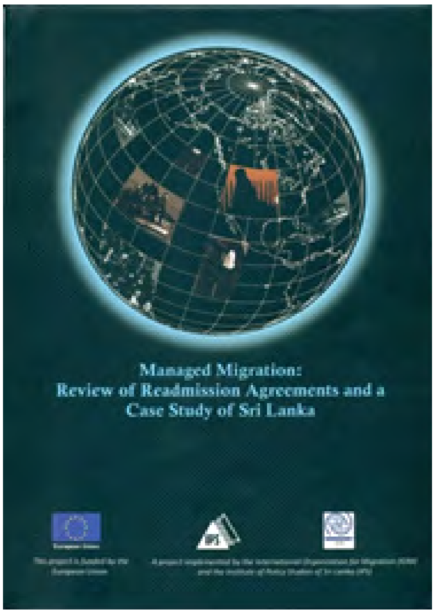


MAY

Managed Migration: Review of Readmission Agreements and a Case Study of Sri Lanka

Chandana Karunaratne and Ashani Abayasekara

Jointly published with the International Organization for Migration (IOM), funded by the European Union

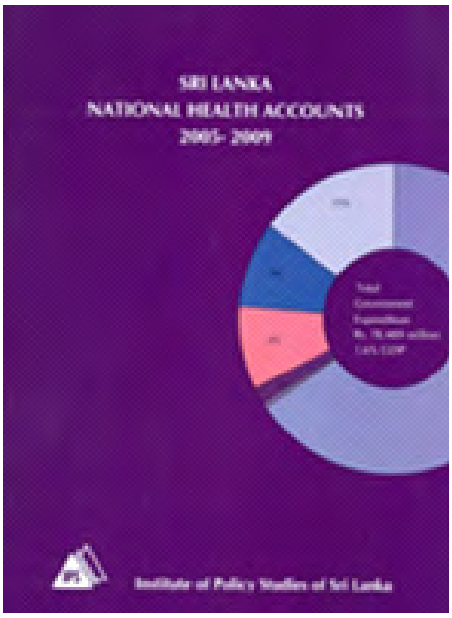


Australia, Canada, and the US remain the most popular destinations for Sri Lankan migrants, while the EU is becoming increasingly important for Sri Lankan nationals seeking employment opportunities. However, there is also evidence of a rise in undocumented Sri Lankan migrants entering the EU. Readmission agreements (RAs) arose as a means of addressing this issue.

An RA regulates the return and readmission of persons between two or more countries. RAs are most commonly used by the European Union (EU). While the act of returning illegal migrants to their country of origin is a common part of repatriation policies in countries around the world, the term, "readmission agreement" is unique to the EU. An RA is an agreement which stipulates the procedures for one state (requesting state) to return migrants illegally present on its territory to their home state or a state through which they passed (requested state), en route to the state which seeks to return them. The primary purpose of RAs is to facilitate the return of non-nationals who do not have permission to remain in the territory of a state, and to formalize the process of returning these individuals to their state of origin.

JUNE

Sri Lanka National Health Accounts 2005 – 2009



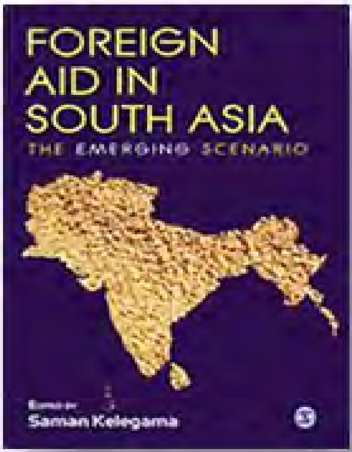
This report, which is the fourth in the series, provides the National Health Accounts estimates for the period 2005-2009.

National Health Accounts describe the financing flows to the national health system, the direction of spending and for what purpose, by function. The boundaries of the health accounting framework are embedded in the health system concept. Health goods and services provided and consumed are seen in relation to health outcomes for the population and the influencing characteristics of the health status. In essence, this means that the health accounting framework is part of a larger model, in which the determinants of health play a crucial role.

July

Foreign Aid in South Asia – The Emerging Scenario

Edited by: Saman Kelegama

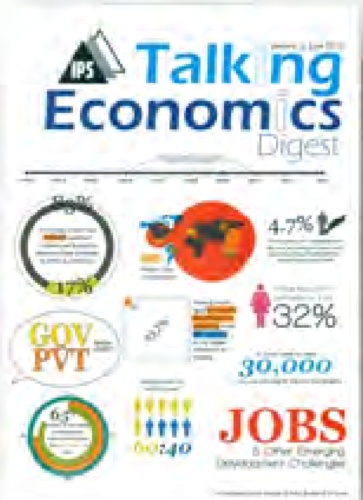


Foreign Aid in South Asia examines the individual South Asian country experience in dealing with foreign aid. The chapters in this book show that the effectiveness of foreign aid as a developmental tool over the last few decades has been mixed, and that the Paris Declaration of 2005 has brought about some improvement in aid ownership, harmonization, mainstreaming, utilization, etc. The book examines how emerging, as well as less developed, South Asian economies are adapting to these developments in the context of security issues, post-conflict rehabilitation/reconstruction, and so on.

The book provides many lessons for designing an international framework for aid or international aid architecture through case studies, highlighting the future policy priorities for that particular country. For the very first time, focus is laid on Bhutan, Maldives and Afghanistan—the three least-documented countries in the region—besides discussing about India, Pakistan, Bangladesh, Sri Lanka and Nepal.

August

Talking Economics Digest (January – June 2012)

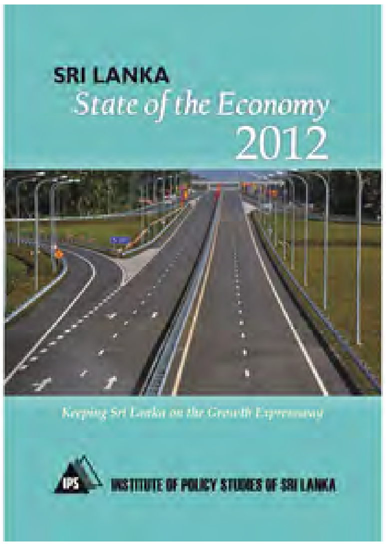


The ***Talking Economics Digest*** is a bi-annual publication of the IPS, which compiles the articles featured on the Talking Economics blog every 6 months, together with 'feature' segments.

September

Sri Lanka: State of the Economy 2012 Report

Theme: Keeping Sri Lanka on the Growth Expressway



Eonomic growth alone should not be the sole yardstick by which governments attempt to gain legitimacy. However, growth matters. Rapid growth over a period of years allows countries such as Sri Lanka to grow from low income levels to middle-income status. The country has seen a remarkable strengthening of its infrastructure development programmes, underpinning the sources of faster growth in recent years. However, sustaining this momentum in the longer term calls for raising Sri Lanka's total factor productivity growth, i.e., the efficiency with which workers and capital are used. With a dwindling working age population, higher long-term growth will critically depend, among other factors, on technological innovation and the availability of a skilled, productive and flexible workforce.

For Sri Lanka, the transition to a post-conflict era raises legitimate economic, political and social aspirations that call for a steady and politically harmonious growth process. Policies, the role of government, the state of the market, and regulatory institutions will determine the country's long-term growth dynamics. In this context, the Sri Lanka: State of the Economy 2012 report examines the many opportunities and challenges on the road to sustained and equitable growth for Sri Lanka in the coming years.

South Asia Economic Journal (Vol.13, No. 2, September 2012)

December

Fostering Innovation to Fast-forward Growth in Sri Lanka

Anushka Wijesinha and Nethmini Perera

Technological transformations are continuing at a rapid pace, and with the emergence of a globalized market-place, all countries are under pressure to become more innovative. Sri Lanka too needs to focus heavily on innovation in this new post-war era, and in that context, this publication looks at the imperative of innovation for Sri Lanka's growth and competitiveness. It explores the status of R&D investment, availability of a skilled talent pool, need for industry-research collaboration, importance of commercialization and innovative financing, and attracting diaspora scientists, among other issues. The paper calls for innovation policy to be considered in a holistic manner, and calls for a powerful National Innovation Council to be set up to drive the agenda at a national, strategic level.

FOSTERING POLICY DIALOGUE

Dr. Saman Kelegama - Executive Director

Made a presentation on "**Trade Liberalization and Consumer Welfare in South Asia**" at the seminar on "**Cost of Non-Cooperation to Consumers in South Asia**" organized by CUTS, SAWTEE, The Asia Foundation and the Commonwealth Secretariat, Kathmandu, Nepal, 3-4 February.

Made a presentation on "**MDG Achievements and New Challenges and Opportunities in Sub-Regional Cooperation**" at the High-Level Sub-Regional Forum on "**Accelerating Achievement of the Millennium Development Goals (MDGs) in South Asia**" at the launch of the "Asia-Pacific MDG Report 2011-2012: Closing the Gap in Health and Nutrition", organized by the UN-ESCAP, ADB, and UNDP, Delhi, India, 17-18 February.

Made a presentation on "**Human Resource Constraints and Way Forward for Think Tank**" at the IDRC TTI Regional Meeting of 16 South Asian grantee institutions organized by the Centre for Study of Science, Technology and Policy (CSTEP), Mysore, India, 4-6 March.

Made a presentation on "**Researching for New Markets and Penetrating into New Markets**" to the National Advisory Committee on Labour Migration, SLFEB Auditorium, Colombo, 15 March.

Made a presentation on "**Sri Lanka's Regional Trade: Challenges and Opportunities**" at the National Symposium on "**EU Trade Policy and the Way Forward for Sri Lanka**" organized by the Department of Commerce and the Commonwealth Secretariat, UK, EDB Auditorium, 26 March.

Made a presentation on "**Challenges for Sustaining Growth in the Sri Lankan Economy**" at the launch of the Economic and Social Survey of Asia and the Pacific-2012, jointly organized by the IPS and UNIC, IPS Auditorium, 10 May.

Made a presentation on "**Economic Outlook of Sri Lanka and the Importance of Overseas Employment**" at the Regional Consultation on Welfare and Protection of Migrant Workers – "**To Serve Sri Lankan Migrant Workers Better**", organized by the Ministry of Foreign Employment and Welfare, Ministry of External Affairs, and ILO, Le Meridian Hotel, Amman, Jordan, 13-15 May.

Made presentations on: (a) "**South Asia Regional Integration: Way Forward**", and (b) "**Bilateral Trade Agreement in the South Asian Region: Sharing the Experience**"; and chaired a session on "**Feedback from Industry on Potential Regional Cooperation**" at a Regional Consultation on "**Potential Regional Trade in Agriculture in South Asia**" organized by ADB, Commonwealth Secretariat, UNDP, and SANEM, BRAC Centre, Dhaka, Bangladesh, 28 May.

Made a presentation on "**Middle East Crisis and its Impact on Global Trade**" at the 5th Regional Group CEO's Meeting of the Berne Union, organized by the Sri Lanka Expert Credit Insurance Corporation (SLECIC), Cinnamon Lodge, Habarana, 21 July.

Made a presentation on "**Regional Economic Integration and Connectivity**" and Chaired a Session on "**Food Security and Agriculture**" at the Expert Group Meeting on "**Inclusive Development and Regional Cooperation in South and South-West Asia**" organized by UNESCAP, Office of South and South West Asia, Delhi, India, 30 & 31 July.

Made a presentation on "**Trade and Investment between Sri Lanka and India**" at the Conference on "**Doubling Indo-Lanka Bilateral Trade and Investment within Five Years**" organized by the Confederation of Indian Industries and the Ceylon Chamber of Commerce at "The India Show", BMICH, 3 August.

Made a presentation on "**South Asian Regional Integration: Implications and Policy Constraints**" and was discussant to a Session on "**Role of a Regional Association**" at the Regional Consultation on "**Strengthening Competiveness of South Asia in Leather and Leather Products**", Hotel Le Royal Meriden, Chennai, India, 3 & 4 September.

Made a presentation at the Concurrent Session on: "**Regional Trade Agreement in South Asia: Current Outlook and Way Forward**", Plenary Session on "**Development Agenda for a New South Asia**" and launched the book "**Foreign Aid in South Asia: Emerging Scenario**", at the 5th South Asia Economic Summit on the theme "**Making Growth Inclusive and Sustainable in South Asia**", Marriot Hotel, Islamabad, Pakistan, 11-13 September.

Made a presentation on "**Market Economy Challenges in Sri Lanka**" at the symposium on "**Market Economic Challenges in South Asia**", organized by KAS and FICCI, Claridges Hotel, Delhi, India, 24 September.

Made a presentation on the "**Sri Lankan Economy and Growth Prospects for 2013**" for Chief Executives of the DFCC, Board Room, DFCC, 15 October.

Made presentations on "**Regional Cooperation for Inclusive and Sustainable Development**" and "**Regional Cooperation for Connectivity in the Sub-region**" at the "**High-Level Policy Dialogue on Regional Cooperation and Inclusive Development in South and South – West Asia**", organized by UNESCAP-SSWA, Sub-Regional Office, Le Meridian Hotel, Delhi, India, 18 & 19 October.

Made a presentation on "**Sri Lankan Economy: The Challenge of Sustaining High Growth at Times of Global Turbulence**" at the Young Presidents Organization (YPO) Intercontinental Chapter, Lakshman Kadirgamar Institute of International Relations, Colombo, 27 October.

FOSTERING POLICY DIALOGUE

Made a presentation and represented Sri Lanka at the "**Indian Ocean Rim Academic Group**" at the "**12th Ministerial Conference of the Indian Ocean Rim Association for Regional Cooperation** (IOR-ARC)", Oberoi Hotel, Gurguon, Delhi, India, 29 October.

Made a presentation on "**An Analysis of Budget 2013**" at a symposium on "**Budget 2013**" organized by the Peradeniya University Alumni Association, Meteorological Centre Auditorium, 12 November.

Made a presentation on "**Stimulating Economic Development through Public Investment on Infrastructure: Scope and Issues**", at the **First International Economic Research Conference of the Sri Lanka Forum of University Economists**, Sri Lanka Foundation Institute Auditorium, 29 November.

Made a presentation on "**Japan-Sri Lanka Economic Relations: Trends and Opportunities**" at the "**60th Year of Diplomatic Relations between Japan and Sri Lanka Conference**", organized at the 17th Joint Committee Meetings of Business Cooperation Committees, BMICH, 6 December.

Dr. Dushni Weerakoon - Deputy Director

Presentation on "**Sri Lanka and MDGs: Lessons from Early Achievers**", at the conference on "**Advocacy Training Workshop for LDCs in Achieving MDGs as Part of the Implementation of the Istanbul Programme of Action**", Kathmandu, Nepal, 18-20 April.

Presentation on "**Learning to Monitor Think Tanks: The Experience of the Institute of Policy Studies of Sri Lanka**", at the "**Think Tank Initiative Exchange**", Cape Town, South Africa, 18-20 June.

Special Comments on "**Migration Across South Asia: Emerging Trends and Opportunities**" at the 5th South Asia Economic Summit entitled "**Making Growth Inclusive and Sustainable in South Asia**", organized by the Sustainable Policy Development Institute (SDPI), Islamabad, Pakistan, 11-13 September.

Panelist at the "**Sri Lanka Economic Forum 2012**" organized by Bloomberg, Hotel Taj Samudra, Colombo, 20 September.

Presentation on "**Sri Lanka: Outlook for Growth and Macroeconomic Stability**" to Corporate/Senior Managers of Hatton National Bank, HNB Towers,19 November.

Dr. Nisha Arunatilake - Fellow

Presentation of the draft report at the "**National Human Development Report - Stakeholder Consultation**" organized by UNDP, Colombo, 16 January.

Presentation on "**Precarious Work in Sri Lanka**", at the Workshop on "**Precarious Work in Asia**" organized by University of Chapel Hill, USA, 24-30 March.

Commented on "**Applying Multidimensional Measures of Poverty**", at the open Forum on "**Measurement of Poverty in Sri Lanka**", Lakshman Kadirgamar Institute of International Relations and Strategic Studies, Colombo, 22 May.

Presentation on "**Skills and Productivity to Compete in the Global Market**" at the Sri Lanka Economic Summit 2012, The Ceylon Chamber of Commerce, Cinnamon Grand, 12 July.

Moderated the session on "**How Can Sri Lanka Stay On The Growth Express Way?: Bridging Disparities Across Sectors, Regions, and Population Groups**" at the IPS Annual National Conference, 7 November.

Discussant at the ILO workshop on "**Participation of Women in the Sri Lanka Labour Force**" Organized by ILO, Galadari, Colombo, 17 December.

Participated at the "**National Tripartite Consultation Workshop**" on "**Key Decent Work Challenges and Policy Areas**", organized by the ILO Country Office for Sri Lanka and the Maldives, Cinnamon Grand Hotel, 1 November.

Participated at "**Chamber of Commerce Steering Committee on Human Resources and Education**", Committee Room B, Chamber of Commerce,14 November.

Discussant at the "**Sri Lanka Forum of University Economists**", 30 November.

Presented the findings of the **"National Human Development Report Sri Lanka"** at the launch of the Sri Lanka National Human Development Report 2012, organized by the UNDP, IPS auditorium, 5 October.

Dr. Malathy Knight - Fellow

Presentation on "**Dimensions of Consumer Protection: A Developing Country Perspective**" at the "**World Consumer Rights Day Forum**" organized by IPS and FCCISL, IPS Auditorium, 15 March.

Discussant/closing remarks at Technical Session 111: "**Competition Policy as a Tool to Contain Food Price Inflation in South Asia**", Regional Seminar on "**Emerging Issues on Trade, Climate Change and Food Security: Way Forward for South Asia**", IPS Auditorium, 31 May – 1 June.

Key Note Presentation on "**Public Private Partnerships for Sustainable and Inclusive Growth: Opportunities and Challenges**" at the Regional Conference on "**Strengthening Cooperation Between Members of Parliament and the Private Sector in Making Public Private Partnerships More Effective**", Dhaka, Bangladesh, 20 October.

FOSTERING POLICY DIALOGUE

Dr. Ganga Tilakaratne - Fellow

Presented the National Paper for Sri Lanka on "**Universalization of Social Security**" at the regional symposium on "**Universalization of Social Security in South Asia**", co-organized by the South Asia Centre for Policy Studies and the Friedrich-Ebert-Stiftung (FES), Kathmandu , Nepal, 3 & 4 October.

Served as a panellist in the session on "**Defining and Delivering a Post 2015 Development Agenda**" at the "**Regional Consultation on Human Development in South Asia**", co-organized by the United Nations Development Programme (UNDP) and the South Asia Centre for Policy Studies (SACEPS), Kathmandu, Nepal, 9-11 October.

Presentation on "**Economic Growth and Employment Creation in Sri Lanka: Perspectives for an Inclusive Growth Agenda**" at the symposium on "**Economic Growth and Employment Creation in South Asia**" of the 54th Labour Conference on Indian Society of Labour Economics, organized by the UNESCAP- South and South West Asia Office, International Labour Organization (ILO) and Institute for Human Development (IHD), Varanasi, India, 21 & 22 December.

Dr. Parakrama Samaratunga - Fellow

Presented a paper on "**Agricultural Pricing and Procurement Policy in South Asia**", at the Global Development Network (GDN) conference organized by GDN & IPS, Galle Face Hotel, Colombo, 22 & 23 October.

Anushka Wijesinha - Research Economist

Presentation on "**Tax Incentives for Investment**", at the Conference on "**SAARC Taxation**", Central Bank, Rajagiriya, 21 February.

Presentation at "**Fifth South Asia Economic Summit**", Islamabad, Pakistan, 11-13 September.

Participated at the PLAN International Seminar to commemorate "**International Day of the Girl Child 2012**", 11 October.

Presentation on "**Leadership in Changing Times**" at "**National Management Conference 2012**", Galle Face Hotel, Colombo, 20 November.

Presentation on "**Economic Expansion and Creation of New Jobs**" at "**Malaysian Institute of Management (MIM) & the Institute of Certified Professional Managers (CPM) International Management Conference 2012**", Taj Samudra Hotel, Colombo, 17 October.

Roshini Jayaweera - Research Officer

Presentation on "**Migration Profile**", at the National Advisory Committee on Migration, 12 July.

Presented the final concept note on "**Researching for New Markets and Penetrating into New Markets**", at the National Advisory Committee on Migration, 16 August.

Presentation on "**Improving Development Impact of Rural Employment for Growth**" at IPS Annual National Conference, IPS, 7 November.

Ayodya Galappattige- Research Officer

Presentation on "**Bridging Economic Capability Gap: Employment and Livelihoods**" at the "**National Human Development Report - Stakeholder Consultation**" organized by UNDP, Colombo, 16 January.

Presentation on "**Social Protection Country Study: Sri Lanka Poverty and Gender Targeting Rates**", at the Regional Workshop on "**Social Protection Index**", ADB Headquarters, Manila, 27-29 June.

Priyanka Jayawardena - Research Officer

Presentation on "**Bridging Social Capability Gaps in Education**" at the "National Human Development Report - Stakeholder Consultation" organized by UNDP, Colombo, 16 January.

Presentation on "**Informal Sector Labour in Sri Lanka**" at South Asia Gender Summit, Paradise Beach Hotel, Negombo, 3-6 September.

Presented the study findings "**Taxation and Distributional Analysis: Will a Tax on Public Servants Improve Progressivity?**", at the "**National Policy Dialogue : The Taxation Link in Sri Lanka's Development: Emerging Issues**", organized by IPS, IPS Conference Room,23 November.

Presented a paper on "**Implications of Income Tax Reforms in 2011, on Revenue and Equity in Sri Lanka**", at the "**Sri Lanka Economic Research Conference 2012**", Sri Lanka Foundation Institute (SLFI), 29 & 30 November.

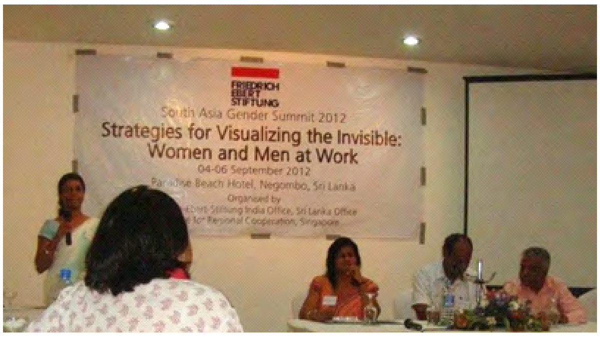
FOSTERING POLICY DIALOGUE

Presented a paper on "**Intergenerational Cycle of Malnutrition and the Disproportionate Burden on the Poor : Sri Lanka**" at the Asia Pacific Academic Consortium for Public Health (APACPH) 2012, BMICH, Colombo,15-17 October.

Made a presentation on "**Education to Meet Changing Needs of the Country**" at the IPS Annual National Conference 2012, IPS, 7 November.

Presented a paper on "**Socio-Economic Determinants of Child Malnutrition and the Disproportionate Burden on the Poor : Sri Lanka**" at the International Conference on "**Global Public Health (GPH 2012)**", Hotel Galadari, 3 & 4 December.

Represented Sri Lanka at the regional conference on "**Social Democratic Reforms in Addressing Health Inequities**" at the Grand Millennium Hotel in Kuala Lumpur, Malaysia, 28-30 October.



Sunimalee Madurawala - Research Officer

Moderated the session on "**How Can Sri Lanka Stay On The Growth Express Way?: Private Enterprise Growth, Foreign Direct Investment, Innovation, and Competitiveness**" at the IPS Annual National Conference, 7 November.

Presentation on "**Human Resource Development for Sustaining Growth**" at the IPS Annual National Conference 2012, organized by IPS, IPS, 7 November.

Presentation on "**Women in Value Chains: Female Participation in the Apparel Industry in Sri Lanka**" at the Policy Dialogue on "**Value Chains for Inclusive Development - Lessons and Policies for South Asia**" jointly organized by the Institute for Human Development, New Delhi and Capturing the Gains Research Network, University of Manchester, in association with UN-ESCAP, South and South-West Asia Office, New Delhi, Centre for Globalization, Governance and Competitiveness, Duke University, Centre for Policy Dialogue, Bangladesh and CARE-International, Bangladesh, Dhaka, Bangladesh, 24 & 25 November.

Kanchana Wickramasinghe - Research Officer

Presentation on "**Environmental Management Practices in the Hotel Sector**", IPS Conference Room, 26 September.

Presentation on "**Energy Management in the Hotel Sector: Concepts and Trends**" at the Seminar titled "**Tourism and Sustainable Energy**", organized by the Sri Lanka Tourism Development Authority (SLTDA), Ramada Hotel, Colombo, 27 September.

Dilani Hirimuthugodage - Research Officer

Presentation on "**Impact of Policy Interventions in International and Domestic Markets for Agricultural Commodities on Food Security in Sri Lanka**" at the 1st Planning Workshop on "**Food Security National Thematic Research Programme**", organized by the National Science Foundation (NSF), NSF Auditorium, 1 June.

Presentation on "**The TRIPs Agreement in Protecting New Plant Varieties and Farmers' Traditional Knowledge in Sri Lanka**" at the International Symposium on "**Agriculture & Environment**" organized by the Faculty of Agriculture at the University of Ruhuna, 29 November.

Presentation on "**How Can Sri Lanka Expand Tea Exports?**", with members of the Tea Exporters Association at IPS Conference Room, 19 December.

Presentation on "**Costs of Economic Non-Cooperation to Consumers in South Asia**" at the Consumer Rights Day Forum, organized by IPS and FCCISL, IPS Auditorium, 15 March.

Ashani Abayasekera- Research Assistant

Presentation on "**The Textile and Clothing Sector in Sri Lanka: An Overview**", organized by Indian Council for Research on International Economic Relations (ICRIER), ICRIER Conference Room, New Delhi, 30 March.

Presentation on "**Economic Connectivity in South Asia**" at the Conference on "**Preparatory Regional Conference on Connectivity in South Asia**", organized by the Institute of Peace and Conflict Studies (IPCS) in collaboration with the Konrad Adenauer Stiftung (KAS), Kathmandu, Nepal, 6-7 April.

FOSTERING POLICY DIALOGUE

Presentation on "**Reforming Trade Processes and Procedures in Sri Lanka**", at the Conference on "**Facilitating Trade in South Asia: Challenges and Way Forward**", organized by the Research and Information System for Developing Countries (RIS), Centre for WTO Studies (CWS), Indian Institute of Foreign Trade (IIFT), and Federation of Indian Chambers of Commerce and Industry (FICCI), Delhi, India, 28 May

Presentation on "**Improving Trade Processes and Procedures in Sri Lanka**" at a Conference on "**Trade Facilitation in South Asia: Addressing Barriers to Foster Trade Chain**", organized by the SAARC Chamber of Commerce and Industry in collaboration with the Federation of Chambers of Commerce and Industry of Sri Lanka and Friedrich Naumann Stiftung, Taj Samudra Hotel, Colombo, 13 July.

Presentation on "**Enhancing Economic Connectivity within South Asia: Alternative Approaches**" held at a Conference on "**Strengthening Physical, Emotional and Economic Linkages in South Asia**", organized by the Institute of Peace and Conflict Studies (IPCS) in collaboration with Konrad Adenauer Stiftung (KAS), Thimpu, Bhutan, 10-14 September.

Presentation on "**Globalization and an Evolving South Asia: Opportunities and Challenges**", at a forum on "**The Future of Employer Organizations in South Asia**", for ILO South Asia Employer Organizations Meeting, organized by ILO, International Training Centre (ITC), Hotel Galadari, Colombo, 2 October.

Presentation on "**Strengthening the Textile and Clothing Sector in South Asia**", at the final workshop on "**Strengthening Textiles and Clothing Sector in South Asia**", organized by the Indian Council for Research on International Economic Relations (ICRIER), at ICRIER Conference Room, Delhi (Participated from Colombo via Skype), 16 November.

Presentation on "**Value Chains and Inclusive Development: The Apparel Industry of Sri Lanka**" at the conference on "**Value Chains for Inclusive Development – Lessons and Policies for South Asia**", organized by the Institute for Human Development, New Delhi and Capturing the Gains Research Network, University of Manchester, at BRAC Centre Inn, Dhaka, Bangladesh, 24 & 25 November.

Presentation on "**GSP+ Removal and the Apparel Industry in Sri Lanka: Implications and Way Forward**" at the First Sri Lanka Economic Research Conference, organized by the University of Colombo, Sri Lanka Foundation Institute, Colombo, 29 & 30 November.

Chandana Karunaratne - Research Assistant

Presentation on "**Impact of Trade Agreements on Capital Markets in Sri Lanka**", at the Seminar on "**Policy Conflicts of the Capital Market**" organized by the Institute of Chartered Corporate Secretaries, Colombo, 21-27 January.

Presentations on "**Sri Lanka-Vietnam Trade Progress and Prospects**" and "**Sri Lanka-Vietnam Investment Opportunities**", at the Seminar on "**Exploring the Potentials for Sri Lanka - Vietnam Economic Cooperation**", organized by IPS together with the Embassy of Vietnam, IPS Auditorium, 30 March.

Presentation on "**Export Processing Zones (EPZs) and their Impact on Trade Facilitation and Poverty Reduction in Sri Lanka**", at UNESCAP ARTNet conference, Hotel Galadari, Colombo, 1 & 2 November.

Presentation on "**Private Enterprise Development**" for "**IPS Annual National Conference**", IPS Auditorium, 7 November.

Long-serving IPS Staff Members Recognized and Appreciated

Chairman & Executive Director gave out appreciation awards to IPS staff members who had served the Institute for one-and-a-half decades and another set of awards for those who had served for more than two decades, at the IPS Annual Dinner, on 7th December 2012.

Talking Economics Blog Articles 2012

JANUARY

India's Middle Class Boom: Sri Lanka Must Cash In
Anushka Wijesinha, Insights, January 18

Mainstreaming Migration into the Development Process – Budget 2012 Takes Vital Steps
Roshini Jayaweera, Insights, January 04

FEBRUARY

Numbers Matter to People: Lessons from "OWS" for Researchers?
Anushka Wijesinha, The Note Pad, February 27

World Economy Health Check: Mixed Bag of Prospects in 2012
Chandana Karunaratne Global View February 21

MARCH

Consumers' Voice Missing in Sri Lanka's Debates on Deeper Regional Integration
Ashani Abayasekara Feature March 14

How Can we Create More and Better Jobs in Sri Lanka? – What the Public had to Say
Editorial Team Feature March 13

Sri Lanka's Youth Employment Challenge: A Dilemma of Attitudes and Aspirations
Kaushalya Attygalle The Note Pad March 11

Sri Lanka's Female Workers and the Challenge of 'Precarious Work'
Nisha Arunatillake Feature, Insights March 08

Towards Better Jobs in Sri Lanka
Kalpana Kochhar Guest Articles March 02

An Ocean of Wealth: Sri Lanka Must Make Good Use of It
Kanchana Wickremasinghe Insights March 01

APRIL

Malaysia and Sri Lanka: Dilemmas of the Development Process
Kaushalya Attygalle The Note Pad April 29

Latest 'Talking Economics Digest' available online
Editorial Team Feature April 26

A New 'World's Banker'
Anushka Wijesinha Global View, Insights April 23

Divi Neguma – A Closer Look
Dilani Hirimuthugodage Insights April 17

What Really is a 'Better Job' in the Sri Lankan Context?
Nipuni Perera The Note Pad April 09

MAY

Microinsurance in Sri Lanka: Combating Multiple and Overlapping Vulnerabilities
Editorial Team Insights May 30

Tight and Trim Now, Lean and Mean Later?: The Debate on Austerity and Adjustment in Tough Times
Anushka Wijesinha Global View May 21

Read 'Talking Economics' on your iPad!
Editorial Team Uncategorized May 08

Expanding Tertiary Education Critical to Sri Lanka's 'Knowledge Hub' Aspirations
Priyanka Jayawardena Insights May 08

JUNE

Rio+20: Towards a 'Green Growth' Path
Kanchana Wickremasinghe Insights June 22

Facing the Fallout of a Possible 'Grexit' and a Euro Break-up: Time for Preparation for Developing Countries
Research Team Global View June 12

Multidimensional Poverty Index: A New Way of Assessing Poverty in Sri Lanka
Editorial Team Feature June 10

'Talking Economics' with Tan Tai Yong, Director of Singapore's Institute for South Asian Studies
Editorial Team Feature June 05

JULY

Economic Freedom and the Asian Century
Razeen Sally Guest Articles July 20

Nanotechnology in Sri Lanka: A New Beginning with a New Technology but Commitment is Key
Ajith De Alwis Guest Articles, Talk Nanotech July 02

AUGUST

Read the Latest 'Talking Economics Digest' Online
Anushka Wijesinha Insights August 27

Lankan University Graduates: Late Birds, No Worms?
Harshanee Jayasekera Insights August 22

TE Digest Editorial – 'It's All About Jobs'
Editorial Team - The Note Pad August 20

Greening Jobs in Sri Lanka: Getting Things Started
Kanchana Wickremasinghe - The Note Pad August 13

Talking Economics

Blog Articles 2012

SEPTEMBER

Giving Tourism a Green Shade: Studying Environmental Practices in Sri Lanka's Hotels
Kanchana Wickremasinghe - The Note Pad September 27

Free Downloads of Policy Briefs – 'Sri Lanka: State of the Economy 20102
Editorial Team - The Note Pad September 26

5th South Asia Economic Summit – Video Interview with Dr. Saman Kelegama
Editorial Team - The Note Pad September 17

OOP(s)! – Struggling for Equity in Sri Lanka's Health Sector amidst Rising Out of Pocket Expenditure
G D Dayaratne - Insights September 06

NOVEMBER

Releasing 375 pages of content – free download of SOE Policy Briefs (2005-2009)
Editorial Team Feature November 28

Fiscal Imperatives for Growth and Stability
Dushni Weerakoon Insights November 20

'Sri Lanka: State of the Economy 20122 e-book released
Editorial Team Feature November 14

Mind the Gap: How Will Sri Lanka Finance its Development Needs?
Anushka Wijesinha Insights November 06

OCTOBER

Gender Equality in Human Development: What's Holding Sri Lanka Back?
Sunimalee Madurawala - Insights October 30

'The Jobs Challenge' – Videos from our Expert Voices Panel Discussion
Editorial Team Feature October 23

Global Trade Protectionism is Rising Discreetly: Sri Lanka Must Stay Alert
Ashani Abayasekara Global Perspectives October 18

Video: Sri Lanka National Human Development Report 2012
Editorial Team Feature October 17

The Narrow Human Resource Base in Science and Technology Could Constrain Sri Lanka's Knowledge Economy Ambitions
Harshanee Jayasekera Insights October 10

DECEMBER

Healthy Public Policies Begin with Health in All Policies
Samanthi Bandara Feature December 14

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

Financial Statements

31st December 2012

The Auditor General's Final Report was not available at the time of publication of the Annual Report. This report will be uploaded in the IPS website (www.ips.lk) when it is available.

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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT

මගේ අංකය / எனது இல / My No. LS/B/IPS/FA/2012

ඔබේ අංකය / உமது இல / Your No.

දිනය / திகதி / Date 30 September 2013

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 2012

The audit of Financial Statements of the Sri Lanka Institute of Policy Studies for the year ended 31 December 2012 comprising the balance sheet as at 31 December 2012 and the income statement, 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 Act, No. 9 of 1999. My comments and observations on these 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 Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. 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.

අංක 306/72 පොල්දූව පාර, බත්තරමුල්ල , ශ්‍රී ලංකාව
இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை இலங்கை
No.306/72, Polduwa Road, Battaramulla , Sri Lanka

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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 assessments, the auditor considers internal control relevant to the Institute's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of 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 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 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Accounting Deficiencies

The following observations are made.

(a) Even though a sum of Rs.82,900,000 had been invested as at 31 December 2012 in the name of the Institute in a private Bank, that amount had not been disclosed in the financial statements for the year 2012. Even though the audit was informed that the said money belonged to the Endowment Fund, no information whatsoever relating to that Fund had been included in the Statement of Financial Position for the year under review.

(b) A sum of Rs.793,845 brought to account in the year 2010 as receivable from the Treasury, though not receivable from the Treasury after the elapse of the relevant year, had been written off as an expenditure for the year.

2:2:2 Sri Lanka Public Sector Accounting Standards

Sri Lanka Public Sector Accounting Standard No. 1.

The Treasury Bills and Fixed Deposits had not been properly classified and shown in accordance with paragraphs 77,78 and 79 and the Format appearing in the Statement of Financial Position.

2:2:3 Accounts Receivable

(a) Debtors

The accounts receivable totaled Rs.7,402,111 and action had not been taken for the recovery of debtors balances amounting to Rs.1,311,005 existing over a long period.

(b) Staff Loans

Even though all the staff of the Institute of Policy Studies are recruited on contract basis for one year, loans exceeding a period of one year had been granted to those officers.

2:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The yearly, half yearly and quarterly progress reports had not been prepared in terms of Section 4.2.6 of the Public Enterprises Circular No. PED/12 of 02 June 2003.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operating result for the year amounted to a surplus of Rs.916,970 as compared with the corresponding surplus of Rs.343,442 for the preceding year, thus indicating an improvement of Rs.573,528 in the financial result.

3:2 Analytical Financial Review

(a) Total Income

The total income of the Institute of Policy Studies amounting to Rs.101,197,612 for the year 2011 had increased by a sum of Rs.20,244,366 to Rs.121,441,978 or 20 per cent in the year 2012. The items that affected such increase are given below.

Item	Income		Increase
	2012	2011	
------	------	-------	-----------
	Rs.	Rs.	Rs.
Treasury Contribution	13,666,000	12,701,000	965,000
Contribution of the Endowment Fund	22,000,000	7,500,000	14,500,000
Income from Workshops and Seminars	7,651,720	3,996,181	3,655,539
Interest Income	20,386,916	14,569,419	5,817,497
Hire of Auditorium	1,172,320	222,140	950.180

(b) Project Income

The income from the Study Projects, which is the main business activity of the Institute, received in the year under review amounted to Rs.49,355,732 and that as compared with the income of Rs.54,160,812 for the preceding year, indicated a decrease of Rs.4,805,080 or 9.8 per cent.

4. Operating Review

4:1 Performance

Out of the objectives and purposes appearing in Section 6 of the Sri Lanka Institute of Policy Studies Act, No. 53 of 1988 the commencement, promotion and maintenance of studies relating to the national development plans and policies should be done in accordance with Sub-section (a) thereof. But such information of the year under review had not been furnished to audit.

4:2 Operating Inefficiencies

(a) Research Expenditure

The research expenditure amounting to Rs.13,289,655 in the year 2011 had increased by Rs.7,334,166 or 60 per cent to Rs.20,623,821 in the year 2012. It was observed that the projects received by the Institute done through external companies or individuals had been the reason for the decrease of project income by 10 per cent and the increase of project expenditure by 60 per cent.

(b) Study Projects

The following observations are made.

(i) Signed agreements were not available for Study Projects.

(ii) Memorandums of Understandings had not been signed between the Institute of Policy Studies and the local or foreign employer institutions before the commencement of the projects.

(iii) There were delays in the issue of the final reports on Study Projects.

(iv) Invoices had not been issued on the due dates according to the progress the studies done by the Research Division and there was no proper co-ordination in that connection between the Research Division and the Accounts Division.

(v) Invoices had not been issued for completed projects.

(c) Study Projects executed through Private Companies

(i) A sum of Rs.6,036,820 had been received from the Ministry of Power and Energy for the Feasibility Study on the Interconnection between India and Sri Lanka Power Transmission Grids Complementary Studies to be conducted for the Government of Sri Lanka. The following observations are made in connection with the contract.

* Payments had been completed without the recommendation of a responsible officer or a committee of the Institute of Policy Studies, and the study had been conducted with the concurrence with the Ministry of Power and Energy and in a manner suitable to that Ministry.

* It was established in audit, that in the assignment of the various studies received by the Institute to external institutions, cost estimates had been prepared without paying attention to financial contribution charges.

* The contract had been awarded without following the procurement procedure.

(ii) Two projects, namely, the Handbook on the India Sri Lanka Free Trade Agreement and the Trade Opportunities in Sri Lanka for the Indian Business Community had been commenced after entering into an agreement with the High Commissioner for India. According to the agreement, a sum of Rs.1,405,000 comprising Rs.700,000 and Rs.705,000 should be paid at the completion of the contract. The High Commissioner for India had paid a sum of Rs.700,000 on 21 March 2011, that is, 14 days after the signing of the agreement by the Executive Director of the Sri Lanka Institute of Policy Studies on 07 March 2011. The following observations are made in this connection.

* According to the agreement, the final draft and 1,000 copies of the printed Handbook should have been handed over by 31 May 2011. Evidence that the work was done on the specified date had not been furnished.

* Adequate attention had not been paid for the recovery of the balance sum of Rs.705,000 receivable from the High Commissioner for India.

(iii) The Procurement Procedure had not been followed in connection with the contract valued at Rs.1,382,500 for the field work on the Consultancy Service for Local Authority Survey for Northern and Eastern Province, North East Local Service Improvement Project.

(d) Projects carried out without Written Requests

According to the file maintained for the Survey of Informal Sector Enterprises and Survey of Employable Disabled was conducted at the request of the Department of Labour and the draft report had been furnished. The estimated income of the project amounted to Rs.564,163. Nevertheless, a written request made by the Department of Labour had not been furnished to audit.

(e) The information on the registration of the individuals and companies that can execute research projects had not been recorded.

(f) The Value Added Tax amounting to Rs.184,900 on transactions with invoice value of Rs.1,725,733 had not been recovered from the clients.

(g) A Fund on employee welfare work had been established over 9 years ago and a sum of Rs.1,300,225 of that Fund had been invested in Treasury Bills by the end of the year under review. The Fund had not incurred any expenditure whatsoever for the welfare activities of the officers even by 31 May 2012.

(h) The expenditure on lectures and workshops amounting to Rs.1,425,719 in the year 2011 had increased by Rs.4,149,211 or 291 per cent to Rs.5,574,930 in the year under review. Even though the expenditure on workshops had increased, the workshop income for the year under review, as compared with Rs.3,996,181 for the year 2011, amounted only to Rs.7,651,720 and as such the increase represented 91 per cent.

4:3 Apparent Irregularities

The Project PJ 65F Consultancy for a Study on Private Sector Disaster Risk Reduction had been a Study Project of UNISDR and that had been assigned to three officers of the Institute. The sum of US$ 10,000 received into a private Bank Account of the Officer incharge of the Project had been credited later to the Bank Account of the Institute of Policy Studies. The need for the research staff to supply of information of private Bank Accounts to the client institutions was not explained to audit.

4:4 Staff Administration

The expenditure on the staff of the Institute for the year under review amounted to Rs.49,860,529 and as compared with expenditure on staff for the preceding year amounting to Rs.46,371,858 indicated an increase of Rs.3,488,671.

(a) Even though every institution should maintain an approved cadre in terms of Section 9.2(b) of the Public Enterprises Circular No. PED/12 of 02 June 2003, the approval of the Department of Management Services had not been obtained for the cadre of the Institute.

(b) Action in terms of paragraph 1 of the Management Services Circular No. 39 of 26 May 2009 had not been taken to obtain the recommendation of the Salaries and Cadre Commission for the salaries and allowances.

(c) Even though a request was made to furnish to audit the particulars relating to the projects assigned in the year 2012 to 20 members of the Research Staff, the progress of those projects and the other duties performed by that staff, incomplete particulars only had been furnished to audit. The Chairman informed that a Handbook of Operations will be prepared by the Institute in terms of Section 6(a) of the Sri Lanka Institute of Policy Studies Act, No. 53 of 1988 and that action will be taken in accordance with the provisions therein.

5. Accountability and Good Governance

5:1 Corporate Plan

Even though a Corporate Plan for the period ending in the year 2013 had been prepared, information on the periodical review and updating of the plan had not been furnished to audit.

5:2 Action Plan

The Action Plan for the year 2012 had not been furnished.

5:3 Audit Committee

Even though the Audit Committee had held one meeting in the year 2012 a representative of the Auditor General had not been invited to participate as an observer.

5:4 Procurement Plan

A Procurement Plan for the year under review had not been prepared.

5:5 Budgetary Control

A budget prepared by the Sri Lanka Institute of Policy Studies for the year 2012 had not been furnished to audit while the expenditure only on the contractual service had been prepared for furnishing to the Department of National Budget.

5:6 Observations on the Unsettled Audit Paragraphs

(a) Directives of the Committee on Public Enterprises made at the meeting held on 26 July 2012.

(i) The written approval of the Treasury in accordance with Directive No. 10 had not been obtained for the Human Resources Management Procedure.

(ii) The approval of the Treasury in accordance with Directive No. 12 had not been obtained for the Operations Manual.

(iii) The preparation of accounts and presentation for audit by the Board of Management of the Endowment Fund had not been supervised in accordance with Directive No. 20.

(b) Report of the Auditor General on the Financial Statements for the year ended 31 December 2011.

A block of land, half acre in extent out of the Samurdhi Nursery at the Torrington Square in the Division of the Divisional Secretary, Thimbirigasyaya had been handed over to the Institute of Policy Studies and a sum of Rs.5,460,000 had been paid as the lease rent thereon. Nevertheless, the long term lease deed on the land had not been received up to date.

6. Systems and Controls

Special attention is drawn to the following areas of systems and controls.

(a) Study Projects
(b) Debtor Control
(c) Staff Loans
(d) Use of Library Books

H.A.S. Samaraweera
Auditor General

-/dk.

Responses to the Audit Report for 2012

Reference No: LS/B/01/IPS/FA/2012

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

(a) Endowment Fund is an independent fund and it is audited separately. Management of the fund will be taken over by the Board of Trustees who have been already identified. Separate accounts will be prepared for the Trust.

(b) Rs.793,845 of the Government grant for 2010 was not paid in that year. This was written off in 2012 as an expense. Comparative figures were not re-stated as the amount is not material compared to the Net Assets of the Institute.

2.2.2 Sri Lanka Public Sector Accounting Standards

All investments are classified under Non-Current Assets on the face of the Balance Sheet. Short-term, long-term categorization is not followed. As highlighted by Audit, correct classification will be followed going forward.

2.2.3 Accounts Receivables

(a) Debtors

All attempts are being made to collect these amounts. Current status of the outstanding amounts are as follows:

Indian High Commission Rs. 753,760
Work is in progress

Ministry of Finance Rs.216,172
Relates to the printing cost of the report. All attempts are being made to collect this amount.

Indian Council Rs. 341,073
Dues collected in 2013.

(b) Staff Loans

Members of the staff are recruited on contract basis due to the nature of funding (reliance on project funds and not Government funds). IPS Manual of Operations (MOO) permits granting of loans to its staff who have completed two years of service and only if there is a possibility of their contracts being renewed for a further period. Re-payment period will not exceed three years.

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

(a) Quarterly reports are submitted to the Board of Governors and are available for audit.

3.Financial Review

3.1Financial Results

A surplus of Rs.916,970 was recorded during the year. This is an increase of Rs. 573,528 over previous year.

3.2 Analytical Financial Review

(a) Total Income

3.2 Analytical Financial Review

(a) Total Income
Total income increased by 20% over previous year.

(b) Project Income
In 2011, 36 new projects were started compared to 33 in 2012.The reason for the drop in revenue by 9% in 2012 is mainly due to a few large scale projects with substantial amount of revenue being closed in 2011 and not continuing in 2012.

4. Operating Review

4.1 Performance

Many projects were carried out pertaining to national development plans, and policy related matters during the period under review. A few examples are The State of the Economy 2012, Feasibility Study on India Sri Lanka Power Grid Interconnection, Child Wellbeing and Equity and Protecting Plant Varieties and Farmers Traditional Knowledge.

4.2 Operating Inefficiencies

(a) Research Expenditure
It is imperative that the Institute outsource certain work, especially where it involves work of technical nature. Increase in research expenditure in 2012 by 60% is due to a one off assignment that had to be outsourced for "Feasibility Study of the Interconnection Between India and Sri Lanka Power Transition Grids" project which was under taken at the request of the Ministry of Power and Energy.

b) Study Projects
i) & ii) Ministries do not sign contracts/MOU s. When the project is awarded to IPS, a letter of award is issued.
Survey on "Informal Sector Enterprises and Employable Disables" was under taken at the verbal request of the Department of Labour (Letter of Award was not issued).

iii), iv) & v) The Department of Labour was restructured and two divisions were set up. Both divisions were not aware of the survey and as a result survey work and submission of the report delayed. Invoice was not raised because the survey was conducted based on a verbal request and the invoicing party was not clear after the Department was restructured.

(c) Study Projects Executed Through Private Companies
(i) Payment to the private consultancy firm was made only after the draft report was submitted to the Ministry of Power and Energy and the same was accepted.

This is a project done for the Ministry of Power and Energy at a subsidised rate. A budget was prepared keeping a nominal income to the IPS and the budgeted income was earned.

The project was carried out at the request of The Ministry of Power and Energy. Quotations were called. Evaluation and selection of the consultancy firm was handled by the Ministry.

(ii) Two researchers who were involved in this study left the Institute for higher studies overseas. The project had to be re-assigned to other researchers who had the skills to conduct the project. Hence the delay.
As at 31 December 2012, projects are in progress. Project status and the outstanding amount was followed up with the researcher. Documentary evidence is available for audit.

(iii) This is a project started in 2010.Field work had to be carried out in the Northern and Eastern regions of Sri Lanka and the survey had to be conducted in Tamil. Field Lanka has the expertise to conduct surveys in Tamil, hence they were selected.

(d) Projects Carried Out Without Written Requests
Survey on "Informal Sector Enterprises and Employable Disables" were under taken at the verbal request of the Department of Labour (Letter of Award was not issued).

(e) List of funding agencies is available and is set up in the accounting system. There is no process for registration of donors as this is not practical since many of them are Ministries and small time donors.

(f) This is an Internal Audit query raised in June 2012.Meausures have been taken to issue Tax Invoices as per VAT Act where applicable.

(g) The staff welfare investment has been used as and when required. As no requirement arose in 2012, this was not utilized. This is because the long-term grant obtained from the IDRC TTI initiative allowed for staff expenditure. Therefore, the welfare requirements (training, etc) was incurred under the IDRC TTI budget line.

(h) 59% of seminar and workshop expenditure includes accommodation and airfare costs of foreign delegates who participated in the seminar on "Emerging Issues on Trade, Climate Change and Food Security" which were reimbursed to IPS on actual basis. Seminar expenditures and revenue fluctuate from year-to-year in all research institutions.

4.3 Apparent Irregularities
(a) As per the Manual of Operations (MOO) of the IPS, where the work of an individual consultancy project is related to the IPS Research Programme and contributes to the research base of the IPS, the Executive Director has the authority to authorise the private consultancy.

Under private consultancy arrangements, IPS cannot invoice the funding agency, as IPS is not a party to the contract. It is the responsibility of the consultant to collect dues from the donor and reimburse IPS. Under such private consultancy arrangements, consultant's emoluments must be fully reimbursed to IPS. For this reason, bank account details of the consultant is provided.

4.4 Staff Administration
(a) & (b) The IPS does not come under the Government of Sri Lanka Administrative Regulations. The IPS Act No: 53 of 1988 , section 6 (a) provides full powers to the IPS Governing Board and the 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 directives of the Governing Board.

(c) Work performed in the form of projects, proposals, publications etc. by research staff is tracked quarterly. This information was provided to the Auditors. If more information is required for audit purposes, same has to be communicated to the IPS so that information can be tracked in the required manner and provided to the Auditors.

5.Accountability and Good Governance

5.1 Corporate Plan
IPS Corporate Plan is available. The process to develop a strategic Plan has commenced and it will be rolled out in 2013.

5.2 Action Plan

Action Plan (Budgets) for 2012 and 2013 were prepared and approved by the Governing Board**.**

5.3 Audit Committee

Instructions to invite the Government Audit Department was a request made by the COPE in July 2012.All Audit Committee meetings held since then, have been informed to the Government Audit Department.

5.4Procurement Plan

Three Quotations are called for all material purchases. This is analysed and approved based on the requirements and also by a designated committee appointed by the Executive Director.

5.5 Budgetary Control

Budget vs. Actual Expenditure statement is presented to the Board annually and the Board approves the annual Expense Forecast. Thereafter, actual expenditure is presented to the Board on a quarterly basis.

5.6 Observations On The Unsettled Audit Paragraphs

(a) Directives Of The Committee on Public Enterprises (COPE) Made At The Meeting Held on 26 July, 2012

i) Procedure for the Management of Human Resources is in the Manual of Operations (MOO) of the IPS.MOO has been approved by the Governing Board, in which the Secretary to the Treasury is a member.

ii)The MOO has been submitted to the Treasury for approval which is still pending.

iii) Management of the Endowment Fund will be taken over by the Board of Trustees who have been already identified. Separate accounts will be prepared for the Trust.

(b) Report Of The Auditor General on The Financial Statements For The Year Ended 31 December 2011.

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

(6) Systems and Controls

(a) Study Projects

Refer responses to 4.2 (b) and (c)

(b) Debtor Controls

Refer response to 2.2.3 (a). Further, Management is aware of the long outstanding debtors, especially dues from Ministries and Government Agencies and will make every effort to collect the outstanding amounts.

(c) Staff Loans

Refer response to 2.2.3 (b)

(d) Use of Library Books

Library rules and guidelines are strictly followed. If books are lost/not returned, borrower is fined and cost is recovered from the salary.

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL PERFROMANCE

For the year ended 31st December	Note	2012 Rs.	2011 Rs.
Revenue			
Contribution from the Government of Sri Lanka	2	13,666,000	12,701,000
Contribution From the Endowment Fund		22,000,000	7,500,000
Project Income	3	49,355,732	54,160,812
Income from Seminar/Workshops	4	7,651,720	3,996,181
Interest Income		20,386,916	14,569,419
Income from Amortization of Building		6,242,012	6,274,023
Income from Hiring the Auditorium		1,172,320	222,140
Miscellaneous Income	5	967,278	1,774,036
Total Revenue		**121,441,978**	**101,197,612**
Expenses			
Employee Cost	6	49,860,529	46,371,858
Depreciation on Property, plant and equipment	13	19,872,701	16,521,793
Research Cost	7	20,623,821	13,289,655
Seminar and Workshop Cost		5,574,930	1,425,719
Utility Expenditure		16,466,197	15,450,470
Travel Expenses		785,121	1,212,923
Other Operating Expenses	8	6,800,219	3,485,215
Hire of Auditorium		622,511	75,677
Exchange Loss/(Gain)		(81,021)	3,020,860
Total Expenses		**120,525,008**	**100,854,170**
Surplus/(Deficit) Before Taxation		916,970	343,442
Income Tax Expense	9	0	0
Surplus/(Deficit) for the Period		**916,970**	**343,442**

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2012 Rs.	2011 Rs.
ASSETS			
Current Assets			
Cash and Cash Equivalent	10	4,048,958	18,064,518
Trade receivables		7,402,111	1,311,005
Inventories - Publications		1,369,944	1,535,187
Deposits and Prepayments	11	18,666,394	2,240,133
Interest Receivable		7,320,247	3,839,901
VAT Receivable		1,204,187	710,098
Other Receivables	12	3,062,502	4,085,528
Total Current Assets		**43,074,343**	**31,786,369**
Non Current Assets			
Property, Plant and Equipment	13	341,505,506	360,016,948
Investments	14	203,132,036	188,586,304
Total Non Current Assets		**544,637,542**	**548,603,252**
Total Assets		**587,711,885**	**580,389,621**
LIABILITIES			
Current Liabilities			
Trade and Other Payables	15	9,326,549	13,389,653
Advance Receipts on Projects	16	33,221,579	17,091,061
Total Current Liabilities		**42,548,128**	**30,480,713**
Non Current Liabilities			
Employee Benefits	17	9,484,256	9,027,633
Staff Welfare Fund		1,287,671	1,164,402
Deferred Income- Capital Grants	18	299,616,613	305,858,626
Total Non Current Liabilities		**310,388,540**	**316,050,660**
Total Liabilities		**352,936,668**	**346,531,374**
Net Assets		**234,775,217**	**233,858,248**
NET ASSETS/EQUITY			
Capital contributed by;			
Accumulated surplus		232,631,073	231,714,104
Initial Transfer of Capital from Government/Grantor		2,144,144	2,144,144
		234,775,217	**233,858,248**

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 Sector Accounting Standards.

Chief Financial Officer

Executive Director

Chairman

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

27 March 2013

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

For the year ended 31st December 2012

	Capital	Surplus/ (Deficits)	Total
	Rs.	**Rs.**	**Rs.**
Balance as at 31 December 2010	**2,144,144**	**231,370,662**	**233,514,806**
Surplus of income during the year	0	343,442	343,442
Balance as at 31 December 2011	**2,144,144**	**231,714,104**	**233,858,248**
Surplus of income during the year	0	916,970	916,970
Balance as at 31 December 2012	**2,144,144**	**232,631,074**	**234,775,218**

INSTITUTE OF POLICY STUDIES OF SRI LANKA
STATEMENT OF CASH FLOW

For the year ended 31st December	2012 Rs.	2011 Rs.
Cash Flow From Operating Activities		
Surplus/(Deficit) Before Taxation	916,970	343,442
Adjustments for;		
Contribution from Staff Welfare Fund	123,269	181,766
Depreciation on Property, Plant and Equipment	19,872,701	16,521,793
Income on the Amortization of Building	(6,242,012)	(6,274,023)
Provision for Gratuity	2,004,182	2,117,104
Interest Income	(20,386,916)	(14,569,419)
Gain/(loss) on Disposal of Fixed Assets	0	(860,000)
Net cash inflow/(outflow) Before Working Capital Changes	(3,711,806)	(2,539,337)
(Increase)/ Decrease in Trade Receivables	(6,091,106)	1,476,931
(Increase) /Decrease in Inventories	165,243	(14,858)
(Increase)/Decrease in Deposits and Prepayments	(16,426,261)	652,741
(Increase)/ Decrease in Vat and Other Receivables	528,924	4,164,141
Increase/(Decrease) in Advance Receipts	16,130,518	(9,588,215)
Increase/(Decrease) in Trade and Other Payables	(4,063,102)	4,455,031
Net cash inflow/(outflow) Generated From Operations	(13,467,591)	(1,393,567)
Gratuity Paid	(1,547,559)	(568,123)
Net Cash inflow/(outflow) From Operating Activities	(15,015,150)	(1,961,690)
Cash Flow From Investing Activities		
Purchase of Property, Plant and Equipment	(6,529,061)	(44,925,938)
Accounting Adjustment	5,167,801	0
(Increase)/Decrease in Capital Work in Progress	0	9,314,164
Interest Received	16,906,569	11,957,665
Sales Proceeds from Disposal of Property, Plant and Equipment	0	860,000
Purchase of Investments	(28,461,019)	57,899,593
Proceeds from Sale of Investments	13,915,301	(28,017,573)
Net cash inflow/(outflow) From Investing Activities	999,591	7,087,912
Cash Flow From Financing Activities		
Grants Received	0	0
Net cash inflow/(outflow) from Financing Activities	0	0
Net (Decrease)/Increase in Cash and Cash Equivalents	(14,015,559)	5,126,222
Cash and Cash Equivalents at the beginning of the year (Note 10)	18,064,517	12,938,296
Cash and Cash Equivalents at the end of the year (Note 10)	4,048,958	18,064,517
a) Reconciliation of Cash and Cash Equivalents		
Cash at bank	4,008,958	18,024,517
Cash in Hand	40,000	40,000
	4,048,958	18,064,517

The Institute of Policy Studies of Sri Lanka
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

1. Domicile and legal form

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

1.1 Principal activities and nature of operations

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

1.2 Basis of Preparation

1.2.1 Statement of compliance

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

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.

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

The Institute of Policy Studies of Sri Lanka
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For the year ended 31 December 2012

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 are being treated as slow moving and has been written off.

(g) Receivables
Receivables are carried at anticipated realizable value. Debtors are reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. 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 2012

(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

2. Contribution from the Government of Sri Lanka

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

		2012 Rs.	2011 Rs.
3.	**Project Income**		
	Income from projects-Institutions	29,683,684	32,713,173
	Income from International Development Research Centre	19,672,048	21,447,639
		49,355,732	54,160,812

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.

		2012 Rs.	2011 Rs.
5.	**Miscellaneous Income**		
	Sale of Publications	896,333	746,289
	Profit on Sale of Fixed Assets	0	860,000
	Other Income	70,945	167,747
		967,278	1,774,036
6.	**Employee Cost**		
	IPS Staff Salary	36,522,531	32,626,503
	EPF	4,012,203	3,916,461
	ETF	1,107,577	981,008
	Honorarium (Note 6.1)	4,051,670	3,388,887
	Staff Welfare Cost	1,394,048	1,563,973
	Other Benefits	768,318	1,777,922
	Provision for gratuity (Note 17)	2,004,182	2,117,104
		49,860,529	46,371,858
6.1.	**Honorarium**		
	Includes payments made to Board of Governors	600,000.00	544,000
7.	**Research Cost**		
	Printing & Typesetting Publication Cost	2,509,889	2,571,472
	Internet Charges	2,375,748	1,907,138
	Consultation Charges	10,025,331	7,362,336
	Other Research Costs	5,712,853	1,448,709
		20,623,821	13,289,655
8.	**Other Operating Expenses**		
	Registration and Membership Fees	200,880	604,525
	Printing Cost	0	58,993
	Office Costs	1,642,137	737,389
	Consumables	287,752	476,042
	Professional and Legal Fees	1,072,849	306,861
	Audit Fees	461,941	90,244
	Advertisements	126,675	60,200
	Bank Charges/Commission	137,007	206,870
	Other Admin Related Costs	80,902	119,089
	Lease rental	1,950,000	780,000
	Miscellaneous Expenses	20,995	45,000
	Bad debts	819,081	0
		6,800,219	3,485,215

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As at 31st December

		2012 Rs.	2011 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.

		2012 Rs.	2011 Rs.
10.	**Cash and Cash Equivalents**		
	Cash at Bank	2,711,529	6,024,617
	Cash in Call Account	1,274,971	11,999,900
	Cash at Bank-Foreign Currency (Note 10.1)	22,458	-
	Petty Cash	40,000	40,001
		4,048,958	**18,064,518**
10.1	**Cash at Bank-Foreign Currency**		
	Account in EURO	22,458	0
		22,458	**0**
11.	**Deposits and Prepayments**		
	Prepayments (Note 11.1)	973,968	1,676,423
	Deposits	306,000	296,000
	Other Advances (Note 11.2)	17,386,426	267,710
		18,666,394	**2,240,133**
11.1	**Prepayments**		
	Medical Insurance	0	855,957
	Other Insurance	441,032	397,484
	Other Pre-Payments	532,936	422,982
		973,968	**1,676,423**

11.2 Other Advances

This includes an advance payment for the purchase of servers amounting to Rs.16,917,358.00

		2012 Rs.	2011 Rs.
12.	**Other Receivables**		
	Other Receivables (Note 12.1)	338,698	1,914,624
	Staff Debtors	2,723,804	2,170,903
		3,062,502	**4,085,528**
12.1	**Other Receivables**		
	Contribution from the Government of SL allocation for 4th Quarter	0	793,845
	Air ticket reimbursements for staff travel from Donors	338,698	851,475
	Other Receivable	0	269,304
		338,698	**1,914,624**

As at 31st December 2012

13. Property, Plant and Equipment

	Building on Leasehold Land Rs.	Computer Equipment Rs.	Motor Vehicles Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Library Books Rs.	Total Rs.
Cost							
Balance as at 01st January 2012	324,068,979	33,890,844	10,604,125	18,976,606	22,205,231	1,239,866	410,985,651
Additions	1,167,910	5,117,178	0	127,885	112,838	3,250	6,529,061
Less: Accounting Adjustment	(5,167,801)	0	0	0	0	0	(5,167,801)
Less: Disposal	0	0	0	0	0	0	0
Balance as at 31st December 2012	**320,069,088**	**39,008,022**	**10,604,125**	**19,104,491**	**22,318,069**	**1,243,116**	**412,346,911**
Accumulated Depreciation							
Balance as at 01st January 2012	6,141,990	25,978,562	9,284,125	4,583,564.00	3,760,042.00	1,220,421	50,968,704
Depreciation Charge	6,495,379	4,170,319	1,320,000	3,713,996	4,383,378	4,954	20,088,026
Less: Accounting Adjustment	(215,325)	0	0	0	0	0	(215,325)
Less: Disposal	0	0	0	0	0	0	0
Balance as at 31st December 2012	**12,422,044**	**30,148,881**	**10,604,125**	**8,297,560**	**8,143,420**	**1,225,375**	**70,841,405**
Carrying Value							
As at 31 December 2012	**307,647,044**	**8,859,141**	**0**	**10,806,931**	**14,174,649**	**17,741**	**341,505,506**
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*

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

As at 31st December		2012	2011
		Rs.	**Rs.**
14.	**Investments**		
	Repurchase Agreements	0	13,915,303
	Treasury Bills (Note 14.1)	110,463,617	95,679,986
	Treasury Bills (Note 14.1) - Gratuity Fund	9,386,520	11,065,712
	Treasury Bills (Note 14.1) - Staff Welfare Fund	1,300,225	1,176,955
	Fixed Deposits	81,981,674	66,748,349
		203,132,036	**188,586,304**
14.1	**Market Value of Investments**		
	Treasury Bills	126,588,081	107,616,895
		126,588,081	**107,616,895**
15.	**Trade and Other Payables**		
	Creditors	5,479,138	10,561,838
	Accruals (Note 15.1)	3,816,327	2,105,649
	Withholding Tax Payable	0	(25,237)
	EPF Payable	0	636,032
	NBT Payable	31,084	18,042
	PAYE payable	0	93,329
		9,326,549	**13,389,653**
15.1	**Accruals**		
	Research Project Expenses	1,639,637	628,179
	Telephone/Internet Charges	292,833	280,000
	Audit Fees	655,678	415,000
	Electricity	643,840	578,832
	Other Office Costs	474,874	94,462
	Fuel	109,465	109,175
		3,816,327	**2,105,649**
16.	**Advance receipt on projects**		
	Balance as at 01 January	17,091,061	26,679,276
	Receipts during the year	89,681,643	48,568,778
	Income recognized	(73,551,125)	(58,156,993)
	Balance as at 31 December	**33,221,579**	**17,091,061**

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
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As at 31st December

		2012	2011
17. Employee Benefits		Rs.	Rs.
Balance as at 01 January		9,027,633	7,478,652
Expense Recognized During the year	(Note 17.1)	2,004,182	2,117,104
Payments made During the year		(1,547,559)	(568,123)
			9,027,633
Balance as at 31 December		**9,484,256**	**9,027,633**

Number of employees of the Organization as at 31 December 2012 is 53 (2011-56).
Number of employees of the Organization eligible for Employee Benefits as at 31 December 2012 is 48(2011-46).
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	11%
Increase in rate of salary	6%
Rate of Staff Turnover	7%

	2012	2011
17.1 Expense recognized during the year	**Rs**	**Rs**
Current Service Cost	834,161	811,998
Interest Cost	902,763	785,258
Actuarial Gain/Loss	267,258	519,848
	2,004,182	**2,117,104**

	2012	2011
18. Deferred Income-Capital Grants	**Rs.**	**Rs.**
Balance as at 01 January	305,858,626	312,132,649
Grants obtained during the year represents	0	0
Grant from the State of the Netherlands	0	0
Grant from the Endowment Fund	0	0
Amortized during the year	(6,242,013)	(6,274,023)
Balance as at 31 December	**299,616,613**	**305,858,626**

INSTITUTE OF POLICY STUDIES OF SRI LANKA
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19. Lease Commitment

The Institute has a commitment to make annual repayment of Rs.780,000 p.a for the period 2005 to 2009 and Rs. 1,170,000 p. a for the period 2010 onwards 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. 1,170,000
Between 1-5 years	Rs. 5,850,000
More than 5 years	Rs. 18,720,000

20. Capital Commitment

Rs.16,917,358 was paid as an advance for purchase of servers in 2012.The balance payable in 2013 is Rs.16,917,358.

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. 22,000,000 as a contribution for the operations of the Institute.

The Institute is granted Rs. 13,666,000 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.

IPS Milestones

1985

- IPS Project located in the Ministry of Finance and Planning with a Resident Coordinator from the ISS, The Hague, with funding under Phase I of Sri Lanka-Netherlands Technical Cooperation project

1988

- IPS established under Act of Parliament No. 53 of 1988

1989

- Appointment of the Executive Director and Board of Governors
- Office premises shifted to the DFCC Building, Colombo 3

1990

- IPS comes into formal operation under the Ministry of Finance and Planning by Gazette Notification in April
- Commencement of IPS Phase II funding

1991

- Appointment of a new Resident Coordinator

1992

- Initiation of the IPS State of the Economy Report
- Initiation of macroeconomic data base

1993

- Initiation of the IPS Endowment Fund
- Introduction of the Senior Visiting Fellow and Project Internship programmes

1994

- Office premises relocated to St. Michael's Road, Colombo 3
- Appointment of a new Executive Director in December

1995

- Introduction of a policy input-oriented monthly public seminar programme, and monthly in-house seminar programme
- Initiation of project work
- Initiation of IPS Health Policy Programme as an independent pilot project
- Introduction of a Manual of Operations
- First contribution to the Endowment Fund of C$ 1 million from the Government of Canada

1996

- First External Evaluation of the IPS
- MOUs with foreign universities for exchange programmes initiated

1997

- Commencement of IPS Phase III funding
- Introduction of the IPS Annual Report
- Appointed as the focal point of the IOR-ARC academic group in Sri Lanka
- Appointed as the MIMAP project partner in Sri Lanka

1998

- Introduction of a monthly Book Review series
- Initiation of a Professorial Chair
- Appointed as the focal point of the SAARC Research Network

1999

- Donation of land by the Government of Sri Lanka for construction of the IPS Head Office
- Amendment to the IPS Act
- Endowment Fund Trust work initiated
- Resident Coordinator position abolished in August

2000

- Launch of the South Asia Economic Journal, an international journal jointly with RIS India
- Partner Institution in Sri Lanka for the South Asia Centre for Policy Studies (SACEPS)
- IPS placed under Ministry of Industrial Development by Gazette Notificaiton in August

2001

- Commencement of IPS Phase IV Operation
- Core Research Programme and Research Units come into Operation
- Creation of new position of Director-Administration and Corporate Affairs and decentralization of administration functions
- IPS placed under Ministry of Policy Development and Implementation by Gazette Notification in December
- IPS public website launched
- IPS library intranet services launched

2002

- Creation of the Publications and Communications Unit and initiation of in- house desktop publishing
- Production of Sri Lanka National Health Accounts
- Initiation of in-house web development activities
- IPS added on another location and took on rent a building in close proximity to the IPS Head Office, this location was known as the IPS Annex
- Re-engineering the Finance and Administration function and computerizing the manual accounting, budgeting and project management processes

2003

- Creation of the Information Systems Unit
- Launch of redesigned IPS public website
- Introduction of a Medical Health Insurance Scheme for staff

2004

- Initiation of an intranet IPS Corporate Website and increasing the IPS Intranet Bandwidth to 512 kbps
- IPS placed under the Ministry of Advanced Technology and National Enterprise Development by Gazette Notification in November
- Implementation of the IPS Corporate Plan
- IPS appointed to the Chair for the Indian Ocean Rim Academic Group

2005

- Creation of new position of Deputy Director
- Initiated translation of IPS publications into Sinhala and Tamil languages
- Compilation of input-output tables for Sri Lanka
- IPS placed under the Ministry of Plan Implementation by Gazette Notification in December
- Organized the first major international conference with more than 150 foreign participants (Poverty and Economic Policy [PEP] General Meeting)

2006

- IPS signs an agreement with The Netherlands Minister for Development Cooperation for the Dutch contribution for the construction of a New IPS Office Building
- Vesting order issued for land allocated to the IPS
- Appointment of a new Chairman, and members to the Board of Governors of the IPS
- Gazetted under the Presidential Secretariat
- Creation of the centralized Economic Research Databases, and implementation in the institutional corporate web
- The IPS became self -financing with the ending of Dutch Funding in June 2006
- Initiation of policy advocacy work (on effective service delivery by Provincial Councils)

2007

- Employee Performance Development Review was introduced to staff
- Laying the foundation stone for the IPS Head Office
- Calling bids and selecting the contractor for the new Head Office
- Chairman and Executive Director invited to serve in the National Economic Council under H.E. the President

2008

- Initiating the first South Asia Economic Summit
- Initiating the first India-Sri Lanka Comprehensive Economic Partnership Agreement public dialogue

2009

- Initiating the IPS Blog
- Launching of the first Sri Lanka Migration Outlook report
- Launching of the South Asia Migration Commission
- Launching the first Sri Lanka Climate Change report and the corresponding website
- Appointed as the academic focal point for the Asian Cooperation Dialogue

2010

- Shifting to IPS new IPS Head Office
- Appointment of a new Chairman and members to the Board of Governors
- Gazetted under Ministry of Research & Technology
- Formation of an Audit Committee
- Winner of the Think Tank Initiative (TTI) grant (four year core funding under IDRC)
- Investing in a new IT Network
- Preparation and Launch of the 2nd Sri Lanka MDG Report for the UNDP

2011

- IPS Auditorium Opened in July
- Launch of the IPS Annual Conference based on the IPS Sate of the Economy Report
- Creating a Digital Library

2012

- Preparation and Launching of the 2nd Sri Lank Human Development Report for the UNDP
- Launch of the IPS University Forum
- Launch of the IPS Facebook
- Signing an MOU with the Institute of South Asian Studies, Singapore

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