

# 2015 ANNUAL REPORT



INSTITUTE OF POLICY STUDIES OF SRI LANKA



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# About IPS



*The Institute of Policy Studies of Sri Lanka (IPS) was conceived in the mid-1980s as an autonomous institution designed to promote policy-oriented economic research and to strengthen the capacity for medium-term policy analysis in Sri Lanka. It was established by an Act of Parliament in December 1988 and was formally set up as a legal entity by gazette notification in April 1990 managed by a Board of Governors and the Executive Director. Operational independence from financial and administrative regulations of the government were very much part of the rationale for setting up an independent IPS.*

*Since its inception, the Institute has functioned under key ministries involved in economic policy making and implementation in the country while enjoying considerable autonomy in setting and implementing its research programme. Its institutional structure has allowed the IPS to acquire a unique position as an authoritative independent voice in economic policy analysis, working closely with the government, private sector, academia and civil society.*

*In 2015, IPS completed 25 years since its formation. Over the years, there has been a substantial expansion of activities undertaken by the institute. The number of areas on which it sustains on-going research has expanded significantly with the systematic strengthening of expertise of its research staff. The expanding research output has been reinforced by professional in-house support services in overall finance and administration management and in the provision of information and resources including the institute's own communications, publications, information technology and library units.*

## VISION

To be a globally-recognized research institute that is a catalyst for Sri Lanka's socio-economic transformation.

## MISSION

Conducting high-quality, independent, policy-relevant research that provides trusted insights on socio-economic issues to inform our stakeholders and shape policy agendas to positively impact the lives of all Sri Lankans.

# Our Governing Board



1. Dr. Razeen Sally  
Chairman
2. Mr. M. I. M. Rafeek, Secretary  
Governing Board Member  
*Ministry of Policy Planning and  
Economic Affairs  
(Ex-Officio)*
3. Mr. S. S. Mudalige, Director General  
Governing Board Member  
*National Planning Department  
(Ex-Officio)*
4. Mr. Arjuna Mahendran  
Governing Board Member  
*Governor, Central Bank of Sri Lanka  
(Ex-Officio)*
5. Dr. Gishan Dissanaiké  
Governing Board Member  
*Adam Smith Professor of  
Corporate Governance,  
University of Cambridge*
6. Mr. Sarath Rajapatirana  
Governing Board Member  
*Economic Advisor to the President*
7. Dr. Saman Kelegama  
Executive Director

# 2015 Highlights

## JANUARY



IPS held a Multi-Stakeholder Workshop on Low Carbon Technology Renovation and Climate Technology Centre Network (CTCN) as a part of a study carried out to evaluate the progress and identify follow-up actions to the country study on the Technology Need Assessment (TNA) in Sri Lanka.

## FEBRUARY



Executive Director, Dr. Saman Kelegama was among the panellists at a seminar on the then new Government's Interim Budget's Tax Proposals and Impact on Business. The keynote speaker at the event, organized by the Institute of Certified Management Accountants of Sri Lanka was Minister of Finance and Planning, Hon. Ravi Karunanayake.

## MARCH



Senior Visiting Fellow of IPS, Wimal Nanayakkara presented the highlights of the MDG Country Report 2014, which was launched in Colombo, under the patronage of Deputy Minister of Policy Planning and Economic Affairs, Dr. Harsha De Silva. The report was compiled by IPS together with the Government of Sri Lanka and the United Nations.

## APRIL



Executive Director, Dr. Saman Kelegama was a speaker at the session on "Regional Development Cooperation and Partnerships" at the Asia-Pacific High-Level Consultation on Financing for Development organized by the UN-ESCAP, ADB, ADBI and the Government of Indonesia.

## MAY



The 2015 edition of the Economic and Social Survey of Asia and the Pacific (ESCAP) was launched at the IPS Auditorium in Colombo, under the patronage of the State Minister of Finance Mahinda Samarasinghe. The event was organized by the IPS together with the United Nations Information Centre, (UNIC) Colombo.

## JUNE



Executive Director, Dr. Saman Kelegama spoke of the "Prospects for SAARC" at the launch of the "South Asia Development and Cooperation Report 2015" published by the Research and Information System for Developing Countries (RIS), India.

## JULY



IPS together with the International Food Policy Research Institute (IFPRI) conducted a national consultation workshop at the IPS Auditorium, on "Key Challenges and Opportunities for Food Security Policies in Sri Lanka".

## AUGUST



Research Fellow, Janaka Wijayasiri, and Research Assistant, Nipuni Perera participated in the "One Belt, One Road" (OBOR) and Bangladesh, China, India, Myanmar (BCIM) Regional Interconnection Conference organized by the Institute of World Economics and Politics/Chinese Academy of Social Sciences (CASS), in Beijing.

## AUGUST



Research Economist, Chatura Rodrigo made a presentation on "Blue Economy: Key Factors for Indian Ocean Rim Association (IORA) Countries in Harnessing Benefits from Fisheries and Aquaculture", at a conference on the "Prospects of Blue Economy in the Indian Ocean Rim", held in India.

# 2015 Highlights *(Continued)*

## SEPTEMBER



Executive Director, Dr. Saman Kelegama was a panelist at the session on “Expanding Intraregional Trade: Drawing Lessons from ASEAN and NAFTA” at the South Asia Economic Conclave (SAEC) organized by the Confederation of Indian Industries and the Government of India, in Delhi.

## SEPTEMBER



Executive Director, Dr. Saman Kelegama was a panelist at the Regional Seminar on “Unlocking the Potential of Regional Integration in South Asia: Priorities for the Islamabad Summit”. The event was organized by the UNESCAP, South and South West Asia (SSWA), sub regional office (SRO), SAARC Chamber of Commerce and Industry (SCCI), and Federation of Indian Chamber of Commerce and Industry (FICCI) in Delhi.

## OCTOBER



IPS launched its flagship publication ‘Sri Lanka: State of the Economy 2015’ under the theme ‘Economic Reforms: Political Economy and Institutional Challenges’ at the IPS Auditorium. The IPS flagship publication was launched under the purview of the Deputy Minister of State Enterprise Development, Hon. Erani Wickramaratne as the Chief Guest, and the Secretary to the Ministry of National Planning and Economic Affairs, M. I. M. Rafeek as a Special Guest

## OCTOBER



Dr. Nisha Arunatilake, Research Fellow, was a panelist and made a presentation at the National Pensions Day Symposium, under the theme ‘Towards National Pension Framework’ on 8th October. The conference was organized by the Department of Pensions, at the Sri Lanka Foundation Institute.

## NOVEMBER



Executive Director, Dr. Saman Kelegama delivered the keynote address at the 4th International Conference of the Sri Lanka Forum of University Economists on the theme “Inclusive Growth towards Economic Transformation” during 20 – 21<sup>st</sup> November 2015. The conference was organized by the Department of Business Economics, Faculty of Management Studies and Commerce, University of Sri Jayawardenapura.

## DECEMBER



The 8<sup>th</sup> South Asia Economic Summit was under the theme ‘Regional Cooperation for Sustainable Development in South Asia’. IPS Executive Director, Dr. Saman Kelegama, Deputy Director, Dr. Dushni Weerakoon, Research Fellow, Dr. Athula Senarathne, and Research Officer Dharshani Premaratne were resource persons at the summit. The Summit organized by SDPI (Pakistan) in partnership with CPD (Bangladesh), SAWTEE (Nepal), RIS (India), and IPS (Sri Lanka); was held in Islamabad, Pakistan,

# Chairman's Message

The Institute of Policy Studies has been Sri Lanka's leading economic-policy think-tank since the 1990s. It has our biggest concentration of economic-policy expertise. Its annual State of the Economy Report is a primary source of reference on national economic trends. Throughout, IPS has sought to provide dispassionate, non-partisan analysis on economic challenges facing Sri Lanka. It faced its severest test in the decade up to 2015, in a climate that was hostile to open policy debate. Since 2015, policy discussion has become much more open, which provides IPS with a great window of opportunity.

Sri Lanka's economic challenges remain daunting. It continues to have severe macroeconomic imbalances, exacerbated by debt-fuelled growth. Its competitiveness is weak due to ill-judged domestic interventions and greater trade protectionism. It faces medium- to long-term structural problems - an ageing population, a weak education system, and a shortage of skills for productive jobs. Macroeconomic stability and stronger competitiveness are vital for higher, sustainable growth to meet the rising expectations of most Sri Lankans - and to improve livelihoods in the war-raged north and east. National economic development, in turn, is the foundation for stable politics and ethnic reconciliation.

Tackling these problems is difficult, to say the least, in an atmosphere of febrile politics and extremely ad-hoc policy-making. The quality of public economic-policy discussion needs to be improved substantially. The government also needs much more informed policy analysis to evaluate options, make decisions and get them implemented. A new climate of more open discussion and debate creates new opportunity. IPS's challenge is to grasp that opportunity - to focus research on national economic



Dr. Razeen Sally

priorities, to feed analysis effectively into government policy-making, to communicate with the business sector and other non-governmental actors, and to engage actively in public debate. In short, IPS has an important contribution to make towards achieving Sri Lanka's economic potential.

Razeen Sally  
Chairman  
*July 2016*

# Executive Director's Report

In early 2015 Sri Lanka witnessed a change in the political landscape with a new President, Prime Minister, and a Cabinet. Consequently, a number of government agencies, including semi-government agencies like the IPS were subjected to changes according to the new administrative requirements. For many years, IPS was gazetted under the Ministry of Finance and Planning, however, with the setting up of the new Ministry of National Policies and Economic Affairs under the new regime, the IPS was gazetted under the said Ministry which is headed by the Hon. Prime Minister. Moreover, three new members were appointed to the Governing Board of the IPS. These new appointments came into effect in October.

The IPS recorded an income of LKR 133,681 Mn compared to its expenditure of LKR 132.5 Mn, thus making a marginal profit of LKR 1.1 Mn which was higher than the profit earned in 2014. **During the year, IPS attracted 35 projects out of which 25 were funded by external sources, 7 from TTI funds, and 3 from IPS core funds.** Overall project funds amounted to LKR 36 mn compared to LKR 62 Mn in 2014 mainly due to the delay in fund transfers for two major projects funded by the Ministry of Foreign Affairs and the Ministry of Finance. **IPS completed 35 projects during the year, of which 28 were funded by external sources, 5 by the TTI and 2 by IPS core funding.** The TTI funding has been a great source of support to the IPS, especially at this juncture when the Institute is upgrading its facilities and strengthening its middle level research capabilities. The financial situation of the Institute is fairly stable with a reasonably strong asset base supporting its budget, however, there needs more work to expand the funds in the Endowment Fund which is being gradually used as a source of income from 2013.



Dr. Saman Kelegama

Under the new Ministry, the IPS was brought into the policy making ambit to work closely with the growth diagnostic project with the Kennedy School of Government, Harvard University, USA; and the Agency for International Trade under the Ministry of Strategic Development and International Trade. Besides, IPS involvement with other Ministries dealing with environment and climate change issues, urban development and megapolis, human resources and labour issues, migration and development, etc., strengthened during the year.

Two major conferences were organized by the IPS during the year. In order to express South Asian concerns prior to the WTO ministerial in Nairobi, IPS together with the Commonwealth Secretariat (UK) organized a conference on "Post-Bali Issues and Perspectives for the 10<sup>th</sup> WTO Ministerial Conference: A South Asian Perspective". Another conference on "Key Challenges and Opportunities



# Executive Director's Report

for Food Security Policies in Sri Lanka” was jointly organized with IFPRI (South Asia) which led to IPS working out a medium term project funding programme with IFPRI. Some of the other conferences and workshops, including in-house seminars, organized by the IPS are documented elsewhere in the report. As highlighted in the report, many IPS researchers participated and made presentations in various domestic and international conferences over the year.

IPS brought out 9 publications during the year which included the IPS flagship publication, State of the Economy report, and two issues each of the South Asia Economic Journal and the Talking Economics Digest. These publications are disseminated/sold now via a well-established bookshop network, various fairs, and other public events.

The IPS blog posting “Talking Economics” carried 44 articles while social media showed significantly larger outreach: Facebook reached 1525 “likes”, followers of twitter recorded 1172, while Youtube subscribers were at 107.

The support staff services saw the initiation of a disaster recovery plan in the IT division, completion of the book verification programme by the library, purchasing two new vehicles and organizing the first staff retreat by the administration division, all of which are documented in detail elsewhere in this report.

There were several changes in the research staff of the Institute with three new recruitments and three resignations. Three staff members rejoined IPS, one of them after completing his doctorate in Australia. In early 2015, a new Director of Finance and

Administration was recruited. It is with great sorrow that I report the demise of two former staff members of the IPS: Dr. Shelton Wanasinha (07 February 2015), who served IPS as a Senior Visiting Fellow from 1993 to 2010 and Mr. A. Rasarathinam (21 November 2015) who served as the Accountant from 1990 to 2003. They will be sadly missed by those who knew them at the IPS.

The new Governing Board had its first meeting in December and an initiative was taken to refocus the research programme for the immediate needs of the Government, introduce an International Lecture Series, and strengthen the networking with Sri Lankan economists domiciled overseas.

I would like to convey my thanks to the Chairman, members of the Governing Board, the Audit Committee, and the IPS staff for extending me their support to steer the Institute during the year.

Saman Kelegama  
Executive Director  
*July 2016*

# IPS Research



For a small developing economy such as Sri Lanka, external demand is critical as an enabler of sustained high growth, generating demand, absorbing surplus labour and raising productivity. While the country's post-war development initiatives centered on a public infrastructure investment-led growth process delivered some early results, the economy must now make the transition to a private investment and export led competitive economy.

This calls for a broad based reform effort that will support deepening and upgrading of Sri Lanka's manufacturing and services base, whilst raising productivity in agriculture and releasing surplus labour from the rural economy. An ageing demographic profile – with a quarter of the population set to be over 60 years by 2031 – means that the country's labour force is shrinking and Sri Lanka has to rely on labour productivity to drive growth in the long-term. Thus, ensuring that the economy overall enjoys total factor productivity growth – the efficiency with which workers and capital are used – means facilitating a structural transition of shifting the often underemployed rural labour to more productive and better paid jobs.

The IPS' medium term research agenda addresses the many socio-economic challenges that Sri Lanka faces as it attempts to steer a course towards a more outward oriented private sector driven growth process. How to source the required workers and utilize existing labour resources more effectively, how to improve the responsiveness of the education sector to drive innovation and technological transformation, how to address equity

and environment considerations in transforming low-productivity sectors such as agriculture or moving towards greater urbanization, etc., are areas for critical policy research analysis.

The research programme draws on the Institute's eight specialist areas of research. These are: Macroeconomic Policy; International Economic Policy; Labour, Employment and Human Resource Development Policy; Industry, Public Enterprise and Regulatory Policy; Poverty and Social Welfare Policy; Agriculture Economic Policy, Environment Economic Policy and Health Economic Policy.

Drawing on the above, IPS' current medium term research agenda focuses on six cross-cutting thematic areas, to facilitate critical policy intervention in support of the fundamental policy objectives of sustainable growth, equity, and poverty alleviation.

The six thematic areas are:

- (i) Policy Reforms and Competitiveness
- (ii) Migration and Urbanization
- (iii) Human Resources for Sustained Development
- (iv) Private Sector Development
- (v) Poverty and Vulnerability
- (vi) Environment, Natural Resources and Agriculture

# Policy Reforms and Competitiveness

*The process and institutional arrangements that underpin policy efficiency are critical factors in overcoming economic and political barriers to growth and development. Policy efficiency can ensure that difficult but necessary reforms are identified, prioritized, initiated, implemented, and sustained over time. In view of Sri Lanka's current demographic transition, higher growth will have to come from improved labour productivity and efficiency, encompassing a gamut of regulatory reforms to raise competitiveness and institutional capacity in the economy. This calls for policies that will allow for a reallocation of factors of production; diversification, upgrading, and deepening of the production and export baskets; and use of new production methods and processes and different inputs.*

## Macroeconomic Policy

Given Sri Lanka's fiscal constraints, the demographics of a contracting labour force, and skill deficiencies, the rise in infrastructure investment will spur growth only temporarily. Sustaining higher growth in the long run must come via a competitive export sector through improvements in productivity, notably due to innovation and to investments in human capital. Overhauling Sri Lanka's tax system, tackling loss making state-owned-enterprises (SOEs), improving labour market efficiency, filling skill gaps in the work force, improving productivity of agriculture, delivering a better safety net to the poor and vulnerable, to name a few, are amongst a raft of reforms that need attention. Such reforms are politically difficult to deliver through the legislative phase, and are often even more difficult to implement. While reforms need to be ambitious in scope, it is typically the case that ambition may have to be tempered by political economy realities. An agenda setting for reforms must begin with attempts to strengthen interactions between institutions, policy processes, and policy outcomes. The environment in which many of these sorts of transitions take place is strongly influenced by broader factors such as the quality of institutions and governance in a country. **The Sri Lanka: State of the Economy 2015 report addresses these through an overarching theme of "Economic Reforms in Sri Lanka: Political Economy and Institutional Challenges"**. The annual flagship publication was launched in October 2015 under the purview of the Deputy Minister of State Enterprise Development, Hon. Eran Wickramaratne as the Chief Guest, and the Secretary to the Ministry of National Planning and Economic Affairs, M. I. M. Rafeek as a Special Guest.

## SRI LANKA STATE OF THE ECONOMY 2015

Economic Reforms:  
Political Economy and  
Institutional Challenges



INSTITUTE OF POLICY STUDIES OF SRI LANKA

### Structural Policy Reforms

Despite a global economic downturn, Sri Lanka managed to keep its growth rates at 6.2 per cent, on average, and bring down poverty levels. However, the country is faced with many development challenges. With declining revenue and increasing demands for public expenditure, the fiscal space available for the government has been limited and improving the efficiency of government expenditure has become critical. In this regard, a better understanding on the distribution and progressiveness of taxes and public expenditure is useful. The IPS collaborated with the World Bank to review public finances in Sri Lanka and assess the distributional impacts and equity issues of fiscal policy of Sri Lanka. The analysis finds that largely direct taxes and social spending in Sri Lanka is progressive. But, as revenue collection from direct taxes is very small the positive impacts are limited. Revenue mobilization through extending value added taxes, however, are regressive and negatively affects poverty. The analysis of this study provided background information for the World Bank's **"Sri Lanka Public Expenditure Review – 2014"**, it is also forthcoming as a chapter ("The Incidence of Taxes and Spending in Sri Lanka" by Nisha Arunatilake, Gabriela Inchauste, and Nora Lustig) in the "The Distributional Impact of Fiscal Policy: Evidence from Developing Countries" (Eds.) Gabriela Inchauste and Nora Lustig.

### Competition

With the rise in overall living standards, post-war Sri Lanka has witnessed a boom in the modern retail industry (i.e., supermarkets). Today, the three largest supermarket chains account for close to 15% of Sri Lanka's retail market share and this figure is set to grow. International experience suggest that with the increase in buyer power of supermarkets, as a consequence of growing market share, there is a tendency for supermarkets to abuse their buyer power through anti-competitive behaviour at the detriment of suppliers. A number of developed countries have taken measures to thwart the abuse of buyer power by enacting regulations to better govern the relationship between supermarket and their supplier. In this regard, Raveen Ekanayake and Kithmina Hewage embarked on a Study to **"Assess Preventative Measures to Curb Anti-competitive Practices in the Modern Trade (Supermarket) Sector of Sri Lanka"**. This study was undertaken with the purpose of understanding the regulatory frameworks of these countries (namely, Australia, the United Kingdom and the United States) to curb anti-competitive practices in the supermarket industry through a detailed literature review, in

a bid to get a sense of these regulations with the aim of adopting similar frameworks for Sri Lanka.

### Trade, Investment, Finance

Sri Lanka's recent trade performance has been far from satisfactory, with a decline in the share of Sri Lanka's trade to GDP and the country's trade in world trade. Lack of diversification of exports and markets also remain a cause of concern. Sri Lanka's exports have been concentrated in a few sectors, with textile and garments alone accounting for a substantial share of total exports. The problem of product concentration has been compounded by market concentration, with US and EU together accounting for over 50 per cent of Sri Lanka's exports. In this context, the government is interested in reversing these trends and deepening Sri Lanka's integration with the world economy, through expansion of trade, attracting FDI and creating a more enabling environment in trade towards broadening the sources of growth. In 2015, IPS conducted research into increasing access to export markets through preferential trade agreements, attracting foreign direct investment, easing trading across border through trade facilitation.

Trade liberalization has brought down tariffs and policy makers are now looking at how best to facilitate trade in order to further reduce trading costs and make countries competitive in the global supply chains. As such, measures to actively facilitate trade are seen as essential to expand trade in developing countries. IPS has undertaken a number of studies related to trade facilitation in Sri Lanka, documenting the developments in trade facilitation over the years. In 2014/15, the study on **"Trade and Transport Facilitation Audit in South Asia"** was conducted by Janaka Wijayasiri, Suwendrani Jayaratne and Dharshani Premaratne for Sri Lanka and the Maldives as part of a larger regional study for South Asia Watch on Trade, Economics and Environment (SAWTEE) with funding from AusAID. The main objectives of this study were two-fold: (i) to identify trade and transport related bottlenecks Sri Lanka faces in trading with South Asian countries, and (ii) to identify trade facilitation reforms and their prioritization. The preliminary findings of the study were discussed at a national consultation which brought together a number of key stakeholders from the public and private sectors while they were also disseminated to a wider audience through various mediums (policy brief, blog and articles in local magazine, and newspaper).

Given the close proximity to India, which is one of the most dynamic and rapidly expanding economies, it is important to facilitate trade between India and Sri Lanka to tap into this growing market. The study on **“Facilitating Trade between India and Sri Lanka”** by Janaka Wijayasiri and Suwendrani Jayaratne examines the main trade facilitation related issues Sri Lankan traders face when importing and exporting under the India-Sri Lanka Free Trade Agreement. Given the significance of improving bilateral trade with India, the study identifies key barriers at the border in trading with India.

Sri Lanka has lagged behind its neighbouring countries in South and Southeast Asia in pursuing preferential access for its exports in recent years. Sri Lanka has only four preferential trade agreements in force, compared to 13 in India and Malaysia, 12 in Thailand, and 8 in Pakistan and Vietnam. Of the PTAs that are currently in force, the last to begin implementation was South Asia Free Trade Agreement (SAFTA) in 2006. Efforts to gain preferential access to new markets will be key to boost exports, diversify markets and pave the way to achieve the government’s export target of US \$ 50 billion by 2050. The government has expressed its interest in pursuing new trade agreements with China, the US, etc., while strengthening existing trade agreements in addition to regaining EU GSP plus.

Despite South Asia being one of the most dynamic regions in the world and its status as the second fastest growing

region in the Asia-Pacific, it is one of the least economically integrated regions and remains home to nearly 44 per cent of the world’s poor. There are a number of reasons why intra-regional trade has remained low - the prevalence of non-tariff barriers (NTBs) being one of them. An important means of promoting inclusive, sustainable development outcomes whilst promoting regional trade would be to accelerate gainful participation of Women owned/led Micro Small Medium Enterprises (WMSMEs) in the regional markets. In this context, a study was carried out with two major objectives namely: (1) to identify constraints faced by WMSMEs in Sri Lanka in operating and expanding their businesses including issues related to NTBs in the regional markets; and (2) to provide policy and programme recommendations to reduce the constraints. Janaka Wijayasiri, Dilani Hirimuthugodage, Dharshani Premaratne and Sunimalee Madurawala undertook the Sri Lankan case study from IPS as part of a larger regional study on **“South Asian Country Study on Products with Regional Trade Potential and Associated Non-tariff Barriers with Special Focus on WMSMEs”** on behalf of the United Nations Development Programme (UNDP) with funding from AusAid.



*IPS held a national consultation meeting on 'Products with Regional Trade Potential and Associated Non-tariff Barriers, with special focus on Women Owned and Led Micro, Small and Medium Enterprises (WMSMEs), on 24<sup>th</sup> February*

South Asia is characterized not only by low intra-regional trade but also poor air connectivity. In fact, the countries of the region are better connected with countries outside the region, than with themselves. Within South Asia, Sri Lanka and India are by far the best connected with close to 150 weekly frequencies, servicing 10 destinations. Air connectivity between the two countries has not always been so favourable. Major improvements in air connectivity between the two countries could largely be attributed to the liberalization of provisions in the bilateral air services agreement (ASA) which took effect in December 2003. Against the preceding backdrop, a study was undertaken to document the 2003 ASA liberalization and assess its impact on enhancing air connectivity and its wider impact on the Sri Lankan economy in terms of facilitating the movement of people in forging trade, investment and cultural linkages between the two countries. The **"Air Services Liberalization in South Asia, Phase I"** by Janaka Wijayasiri and Raveen Ekanayake, was funded by the World Bank.

Currently Sri Lanka is negotiating an FTA with China and so far two rounds of negotiations have taken place. In the absence of an independent study on the implications of an FTA with China, IPS together with the private sector of the country represented by the various chambers of commerce, undertook a study on **"Feasibility Study on the China-Sri Lanka FTA"**. In 2014/15, a study on **"Exporter Perspective on Accessing Chinese Market Under China-Sri Lanka Free Trade Agreement (FTA)"**, with funding from the Chinese Embassy in Colombo, was initiated. A stakeholder consultation meeting to discuss and validate findings of a study was held with representatives from the Department of Commerce, Export Development Board, and the private sector.

After more than five years of negotiations behind closed doors, the Trans-Pacific Partnership Agreement (TPPA) reached conclusion on October 5, 2015 in Atlanta, US and was signed on 4 February 2016 in Auckland, New Zealand. The Agreement is seen by many as having far-reaching regional and global implications. As a bloc, the TPP is an important trading region for Sri Lanka, both as a destination and source market. The formation of TPP clearly gives rise to both concerns regarding its implications, as well as opportunities that such arrangements hold for Sri Lanka in terms of future membership – the ultimate scope of which is as yet unclear, but would possibly allow for membership of countries willing to commit to the same level of liberalization as the current partners. A team consisting of researchers at IPS which included Dushni Weerakoon, Janaka Wijayasiri, Suwendrani Jayaratne, Dharshani Premaratne, Raveen

Ekanayake, Nipuni Perera and Kithmina Hewage examined the 30 chapters of the Agreement to provide a preliminary assessment of the implication of TPPA for Sri Lanka with funding from the TTI for the Ministry of Development Strategies and International Trade.

A key component of Sri Lanka's long-term strategic and structural development lies in its ability to attract Foreign Direct Investment (FDI). Japan continues to be an important source of FDI to the country and attracting Japanese investments is important given that it also has implications on trade and tourism, among others. With the BOI being the main agency which facilitates investments into Sri Lanka, gaining a sense of the types of investment facilitation services Japanese investors seek in both pre- and post- approval stages and the extent to which these requirements are met by the current set of services offered would be critical in helping the BOI to offer better services to foreign investors. As such, a study was carried out to obtain investor perspectives on the type of services and information Japanese investors expect to receive from the BOI; the extent to which they received these services; investor perspectives on how services provided by the BOI can be improved; and to identify any existing barriers in implementing and developing services. The study on **"The Role of the Board of Investment (BOI) in Attracting Japanese Investors to Sri Lanka"** was funded by the Japan International Cooperation Agency (JICA) and the research team consisted of Janaka Wijayasiri, Suwendrani Jayaratne and Raveen Ekanayake.

During the year, the IPS continued to compile Sri Lankan data for international donors and organizations, namely the "World Bank Exporter Dynamics Database" and "Global Competitiveness Report 2015/2016" of the World Economic Forum (WEF) and Information & Communications Technology Agency (ICTA). Nipuni Perera, Dilani Hirimuthugodage and Sahan Jayawardena were involved in these exercises.

**Publications**

Gamini Corea and Commodity Price Stabilization” in Martin Khor, Vincent Paola B M and Adriana Timossi (ed), *A Tribute to Gamani Corea: His Life, Work, and Legacy*, South Centre, Geneva.

“African Countries’ Trade and Investment with Indian Ocean Rim States” (with Dharshani Premaratne) in Dennis Rumley (ed), *The Political Economy of Indian Ocean Maritime Africa*, Pentagon Press, India.

“Changing Face: The Trials and Fortunes of Regional Cooperation under SAARC” in Rajiv Kumar and Omita Goyal (eds.), *Thirty Years of SAARC: Society, Cultures, and Development*, India International Centre, Delhi, India.

“A New Development Agenda for South Asia”, Saman Kelegama, In Abid Suleri and Vaqar Ahmed (eds.), *Making Growth Inclusive, Just and Sustainable in South Asia*, SDPI publication, Pakistan.

“Stimulating Intra-regional Investment in SAARC: Is a Regional Investment Agreement the Way Forward?” Raveen Ekanayake and Nipuni Perera, *South Asia Economic Journal 16(2S)* September 2015.

**Policy Insights**

“China-Sri Lanka Free Trade Agreement: Priorities for Negotiations”, Janaka Wijayasiri, *IPS Policy Insights*, 22 November.

“Reforming Sri Lanka’s Trade and Investment Policies for Export Growth”, Janaka Wijayasiri, *IPS Policy Insights*, 18 November.

“Facilitating Trade between Sri Lanka and India”, Janaka Wijayasiri and Suwendrani Jayaratne, *IPS Policy Insights*, 18 November.

“Trade and Transport Facilitation: Priorities in Sri Lanka”, Janaka Wijayasiri and Suwendrani Jayaratne, *IPS Policy Insights*, March 18.

**Blogging in Global Platforms**

“People Power Trounces Sri Lanka’s War Winning President Rajapaksa”, Saman Kelegama, *East Asia Forum Blog*, ANU, Australia, 21 January.

“The Economics of Sri Lanka’s Mid-term Elections”, Dushni Weerakoon, *East Asia Forum Blog*, ANU, Australia, 4 January.

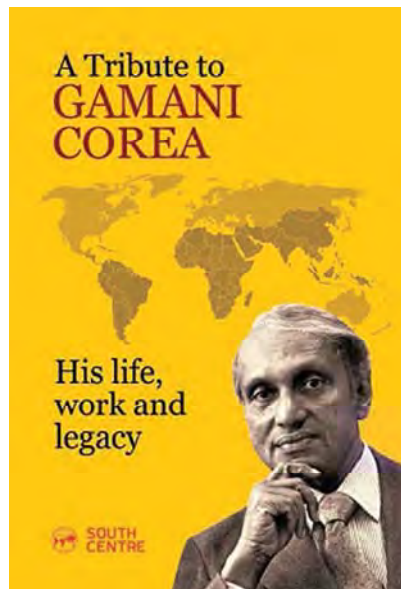
**Blogs/Articles**

“Sri Lankan Presidential Election At A Glance – Analysis”, Saman Kelegama, *Eurasia Review*, 15 January.

“Trade Facilitation: How Can the WTO Trade Facilitation Agreement Help Businesses”, *Suwendrani Jayaratne, Sri Lanka Exporter Magazine*, January Issue, January.

“Trade Facilitation: Breaking Down Barriers to International Trade in Sri Lanka”, Suwendrani Jayaratne, *Talking Economics Blog*, 26 January, *The Island, Sunday Observer* and *DailyFT* newspapers.

*(Continued on next page)*



## Blogs/Articles

(Continued)

- “Emerging Food Standards: A Cause of Concern for the Sri Lankan Tea Industry”, Janaka Wijayasiri, *Talking Economics Blog*, 27 February.
- Networking and Information: Crucial Ingredients in Empowering Women Owned and Led Micro, Small and Medium Enterprises in Sri Lanka”, Sunimalee Madurawala, *Talking Economics Blog*, 08 March and *Daily Mirror*, *The Nation* newspapers.
- “Reaching Greater Heights in Innovations: A Sri Lankan Perspective”, *Talking Economics Blog*, 26 April, *The Island* and *The Nation* newspapers.
- “Economy and Infrastructure in Sri Lanka: Through the Eyes of a Philatelist”, Saman Kelegama, 2015, *Ministry of Postal Services, Government of Sri Lanka*.
- “Bangladesh-Sri Lanka Trade and Investment Ties Make Major Strides”, Saman Kelegama, 2015, *Sri Lanka Exporter*.
- “BRICS AND SAARC Banks: Understanding Sustainability of the Idea?”, Saman Kelegama, *Diplomatist*, Vol.3, No. 11.
- “Renewal of US GSP: What It Offers Sri Lankan Exporters”, Suwendrani Jayaratne and Dharshani Premaratne, *Sri Lanka Exporter's Magazine* (October-December 2015 issue) July.
- “Charting a Course for Sri Lanka’s Economy: Politics Triumph Economics for Now”, Dushni Weerakoon, *Talking Economics Blog*, 22 June and *The Island*, *Daily FT*, *Daily Mirror* and *The Nation* newspapers.
- “Why Addressing Non-Tariff Barriers is Important for Sri Lanka’s Trade with the Rest of South Asia?” Suwendrani Jayaratne and Dharshani Premaratne, *The SARCIST*, 26 August.
- “Facilitating Trade between Sri Lanka and India”, Suwendrani Jayaratne, *Talking Economics Blog*, 25 August.
- “Removing Barriers to Trade to Promote Women’s Participation in Spice and Coir Value Chains in Sri Lanka”, Dharshani Premaratne, *Talking Economics Blog*, 10 September.
- “Insights into Sri Lanka’s Re-based GDP Estimates”, Dushni Weerakoon, *Talking Economics Blog*, 21 September, and *The Island*, *Daily Mirror* and *The Nation* newspapers.
- “Should the Sri Lankan Government Be in the Business of Running An Airline?”, Janaka Wijayasiri, *Talking Economics Blog*, 30 September, *Daily FT*, *Daily Mirror* and *Daily News* newspapers.
- “Too Much Time Holidaying, Not Enough Time Working?”, Janaka Wijayasiri, *Talking Economics Blog*, 1 July and *Daily News*, *Daily FT*, *The Nation* and *The Island* newspapers.
- “Entering and Conquering China: Beyond the Free Trade Agreement”, Nipuni Perera, *Talking Economics Blog*, 9 July and *The Island* and *Daily FT* newspapers.
- “Facilitating Trade between Sri Lanka and India”, Suwendrani Jayaratne, *Talking Economics Blog*, 25 August, *Daily Mirror*, *Daily FT*, *The Nation* and *The Island* newspapers.
- “Trans-Pacific Partnership (TPP): Implications for Sri Lanka”, Janaka Wijayasiri and Nipuni Perera, *Talking Economics Blog*, and 18 November, *Daily Mirror* and *The Island* newspapers.
- “Doing business in Sri Lanka: Investment Climate and Challenges Ahead”, *Talking Economics Blog*, and 24 November, *Daily FT*, *The Island* and *Daily Mirror* newspapers.



## Presentations

'Institutional Mechanisms for Promoting Trade and Investment in Knowledge - Based Industries in the Indian Ocean Rim Association (IORA) Region', by Raveen Ekanayake, at the India and the Indian - Ocean Renewing the Maritime Trade and Civilization Linkages, Odisha, India, 22 March.

'Workshop on Post-Bali Issues and Preparation for the 10th WTO Ministerial Conference: A South Asian Perspective', by Suwendrani Jayaratne, at the Workshop on Post-Bali Issues and Preparation for the 10th WTO Ministerial Conference Organized by: Commonwealth Secretariat and IPS, Colombo, 18 - 19 May.

'Sri Lanka's Macroeconomic Outlook', by Dushni Weerakoon, at the EU Economic Counsellors Meeting, organized by EU Delegation, EU Office, Colombo, 2 July.

'Promoting Regional Economic Integration, Women Entrepreneurs' Challenges and Opportunities: Evidence from South Asia - A Case of Sri Lanka', by Sunimalee Madurawala, Berlin, at the International Association for Feminist

Economics (IAFFE) Annual Conference, Germany, 16-18 July.

'Potential and Challenges to Trade Expansion under Sri Lanka-China FTA in the Context of One Belt, One Road Initiative' by Janaka Wijayasiri, at the "One Belt, One Road" and BCIM Regional Interconnection Conference, organized by (IWEP) and (CASS) Beijing, China, 25 August.

'Opportunities and Challenges along the Belt and Road with a Specific Focus on Sri Lanka', by Nipuni Perera, at the "One Belt, One Road Initiative" at "One Belt, One Road" and BCIM Regional Interconnection Conference, organized by (IWEP) and (CASS), Beijing, China, 25 August.

'Global Value Chains: Challenges and Opportunities', moderated by Dushni Weerakoon, at the 3rd Asian Think Tank Forum Organized by Asian Development Bank and Malaysia Institute of Economic Research, Kuala Lumpur, Malaysia, 8-9 September.

'Role of the Board of Investment as a One-Stop-Shop in Attracting Japanese Investors to Sri Lanka', by Suwendrani Jayaratne at the presentation for the members of the Task Force for More Japanese Investors to Sri Lanka, organized by BOI, Colombo, 8 September.

'Economic and Strategic Perspective of Central Asia, Northeast Asia and South Asia Relations with China, Joint Presentation', by Nipuni Perera at the International Seminar for Young Scholars on Economic Development Issues organized by (CASS), Beijing, China, 17 September.

'Towards a New Growth Model: Macroeconomic Compulsions and Structural Challenges, Joint Presentation', by Dushni Weerakoon, at the Gamani Corea Foundation Lecture, BMICH, Colombo, 15 October.

'Economic Outlook and Reform Options', by Dushni Weerakoon, at the launch of the 'Sri Lanka: State of the Economy 2015' Report, IPS Auditorium, 20 October.



IPS Research Officer, Sunimalee Madurawala, participated at the 24th International Association for Feminist Economics (IAFFE) Annual Conference held from 16th - 18th July at the Berlin School of Economics. She was a discussant at the Roundtable Discussion on "Promoting Regional Economic Integration? Women Entrepreneurs' Challenges and Opportunities: Evidence from South Asia" and presented the findings of the IPS recent research study on "Products with Regional Trade Potential and Associated Non-tariff Barriers, with special focus on Women own and/led Micro Small and Medium Enterprises: A Case of Sri Lanka".

## Presentations

'Sri Lanka's Economic Outlook: An Overview', by Dushni Weerakoon, at the launch of the 'Sri Lanka: State of the Economy 2015' Report, IPS Auditorium, 20 October.

'Sri Lanka's Economic Outlook: An Overview', by Dushni Weerakoon, at the DFCC Economic Forum, DFCC Head Office, 23 October

'Economic Collaboration', Panellist - Dushni Weerakoon, at the 36<sup>th</sup> Annual National Conference of Chartered Accountants, Colombo, 23 October.

'Proposed China-Sri Lanka Free Trade Agreement (FTA): Prospects and Challenges', by Janaka Wijayasiri, at the onference on the Maritime Silk

Road and the China-Sri Lanka Relations, organized by Shanghai Institutes for International Studies (SIIS), Shanghai, China, 5-6 November.

'Sri Lanka's Economic Outlook', Panellist - Dushni Weerakoon, at the Presentation to Analysts Group of Copal Amba Research, World Trade Centre, 12, November.

'Chinese and Hong Kong investments in Sri Lanka', Interview - Dushni Weerakoon, at the Television Interview with Zela Chin, organized by Television Broadcasts Limited World Trade Centre, WTC, 16 November.

'Trade Facilitation and Customs Cooperation', Panel Discussion -

Dharshani Premaratne, at the 8th South Asian Economic Summit, Islamabad, Pakistan 7-8 December.

'NTMs & NTBs: Sri Lankan Experience in the SAARC Region', by Suwendrani Jayaratne, at the National Level Training of Trainers on Non-Tariff Measures and Non-Tariff Barriers in the SAARC Region, organized by FCCISL and SAARC Promotion Network.Colombo, 8 December 2015

'Exporter's Perspective on NTBs in China', by Dharshani Premaratne, at the Stakeholder Consultation Meeting, IPS Conference Room, Colombo, 15 December.



IPS Executive Director, Dr. Saman Kelegama and Deputy Director, Dr. Dushni Weerakoon, were panelists at the 36<sup>th</sup> National Conference of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), held under the theme "Catalyst 15: Collaborate to Compete". The event was held from 4<sup>th</sup> - 6<sup>th</sup> November at the BMICI Colombo, where Dr. Kelegama and Dr. Weerakoon shared their insights and expertise in Technical Sessions addressing issues of "Economic Collaboration" and "Private and Public Sector Collaboration", respectively.

# Migration & Urbanization

*Sri Lanka has experienced varying forms and intensity of migration in post-independence decades. At present, over one million Sri Lankan citizens are estimated to have migrated for foreign employment. Over the years, the government has facilitated labour migration to ease employment and foreign exchange shortfalls in the country with the relaxation of regulations on travel and foreign exchange convertibility to facilitate overseas work and remittances. The government is hoping to raise remittances by changing the skill mix of migrants and the composition of country destinations. The challenge is to identify and promote foreign employment that is both beneficial to the workers as well as the country.*

International labour migration makes a significant contributor to the Sri Lankan economy. On the one hand, migration eases the pressure on the domestic labour market while on the other it brings in valuable foreign exchange to the economy. In recent years remittances accounted for approximately 10 percent of GDP and over 11 per cent of households receives remittances<sup>1</sup> while the annual departures for foreign employment approximates 300,000. In addition to moving across national borders, many Sri Lankans move within the country in search of better opportunities in urban areas. As such, migration – both internal and international, and urbanization are associated with potential to contribute to the Sri Lankan growth process in many ways. In this context, this year's IPS research on the theme **Migration and Urbanization** focused on welfare implications of a recent migration policy, cost of migration and issue of urban definition in Sri Lanka.

In 2013, a policy termed Family Background Report (FBR) was introduced to curtail female departures for housemaid jobs. Subsequently, in 2015 the policy was extended to all females regardless of occupation. The introduction of this policy has resulted in a myriad of implications leading up to reconsidering its continuation. Timely research by IPS on this theme has played a key role in the evaluation process of this recent policy. In November 2015, backed by her Chapter on **"Migrant Labour Reforms: Tackling the Family Background Report"** (in the Sri Lanka State of the Economy 2015- Economic Reforms: Political Economy and Institutional Challenges), Bilesha Weeraratne made observations and recommendations for reforming the FBR at the National Advisory Committee on Labour Migration and presented a copy of IPS Flagship publication to Hon. Thalatha Athukorala, Minister of Foreign Employment.

Currently over half of labour migrant departures from Sri Lanka are low skilled workers. However, the departure of low skilled workers from Sri Lanka is channelled through various

arrangements leading to diverse migration costs. In this context, Global Knowledge Partnership for Migration and Development (KNOMAD) of the World Bank, Washington, D.C. commissioned IPS with a study to perform a **value chain analysis of cost of migration for low skilled workers from Sri Lanka**. The study team consists of Bilesha Weeraratne, Janaka Wijayasiri and Suwendrani Jayaratne. Bilesha Weeraratne presented the preliminary findings at a KNOMAD workshop in Washington D.C., at an in-house seminar at IPS and to stakeholders in a vetting meeting at IPS.

Despite the significance and importance of migrants to the Sri Lankan economy, after migration they are not considered part of the local labour force. To address this issue Nisha Arunatilake, Priyanka Jayawardena, Sunimalee Madurawala and Bilesha Weeraratne performed a study titled **"Integrating Migrant Workers in Labour Market Participation Analysis"** funded by the International Labour Organization (ILO), Geneva. Additionally, the research team on migration and urbanization also completed the ongoing study on "Meeting the Development Challenges of Migration", funded by TTI, while Dushni Weerakoon and Bilesha Weeraratne made presentations on international migration in New Delhi, India in March and April, 2015, respectively.

In addition to migration, this theme also covers urbanization – a high priority development policy area in Sri Lanka. Despite the plans to develop a massive urban area coined the Western Mega Polis, Sri Lanka still does not have an appropriate definition for urban areas that reflects the actual degree of urbanization in the country. In this context, IPS researcher Bilesha Weeraratne met with Minister of Western Development and Megapolis – Hon. Patali Champaka Ranawaka, to obtain his views about an ideal definition for urban areas in Sri Lanka for her ongoing study which develops an **alternative definition for urban areas in Sri Lanka**. This study reconciles the mismatch between the actual and estimated level of population living in urban areas, the study is funded by the TTI fund at IPS.

## Blogs/Articles

“Upfront Incentives: Carrot for Migrants & Cash for Others”, Bilesha Weeraratne, *Talking Economics Blog*, 18 December and the *Daily Mirror*, *The Island*, *Daily FT* and *The Nation* Newspapers.

## Presentations

‘Female Domestic Workers in the Middle East: Does Recruitment Through an Agent Minimize Vulnerability?’, by Bilesha Weeraratne at the International conference on “South Asian Economic Development: The Way Forward” organized by the Faculty of Economics, South Asian University, New Delhi, India, 9 and 10 April.

‘Cost of Low-skilled Migration: Value Chain Analysis – Sri Lanka at KNOMAD’, by Bilesha Weeraratne at the “Workshop on Measuring Migration Costs for the Low-skilled” organized by the Global Knowledge

Partnership on Migration and Development (KNOMAD) of World Bank, Washington DC, USA, 16 and 17 November.

‘Managing Migration: The Political Dynamics of Human Migration’, by Dushni Weerakoon, at the Sixth Asian Relations Conference: Non-Traditional Themes in Asian Foreign Policies, Organized by the Indian Council for World Affairs (ICWA), New Delhi, India, 23 and 24 March.

‘Low-skilled Labour Migration - Value Chain Analysis of Migration Cost’, by Bilesha Weeraratne at the Stakeholder Consultation for Value Chain Project, IPS Conference Room, 8 December.



IPS Research Fellow, Dr. Bilesha Weeraratne making her presentation at the International conference on “South Asian Economic Development: The Way Forward” organized by the Faculty of Economics, South Asian University, New Delhi, India.



IPS Research Fellow, Dr. Bilesha Weeraratne participated at the “KNOMAD Workshop on Measuring Migration Costs for the Low-skilled” held at the World Bank, Washington DC. The workshop, organized by the World Bank’s Global Knowledge Partnership on Migration and Development hub (KNOMAD) was held during 16-17 November.

# Human Resources for Sustainable Development



*Developing the country's human resources to meet the changing demand will require a concerted effort on many fronts. First, to foster a skilled workforce that is able to meet the changing demand of the labour market improving access to high quality tertiary level education will be critical. However, expanding the tertiary education sector alone is not sufficient. The foundations for further training in advance science and technology related subjects are laid at the school level. As such, the quality and access to general education should also improve. Along with education and skill development, health is an important determinant that ensures success in education and greater productivity in work life. The importance of nutrition for decreasing loss of work days due to illness and increasing productivity is well documented in the literature. Studies also show that well-nourished children are more likely to succeed in education. Diseases that are more prevalent amongst the productive age population such as non-communicable diseases (NCDs) also influence work life and productivity. Sri Lanka's demographic profile is changing. The country has a fast ageing population, while its younger population – both children and those in their productive ages – are shrinking. The country will need to be conscious about these changes when planning for its future human resources.*

Current developing strategies for the country emphasize the need for far reaching economic reforms to generate employment and improve people's incomes through greater private sector participation. Given the balance of payment constraints faced by the country, greater prominence is also given to increasing and diversifying exports. Being a lower middle income country with increasing per capita incomes, the comparative advantages Sri Lanka derived from low cost workers are slowly eroding. To be globally competitive the country will increasingly need to look into strategies for promoting innovation and specialized products - approaches that require a highly skilled and trained workforce that is able to identify, adopt and use appropriate technologies for modernizing and improving production processes. This challenge is further exacerbated by demographic transitions which are ageing the labour force and slowing its growth. This means that more needs to be done to maximize the use of available labour. At the same time in order to sustain living standards, the country needs to improve access to better jobs and better social protection for the poorest and improve health outcomes. In this backdrop, **IPS addressed the following key labour market and human resource policy concerns:** a) reforms for addressing the growing skills mismatch in the country; b) improving labour force

**participation to maximize productivity and utilization of labour resources; c) fair wages and social protection for improving living standards; and, d) promoting healthy lives.**

Skills mismatches in the labour market are constraining economic growth. The traditional modes of vocational and technical training are not equipped to supply adequate numbers of skilled workers required by companies competing in an environment of rapid technological changes and global integration. Skilled workers take longer to train. IPS flagship Publication State of the Economy 2015 included two chapters examining the labour market and education market reforms. Among other things, they highlighted the need for better information for better planned training programmes to match supply to the changing skill demands. They also highlighted the need for modernizing and expanding the tertiary education sector and changing the way the sector is governed for improving skills training. Education financing is an important aspect of education reforms. A recent study on 'Investment in Formal Education in Sri Lanka', of which Nisha Arunatilake was a team member, found that the available resources for school education are inadequate, the distribution of the resources are unequal and utilization of the resources are inefficient. Finding solutions to these three deficiencies will be key for reviving the education sector in the country.

IPS researchers have engaged with policy makers and development partners to draw attention to the need for reforms to improve skills. Some dissemination activities conducted by the researchers include the contribution by Nisha Arunatilake to the Jobs and Development Blog of the World Bank on "If Sri Lanka is to Join the Knowledge Economy, it Needs to Improve its Education, Training and Skills" and the article by Priyanka Jayawardena in the *Island* on "Sri Lanka Needs Equal Access to Science Education".

The World Bank's Systematic Country Diagnostics emphasize the need for better job prospects for the bottom 40 per cent of Sri Lanka. Nisha Arunatilake and Priyanka Jayawardena were part of a research team that conducted a 'Labour Market Diagnostics' as a background paper for the World Bank's Systematic Country Diagnostics. On a related issue, IPS research also looked at inclusion in the social protection schemes of the country and access to jobs that gave fair wages and other social protection benefits. A recent United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) funded study on "Old Age Income Security Programmes" by Shanika Samarakoon, Nisha Arunatilake and Neluka Gunasekara finds that at present only 20 per cent of the 60 plus persons receive an adequate pension to keep them out of poverty. Although a further 28 per cent receive some pension benefits, these are not adequate. The findings of this study was disseminated at several conferences and workshops, including at the pension's day organized by the Department of Pensions, by Nisha Arunatilake.

A currently on-going study funded by the Living Wage Coalition is in the process of examining whether the plantation sector workers are receiving a 'Living Wage'. A recent study by Priyanka Jayawardena funded by the Think Tank Initiative finds that there is an increasing trend of non-standard employment, with lower social protection and wages, in Sri Lanka, and mostly youth with low levels of education are engaged in such work. Priyanka Jayawardena took the opportunity to highlight the 'Wage Differentials in a Segmented Labour Market' based on DCS data at the World Statistics Day.

Sri Lanka has often being recognized for its achievements in health. However, as discussed in the chapter on "Health Sector Reforms" in the IPS flagship Publication State of the Economy 2015, there are some prevailing health issues which are troubling policy makers. These range from health issues to system wise issues relating to health care delivery. A recent study by G. D. Dayaratne on "Challenges for Free

Health Care in a Liberalized Economy" reveals that though Sri Lanka has a free health care service, out-of-pocket expenditure on health has increased over time. A TTI funded project by Sunimalee Madurawala, 'Public or Private: Determinants of the Usage of Health Care Services in Sri Lanka'; was initiated with the objectives of identifying the main determinant factors in selecting a healthcare service provider for healthcare treatments and identifying the health care usage preferences of different segments.

Health is no longer a concern of just the Health sector. The population health is affected by a variety of factors such as the environment, occupations, social behaviour, cultural practices, etc. As such, to address health issues policy makers have to look beyond the health sector. Several IPS studies were conducted to highlight the need for looking beyond the health sector for finding solutions to health issues. For example, a recent study by Priyanka Jayawardena shows that **lack of nutritional food consumption, alcoholism and poor socio-economic conditions are the main causes of malnutrition in the Estate sector.** Recognizing the importance of her research, she was invited to disseminate her findings at the workshop on "Formulation of 10 Year National Plan of Action for Social Development of the Plantation Community".

In another example, a recent study by IPS on "Health Inequalities, Work and Access to Social Security of Informal Workers in Asia, Africa, and Latin America" funded by the Latin American Faculty of Social Sciences finds that **poor working and living conditions, lack of attention to occupation related health services, non-availability of comprehensive legislation on Occupation Safety and Health (OSH) for the agriculture sector, and the lack of related knowledge among farmers are major OSH issues faced by the agriculture sector of the country.**



Workshop - Health Inequalities and access to social security for formal workers in Latin America, Africa and Asia. Bellagio, Italy, April

## Publications

"Manufacturing Progress? Employment Creation in Sri Lanka" by Byiers, B, F. Kratke, P. Jayawardena, L. Rodrigues and A. Wijesinha, Overseas Development Institute (ODI).

'Investment in Formal Education in Sri Lanka' Background Paper for National Education Commission's 2015 Education Reforms Study, Ranasinghe, Athula, Arunatilake, Nisha, and Dunusinghe, Priyanga.

'Health and Socio-Economic Determinants of Malnutrition in the Plantation Sectors in Sri Lanka: A Review', by Bandara S. and Manuj Weerasinghe, IPS Working Paper Series No.21

Chapters on "Reduce Child Mortality" and "Improve Maternal Health" in the "Millennium Development Goals Country Report 2014 Sri Lanka", by Sunimalee Madurawala,

An Assessment of the Implementation of Guidelines in School Canteens: A Case Study from the Western Province of Sri Lanka, by Manuj C. Weerasinghe, Samantha Bandara and Munsif Sanoon, A joint publication by the IPS and Ministry of Education Services.

## Blogs/Articles

"National Medicinal Drug Regulatory Authority Bill and the Medicinal Drug Policy of Sri Lanka: Some Challenges", G. D. Dayaratne, *Talking Economics Blog*, 02 April and *The Island, Daily FT*, and *The Nation* newspapers.

"Food Additives – Are They Safe?", Samantha Bandara, *Talking Economics Blog*, 16 April and *The Island* and *The Sunday observer newspapers*.

"Let Food be Thy Medicine", Samantha Bandara, *Talking Economics Blog*, 08 May and *The Island, Daily Mirror* and *The Nation* newspapers.

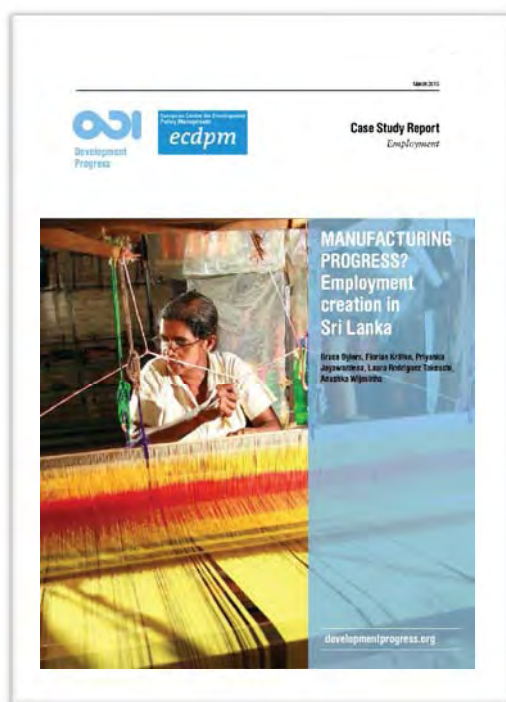
"World No Tobacco Day: Tobacco Smoking – An Issue of Un-awareness", G. D. Dayaratne, *Talking Economics Blog*, 31 May.

"Child Labour and Education in Sri Lanka: Combating Child Labour through the Provision of Quality Education", Sahan Jayawardena, *Talking Economics Blog*, 12 June and *The Island, Daily Mirror* and *The Nation* newspapers.

"Sri Lanka Needs Equal Access to Science Education", Priyanka Jayawardena, *Talking Economics Blog*, 17 July and *The Island, Daily Mirror*, *Daily FT*, and *The Nation* newspapers.

## Blogging in Global Platforms

'If Sri Lanka is to Join the Knowledge Economy, it Needs to Improve its Education, Training and Skills', Arunatilake N. in Jobs and Development Blog, *The World Bank*.



## Presentations

'Malnutrition in the Plantation Sector' by Priyanka Jayawardena, at the Workshop on Formulation of 10 Year National Plan of Action for Social Development of the Plantation Community, Organizer: Ministry of Plantation Infrastructure Development, Taj Samudra Hotel, Colombo, 30 April.

'Wage Differentials in a Segmented Labour Market' by Priyanka Jayawardena, at the World Statistics Day, Department of Census and Statistics, 20 October.

'Socio-economic Determinants of Child and Maternal Malnutrition in Sri Lanka's Estate Sector', by Priyanka Jayawardena, at the Formulation of 10 Year National Plan of Action for Social Development of the Plantation Community, Taj Samudra Hotel, Colombo, 30 April,

'An Assessment of Implementation of School Canteens Guidelines', by Samanthi Bandara, at the World Consumer Right day Forum 2015, IPS Auditorium, 16 March.

'What Factors Matter For Livelihood of Older Workers?' by Samanthi Bandara, at the Young Scholars Symposium, organized by South Asia Research Network (SARNET) New Delhi, India, 26 October,

'Retirement – Can all afford it? - Adequacy and Coverage of Pensions in Sri Lanka', by : Nisha Arunatilake, at the National Pensions Day Symposium, Sri Lanka Foundation Institute, Colombo, 8 October,

'Closing the gap – Adequacy and Coverage of Pensions in Sri Lanka', by Nisha Arunatilake, at the National Consultation on Pensions in Sri Lanka, organized by IPS and UNESCAP, Taj Samudra, Colombo, 23 October.

'Health Inequalities and Access to Social Security for Farmers in Sri Lanka', by Nisha Arunatilake, at the Health Inequalities and Access to Social Security for Informal Workers in Latin America, Africa and Asia: Finalizing the

Global Baseline and Next Steps, Rockefeller Foundation Bellagio Center, Bellagio, Italy, 14-16 April.

'Opportunities for Development Cooperation in Public Health between Korea and Sri Lanka by Nisha Arunatilake, at The Sixth Republic of Korea-SAARC Partnership Seminar, organized by the Ministry of Foreign Affairs of the Republic of Korea and the Korea Institute for International Economy Policy (KIEP) Seoul, Korea, 26<sup>th</sup> October,

'Budget's Position on Education and Health', by Nisha Arunatilake, at the Budget's position on bridging income inequality and whether it lends itself to being "pro-poor" organized by the UNDP, Colombo, 4 December.



*The Sixth Republic of Korea-SAARC Partnership Seminar, Seoul, Korea, October*



# Private Sector Development



*With a stated government policy objective of achieving GDP growth of 8 per cent or higher, Sri Lanka would need to raise its annual rate of investment from the current level of approximately 28 per cent of GDP to at least 35 per cent. With increasing pressures on public finances and announcements that public investment is likely to be capped at around 6 per cent of GDP, this higher investment ratio would need to come almost entirely from private investment. Within this, foreign private investment too plays a critical role. This then necessarily means that private sector development is a critical part of Sri Lanka's overall development challenge. While the sources of faster growth in recent years have mainly been from government initiative, the sources of sustained faster growth in the medium-term will need to come from the private sector – large and small. No longer can we look at private enterprise development from just the narrow lens of 'industrial development' as may have been done in the past. It is about exploring and addressing a myriad of factors that can strangle or strengthen the private sector, provide it a conducive climate for growth, and ensure it plays a substantial role in bridging growth disparities and contributes to more inclusive economic progress and prosperity in the country. The latter becomes especially important in Sri Lanka's post-war milieu.*

The private sector has long been recognized as the engine of economic growth for the greater majority of countries around the world. In the aftermath of the global economic recession, job creation has taken centre stage of the global development agenda. Job creation is the job of the private sector and recognizing this, governments across the world including Sri Lanka have prioritized the clearing away of those obstacles stifling private sector development to ensure job creation. Against this backdrop, in 2014 IPS working closely with the private sector, government and international development partners focused its research on identifying pressing issues concerning the private sector and providing input on developing workable solutions to these problems.

Given the importance of Small and Medium Enterprises (SMEs) to the Sri Lankan economy, **IPS conducted three studies focused specifically on issues dealing with SMEs.** In addition, IPS research also focused on broader investment climate reforms that are key in developing a climate conducive to attract both domestic and foreign owned investors to start, grow and flourish. **The "Development Progress (DP) Employment Case Study - Sri Lanka",** funded by Overseas Development Institute

(ODI)/ECPM, carried out by Anushka Wijesinha and Priyanka Jayawardena are among the completed projects for the year. On-going projects in this thematic area are the Global Competitiveness Report 2016/2017, and the New Age Industrial Policy.

Among Other Activities, Nipuni Perera, attended a seminar on "Making CSR Part of Company's DNA", organized by CSR Guarantee Ltd, In April in Colombo. Ganga Tilakaratne attended a round table discussion on "SME Sector", organized by the International Finance Corporation (IFC), in March.

In April - 'Findings from the Sri Lanka Country Study', Policy Engagement Workshop on "Tax Policy and Enterprise Development in South Asia", carried out by IPS and GINI (Governance Institutes Network International), Islamabad were presented at the IPS Auditorium, by Raveen Ekanayake, and Anushka Wijesinha.

# Poverty & Vulnerability



*Many households in Sri Lanka are still vulnerable to various risks such as economic shocks, vagaries of weather, and life cycle events that may cause the non-poor to fall into poverty while pushing the poor into deeper poverty. Addressing such challenges requires policies and programs that cover a broader spectrum of risks and a vulnerable people including the poor, old aged, disabled, women and children. It requires a comprehensive approach that goes beyond provision of social assistance such as cash or in-kind transfers, to include social insurance and, skills and livelihood development*

Sri Lanka has made significant progress in reducing poverty over the past decade. It has also achieved a number of Millennium Development Goals (MDGs) such as halving the poverty level, achieving universal primary education, promoting gender equality in education, reducing child mortality and improving maternal health (UN, 2015). Despite these achievements at the national level, considerable disparities are seen across the sectors and regions of the country. Inequality in income distribution too remains an issue of great concern. Moreover, the country has a sizable share of 'vulnerable non-poor' population who are clustered just above the poverty line and facing the risk of slipping in to poverty due to various shocks. Sri Lanka is also faced with a number of demographic and labour market related challenges such as ageing of population, large informal workforce, and low female labour force participation. Addressing the above challenges requires deeper understanding of these issues and the existing systems and policies in place. In this context, the IPS research on poverty and vulnerability focuses on a number of areas including social protection, financial inclusion, equity and equality and MDGs and post-MDG agenda.

A comprehensive social protection system that covers a broader spectrum of risks and vulnerable groups is crucial to address vulnerability and to enhance equity in the country. Despite a range of social protection programs, including cash and in-kind transfers, pensions, and livelihood development programs, the effectiveness of Sri Lanka's social protection system in terms of its coverage, targeting and the impact on vulnerable groups remain unclear. To fill these gaps, the Poverty research team of the IPS carried out a series of research studies on social protection during 2015.

Ganga Tilakartana and Chinthani Sooriyamudali carried out an in-depth analysis of the Divineguma Program - Sri Lanka's

main social protection programme for the poor. The study examined in detail the structure of the Divineguma program and its multiple components (e.g. welfare program, banking system and the livelihood development program), identified several issues and weaknesses of the Divineguma program and suggested ways to improve its efficiency. This study was funded by the World Bank. IPS poverty research team also initiated a study on food-based safety net (FBSN) programs in Sri Lanka. **The study analyses the evolution of FBSN programs in Sri Lanka such as food rations, food subsidies and food stamps since 1940s and the transition to cash transfers in recent years.** It further examines the factors that led to the changes in Sri Lanka's FBSN system over the past many decades and their implications. The study is part of a multi-country project funded by the World Bank, which includes Egypt, India, Indonesia, Mexico, Sri Lanka and the USA as country case studies.



*Ganga Tilakartana was a panelist in the session on 'Education, Skills and Social Protection in South Asia' of the International Conference on 'Meeting the Challenges of Employment and Inclusive Growth in South Asia' organized by the South Asia Research Network on Employment and Social Protection for Inclusive Growth (SARNET) in collaboration with the UN-ESCAP, ILO, IDRC, Canada and the Institute for Human Development (IHD), held in New Delhi, India on 24-25 October.*

Despite the large array of social protection programmes, no empirical analysis had explored the relationship between social protection and labour market outcomes in Sri Lanka. To fill the above gap, Ganga Tilakaratna and Sahan Jayawardena carried out a research study on **'Social Protection and Labour Market Outcomes in Sri Lanka'** that examined the effect of social protection on labour force participation and employment status in Sri Lanka. The study was funded by the International Labour Organization (ILO). IPS poverty research team also made several presentations related to social protection at various international and national fora.

Sri Lanka is committed to achieving the Sustainable Development Goals (SDGs), which are comprised of 17 goals and 169 targets. These goals range from ending poverty and hunger to ensuring healthy lives, ensuring inclusive and equitable quality education, achieving gender equality and those related to environment, natural resources and climate change.

A team of researchers led by Ganga Tilakaratna carried out a study to examine the **national level implications of the implementation of SDGs in Sri Lanka**. In particular, the study looks at how the SDGs will be embedded in the national context – the relevance of indicators, and the implementation challenges in the areas of financing, monitoring and availability of data. The study also identifies the needs in terms of partnership and stakeholder participation. This study is funded by the 'Southern Voice on Post-MDGs International Development Goals'. The research team consisted of Ganga Tilakaratna, Suwendrani Jayaratne, Sunimalee Madurawala, Kanchana Wickramasinghe, Wimal Nanayakkara.

Moreover, IPS prepared the **Millennium Development Goals (MDGs) Country Report for Sri Lanka** in collaboration with the **United Nations Development Programme (UNDP)** and the Ministry of Finance and Planning of Sri Lanka. This report provides a comprehensive assessment of Sri Lanka's progress with regard to MDGs and their targets - at both the national level and the regional level. The report was launched in March 2015. The research team included Wimal Nanayakkara, Ganga Tilakaratna, Sunimalee Madurawala, Chatura Rodrigo, Suwendrani Jayaratne, Ashani Abeysekara, Ayodya Galappattige and Yolanthika Ellepola. IPS researchers also made presentations related to SDGs as well as MDGs at various conferences.

Improving access to quality financial services is another important step to reduce poverty, vulnerability and to enhance livelihood opportunities among low-income households. Ganga Tilakaratna prepared a paper on **'Financial Inclusion in Sri Lanka: Current Status and Issues'** which provides a detailed analysis of Sri Lanka's financial sector, the level of financial access in Sri Lanka, and issues and challenges with regard to financial inclusion. She also prepared a journal article on **'Microfinance and Multiple Borrowing in the Microfinance Sector in Sri Lanka: Another Micro-Credit Bubble in South Asia?'** which discusses the increasing level of multiple borrowing in the microfinance sector in Sri Lanka and its implications. The findings of these papers were presented at various workshops.

Despite substantial decline in the national poverty level over the past decades, considerable disparities exist at the regional level with some districts like Monaragala showing over 40% increase in poverty head-count ratio between 2009/10 to 2012/13. Inequality and vulnerability are also issues of concern. In this context IPS carried out a number of research studies to analyse the poverty situation in Sri Lanka. A study to explore the **factors that contributed to the rise in poverty in the Monaragala district** was carried out for the Uva Provincial Council with the financial support from the UNICEF. The research team included Ganga Tilakaratna and Nisal Herath. Moreover, **'Poverty Assessment of Sri Lanka'** was carried out to examine the poverty situation of the country, its social protection system and to identify the constraints to inclusive growth. The study was carried out as a background study for the **'Sri Lanka Country Partnership Strategy 2017-2021'** of the Asian Development Bank. The research team included, Ganga Tilakaratna and Wimal Nanayakkara.



Ganga Tilakaratna, Research Fellow made a presentation on 'Social Protection for Informal Sector Workers in Sri Lanka' at the 2<sup>nd</sup> Social Protection Forum Asia on 'Social Protection in the Informal Sector-Incentive or Hindrance to Formalisation?' organised by the Friedrich-Ebert-Stiftung (FES) held on 27-28 October in Bangkok, Thailand.

## Publications

'Microfinance and Multiple Borrowing in Sri Lanka: Another Microcredit Bubble in South Asia', Tilakaratna, G. and D. Hulme D., *South Asia Economic Journal*, March 2015, pp 46-63.

'Millennium Development Goals Country Report 2014 Sri Lanka', United Nations Development Programme Sri Lanka, (2015), UNDP, Colombo.

Review of the book on 'INEQUALITY: What can be done?' by Anthony B. Atkinson, by Wimal Nanayakkara, in *Trade Insights* (Vol.II, No.2, 2015)

## Blogs/Articles

"Millennium Development Goals – Sri Lanka's Achievements and Challenges Ahead", Wimal Nanayakkara, *Talking Economics Blog*, 09 April and *The Island*, *Daily FT* newspapers.

"Child Poverty: Who are the Poorest Children in Sri Lanka?", Wimal Nanayakkara, *Talking Economics Blog*, 29 July and *The Island*, *Daily Mirror*, and *The Nation* newspapers.

"Ensuring the Rights of Our Children: What More Can We Do?", Wimal Nanayakkara, *Talking Economics Blog*, 14 December and *The Island* and *Daily Mirror*, newspapers.

## Presentations

'Social Protection and the MDGs in Sri Lanka: Implications for the Post 2015 Development Agenda' by Ganga Tilakaratna, Southern Voice Research Conference, on 16 and 17 February Istanbul, Turkey.

'Millennium Development Goals Country Report 2014 – Sri Lanka', Launch of the Millennium Development Goals Country Report 2014, by Wimal Nanayakkara, March, Colombo.

'Multiple Borrowing in the Microfinance Sector in Sri Lanka' by Ganga Tilakaratna, 52nd Open Forum on Poverty, 31 March, Lakshman Kadirgamar Institute for International Relations and Strategic Studies, Colombo.

'Social Protection and Labour Market Outcomes: Evidence from Sri Lanka', by Ganga Tilakaratna, 10 and 11 April, New Delhi, India,

'Financial Inclusion in Sri Lanka: Current Status and Issues' by Ganga Tilakaratna, 20 and 21 May, Hong Kong

'Who are the Poorest Children in Sri Lanka?' by Wimal Nanayakkara, 23 September, IPS Conference Room

'Social Protection for Informal Sector Workers in Sri Lanka' by Ganga Tilakaratna by 27 and 28 October, Bangkok, Thailand.

'Food Based Safety Net Programs in Sri Lanka', by Ganga Tilakaratna, 19 and 20 November, Washington DC, USA.

'SDGs and Post-2015 Development Agenda: South Asian Perspectives' Panelist: Dushni Weerakoon, 7 and 8 December, Islamabad, Pakistan.



Ganga Tilakaratna presented a paper on 'Financial Inclusion in Sri Lanka: Current Status and Issues' at the workshop on 'Understanding Financial Inclusion in Asia' held in Hong Kong on 20-21 May. This workshop was organized by the Institute for Emerging Market Studies (IEMS) at the Hong Kong University of Science and Technology and the Centre on Asia and Globalization (CAG), at the Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore.

# Environment, Natural Resources and Agriculture



*Growth that results in depleting the natural capital stock of a country is not smart as it cannot be sustained in the long term. Sri Lanka is blessed with a habitable tropical environment all over the country that offers many eco-system services for the wellbeing of people. The rich stock of natural resources provides the essential launching pad for Sri Lanka's post-conflict drive towards fast-track growth. Whether this endowment could bring in desired improvements to living standards of people, and more importantly, could it be maintained for the wellbeing of future generations, is largely a matter of how sensibly it is put into use. Recently, the idea of sustainability has given rise to more operational concepts such as 'green growth'. Green growth advocates exploring new avenues of growth that ensure continuity of the natural capital stock. However, there is overwhelming evidence to believe that the present use of natural capital in Sri Lanka is not fulfilling the conditions necessary for green growth. The policies/strategies for green growth cover three broad areas of interest: (i) innovation and adoption of right technical solutions; (ii) policies for getting structure of incentives right; and (iii) policies for setting up right institutions.*

Environment, natural resources and agriculture are important elements of sustainable development. Nearly a third of the labour force is employed either directly or indirectly in natural resources and agriculture related sectors. The contribution of these sectors to the national economy is mainly highlighted in terms of food production, earnings from plantation based industries, supply of natural resources such as water and forest products and raw materials from agriculture. The research conducted under the theme 'Environment, Natural Resources and Agriculture' covered major sub- themes of climate change, food security, agricultural value chains, ecosystem services, agricultural risk analysis and environmental and agricultural policy.

Climate change is impacting the economy of Sri Lanka in numerous ways and policy makers are attempting to address the challenge through both adaptation and mitigation strategies. Contributing to the evolving climate change policy in Sri Lanka, the IPS team comprised of Athula Senaratne, Kanchana Wickramasinghe and Chatura Rodrigo developed the **"National Adaptation Plan for Climate Change Impacts in Sri Lanka 2016-2025 (NAP Sri Lanka)"** for the Ministry of Mahaweli Development and Environment. Funding support for this project was provided by the United Nations Development Program (UNDP). The NAP Sri Lanka

2016-2025 is a major milestone in national policy on climate change and shall provide the direction for climate adaptation interventions in the country till 2025. Furthermore, the same team of researchers undertook a project on **"Post-evaluation of Progress and Impacts of the Country Studies on the Technology Need Assessment (TNA) in Sri Lanka"** funded by the Institute for Global Environmental Strategies (IGES). To further understand the importance of agriculture insurance as a tool of adaptation to climate-induced risks on agriculture, Kanchana Wickramasinghe is carrying out a research study on **"Demand for Climate Insurance by Dry Zone Farmers in Sri Lanka"**, funded by the Global Development Network (GDN).

Ensuring availability, access and utilization of food commodities such as rice, milk products and fish are important for the food security of Sri Lankans.

Understanding factors affecting demand and supply of these commodities and associated value chains are critical for designing appropriate policies. Funded by the National Science Foundation (NSF) of Sri Lanka, the IPS team comprised of Athula Senaratne, Manoj Thibbotuwawa, Chatura Rodrigo, Kanchana Wickramasinghe and Dilani Hirimuthugodage continued the 3 year project on **"Supply**

and Price Behaviour Relating to Selected Crops and Livestock Products in Sri Lanka” that looks at demand, supply and value chains of rice, dairy products and fish. Also connected to food security sub-theme, Dilani Hirimuthugodage carried out projects on “Effective Application of Knowledge Networks for Development of Strategies and Policies for Food Security in Sri Lanka”, funded by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and “Intellectual Property Rights in Protecting Plant Varieties and Farmer’s Traditional Knowledge: The Case of Rice in Sri Lanka”, funded by the National Science Foundation (NSF). Under the funding support of the Think Tank Initiative (TTI), Dilani Hirimuthugodage and Chatura Rodrigo also looked at the value chain governance of the spice sector in Sri Lanka.

Natural environments and agro-ecosystems are capable of producing many ecosystem goods and services. Paddy lands become an important source of EGSs with its vast coverage. However, with application of chemicals and pesticides the EGSs tend to diminish. Chatura Rodrigo

conducted a research project on “Valuation of Organic Farming - Economic Value of Organic Rice Production in Sri Lanka: Opportunity Cost Vs Willingness to Pay” under funding from the South Asian Network for Environment and Development Economics (SNADEE). Also on the same broad theme of ecosystem services, Athula Senaratne and Kanchana Wickramasinghe carried out a study on “Towards Sustainable Management of Bar Reef Marine Sanctuary: Users’ Perception of Degradation and Willingness to Pay for Conservation”, funded by the International Union for Conservation of Nature (IUCN).

Athula Senaratne and Kanchana Wickramasinghe continued the work on developing a data base of Economy and Environment under the project “Developing a Macro Profile of Economy and Environment in Sri Lanka”, funded by TTI. The aim of this activity is developing evidence based policy dialogue and research agenda on macro-economic and environmental policies in Sri Lanka. The same researchers also undertook a study on “Public Investment in Agriculture in South Asia”, funded by South Asia Watch on Trade Economics and Environment (SAWTEE).

## Publications/Articles

Evaluating the Adaptive Capacity to Climate Change: A Case from Rural Agriculture of Sri Lanka”, Chatura Rodrigo, 2015, *Journal of Agricultural Research*, 4(1), pp 1-5.

Book Review: “Assessing the Cost of Climate Change and Adaptation in South Asia”, 2015, by Mahfuz Ahmed and Suphachol Suphachalasai, Mandaluyong City, Philippines: Asian Development Bank, 2014, US\$ 31.75, pp. 143, ISBN 978-92-9254-510-9, *South Asian Economic Journal*, 16 (2) pp 1-10 by Chatura Rodrigo.

Factors in Commercial Organic Rice Farming: Nilwala River Basin Case Study”, by Chatura Rodrigo, in *The Island*, newspapers 20 May.

## Blogs/Policy Insights

“ClimateNet Policy Discussion Forum: Linking Expert Knowledge to Generate Policy Insights on Climate Change Adaptation Under Uncertainty”, Athula Senaratne, *CLIMATEnet Blog*, 8 January.

“Integrated Water Management and Sustainable Urbanization in Sri Lanka”, Athula Senaratne and Chatura Rodrigo, *Talking Economics Blog*, 22 March.

“Adopting a Blue Economy Approach in Sri Lanka”, Kanchana Wickramasinghe, *Talking Economics Blog*, 21 May and *Daily Mirror, The Island* and *The Nation* newspapers.

“Does Restructuring Property Rights Hold the Key to Natural Resource Management in Sri Lanka?”, Chatura Rodrigo, *Talking Economics Blog*, 05 June and *Daily Mirror, Daily FT, and The Island* newspapers.

“Overcoming Challenges of Marine Pollution for Healthy Oceans”, Athula Senaratne, *Talking Economics Blog*, 08 June and *Daily Mirror, Daily FT, fThe Island* and *The Nation* newspapers.

“The Impact of Price on the Organic Rice Farming Sector in Sri Lanka”, Chatura Rodrigo, *CLIMATEnet Blog*, 15 July and *Daily Mirror, Daily FT* newspapers.

“The Road to Becoming an Energy Independent Country: Can We Deliver?”, Chatura Rodrigo, *Talking Economics Blog*, 5 August and *The Island* and *The Nation* newspapers.

“Millions of Tourists, Millions of Opportunities”, Kanchana Wickramasinghe, *Talking Economics Blog*, 27 September and *The Nation, The Island* and *Daily Mirror* newspapers.

“Food Security: Does it Matter for Sri Lanka?”, Manoj Thibbotuwawa, *Talking Economics Blog*, 26 October and *Newsfirst* (television)

“Harnessing Benefits of the Blue Economy: Key Factors for IORA Countries”, Chatura Rodrigo, *Talking Economics Blog*, 07 December.

“COP21 – Preventing a ‘COP OUT?’”, Kithmina Hewage, *CLIMATEnet Blog*, 29 December.

## Presentations

'Establishing a Green Accounting Mechanism: Sri Lanka's Experience' by Athula Senaratne, 5 - 6 February, Institute of Social and Economic Change (ISEC), Bangalore, India.

'National Climate Change Adaptation Plan', by Athula Senaratne, 24 February, Sri Lanka Press Institute, Colombo.

Regional Fisheries and Aquaculture Networks in Indian Ocean Rim Countries by Athula Senaratne, 4 and 5 May, IORA Blue Economy Core Group Workshop on "Promoting Fisheries and Aquaculture and Maritime Safety and Security Cooperation In Indian Ocean Region", Durban, South Africa,

Energy Management in Hotel Sector in Sri Lanka: Adoption of Good Practices by Kanchana Wickramasinghe, 26 and 27 June, International Symposium on Energy Challenges in the Knowledge Economy, Hilton, Colombo.

'Supply and Price Behaviour: Rice, Livestock & Fish' by Athula Senaratne, Manoj Thibbotuwawa, 9 August, 3rd Research Coordination Meeting, Renuka City Hotel, Colombo.

'Key Factors for IORA Countries in Harnessing Benefits from Fisheries and Aquaculture' by Chatura Rodrigo, 17 and 18 August, IORA Blue Economy Dialogue on "Prospects of Blue Economy in the Indian Ocean" India, Goa.

'SAARC Seed Bank: Potentials and Challenges' by Manoj Thibbotuwawa, 26 and 27 August, Regional Consultation on "Conservation, Use and Exchange of Crop Genetic Resources: Promoting Regional Cooperation for Food-Secure, Climate-Resilient South Asia", Kathmandu.

'Fisheries and Aquaculture in IORA Region: Opportunities and Challenges', by Chatura Rodrigo, 5 to 7 September, IORA Dialog, Perth, Australia.

'Climate Change and Sustainable Development: Emerging Business Opportunities in South Asia' by Manoj Thibbotuwawa, 01 October, Discussant on "Climate Change and Emerging Business Opportunities" Ramada Hotel, Colombo.

'Dynamic Transformation of Agricultural Sector in Sri Lanka' by Manoj Thibbotuwawa, 02 to 04 December, Agricultural Economic

Researchers Association (AERA) Conference on "Dynamics of Transforming Agriculture in Asia", Mumbai, India.

'Public Investments in Agriculture in South Asia' by Manoj Thibbotuwawa, 27 to 28 December, Workshop on "Regional Cooperation on Trade, Climate Change and Food Security in South Asia: Some Reflections and Way Forward", Kathmandu, Nepal.



*IPS Research Economist, Kanchana Wickramasinghe made a presentation on "Energy Management in Hotel Sector in Sri Lanka: Adoption of Good Practices", at the International Symposium on Energy Challenges in the Knowledge Economy held from 26th to 27th June in Colombo. The Symposium aimed to provide a forum for local and invited foreign experts in the field to discuss debate and share futuristic knowledge relevant to the energy related challenges that the nation is facing in the evolving economy. It was inaugurated by Dr. Abdul Kalam, Former President of India.*

# Research Team Leaders



Dushni Weerakoon  
PhD (Manchester)  
*Deputy Director*



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PhD (Duke)  
*Research Fellow*



Janaka Wijayasiri  
PhD (Monash)  
*Research Fellow*



Athula Senaratne  
PhD (Deakin)  
*Research Fellow*



Ganga Tilakaratna  
PhD (Manchester)  
*Research Fellow*



Bilesha Weeraratne  
PhD (CUNY)  
*Research Fellow*



Manoj Thibbotuwawa  
PhD (Western Australia)  
*Research Fellow*



# Research Staff



Chatura Rodrigo  
MSc (Guelph)  
*Research Economist*



Priyanka Jayawardena  
MEcon (Colombo)  
*Research Economist*



Kanchana  
Wickramasinghe  
MEcon (Colombo)  
*Research Economist*



Wimal Nanayakkara  
BSc (Peradeniya)  
*Senior Visiting Fellow*



G. D. Dayaratne  
BA (Peradeniya)  
*Manager Health Policy Programme*



Sunimalee Madurawala  
MEcon (Colombo)  
*Research Officer*



Dilani Hirimuthugodage  
MEcon (Colombo)  
*Research Officer*



Samanthi Bandara  
MSc. (Chulalongkorn)  
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MA (ANU)  
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Raveen Ekanayake  
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Dharshani Premaratne  
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Yolanthika Ellepola  
MSc (LSE)  
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BA (Colombo)  
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Kithmina Hewage  
MSc (UCL)  
*Research Assistant*

# IPS Research Internship Programme 2015

The IPS internship programme offers short-term attachments to currently enrolled students or recent graduates in economics or closely related fields. They provide an opportunity to work with a senior researcher on a specific research project, or to obtain a wider experience across research areas. The positions are open to applicants with an interest in economic development issues, and are typically for 2 – 6 months.

Manavee Abeyawickrama

*Project Intern*

Royal Institute Colombo

Nuha Fayaz

*Project Intern*

Royal Institute Colombo

J. Minidula Kavindi Balasuriya

*Project Intern*

University of Colombo

Sri Dhayalini Sivalingam

*Project Intern*

University of Colombo

Pamokya Marambe

*Project Intern*

Royal Institute Colombo

Savant Hasanga Gamage

*Project Intern*

CIS Colombo

Kavishka Savini Indraratne

*Project Intern*

University of Melbourne

Sachin Seneviratne

*Project Intern*

Birmingham High School

Keshini Srithara

*Project Intern*

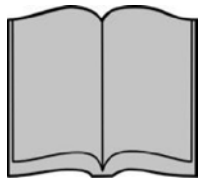
University of Nottingham – Malaysia Campus

Chayanka Wickeremesinghe

*Project Intern*

Monash University Malaysia

# TTI Funded Programmes 2015



## Publications

Banking on SME Growth: Concepts, Challenges and Policy Options to Improve Access to Finance in Sri Lanka.

Talking Economics Digest (July - December 2014, January - June 2015)

Transforming Health Care Delivery in Sri Lanka.

Sri Lanka State of the Economy 2015.



## Trainings



Presentation skills for Research Staff by Dananjaya Hettiarachchi.

Research/Support Staff training on 'Improving Employee Accountability for Managers'.



## Staff Outing



Staff recreation and interactive outing - Avani Bentota in August.



## Conference/Workshops/ Programmes



Think Tank Initiative Exchange 2015 - Istanbul, Turkey, 18 - 20 February



Launch of the Sri Lanka State of the Economy 2015, IPS Auditorium, 20 October



South Asia Regional Meeting; Think Tank Initiative New Delhi, India, 18 - 20 November

Ganga Tilakaratna Research Fellow, participated at the Southern Voice Research Conference on 16 and 17 February, in Istanbul, Turkey and presented a paper on 'Social Protection and the MDGs in Sri Lanka', Implications for the Post 2015 Development Agenda, organized by the Southern Voice on Post MDGs.

Samanthi Bandara, Research Officer attended the conference on 'Maternal & Child Nutrition'.



## Research Studies

Why People Choose to Participate in Precarious Work in Sri Lanka by Priyanka Jayawardana

Temporary and casual workers have increased at a faster pace than permanent employees in the recent past. A better understanding of determinants of non-standard work participation is a first step towards a more comprehensive policy towards identifying the areas that needs attention in terms of preventing risks faced by non-standard workers. Therefore, this study is to explore and shed the light on why individuals participate in precarious work in Sri Lanka.

Public or Private; Determinants of Choice of Health Providers in Sri Lanka by Sunimalee Madurawala

The decision of choosing a health care service provider is affected by various factors such as individual and household characteristics and features of the service provider. Understanding the determinants of health care demand provides a basis upon which government can reform health policy. The study aims to identify the main determinant factors in selecting a healthcare service provider for healthcare treatments and to identify the usage preferences of different segments (i.e. age categories, between genders, occupation categories, income groups, and sector).

An Alternative New Definition for Urban Sector in Sri Lanka by Bilesha Weeraratne

Sri Lanka has a visibly high rate of urbanization, while the official statistics indicate otherwise. This study develops an alternative definition for urban areas in Sri Lanka, based on review of definitions adopted in other countries and analysis of perceptions from Key Informant Interviews (KIIs). This new definition reconciles the mismatch between actual and existing estimates of urbanization and contributes to approach urbanization in a more realistic manner.

# Support Services

## Finance and Administration



Gayani Caldera  
ACA, BSc (Jayawardenapura)  
*Director Finance and Administration*



Ranushi Jayatilaka ACMA,  
MBus (Kelaniya)  
*Accountant*



Niluka Perera  
*Finance and Administrative Assistant*



W R Thankshila  
*Accounts Assistant*



G L B Pooliyadda  
*Administrative Officer*



Nilanthi Alahakoon  
*Secretary*



Tuan Bangsajaya  
*Maintenance Officer*



Bernadette Prabalogy  
*Receptionist*

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

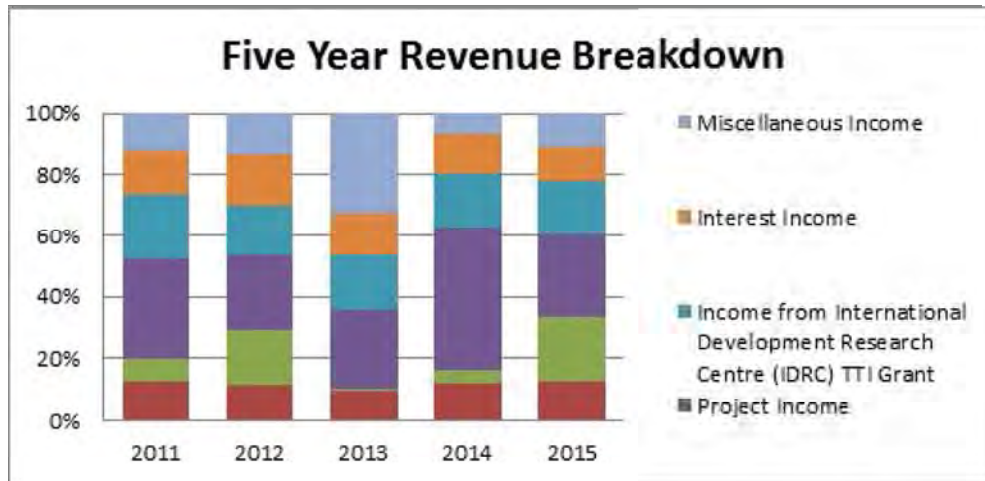
Year 2015 was a year with a renewed emphasis on economic reforms and fiscal consolidation. The general election was delayed until August and had effectively created a wait-and-see approach in the local and foreign investors where they were pressing for a pause on

several high-profile projects. IPS as an Economic policy institute, also suffered severely from the economic slowdown. Nevertheless, IPS was able to collect a considerable return in terms of project income. The contribution collected from IPS Endowment Fund supported the institute to overcome the challenges during 2015.

The Institute revenue always had fluctuations with the change of economic conditions and the table demonstrates such fluctuations over the last 5 years:

# Support Services

Finance and Administration



The Institute's investment portfolio was diversified to different investment instruments to gain a maximum return. Out of the total portfolio, 82% of short-term investments were shifted to mid-term portfolios and long-term portfolios. As a result of this diversification the institute was able to gain an interest income of Rs. 14.8 Mn, even when the country was showing a slow economic progression.

During 2015, the Institute saw the addition of two brand new motor cars to its fleet and disposed of two fully depreciated cars which were used by the Institute for more than 12 years.

With the view of facilitating the networking among the staff members, the Institute organized a family outing with the support from the Institute's welfare fund and the TTI grant. This enhanced the connectivity among the staff and strengthened them to face the challenges.

The Institute was confronted with the resignation of two senior researchers and the Director, Finance and Administration, all of whom had played a vital role in the Institute. The Institute also welcomed a few new staff to the research and support section to overcome the gap which resulted from the resignations.



Executive Director, Dr. Saman Kelegama, handing over the keys of the two new vehicles to Driver/Office Aides P. U. K. Rajasiri and G. R. Wickramasena

## Other Support Staff

P. U. K. Rajasiri  
Driver/Office Aide

A. G. Amarasena  
Office Aide

G. R. Wickramasena  
Driver/Office Aide

H. S. Udayakantha  
Driver/Office Aide

J. K. P. Nihal Wasantha  
Driver

# Support Services

## Communications & Outreach



Dishnika Perera  
BA (Coventry)  
*Manager Communications  
& Outreach*



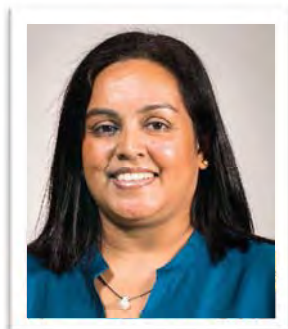
Charmaine Wijesinghe  
*Manager  
Publications & Events*



Amesh Thennakoon  
*Publications Officer*



Asuntha Paul  
*Secretary*



Ayoni Rangala  
BBus (Holmesglen)  
*Coordinating  
Secretary/HR Assistant*



Nayomi Jayakody  
*Secretary*

Expanding research outreach through effective use of communication channels is one of the key objectives of the Institute, and is led by the Communications and Publications Units of the IPS. This includes disseminating the multi-dimensional research activities of the Institute to the outside world through mediums including publications, print and electronic media, digital and social media, as well as events and dialogues.

In 2015, IPS outreach material such as the IPS brochure and conference docket were redesigned and rebranded. Steps were also taken to develop a Communications Strategy for the Institute and a consultant was identified for the task. Several constructive meetings were held with the Research Staff to discuss and identify the most effective methods to be implemented through the strategy. The strategy is scheduled to be completed during the first quarter of 2016.

### Research Dissemination through Publications

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

Sales of IPS publications are generally carried out at the IPS premises, and also through selected dealers island-wide. Apart from overall monitoring of the publications dealers, necessary follow-ups are also carried out by the Publications Unit. Various marketing strategies have also been adopted, to achieve the targets of the publications sales of IPS. In 2015, 6 Working Papers were published.

# Support Services

## Communications & Outreach

### Other Channels

IPS academic research is also repackaged into more accessible formulations such as Policy Insights, with the aim of effectively engaging with the target audiences - national, regional and international stakeholders, of the Institute. In 2015, IPS developed 14 Policy Insights based on its publications and on-going research.

Regular review meetings to discuss and obtain feedback on contemporary IPS work and more informal round table discussions with key stakeholders are among the IPS outreach measures. In addition, IPS targets vernacular language audiences through options such as TV documentaries, regular panel discussions and translated outreach and publications material.

### Outreach through a Strategic Relationship with the Media

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

In 2015, IPS issued 44 blog articles to the English media, two translations, 09 press releases based on events and publications, and 10 Policy Insights based on State of the Economy 2015.

### Events

Among the events that were held in 2015, the launch of the IPS flagship publication, Sri Lanka: State of the Economy Report 2015, attended by key dignitaries in various sectors as well as the National Pensions Consultation were well received. Among other key events held and supported by the IPS include the World Consumer Rights Day Forum 2015, National Consultation on Food Security Policies in Sri Lanka, the launch of the UN ESCAP Survey Report, which were held at the IPS Auditorium.

### Knowledge Dissemination through Online Mediums

Aside from the traditional mediums of outreach, the Institute has also embraced a series of social and digital media channels to generate wider interest around IPS and to communicate key insights on socio-economic policy issues.

The IPS Website, Social Media platforms as well as the blogs - Talking Economics and ClimateNet are among the key online platforms used for knowledge dissemination. The blogs are one of the main modes of outreach - with regular posting of 'long-read' essays, op-eds and rapid-response articles. There were nearly 200 web uploads added to the IPS website, while the blogs collectively carried 44 (Talking Economics - 41, ClimateNet - 03) articles, which were also issued and published by the media.

On the social media platforms, as of 31<sup>st</sup> December 2015, the Institute's Facebook Page Likes increased by 409 to reach 1,525, while the Twitter followers on @TalkEconomicsSL went up by 357 to 1,172 followers.

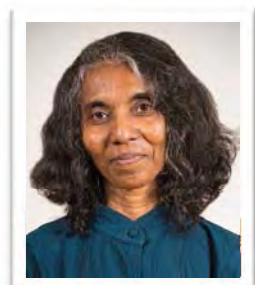
IPS has embraced a range of social media channels to disseminate its policy-oriented research to its target audiences.

Social Media figures as of 31st December



# Support Services

## Library



Premila Gamage  
Librarian  
PhD (UK)



Dilani Wickramasinghe  
Assistant Librarian  
BA (University of Kelaniya)

### Overview

Being an integral part of the Institute's research process, library takes every effort to provide exceptional research support to its researchers. Library made a substantial progress in terms of facilitating timely information discovery and dissemination services despite the human resource challenges faced by the library.

### Collection Development

Like in previous years, library collaborated with its researchers and similar research organizations to build a collection responsive to the Institute's research programmes. A large number of items were added to its print and electronic collections of books and pamphlets. Library also continued its subscriptions to periodicals which cover more than 30 titles of local, regional and international journals. In addition, library obtained a large number of publications as exchanges and gifts through the excellent exchange programme that library has developed over the years with various national, regional and international organizations. In 2015, a considerable amount of publications and documents were also added to the repository, which the library maintains on Sri Lankan economic and sectoral policy.

### Access to on-line full-text databases

Library continued to provide access to several databases with the generous support of IDRC/Think Tank Initiative (TTI). Since full-text access to certain journals is not always available through these databases, library is planning to reactivate its subscription to JSTOR from

early 2016. In addition, library also obtained free access to e-Library of the International Monetary Fund (IMF).

### Enhancing Services

As a result of Library's continuous user education activities usage of library OPAC, Intranet and digital library (ecoNspace) has increased.

Through its electronic current awareness services library informs researchers about latest information and resources.

In 2015, researchers borrowed around 364 print items which included monographs, pamphlets and working papers and 132 print journals and magazines. In addition library attended to a large number of Inter Library Loan (ILL) and Document Delivery (DD) requests. By end December 2015 on the request of its researchers, library has delivered around 231 electronic documents.

In order to further enhance services a user survey will be carried out in early 2016.

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

### Library Committee

Chaired by Dr. Nisha Arunatilake, the Library Committee which plays an advisory role to assist the Librarian in



# Support Services

## Library

setting overall library policy and in defining broad guidelines for further development of the IPS library. The Committee especially, informs the Librarian of the priority needs of the researchers, and sets the direction for the IPS library within the context of the Institute's overall goals.

### Human Resources

Since the resigning of professionally qualified, well-trained staff in 2013, the staff issues pointed out in previous reports still remain. Finally, in October 2015 an Assistant Librarian was hired on a permanent basis but could not recruit a Library Assistant due to factors related to the overall composition of the Institute's research and support staff. However, the entire library services especially the services now delivered to researchers' desktop, demands sophisticated ICT based, time consuming house-keeping functions. Thus, these on-line information services were planned and introduced when the IPS library had staff with necessary skills and in sufficient numbers. To address the issue, with the recommendation of the Library Committee, library plans to conduct a user survey in 2016 to prioritize the most

useful services for IPS researchers and discontinue the services that are considered as not in top priority.

### Priorities for the Coming Year

From its inception, the main concern of the library was delivering an efficient and effective information services to advance the Institute's research. Therefore due to the human resource issue stated above, the priority for 2016 will be on assessing the services delivered by library to its researchers and prioritizing services accordingly.

### Personnel

Premila Gamage, Udari Chathurika (up to March 2015), Dilrukshi Ariyaratne (up to April 2015), Dilani Wickramasinghe (from October 2015).

Librarian attended the mid-meeting of the Regional Standing Committee of Asia and Oceania (RSCAO) of the International Federation of Library Associations and Institutions (IFLA) Tsurumi University, Yokohama, Japan from 8-11 February 2015 and also presented a paper at the at the Symposium on 'Role of Librarians and Libraries in Disaster Recovery'. Librarian also attended the World Library and Information Conference of IFLA, - 15-21 August, Cape Town, South Africa.

As one of the Trainers of IFLA's Building Strong Library Associations (BSLA) programme, Librarian conducted a Leadership workshop for young promising librarians in ASEAN countries from 8-9 June 2015, Bangkok, Thailand.



*Dr. Premila Gamage, Librarian, attended the mid-meeting of the Regional Standing Committee of Asia and Oceania (RSCAO) of the International Federation of Library Associations and Institutions (IFLA) Tsurumi University, Yokohama, Japan from 8-11 February.*

# Support Services

## Information systems



Nandaka Pothuwewa  
BSc (Kelaniya), CCNA, VCP  
*Head of Information Systems*



Nalaka Liyanapathirana  
*Web Manager and  
System Administrator*



Mufaris Omer  
BSc (Peradeniya)  
*Database Manager*



Roshan Kaluarachchi  
*Web Developer cum  
Network Assistant*

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

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

The ISU also looked into various possibilities of implementing data security by means of a Data Recovery System which is to be implemented in 2016.

The newly introduced Virtual Private Networking system facilitates the researchers to securely connect to the IPS network from various locations outside IPS premises (e.g.,

while at conferences abroad, in the field, or working from home) and gain access to necessary resources, communicate remotely via soft phones thereby enabling researchers to collaborate and engage in virtual team work.

Audio and Video conferencing facilities were also integrated to the network so that this facility could be used by the staff when they are in the Conference Rooms and Auditorium. New server systems running on virtualization system have helped to minimize the number of physical servers as well as running multiple operating systems and multiple applications on the same physical servers. Audio and Video conferencing facilities were also integrated to the network so that this facility could be used by the staff when they are in the Conference Rooms and Auditorium. New server systems running on virtualization system have helped to minimize the number of physical servers as well as running multiple operating systems and multiple applications on the same physical servers. The un-interrupted power for these servers is being supplied by two on line UPS. .

# Publications 2015



Banking on SME Growth: Concepts, Challenges and Policy Options to Improve Access to Finance in Sri Lanka  
By Anushka Wijesinha and Nipuni Perera  
Working Paper Series No. 20  
March 2015

An Assessment of the Implementation of Guidelines in School Canteens: A Case Study from the Western Province of Sri Lanka  
By Manuj C Weerasinghe, Samantha Bandara, and Munsif Sanoon  
March 2015

Talking Economics Digest (July – December 2014, January– June 2015)

Health and Socio-economic Determinants of Malnutrition in the Plantation Sector of Sri Lanka: A Review  
By Manuj C Weerasinghe and Samantha Bandara Working Paper Series No. 21  
August 2015

Transforming Health Care Delivery in Sri Lanka  
By G D Dayaratne  
October 2015

Sri Lanka State of the Economy 2015  
October 2015

South Asia Economic Journal – Volume 16 No. 1 and 2

## Forthcoming Publications 2016

Facilitating Trade Between India and Sri Lanka  
By Suwendrani Jayaratne and Janaka Wijayasiri  
March 2016

Health Statistics - Census of Private, Co-operative and Estate Hospitals 2014  
By G D Dayaratne  
May 2016

Re-defining Urban Areas in Sri Lanka  
By Bilesha Weeraratne  
June 2016

Challenges for free Health Care in a Neo-liberal Economic Environment - Sri Lanka Experience  
By G D Dayaratne  
June 2016

# In-House Seminars 2015

January

30

A First Look at the Potential for Expanding Trade under a Sri Lanka-China FTA  
*Presented by Dharshani Premaratne, Research Officer*

March

04

27

Determinates of Fertilizer Demand: Evidences from Sri Lanka  
*Presented by Chatura Rodrigo, Research Economist*

National Climate Change Adaptation Plan (NAP)  
*Presented by Athula Senaratne, Research Fellow*

April

24

Impact of Oil Price Stocks on the Sri Lankan Economy: A Vector Auto Regression Assessment  
*Presented by Nisal Herath, Research Assistant*

May

26

Working Conditions and Health Status of Paddy Farmers in Sri Lanka  
*Presented by Shanika Samarakoon, Research Economist and Sunimalee Madurawala, Research Officer*

June

26

Estimating Food Demand in Sri Lanka with a Focus on Food Subsidies  
*Presented by Manoj Thibbotuwawa, Research Economist*

July

29

Value Chain Analysis on Fisheries Sector in Sri Lanka  
*Presented by Dilani Hirimuthugodage, Research Officer*

August

28

A Preliminary Assessment of the Indo-Lanka Air Services Liberalization Experience  
*Presented by Raveen Ekanayake, Research Officer*

September

23

Poorest Children in Sri Lanka  
*Presented by Wimal Nanayakkara, Senior Visiting Fellow*

October

30

Making School Canteen a Health Promoting Setting: Lessons from an Exploratory Study  
*Presented by Samantha Bandara, Research Officer and Dr. Manuj Weerasinghe, Public Health Specialist, University of Colombo*

November

27

Migration Cost: Who Bears it?  
*Presented by Bilesha Weeraratne - Research Fellow, Janaka Wijayasiri - Research Fellow, Suwendrani Jayaratne - Research Officer*

# IPS Presence

## Domestic

January



The Sinhala and Tamil translations of the book titled 'Money, Inflation and Output' by Dr. H N Thenuwara was launched at the IPS premises on 30<sup>th</sup> January. The book explains the foundations of money, inflation and output in a country, their inter-relations, and how they are affected by the monetary authority and exchange rate and monetary policy regimes. Delivering the welcome speech, IPS Executive Director, Dr. Saman Kelegama stressed the importance and the need for more economic literature in Sinhala and Tamil, in order to enrich the debate on economic issues in Sri Lanka.



The 20<sup>th</sup> Annual General Meeting of the National Chamber of Exporters of Sri Lanka (NCESL) was held in Colombo on the 29<sup>th</sup> January. IPS Executive Director Dr. Saman Kelegama was the Guest of Honour at the event and delivered the keynote address titled "Towards the 2020 Vision of US\$ 20 bn Exports and Beyond - Pressing Concerns and Emerging Opportunities."



IPS conducted a Stakeholder Consultation Meeting on 20<sup>th</sup> January to discuss preliminary findings of a study carried out together with South Asia Watch on Trade, Economics and Environment (SAWTEE) on 'Trade and Transport Facilitation in Sri Lanka'. The study was a part of a Regional Study in South Asia, involving various stakeholders in the trading process. Its aim was to assess the current status of trade facilitation measures in Sri Lanka and identify obstacles in the movement of routine consignments, particularly to South Asia.



Visiting Scholar Prof. Yoshiyasu Ono, conducted a presentation on "Long-run Stagnation in Japan - Theory and Policy", at the IPS Conference Room

February



IPS held a national consultation meeting on 'Products with Regional Trade Potential and Associated Non-tariff Barriers, with special focus on Women Owned and Led Micro, Small and Medium Enterprises (WMSMEs).

March



A seminar on South Asian Regional Economic Cooperation was held at the IPS Premises on 30<sup>th</sup> March, where Dr. Sanjaya Kathuria, Lead Economist on Regional Integration at the World Bank's South Asia Regional Cooperation and Integration Unit, Washington, D.C., conducted a presentation on "Regional Integration in South Asia: The World Bank's Approach".



Principal Economist of the Asian Development Bank (ADB), Dr. Donghyun Park conducted a seminar on 'Inequality, Inclusive Growth and Fiscal Policy in Asia' at the IPS, where he shared an overview of a recently launched publication on the title which he had co-authored. During his presentation to the IPS Staff, he outlined the emerging case for inclusive fiscal policy, public spending to foster inclusive growth, public revenues to safeguard fiscal sustainability, and fiscal planning and innovation for a more inclusive Asia.



Dialogue on Cooperation between China and Sri Lanka under the framework of 21st Century Maritime Silk Road – IPS Conference Room, 13 March. A Dialogue was held on China's efforts to revive the Maritime Silk Road (MSR), which is expected to enhance connectivity and promote mutual development among the countries from the Far East to the Indian Ocean to Africa.

March



The Indian External Affairs Ministry Junior Diplomats visited the IPS to obtain a Sri Lankan perspective of the India - Sri Lanka Economic Relations. The delegation was coordinated by Kartik Pande, First Secretary - Economic & Commercial Wing, High Commission of India, Colombo. IPS Executive Director, Dr. Saman Kelegama, provided a briefing on the topic which was followed by a lively question and answer session at the IPS Conference Room.



The IPS, together with the Consumer Affairs Authority of Sri Lanka and Consumer International, organized a forum in Colombo on 16<sup>th</sup> March to mark the World Consumer Rights Day 2015 under the theme "Healthy Diets".



The High Commission of Pakistan, in collaboration with the Society of Civilizations Pakistan (SOC), organized an international seminar on Pakistan and Sri Lanka's historical, economic, military and cultural links in Colombo on 5<sup>th</sup> March. IPS, Executive Director made a presentation on the Economic Links between the two countries.

April



IPS Executive Director Dr. Saman Kelegama delivered a lecture on the "Sri Lankan Economy: Risks and Challenges to the Financial Institutions" at a forum held in Colombo. The event was organized by the Association of Banking Sector Risk Professionals of Sri Lanka.

April (Continued)



IPS Executive Director Dr. Saman Kelegama addressed The Management Club (TMC), Colombo branch on the 'Current State of the Sri Lankan Economy', on 27<sup>th</sup> May at the Galadari Hotel in the presence of a professional audience from the corporate sector. In 2009 too, Dr. Kelegama made a presentation at TMC at an event held in Negombo.

May



A Workshop on "Post-Bali Issues and Preparation for the 10<sup>th</sup> WTO Ministerial Conference: A South Asia Perspective", organized by the Commonwealth Secretariat, Consumer Unity & Trust Society (CUTS) International and the IPS was held in Colombo, 18 - 19<sup>th</sup> May. Many issues relating to South Asia and developing and least developed countries (LDCs) in the run-up to the 10<sup>th</sup> WTO Ministerial Conference were discussed in detail to agree on a common agenda in Nairobi, Kenya.



A Forum on "Food and Agriculture: Rural and Urban Innovations" organized by DuPont was live streamed on the 19<sup>th</sup> May at the IPS conference room in Colombo. Live streaming at IPS was attended by a team working on food security research that consists of Dr. Neville Edirisinghe (Former Research Fellow, IFPRI), Ashoka Gopallawa (Former President National Agribusiness Council), W.C. Dheerasekera (Former Secretary to the Ministry of Industrial Development) and IPS researchers Manoj Thibbotuwawa, Samanthi Bandara and Dilani Hirimuthugodage. The team expects to carry on certain ideas from this forum to the upcoming collaborative work with IFPRI.



The 2015 edition of the Economic and Social Survey of Asia and the Pacific (ESCAP) was launched at the IPS Auditorium in Colombo, under the patronage of the State Minister of Finance Mahinda Samarasinghe. The event was organized by the IPS together with the United Nations Information Centre, (UNIC) Colombo, IPS Auditorium.



June



Dr. H. N. Thenuwara, Visiting Professor at Iowa University, USA and former Head of the Economic Research Department, Central Bank of Sri Lanka made a presentation on the topic: "The Passage to Riches: Story of Growth and Development" at a seminar held at the IPS Conference Room.



Secretary-General of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Sumith Nakandala, visited the IPS on 18th June 2015 to discuss the forthcoming BIMSTEC Think Tanks Network (BTTN) meeting in Bangkok, Thailand. BIMSTEC will soon be moving towards a FTA to strengthen the on-going sectoral cooperation projects.



IPS Executive Director, Dr. Saman Kelegama made the keynote address at a seminar on 'Liberalization of Professional Services, Challenges & Opportunities, Risks & Safeguards', organized by the Institute of Chartered Accountants of Sri Lanka (ICA Sri Lanka) on 22<sup>nd</sup> June. Leading professional figures from diverse sectors came together to share their thoughts at the interactive seminar held in Colombo.

July



Deng Lan, Associate Professor at the Institute of South Asia Studies, Yunnan Academy of Social Sciences met with IPS Executive Director, Dr. Saman Kelegama and the IPS Research Staff and shared her thoughts on promoting economic and trade cooperation between Sri Lanka and Yunnan Province of China, which is keen to foster closer relations with South Asia, on 23<sup>rd</sup> July. She also spoke of China's 'One Belt, One Road' Initiative, which was launched in 2013. This strategy includes 'New Silk Road Economic Belt' and '21st Century Maritime Silk Road', which aim to link China with Europe through Central and Western Asia, and China with Southeast Asian countries, Africa and Europe, respectively.

August



IPS conducted a Brainstorming Session on 4<sup>th</sup> August at the IPS Conference Room on “Strengthening Capacity of Women Entrepreneurs in Small and Medium Enterprises (SMEs) in Asia for Capturing Benefits of Globalization with a Special Emphasis on Sri Lanka”. The aim of the discussion was to gather expert insights for a proposal of the same topic; the IPS is developing together with the Bridging the Gap Foundation Asia (BGFA).

September



The World Tourism Day 2015 was marked under the theme ‘The World Tourism - One Billion Tourists, One Billion Opportunities’ on 26<sup>th</sup>. The Sri Lanka Tourism Development Authority (SLTDA) organized a seminar under the theme to mark the day, where IPS Executive Director, Dr. Saman Kelegama delivered the keynote address.

October



IPS together with United Nations ESCAP conducted a “National Consultation on Pensions in Sri Lanka” with the aim of promoting a dialogue among key stakeholders on the need for ensuring an uninterrupted and adequate pension for all old aged persons in the country. Findings of a study on “Adequacy and Coverage of Old Age Income Security in Sri Lanka” carried out by IPS and funded by UNESCAP was also presented at the event at the Taj Samudra Colombo.

November



IPS Research Officer, Samanthi Bandara presented an abstract on “Service Quality of School Canteens: A Case Study from the Western Province, Sri Lanka”, at the Annual Research Forum of the Sri Lankan Agricultural Economic Association. This was based on the findings of a recent IPS Publication titled “An Assessment of the Implementation of Guidelines in School Canteens: A Case Study from the Western Province of Sri Lanka”. The event was held at the Appadurai Auditorium, Faculty of Agriculture, University of Peradeniya.

## IPS Presence - Domestic

November (Continued)



IPS Executive Director, Dr. Saman Kelegama was the Chief Guest and delivered the Keynote Address at the Second Annual Research Day of at the Postgraduate Institute of Management (PIM), University of Sri Jayawardenapura.



IPS Researchers, Dharshani Premaratne and Kithmina Hewage participated at a regional training workshop on “Enhancing Capacities for Trade in Services Policymaking and Negotiations” which was held in Colombo.

December



IPS conducted a Stakeholder Consultation Meeting to discuss and validate findings of a study on ‘Exporter’s Perspective on Accessing Chinese Market and Non-Tariff Measures (NTMs)’. The study was carried out to identify constraints faced by Sri Lankan exporters in accessing the Chinese market including non-tariff measures (NTMs) which was held at the IPS Conference Room.



The IPS research team, after conducting focus group discussions and key informant interviews with the relevant stakeholders, had mapped the value chains and identified the financial costs at each stage of the migration process. The consultative meeting was held on 8<sup>th</sup> December at the IPS Conference Room, with the aim of presenting initial study findings and obtain feedback from stakeholders towards reducing the costs of migration. Among the participants were representatives from the relevant ministries, Sri Lanka Bureau of Foreign Employment (SLBFE), foreign employment agents. IPS Researchers Bilesha Weeraratne, Janaka Wijayasiri, Suwendrani Jayaratne and Project Officer, Manavee Abeywickrema participated at the discussion.

# IPS Presence

## Overseas

February



IPS Research Officer, Suwendrani Jayaratne, participated at the 'UNNExT Workshop on Paperless Trade Facilitation for Small and Medium-sized Enterprises' in Bangkok, Thailand organized by the United Nations Economic and Social Commission for Asia (ESCAP) together with the International Trade Centre (ITC) and the World Bank, the two-day workshop aimed at building the capacity of countries in the region to better understand, identify and address trade facilitation and paperless trade measures that have a proportionally larger impact for SMEs., Nepal, Thailand, and Vietnam.

March



An International Conference on "India and the India Ocean: Renewing the Maritime Trade and Civilizational Linkages," was held in Bhubaneswar, Odisha, during 20 - 22. The three day event was jointly organized by the Research and Information System for the Developing Countries (RIS), New Delhi and the Institute of Social and Cultural Studies (ISCS), Kolkata.

April



IPS Executive Director was a speaker at the session on "Regional Development Cooperation and Partnerships" at the Asia-Pacific High-Level Consultation on Financing for Development organized by the UN-ESCAP, ADB, ADBI and the Government of Indonesia.



Dr. Ganga Tilakaratna and Dr. Bilesha Weeraratne, Research Fellows of IPS were speakers at the international conference on 'South Asian Economic Development: The Way Forward' organized by the Faculty of Economics at the South Asian University, held in New Delhi, India on 10-11. Dr Ganga Tilakaratna presented a paper titled 'Social Protection and Labour Market Outcomes: Evidence from Sri Lanka' while Dr Bilesha Weeraratne presented a paper titled 'Female Domestic Workers in the Middle East: Does Recruitment through an Agent Minimize Vulnerability?'

June



IPS Executive Director, Dr. Saman Kelegama spoke of the "Prospects for SAARC" at the launch of the "South Asia Development and Cooperation Report 2015" published by Research and Information System for Developing Countries (RIS), India. The session was chaired by Prof. Rehman Sobhan, Chairman, Centre for Policy Dialogue, Bangladesh. The event took place at the India Habitat Centre.



IPS Executive Director, Dr. Saman Kelegama was invited to the 3rd China-South Asia Think-Tank Forum in Kunming, China in June 2015. Dr. Kelegama made a presentation on "Challenges and Opportunities along the Belt and Road" and was a Discussant to the Session on "Regional Integration and the Silk Route" at the two day forum.



IPS Executive Director Dr. Saman Kelegama made a presentation on the "Contemporary Sri Lankan Economics and Politics" at a conference on "Economics and Politics in South Asia: Recent Changes, Prospects, and Challenges". The event was organized by the South Asia Research Network, Centre for Global Business, Faculty of Business and Economics, Monash University, Australia on 3rd. Dr. Kelegama also made a presentation at the Roundtable on "New Development Challenges in Asia-Pacific: Issues and Prospects" at the 11th Australasian Development Economics Workshop (ADEW) organized by the Caulfield Campus, Monash University, Australia.

July



IPS Research Officer, Sunimalee Madurawala, participated at the 24th International Association for Feminist Economics (IAFFE) Annual Conference held from 16th - 18th at the Berlin School of Economics. She was a discussant at the Roundtable Discussion on "Promoting Regional Economic Integration? Women Entrepreneurs' Challenges and Opportunities: Evidence from South Asia" and presented the findings of the IPS recent research study on "Products with Regional Trade Potential and Associated Non-tariff Barriers, with special focus on Women own and/led Micro Small and Medium Enterprises: A Case of Sri Lanka".

August



The Ministry of Foreign Affairs of Thailand and the Indian Studies Centre of Chulalongkorn University co-hosted the 2nd BIMSTEC Network of Policy Think Tanks (BNPTT) Meeting during 8 – 9 October, at Anantara Siam Hotel, Bangkok. Janaka Wijayasiri, Research Fellow represented IPS at the meeting.

September



IPS Executive Director made a presentation on “South-South Trade: Trends, Patterns, and Determinants – Issues on Methodology” at a “Brainstorming Meeting on Methodology and Research on South –South and Triangular Cooperation”. The two day event was organized by the Southern Voice and sponsored by the TTI. The Meeting took place at White Sands Hotel, Dar-Es-salaam, Tanzania.

October



IPS Research Economist, Chatura Rodrigo represented Sri Lanka at the 'International Conference on Energy Security in South Asia Plus: Relevance of Japanese Experience', held at the Bangladesh Institute of International and Strategic Studies.



IPS Executive Director made a presentation on “SMEs as a Tool to Promote Financial Inclusion” at the Regional Conference on “Income Inequality and Financial Inclusion in Asia: Challenges and Policy Options” organized by the Ministry of Finance of the Republic of Indonesia and the ADBI (Tokyo).

October (Continued)



The Ministry of Foreign Affairs of Thailand and the Indian Studies Centre of Chulalongkorn University co-hosted the 2nd BIMSTEC Network of Policy Think Tanks (BNPTT) Meeting during 8 - 9 October, at Anantara Siam Hotel, Bangkok. Janaka Wijayasiri, Research Fellow represented IPS at the meeting.



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November



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December



IPS Executive Director made a presentation on “Changing Patterns of Trade, Regional Trade Agreements, and Employment in Asia” at the International Seminar on “Trade and Employment Challenges: Insights for South Asia” in Delhi, India during 16-17.



The 8th South Asia Economic Summit held in Islamabad, Pakistan during 7 -8 was under the theme 'Regional Cooperation for Sustainable Development in South Asia'. IPS Executive Director, Dr. Saman Kelegama, Deputy Director, Dr. Dushni Weerakoon, Research Fellow, Dr. Athula Senaratne, and Research Officer Dharshani Premaratne were resource persons at the summit. Dr. Senaratne was a panelist in the concurrent session on “Regional Cooperation on Disaster Risk Management in South Asia”.



# Going Beyond Research...



IPS Year End party took place on the 18<sup>th</sup> December. It also marked the 25<sup>th</sup> Anniversary of IPS.



IPS organized an interactive outing for staff and families at Avani Bentota on 17<sup>th</sup> September.



# FINANCIAL STATEMENT

31st December 2015

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

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

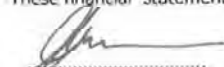
*For the year ended 31st December*

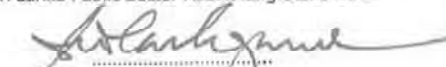
|  | Notes | 2015<br>Rs.        | 2014<br>Rs.        |
|--|-------|--------------------|--------------------|
| <b>Revenue</b>   |       |                    |                    |
| Grant from the Government of Sri Lanka                                 | 2     | 17,000,000         | 16,000,000         |
| Contribution from the Endowment Trust Fund                             | 23    | 27,500,000         | 6,000,000          |
| Project Income   | 3     | 36,068,600         | 62,221,525         |
| Income from International Development Research Centre (IDRC) TTI Grant | 4     | 23,902,995         | 23,238,010         |
| Income from Seminars/Workshops   | 5     | 2,157,400          | 1,108,243          |
| Interest Income  |       | 14,804,487         | 17,101,674         |
| Income arising from Capital Grant Amortization                         | 20    | 6,786,273          | 6,242,013          |
| Income from Hiring the Auditorium                                      |       | 635,437            | 1,152,797          |
| Miscellaneous Income   | 6     | 1,962,488          | 701,783            |
| Profit on Disposal   | 14    | 2,833,833          | -                  |
| <b>Total Revenue</b>   |       | <b>133,651,513</b> | <b>133,766,045</b> |
| <b>Expenses</b>  |       |                    |                    |
| Employee Cost  | 7     | 59,634,166         | 57,704,329         |
| Depreciation on Property, Plant and Equipment                          | 14    | 27,506,101         | 28,793,814         |
| Research Cost  | 8     | 12,845,973         | 12,650,336         |
| Seminars and Workshops Cost  |       | 741,423            | 678,903            |
| Utility Expenditure  |       | 16,416,906         | 19,548,404         |
| Travel Expenses  |       | 1,556,895          | 2,197,176          |
| Other Operating Expenses   | 9     | 13,348,191         | 10,179,517         |
| Hire of Auditorium   |       | 233,403            | 778,534            |
| Exchange Loss  |       | 248,955            | 490,067            |
| <b>Total Expenses</b>  |       | <b>132,532,013</b> | <b>133,021,080</b> |
| <b>Surplus Before Taxation</b>   |       | <b>1,119,500</b>   | <b>744,965</b>     |
| Income Tax Expense   | 10    | -                  | -                  |
| <b>Surplus for the Year</b>  |       | <b>1,119,500</b>   | <b>744,965</b>     |

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

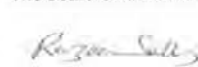
| <i>As at 31<sup>st</sup> December</i>              | Notes | 2015<br>Rs.        | 2014<br>Rs.        |
|--|-------|--------------------|--------------------|
| <b>ASSETS</b>                                      |       |                    |                    |
| <b>Current Assets</b>                              |       |                    |                    |
| Cash and Cash Equivalent                           | 11    | 50,504,580         | 209,323,709        |
| Investments  | 15    | 79,619,675         | 10,852,440         |
| Trade receivables                                  | 16    | 7,576,402          | 9,504,263          |
| Inventories - Publications                         |       | 700,999            | 1,191,418          |
| Deposits and Prepayments                           | 12    | 10,759,897         | 3,949,414          |
| Interest Receivable                                |       | 2,405,127          | 3,981,440          |
| VAT & NBT Receivable                               |       | 2,305,242          | 4,560,012          |
| Other Receivables                                  | 13    | 2,618,560          | 2,532,254          |
| <b>Total Current Assets</b>                        |       | <b>156,490,482</b> | <b>245,894,950</b> |
| <b>Non Current Assets</b>                          |       |                    |                    |
| Property, Plant and Equipment                      | 14    | 312,345,922        | 326,167,218        |
| Long Term Investments                              | 15    | 145,191,301        | -                  |
| <b>Total Non Current Assets</b>                    |       | <b>457,537,223</b> | <b>326,167,218</b> |
| <b>Total Assets</b>                                |       | <b>614,027,705</b> | <b>572,062,168</b> |
| <b>LIABILITIES</b>                                 |       |                    |                    |
| <b>Current Liabilities</b>                         |       |                    |                    |
| Trade and Other Payables                           | 17    | 6,216,482          | 8,046,634          |
| Advance Receipts on Projects                       | 18    | 22,999,617         | 27,170,230         |
| <b>Total Current Liabilities</b>                   |       | <b>29,216,099</b>  | <b>35,216,864</b>  |
| <b>Non Current Liabilities</b>                     |       |                    |                    |
| Employee Benefits                                  | 19    | 13,903,551         | 10,999,341         |
| Staff Welfare Fund                                 |       | 1,244,259          | 1,544,285          |
| Deferred Income- Capital Grants                    | 20    | 331,375,205        | 287,132,587        |
| <b>Total Non Current Liabilities</b>               |       | <b>346,523,015</b> | <b>299,676,213</b> |
| <b>Total Liabilities</b>                           |       | <b>375,739,114</b> | <b>334,893,077</b> |
| <b>Net Assets</b>                                  |       | <b>238,288,591</b> | <b>237,169,091</b> |
| <b>NET ASSETS/EQUITY</b>                           |       |                    |                    |
| Contributed by;                                    |       |                    |                    |
| Initial Transfer of Assets from Government/Grantor |       | 2,144,144          | 2,144,144          |
| Accumulated Surplus                                |       | 236,144,447        | 235,024,947        |
|  |       | <b>238,288,591</b> | <b>237,169,091</b> |

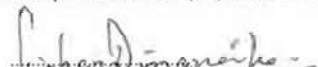
These financial statements have been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

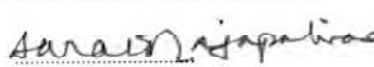
  
 Gayani Caldera  
 Chief Financial Officer

  
 Saman Kelegama  
 Executive Director

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

  
 Razeen Sally  
 Chairman

  
 Richard Manoj  
 Member of the Board of Directors

  
 Sarath Rajapala  
 Member of the Board of Directors

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

20<sup>th</sup> February 2016  
 Colombo

**INSTITUTE OF POLICY STUDIES OF SRI LANKA**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**

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*For the year ended 31<sup>st</sup> December*

|  | <b>Initial Transfer of<br/>Assets by<br/>Government/Grantor</b> | <b>Accumulated<br/>Surplus</b> | <b>Total</b>              |
|--|---|--------------------------------|---------------------------|
|  | <b>Rs.</b>  | <b>Rs.</b>                     | <b>Rs.</b>                |
| Balance as at 31 <sup>st</sup> December 2013       | 2,144,144   | 234,279,982                    | 236,424,126               |
| Surplus of income during the year                  | -   | 744,965                        | 744,965                   |
| Balance as at 31 <sup>st</sup> December 2014       | <u>2,144,144</u>  | <u>235,024,947</u>             | <u>237,169,091</u>        |
| <b>Surplus of income during the year</b>           | <b>-</b>  | <b>1,119,500</b>               | <b>1,119,500</b>          |
| <b>Balance as at 31<sup>st</sup> December 2015</b> | <b><u>2,144,144</u></b>   | <b><u>236,144,447</u></b>      | <b><u>238,288,591</u></b> |

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

| <i>For the year ended 31<sup>st</sup> December</i>                      |              | <b>2015</b>         | 2014         |
|---|--------------|---------------------|--------------|
|   |              | <b>Rs.</b>          | Rs.          |
| <b>Cash Flow From Operating Activities</b>                              | <b>Notes</b> |                     |              |
| Surplus/(Deficit) Before Taxation                                       |              | <b>1,119,500</b>    | 744,965      |
| <b>Adjustments for;</b>   |              |                     |              |
| Contribution from Staff Welfare Fund                                    |              | (300,026)           | 120,977      |
| Depreciation on Property, Plant and Equipment                           | <b>14</b>    | 27,506,101          | 28,793,814   |
| Income arising from Capital Grant Amortization                          |              | (6,786,273)         | (6,242,013)  |
| Provision for Gratuity  | <b>19</b>    | 3,214,210           | 1,650,596    |
| Interest Income   |              | (14,804,487)        | (17,101,674) |
| (Increase)/Decrease in Provision for Bad debt                           |              | (1,230,839)         | (710,627)    |
| Profit on Write down of assets  |              | (131,761)           | -            |
| Profit on Disposal of Fixed Assets                                      |              | (2,833,833)         | -            |
| Provision for Impairment of Property, Plant & Equipment                 |              | -                   | 211,344      |
| <b>Net cash inflow/(outflow) Before Working Capital Changes</b>         |              | <b>5,752,592</b>    | 6,582,310    |
| (Increase)/ Decrease in Trade Receivables                               |              | 3,158,699           | 12,018,711   |
| (Increase) /Decrease in Inventories                                     |              | 490,418             | (75,895)     |
| (Increase)/Decrease in Deposits and Prepayments                         |              | (6,810,482)         | (1,601,531)  |
| (Increase)/ Decrease in VAT and NBT Receivables                         |              | 2,254,770           | (463,222)    |
| (Increase)/ Decrease in Other Receivables                               |              | (86,306)            | (311,240)    |
| Increase/(Decrease) in Advance Receipts                                 |              | (28,511,808)        | (41,474,422) |
| Increase/(Decrease) in Trade and Other Payables                         |              | (1,830,155)         | 212,218      |
| <b>Net cash inflow/(outflow) Generated From Operations</b>              |              | <b>(25,582,272)</b> | (24,402,445) |
| Gratuity Paid   | <b>19</b>    | (310,000)           | (631,620)    |
| <b>Net cash inflow/(outflow) From Operating Activities</b>              |              | <b>(25,892,272)</b> | (25,034,065) |
| <b>Cash Flow From Investing Activities</b>                              |              |                     |              |
| Purchase of Property, Plant and Equipment                               | <b>14</b>    | (13,553,043)        | (6,859,394)  |
| Interest Received   |              | 15,926,740          | 16,380,683   |
| Sales Proceeds from Disposal of Property, Plant and Equipment           |              | 2,833,833           | -            |
| Purchase of Investments   |              | (195,599,216)       | (83,103,297) |
| Proceeds from Sale of Investments                                       |              | 139,535,165         | 70,947,485   |
| <b>Net cash inflow/(outflow) From Investing Activities</b>              |              | <b>(50,856,521)</b> | (2,634,523)  |
| <b>Cash Flow From Financing Activities</b>                              |              |                     |              |
| Grants Received   |              | 24,341,195          | 27,930,677   |
| Capital Grant from Endowment Trust Fund                                 | <b>20</b>    | 51,028,891          | -            |
| <b>Net cash inflow/(outflow) From Financing Activities</b>              |              | <b>75,370,086</b>   | 27,930,677   |
| <b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>             |              | (1,378,707)         | 262,089      |
| <b>Cash and Cash Equivalents at the beginning of the year (Note 11)</b> |              | <b>1,835,500</b>    | 1,573,411    |
| <b>Cash and Cash Equivalents at the end of the year</b>                 |              | <b>456,793</b>      | 1,835,500    |
| <b>a) Reconciliation of Cash and Cash Equivalents</b>                   |              |                     |              |
| <b>Cash at Bank</b>   |              | 366,793             | 1,795,500    |
| <b>Cash in Hand</b>   |              | 90,000              | 40,000       |
|   |              | <b>456,793</b>      | 1,835,500    |

# The Institute of Policy Studies of Sri Lanka

## NOTES TO THE FINANCIAL STATEMENTS

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*For the year ended 31 December 2015*

### 1. Domicile and legal form

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

#### 1.2 Basis of preparation

##### 1.2.1 Statement of compliance

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

##### 1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

##### 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. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the date of statement of financial position. All differences are taken to the statement of income.

##### (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 $\frac{1}{3}$ % |
| Web Page Design    | 33 $\frac{1}{3}$ % |
| Motor Cycle        | 20%                |
| Furniture          | 20%                |
| Office Equipment   | 20%                |
| Motor Vehicles     | 20%                |
| Library Books      | 25%                |
| Buildings          | 2%                 |

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

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*For the year ended 31 December 2015*

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

***Impairment***

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

**(c) Leases**

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

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

**(d) Investments**

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

**i. Fixed Deposits**

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

**ii. Treasury Bills/ Repurchase Agreements**

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

**iii. Treasury Bonds**

The Investments in Treasury bonds are stated at cost as at the date of statement of financial position. These investments have been classified as non-current as the Institute has positive intention and ability to hold them to maturity.

**iv. Corporate Debentures**

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

**(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.



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

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*For the year ended 31 December 2015*

**(g) Receivables**

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

Provision for doubtful debt is provided as follows:

| Age (months) | Provision |
|--------------|-----------|
| 3-6          | 10%       |
| 6-12         | 50%       |
| Above 12     | 100%      |

**(h) Other Receivables**

Other receivables are carried at anticipated realizable value. These balances are individually assessed for impairment loss. An allowance is made for identified impairment losses and the carrying amount of the asset is reduced to that extent. An impairment loss allowance of 100% is made for other receivables outstanding for more than 2 years.

**(i) Cash and cash equivalents**

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

**(j) Liability and provisions**

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

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

The management assessed that, cash and short-term investments, trade receivables, trade payables and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these investments.

**(k) 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.

**(l) Revenue recognition**

**i. Contribution from the Government of Sri Lanka**

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

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

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**ii. Project income**

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

**iii. Income from seminars/workshops**

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

**iv. Interest income**

Interest Income is accounted for on an accrual basis.

**(m) 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 the 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 31<sup>st</sup> December*

**2 Grant from the Government of Sri Lanka**

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

|                          | <b>2015</b>       | 2014       |
|--------------------------|-------------------|------------|
|                          | <b>Rs.</b>        | Rs.        |
| <b>3 Project Income</b>  |                   |            |
| Income from Institutions | <b>36,068,600</b> | 62,221,525 |

|   | <b>2015</b>       | 2014       |
|---|-------------------|------------|
|   | <b>Rs.</b>        | Rs.        |
| <b>4 Income from International Development Research Centre (IDRC) TTI Grant</b> |                   |            |
| TTI Grant for the Period  | <b>23,902,995</b> | 23,238,010 |

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

**5 Income from Seminars and Workshops**

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

|                               | <b>2015</b>      | 2014    |
|-------------------------------|------------------|---------|
|                               | <b>Rs.</b>       | Rs.     |
| <b>6 Miscellaneous Income</b> |                  |         |
| Sale of Publications          | 620,363          | 605,409 |
| Other Income                  | 262,125          | 96,374  |
| Donations                     | 1,080,000        | -       |
|                               | <b>1,962,488</b> | 701,783 |

|                                  | <b>2015</b>       | 2014       |
|----------------------------------|-------------------|------------|
|                                  | <b>Rs.</b>        | Rs.        |
| <b>7 Employee Cost</b>           |                   |            |
| IPS Staff Salary                 | 44,764,734        | 44,441,470 |
| EPF                              | 4,951,088         | 4,818,979  |
| ETF                              | 1,238,159         | 1,206,756  |
| Honorarium (Note 7.1)            | 3,731,565         | 3,866,584  |
| Staff Welfare Cost               | 1,302,746         | 1,588,262  |
| Other Benefits                   | 431,664           | 131,682    |
| Provision for gratuity (Note 19) | 3,214,210         | 1,650,596  |
|                                  | <b>59,634,166</b> | 57,704,329 |

|  | <b>2015</b> | 2014    |
|--|-------------|---------|
|  | <b>Rs.</b>  | Rs.     |
| <b>7.1 Honorarium</b>                        |             |         |
| Includes payments made to Board of Governors | 137,097     | 600,000 |

|   | <b>2015</b>       | 2014       |
|---|-------------------|------------|
|   | <b>Rs.</b>        | Rs.        |
| <b>8 Research Cost</b>                  |                   |            |
| Printing & Typesetting Publication Cost | 1,515,382         | 2,176,920  |
| Internet Charges                        | 2,878,180         | 2,258,761  |
| Consultation Charges                    | 4,874,069         | 3,493,923  |
| Other Research Costs                    | 3,578,342         | 4,720,732  |
|   | <b>12,845,973</b> | 12,650,336 |

|   | <b>2015</b>       | 2014       |
|---|-------------------|------------|
|   | <b>Rs.</b>        | Rs.        |
| <b>9 Other Operating Expenses</b>             |                   |            |
| Registration and Membership Fees              | 339,067           | 291,910    |
| Office Costs                                  | 3,434,867         | 1,785,815  |
| Provision for long outstanding VAT receivable | 2,880,021         | 1,216,766  |
| Consumables                                   | 306,820           | 324,694    |
| Professional and Legal Fees                   | 2,297,859         | 2,426,544  |
| Audit Fees                                    | 136,763           | 280,400    |
| Advertisements                                | 92,820            | 36,480     |
| Bank Charges/Commission                       | 156,514           | 164,536    |
| Other Admin Related Costs                     | 1,179,556         | 1,511,721  |
| Lease Rental                                  | 1,170,000         | 1,170,000  |
| Miscellaneous Expenses                        | 142,125           | 48,681     |
| Bad Debts                                     | 1,343,540         | 710,627    |
| Impairment/write down of Assets               | (131,761)         | 211,344    |
|   | <b>13,348,191</b> | 10,179,517 |

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

*As at 31st December*

**10 Income Tax Expense**

**Current tax Expense**

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

|   | <b>2015</b>              | 2014                      |
|---|--------------------------|---------------------------|
|   | <b>Rs.</b>               | Rs.                       |
| <b>11 Cash and Cash Equivalents</b>                       |                          |                           |
| Cash at Bank  | 366,793                  | 1,795,500                 |
| Petty Cash  | 90,000                   | 40,000                    |
| <b><u>Investments held for less than 03 months</u></b>    |                          |                           |
| Treasury Bills under Repurchase Agreements*               | 50,047,787               | 45,916,911                |
| Treasury Bills under Repurchase Agreement - Gratuity Fund | -                        | 11,719,749                |
| Fixed Deposits  | -                        | 148,343,302               |
| Fixed Deposit - Staff Welfare Fund                        | -                        | 1,508,246                 |
|   | <b><u>50,504,580</u></b> | <b><u>209,323,709</u></b> |

\* Refer Note 15.1 for Market Value of Investments

|                                    | <b>2015</b>              | 2014                    |
|------------------------------------|--------------------------|-------------------------|
|                                    | <b>Rs.</b>               | Rs.                     |
| <b>12 Deposits and Prepayments</b> |                          |                         |
| Prepayments (Note 12.1)            | 9,996,897                | 3,257,178               |
| Deposits                           | 319,500                  | 309,750                 |
| Other Advances                     | 443,500                  | 382,487                 |
|                                    | <b><u>10,759,897</u></b> | <b><u>3,949,414</u></b> |

|                         | <b>2015</b>             | 2014                    |
|-------------------------|-------------------------|-------------------------|
|                         | <b>Rs.</b>              | Rs.                     |
| <b>12.1 Prepayments</b> |                         |                         |
| Medical Insurance       | 578,282                 | -                       |
| Other Insurance         | 1,348,037               | 652,607                 |
| Other Prepayments       | 8,070,578               | 2,604,571               |
|                         | <b><u>9,996,897</u></b> | <b><u>3,257,178</u></b> |

|                               | <b>2015</b>             | 2014                    |
|-------------------------------|-------------------------|-------------------------|
|                               | <b>Rs.</b>              | Rs.                     |
| <b>13 Other Receivables</b>   |                         |                         |
| Other Receivables (Note 13.1) | 568,676                 | 841,828                 |
| Allowance for Impairment      | (313,900)               | (313,900)               |
|                               | 254,776                 | 527,928                 |
| Staff Debtors                 | 2,363,784               | 2,004,326               |
|                               | <b><u>2,618,560</u></b> | <b><u>2,532,254</u></b> |

|  | <b>2015</b>           | 2014                  |
|--|-----------------------|-----------------------|
|  | <b>Rs.</b>            | Rs.                   |
| <b>13.1 Other Receivables</b>                          |                       |                       |
| Air ticket reimbursements for staff travel from Donors | 549,900               | 742,700               |
| Others   | 18,776                | 99,128                |
|  | <b><u>568,676</u></b> | <b><u>841,828</u></b> |

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

*As at 31st December 2015*

**14 Property, Plant and Equipment**

|   | Building<br>Rs.    | Computer<br>Equipment<br>Rs. | Motor<br>Vehicles<br>Rs. | Furniture<br>& Fittings<br>Rs. | Office<br>Equipment<br>Rs. | Library<br>Books<br>Rs. | Total<br>Rs.       |
|---|--------------------|------------------------------|--------------------------|--------------------------------|----------------------------|-------------------------|--------------------|
| <b>Cost</b>                             |                    |                              |                          |                                |                            |                         |                    |
| Balance as at 01st January 2015         | 323,061,064        | 73,086,515                   | 10,604,125               | 19,136,579                     | 23,032,405                 | 1,789,295               | 450,709,983        |
| Additions                               | 298,302            | 2,181,723                    | 10,826,700               | 208,889                        | 12,634                     | 24,795                  | 13,553,043         |
| Less: Disposals                         | -                  | -                            | (2,265,780)              | -                              | -                          | -                       | (2,265,780)        |
| Less: Write down of Assets              | -                  | -                            | -                        | -                              | (800,800)                  | -                       | (800,800)          |
| <b>Balance as at 31st December 2015</b> | <b>323,359,366</b> | <b>75,268,238</b>            | <b>19,165,045</b>        | <b>19,345,468</b>              | <b>22,244,239</b>          | <b>1,814,090</b>        | <b>461,196,446</b> |
| <b>Accumulated Depreciation</b>         |                    |                              |                          |                                |                            |                         |                    |
| Balance as at 01st January 2015         | 25,459,621         | 54,284,257                   | 10,604,125               | 15,737,946                     | 16,982,419                 | 1,263,052               | 124,331,420        |
| Depreciation Charge                     | 6,465,001          | 13,228,654                   | 572,318                  | 3,078,300                      | 4,021,419                  | 140,409                 | 27,506,101         |
| Less: Disposals                         | -                  | -                            | (2,265,780)              | -                              | -                          | -                       | (2,265,780)        |
| <b>Balance as at 31st December 2015</b> | <b>31,924,622</b>  | <b>67,512,911</b>            | <b>8,910,663</b>         | <b>18,816,246</b>              | <b>20,282,621</b>          | <b>1,403,460</b>        | <b>148,850,524</b> |
| <b>As at 31st December 2015</b>         | <b>291,434,744</b> | <b>7,755,327</b>             | <b>10,254,382</b>        | <b>529,222</b>                 | <b>1,961,618</b>           | <b>410,630</b>          | <b>312,345,922</b> |

**Note:**

Assets written down consists of the auditorium projector for which an impairment provision of Rs.211,344 was created in 2014.

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

*As at 31st December 2014*

**14 Property, Plant and Equipment (Continued)**

|  | Building           | Computer          | Motor           | Furniture         | Office           | Library        | Total              |
|--|--------------------|-------------------|-----------------|-------------------|------------------|----------------|--------------------|
|  | Rs.                | Equipment<br>Rs.  | Vehicles<br>Rs. | & Fittings<br>Rs. | Equipment<br>Rs. | Books<br>Rs.   |                    |
| <b>Cost</b>  |                    |                   |                 |                   |                  |                |                    |
| Balance as at 01st January 2014                            | 320,204,415        | 70,336,980        | 10,604,125      | 19,100,248        | 22,361,705       | 1,243,116      | 443,850,589        |
| Additions  | 2,856,649          | 2,749,535         | -               | 36,331            | 670,700          | 546,179        | 6,859,394          |
| Less: Disposals  | -                  | -                 | -               | -                 | -                | -              | -                  |
| Balance as at 31st December 2014                           | 323,061,064        | 73,086,515        | 10,604,125      | 19,136,579        | 23,032,405       | 1,789,295      | 450,709,983        |
| <b>Accumulated Depreciation</b>                            |                    |                   |                 |                   |                  |                |                    |
| Balance as at 01st January 2014                            | 18,845,980         | 40,282,865        | 10,604,125      | 12,023,624        | 12,553,406       | 1,227,606      | 95,537,606         |
| Depreciation Charge  | 6,613,641          | 14,001,392        | -               | 3,714,322         | 4,429,013        | 35,446         | 28,793,814         |
| Balance as at 31st December 2014                           | 25,459,621         | 54,284,257        | 10,604,125      | 15,737,946        | 16,982,419       | 1,263,052      | 124,331,421        |
| Carrying Value   | -                  | -                 | -               | -                 | (211,344)        | -              | (211,344)          |
| Less: Impairment provision for Property, Plant & Equipment | -                  | -                 | -               | -                 | -                | -              | -                  |
| <b>As at 31st December 2014</b>                            | <b>297,601,443</b> | <b>18,802,258</b> | <b>-</b>        | <b>3,398,633</b>  | <b>5,838,642</b> | <b>526,243</b> | <b>326,167,218</b> |

**Note:**

- Building additions include Rs.2,414,434 of retention money paid to the building contractor K.D Ebert and Sons during 2014. As a result prior year depreciation charge of Rs.159,755 was charged to 2014.
- An Impairment provision has been created for a component in the auditorium projector which is not functioning. The cost of the repair is estimated to be Rs.211,344.

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

*As at 31st December*

|  | <b>2015</b>       | 2014              |
|--|-------------------|-------------------|
|  | <b>Rs.</b>        | Rs.               |
| <b>15 Investments - Short Term</b>         |                   |                   |
| Treasury Bills under Repurchase Agreements | 1,474,143         | -                 |
| Treasury Bills - Gratuity Fund             | 12,452,731        | -                 |
| Treasury Bills - Staff Welfare Fund        | 1,638,588         | -                 |
| Fixed Deposits                             | 64,054,213        | 10,852,440        |
|  | <b>79,619,675</b> | <b>10,852,440</b> |

|                                  | <b>2015</b>        | 2014     |
|----------------------------------|--------------------|----------|
|                                  | <b>Rs.</b>         | Rs.      |
| <b>Investments - Long Term</b>   |                    |          |
| Treasury Bond                    | 99,367,041         | -        |
| Fixed Deposit                    | 250,000            | -        |
| Corporate Debentures (Note 15.1) | 45,574,260         | -        |
|                                  | <b>145,191,301</b> | <b>-</b> |

**15.1 Market Value of Investments**

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Treasury Bills & REPO's |                   |                   |
| Market Value            | <b>67,028,810</b> | <b>60,000,000</b> |

The carrying value of Treasury Bills & REPO's as at 31<sup>st</sup> December 2015 is Rs.65,613,248/- (as at 31st December 2014, this was 57,556,553/-)

|                      |                   |          |
|----------------------|-------------------|----------|
| Corporate Debentures |                   |          |
| Market Value         | <b>45,511,625</b> | <b>-</b> |

The carrying value of Corporate Debentures as at 31<sup>st</sup> December 2015 is Rs.45,574,260/- (2014 : NIL)

| <b>15.2 Re-classification of Financial Instruments</b>    | <b>2014 - Current Classification</b> | 2014 - Previous Classification |
|---|--------------------------------------|--------------------------------|
| <b>Cash &amp; Cash Equivalents</b>                        |                                      |                                |
| Treasury Bills under Repurchase Agreements                | 45,916,911                           | 45,916,911                     |
| Treasury Bills under Repurchase Agreement - Gratuity Fund | 11,719,749                           | 11,719,749                     |
| Fixed Deposits  | 148,343,302                          | -                              |
| Fixed Deposit - Staff Welfare Fund                        | 1,508,246                            | -                              |
| <b>Investments - Short Term</b>                           |                                      |                                |
| Fixed Deposit - Staff Welfare Fund                        | -                                    | 1,508,246                      |
| Fixed Deposits  | 10,852,440                           | 159,195,741                    |
|   | <b>218,340,648</b>                   | <b>218,340,648</b>             |

|   | <b>2015</b>      | 2014             |
|---|------------------|------------------|
|   | <b>Rs.</b>       | Rs.              |
| <b>16 Trade Receivables</b>                               |                  |                  |
| Trade Receivables Projects                                | 7,382,188        | 7,044,553        |
| Amount Receivable from the Ministry of Finance & Planning | -                | 3,741,509        |
| Provision for Bad Debts                                   | (2,512,638)      | (1,281,799)      |
| Progress Billing  | 2,706,852        | -                |
|   | <b>7,576,402</b> | <b>9,504,264</b> |

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**NOTES TO THE FINANCIAL STATEMENTS**

*As at 31st December*

|   | <b>2015</b>       | 2014              |
|---|-------------------|-------------------|
|   | <b>Rs.</b>        | Rs.               |
| <b>17 Trade and Other Payables</b>                        |                   |                   |
| Creditors   | 263,845           | 806,872           |
| Accruals (Note 17.1)                                      | 5,916,582         | 5,515,026         |
| EPF & ETF Payable   | -                 | 800,968           |
| NBT Payable   | -                 | 4,938             |
| PAYE payable / Stamp Duty Payable                         | -                 | 192,586           |
| Withholding Tax Payable                                   | 36,055            | 726,244           |
|   | <b>6,216,482</b>  | <b>8,046,634</b>  |
|   |                   |                   |
|   | <b>2015</b>       | 2014              |
|   | <b>Rs.</b>        | Rs.               |
| <b>17.1 Accruals</b>                                      |                   |                   |
| Research Project Expenses                                 | 771,962           | 1,445,000         |
| Telephone/Internet Charges                                | 344,756           | 209,232           |
| Audit Fees  | 646,938           | 718,300           |
| Electricity   | 621,634           | 606,092           |
| Other Office Costs  | 3,454,655         | 2,384,794         |
| Fuel  | 76,637            | 151,608           |
|   | <b>5,916,582</b>  | <b>5,515,026</b>  |
|   |                   |                   |
|   | <b>2015</b>       | 2014              |
|   | <b>Rs.</b>        | Rs.               |
| <b>18 Advance Receipt on Projects</b>                     |                   |                   |
| Balance as at 01 January                                  | 27,170,230        | 40,713,975        |
| Receipts during the year                                  | 40,564,657        | 56,471,032        |
| Amount Receivable from the Ministry of Finance & Planning | -                 | 3,741,509         |
| Income recognized   | (44,735,270)      | (70,014,776)      |
| Advance returned to the Ministry of Finance & Planning    | -                 | (3,741,509)       |
| Balance as at 31 December                                 | <b>22,999,617</b> | <b>27,170,230</b> |



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

**As at 31st December**

|  | <b>2015</b>              | 2014              |
|--|--------------------------|-------------------|
|  | <b>Rs.</b>               | Rs.               |
| <b>19 Employee Benefits</b>                    |                          |                   |
| Balance as at 01 January                       | 10,999,341               | 9,980,365         |
| Expense recognized during the year (Note 19.1) | 3,214,210                | 1,650,596         |
| Payments made during the year                  | (310,000)                | (631,620)         |
| Balance as at 31 December                      | <u><b>13,903,551</b></u> | <u>10,999,341</u> |

Number of employees of the Organization as at 31 December 2015 is 56.

Number of employees of the Organization eligible for Employee Benefits as at 31 December 2015 is 48 (2014 - 47).

The liability is valued by a professional actuarial company.

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

|                            |    |
|----------------------------|----|
| Discount Rate              | 8% |
| Increase in rate of salary | 5% |
| Rate of Staff Turnover     | 7% |

|  | <b>2015</b>             | 2014             |
|--|-------------------------|------------------|
|  | <b>Rs.</b>              | Rs.              |
| <b>19.1 Expense recognized during the year</b> |                         |                  |
| Current Service Cost                           | 879,947                 | 972,386          |
| Interest Cost                                  | 1,150,891               | 998,036          |
| Actuarial (Gain)/Loss                          | 1,183,372               | (319,826)        |
|  | <u><b>3,214,210</b></u> | <u>1,650,596</u> |

|  | <b>2015</b>               | 2014               |
|--|---------------------------|--------------------|
|  | <b>Rs.</b>                | Rs.                |
| <b>20 Deferred Income-Capital Grants</b> |                           |                    |
| Balance as at 01 January                 | 287,132,587               | 293,374,600        |
| Grant from the Endowment Trust Fund      | 51,028,891                | -                  |
| Amortized during the year                | (6,786,273)               | (6,242,013)        |
| Balance as at 31 December                | <u><b>331,375,205</b></u> | <u>287,132,587</u> |

The amortized cost include depreciation charge for the year for capital assets acquired using the capital grant and consists of building depreciation of Rs. 6,242,013/- and Motor vehicle depreciation of Rs.544,260/-

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

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**21 Lease Commitment**

The Institute has a commitment to make an annual payment 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. All payments due up to 2013 have been made. A provision has been created for rental due from 2014 to 2015. 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. 16,380,000 |

**22 Capital Commitment**

No capital commitments as at the Statement of Financial Position date.

**23 Related Party Transactions**

The Institute's Endowment Trust Fund ("Trust Fund") had a net assets value of Rs. 503,191, 267 as at 31 December 2014 (2013: Rs. 506,131,480). Separate accounts are maintained for the Endowment Trust Fund which is audited separately. The Trust Fund consists of five Trustees of which two are Ex-Officio members (Chairman and Executive Director of IPS). During the year the Institute received Rs.27,500,000 (2014: Rs.6,000,000) as a contribution for the operations of the Institute from the Endowment Trust Fund. Further, Rs.51,028,891 was received as a capital grant.

The Institute is granted Rs. 17,000,000 from the Government of Sri Lanka for recurrent expenditure. The Secretary to the Ministry of National Policy & Economic Affairs, Governor of the Central Bank and the Director General of the National Planning Department are Ex-Officio members of the Board of the IPS.

**24 Contingent Liabilities**

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

**25 Events occurring after the Balance Sheet Date**

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

**26 Comparative Figures**

Comparative figures have been restated where necessary for the purpose of presentation.

**27 Board of Governors' Responsibility**

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

The 2015 Annual Report was prepared under the supervision of the Executive Director of IPS and the Annual Report Committee Chaired by Dr. Bilesha Weeraratne. The committee consisted of Gayani Caldera, Dr. Janaka Wijayasiri, Sunimalee Madurawala, Suwendrani Jayaratne, Wimal Nanayakkara and Dishnika Perera. Compiling, formatting and design was by Charmaine Wijesinghe.



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