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Prospects and Challenges in Promoting Innovation in Sri Lanka: The Impact of Intellectual Property Protection

Nimuthu Nimsith June 2025

Abstract: This study explores Sri Lanka's innovation landscape, with a focus on the role of intellectual property (IP) rights in fostering innovation. It examines the historical development of the country's IP regime and key policies and assesses its current position, challenges, and opportunities. A PESTEL analysis reveals bottlenecks such as political instability, limited resources, brain drain, weak tech infrastructure, underdeveloped environmental innovation, and legal gaps like an ineffective patent system. Despite progress, Sri Lanka lags behind some Asian peers in innovation output. The study underscores the importance of leveraging the country's geographical and cultural strengths, aligning with global IP practices, and improving R&D investment and IP protection. The research hints at promising solutions such as innovation hubs, stronger IP frameworks, and strategic public-private partnerships to strengthen commercialization, and attract foreign investments, which would rewrite Sri Lanka's innovation success.

Nimuthu Nimsith is a Research Intern at the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI) in Colombo. The findings, interpretations, conclusions and opinions expressed in this publication are the author's own and not the institutional views of LKI. They do not necessarily represent or reflect the position of any other institution or individual with which the author is affiliated.

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Nimuthu Nimsith*

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List of Abbreviations

Abbreviation/ Acronym	Definition
CDIP	Committee on Development and Intellectual Property
CLDP	Commercial Law Development Program
DG	Director General
EDB	Sri Lanka Export Development Board
EIE	Enabling Intellectual Property Environment
FDI	Foreign Direct Investment
GDP	Gross Deomestic Product
GERD	Gross Domestic Expenditure on Research and Development
GI	Geographical Indications
GII	Global Innovation Index
ICT	Information Communication Technology
IH	Innovation Hub
IP	Intellectual Property
IPR	Intellectual Property Rights
LKI	Lakshman Kadirgamar Institute
NIA	National Innovation Agency
NIPO	National Intellectual Property Office
NPP	National Peoples' Power
NSF	National Science Foundation
PCT	Patent Cooperation Treaty
ROK	Republic of Korea
SLTDA	Sri Lanka Tourism Development Authority
TCE	Traditional Cultural Expression
TISC	Technology and Innovation Support Centre
ТК	Traditional Knowledge
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UGC	University Grants Commission
UN	United Nations Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

1.0 Introduction

Intellectual property (IP) and innovation are intertwined as IP protection is a tool to propel innovation forward in a country. IP encompasses a wide range of legally enforceable rights from intellectual activities in industrial, scientific literary, or artistic fields (WIPO Convention, Article 02). IP is divided into key categories, each offering distinct protections. Patents safeguard new and useful inventions or processes. Industrial designs protect the aesthetic features of products, such as shape and pattern. Trademarks secure brand identifiers like logos and names, ensuring distinction in the marketplace. Copyrights cover original creative works, granting exclusive rights to creators. Geographical Indications (GIs) protect products linked to specific regions with unique qualities or reputations. Together, these categories promote creativity, innovation, and economic growth. (Marsoof et al, 2022).

IP protection mechanisms give innovators the right to use and commercialize newly created products, services, and technologies to promote investments in entrepreneurial innovation and knowledge development. In addition, IP protection should incentivize right holders to commercialize their discoveries and concepts to encourage the broad dissemination of new information. A prime example would be the USA's Bayh-Dole Act of 1980, which incentivized innovation by enabling universities, non-profits, and small businesses to retain ownership of inventions developed through federally funded research. This ownership fosters a direct link between research institutions and the marketplace, allowing them to commercialize their innovations and generate revenue through patents and licensing agreements (Bayh-Dole Act, 1980).

The development of Sri Lanka's IP framework took shape in the late 1970s, coinciding with President J.R. Jayewardene's open economy reforms, which sought to attract foreign investment and stimulate industrialization. Recognizing the need for updated legal structures to support this economic shift, Lalith Athulathmudali, then Minister of Trade and Shipping, took decisive action by appointing a Law Revision Committee in September 1977 to overhaul Sri Lanka's outdated IP laws (Colombo Telegraph, 2013). These laws, including the archaic Merchandise Marks Ordinance (1888), Patents Ordinance (1906), and Copyright Act (1911), were ill-suited for a rapidly modernizing economy.

A pivotal moment in this reform process was the first WIPO-Sri Lanka seminar on IP law revision, held in Colombo in 1977. This event, organized in collaboration with the World Intellectual Property Organization (WIPO), laid the groundwork for comprehensive legal reforms. The seminar's success was largely due to the involvement of Lakshman Kadirgamar, then Head of WIPO's Asia Pacific Bureau, who played a central role in facilitating technical assistance and knowledge transfer. Kadirgamar, leveraging his expertise and WIPO's resources, provided model laws tailored for developing nations, which became the foundation for Sri Lanka's new IP legislation (Karunarathna, 2014).

Kadirgamar's contributions extended beyond mere advisory support. He actively engaged with Sri Lankan policymakers, ensuring that WIPO's model laws were adapted to local legal and economic conditions. His efforts culminated in the enactment of Sri Lanka's first consolidated IP legislation, the Code of Intellectual Property Act No. 52 of 1979, a landmark reform that replaced colonial-era laws with a modern, investment-friendly legal framework (Perera, 2014). This legislation was not only a domestic milestone but also positioned Sri Lanka as a regional leader in IP law harmonization.

Beyond the 1979 reforms, Kadirgamar remained a key figure in Sri Lanka's IP development. In 2003, when Sri Lanka updated its laws to comply with the WTO's TRIPS Agreement, his insights were sought by the government, particularly by Minister Kingsley Wickremaratne, demonstrating his enduring influence (Colombo Telegraph, 2013). The resulting Intellectual Property Act No. 36 of 2003 further solidified Sri Lanka's alignment with global standards.

Kadirgamar's legacy also includes institutionalizing IP education in Asia. In 1979, he initiated WIPO's annual residential training program in Colombo, which ran until 2000, fostering a generation of IP experts across the region (PressReader, 2018). His vision extended beyond Sri Lanka; as a virtual advisor to Asia-Pacific nations, he championed IP awareness, contributing to the region's emergence as a hub for innovation and legal development (Jeyaraj, 2012).

Sri Lanka signed the Patent Cooperation Treaty (PCT) in 1986, which allowed inventors to seek patent protection in multiple member countries. As an original member of the WTO TRIPS Agreement, Sri Lanka was granted a grace period until 1 January 2000 to comply with the patent protection requirements of TRIPS. For the least-developed countries, the transition period for patent protection was initially extended until 1 July 2013 and then further extended to 2021. Despite these extensions, Sri Lanka's IP Act No. 36 of 2003, was fully compliant with TRIPS requirements. According to Article 27.1 of the TRIPS Agreement, member states were required to make patents available for inventions, whether products or processes, in all fields of technology, provided the inventions were new, involved an inventive step, and were capable of industrial application (Perera, 2014). These initiatives have provided inventors with broader opportunities for patent protection both locally and internationally, fostering a culture of innovation. It has not only enhanced legal safeguards for inventions but also has uplifted investor confidence, facilitated technology exchange, and has contributed to improve the country's standing in the global marketplace.

Amidst these innovation developments, the evolution of Sri Lanka's IP framework has showcased an inconsistency in the field of innovation, and it is visible by examining Sri Lanka's rankings in the Global Innovation Index (GII). GII ranks world economies based on their capacity for innovation. The GII, which was first introduced in 2007 by WIPO, consists of about 80 indicators categorized into innovation inputs and outputs, seeks to represent the multifaceted nature of innovation. It has ranked Sri Lanka as the 89th country amongst 133 economies featured in GII 2024. However, if Sri Lanka's ranking is compared with the previous years, it ranked 85th in 2022 and 90th in 2023, managing to rise just by one position.

The negative implication of this inconsistency is that it undermines investor confidence, limits opportunities for international collaboration, and suggests inefficiencies in translating policy developments into tangible innovation outcomes. It also signals to the world of the structural weaknesses in areas such as research and development (R&D), gross domestic expenditure on R&D, technology transfer, and commercialization of inventions, which ultimately hampers the country's ability to fully leverage its IP advancements for economic growth and global competitiveness.

If Sri Lanka's position is compared with similar economies, it ranks 12th among the lowermiddle-income countries (WIPO, 2024). Table 01 compares the GII rankings of selected lowermiddle-income countries in 2011, 2014, 2018 and 2024.

Table 01: GII rankings of lower-middle-income economies of Asia in 2007, 2014, 2018and 2024

Country	2007	2014	2018	2024
India	23	71	57	39
Vietnam	65	76	45	44
Philippines	66	100	73	53
Sri Lanka	71	105	88	89
Pakistan	73	134	109	91
Cambodia	95	106	98	103
Bangladesh	98	129	116	106

Source: Author's computation based on WIPO and INSEAD data

Countries like the Republic of Korea (ROK), which was at a similar stage to Sri Lanka in terms of innovation during the 1960s, through robust legal frameworks and higher prioritization on innovation, absorbed Foreign Direct Investments (FDIs), contributing to their rapid economic growth (Kumar, 2003). Speaking at a seminar hosted by the LKI in 2024, the Ambassador of ROK to Sri Lanka, Miyon Lee, highlighted two critical elements for achieving this transformation: *Intellectual Property Rights (IPR) protection* and the development of an *innovation ecosystem* (Lakshman Kadirgamar Institute, 2024). Sri Lanka, compared with 2007, has dropped by 18 positions to 89th according to GII rankings 2024. In contrast, the ROK was promoted by 10 positions to place itself at the 6th spot in 2024, which stood at 16th in 2014 (WIPO, 2024).

This data shows that there are bottlenecks attached to advancement in Sri Lanka's innovation system amidst its current IPR regime. States like Vietnam, which ended a war in 1975, have been performing well in innovation compared to other countries in the region. Sri Lanka in contrast, seems to travel on a mediocre path of innovation while its patent fillings also seem to fall short. This study delves into the evolution of the IP framework and innovation in Sri Lanka, observing recent engagements, advancements, key occasions, and events. In the study, the author explores the existing gaps and bottlenecks in the innovation landscape and discusses

measures taken by the country to tackle these bottlenecks. The study also proposes several strategic recommendations and actionable solutions aimed at unlocking Sri Lanka's full innovation potential.

2.0 Sri Lanka's recent developments in promoting innovation through IP policy

Sri Lanka became a party to the WIPO convention on 20 June 1978, and it came into force on 20 September 1978. Sri Lanka is also a WTO member and a party to the Paris and Berne Conventions, the *Patent Cooperation Treaty* (PCT), the *Trademark Law Treaty* (TLT), and the *Marrakesh VIP Treaty* (International Trade Administration, 2023). This section will display that Sri Lanka has continued to bolster strong relations with WIPO and its various endeavours, committing to advance its IP regime to expand innovation.

The National Intellectual Property Office (NIPO) was established by the Intellectual Property Act 2003. It functions as the sole office in Sri Lanka for registering and administrating industrial designs, patents, trademarks, and other IP matters (Intellectual Property Act, No. 36 of 2003, s. 4). Since its inception, NIPO has played a vital role in shaping the national IP framework due to its close association with WIPO and its initiatives.

During Sri Lanka's rejuvenation after the ending of the 30-year armed conflict, the Government of Sri Lanka highlighted during many international forums, its commitment to create an era of innovation and creativity that focuses on cultural expression, and traditions, while emphasizing the importance of the role of IP in this progress (Permanent Mission of Sri Lanka to the UN, 2012) Sri Lanka has highlighted the need for international collaboration and assistance from WIPO in particular, the Committee on Development and Intellectual Property (CDIP) in developing a permanent agenda for IP. As early as 2012, Sri Lanka identified its untapped potential in areas such as Geographical Indications (GI), traditional knowledge (TK), Traditional Cultural expressions (TCE), and genetic resources (Permanent Mission of Sri Lanka to the UN, 2013).

The visit of Dr. Francis Gurry, former Director General of WIPO, to Sri Lanka in November 2013, marked a significant milestone in the country's IP advancement. Delivering the *Lakshman Kadirgamar Memorial Oration 2013*, DG Gurry (2013) paid tribute to the late Hon. Lakshman Kadirgamar, who had recruited Gurry to WIPO, while he was the first Director for Asia and the Pacific Bureau during the period 1976 to 1988. In later years, Gurry was to also add that Kadirgamar helped him gain expertise through creative thinking in the field of intellectual property, and pioneered and promoted development cooperation, including through capacity building on IP, enabling many developing countries in the region to harness the benefits of IP for socio-economic development (Permanent Mission of Sri Lanka to the UN, 2018).

Seizing the opportunity presented by DG Gurry's visit, the Sri Lankan government and WIPO unveiled a *10-Point Action Plan for IP* in Sri Lanka, a milestone initiative aimed at strengthening the nation's innovation and IP framework. Under this 10-Point Action Plan, WIPO agreed to offer technical assistance to Sri Lanka in ten key areas; creating a *Technology and Innovation Support Centre* (TISC), incorporating IP into the creation of national innovation

policies, product branding, joining WIPO treaties, safeguarding traditional knowledge (TK), bolstering Collective Management Organizations (CMOs), researching creative industries, fostering respect for IP, and supporting Sri Lanka's involvement in the WIPO Green and WIPO Research programs (Permanent Mission of Sri Lanka to the UN, 2014).

Highlighting the importance of this plan, DG Gurry noted that in an increasingly competitive global marketplace, it was essential for countries like Sri Lanka to establish strong IPR protections. He further emphasized that with a greater focus on IP, Sri Lanka could gain significant benefits in terms of economic development, innovation, and global competitiveness (Permanent Mission of Sri Lanka to the UN, 2013). Addressing the 53rd Session of WIPO Assemblies in 2014, Ambassador Ravinatha Aryasinha, the Permanent Representative of Sri Lanka to the UN in Geneva at the time, stated that the 10 Point Action Plan conceived by the Government of Sri Lanka and the WIPO, would benefit a cross-section of sectors dealing with IP in the country, while enhancing the capacity of the NIPO and other stakeholders, and assist Sri Lanka in strengthening its IP protection regime, especially that of innovators, entrepreneurs, artists, scientist and practitioners of traditional arts and crafts (Permanent Mission of Sri Lanka to the UN, 2014).

To establish TICS in Sri Lankan universities and research and development departments, a project paper was completed in 2015. Furthermore, to improve patent drafting skills, subregional workshops were held for school students (Permanent Mission of Sri Lanka to the UN, 2014). By 2023, 27 TISCs have been established in research centres and universities (Permanent Mission of Sri Lanka to the UN, 2023). Sri Lanka was also chosen as one of the four pilot nations to take part in the Committee on Development and Intellectual Property (CDIP) Project *Intellectual Property, Tourism, and Culture* in 2015. This was the first time that Sri Lanka was selected to participate as a pilot country in a CDIP Project (Permanent Mission of Sri Lanka to the UN, 2016). Establishing a nationwide Steering Committee for the project's nationwide implementation marked the beginning of the initiative, which was overseen by the Sri Lanka Tourism Development Authority (SLTDA) (Permanent Mission of Sri Lanka to the UN, 2017).

In June 2016, stakeholders from 21-line ministries, research institutions, public and private sectors, technology professionals, businesses, investors, and universities participated in the *WIPO IP Hub Mission* to Sri Lanka. The mission aimed to support Sri Lanka's initiatives to integrate innovation into IP policy development (Permanent Mission of Sri Lanka to the UN, 2017). To advance Sri Lanka's commitment to the progress of TK and TCE, a National Workshop on TK and TCE was held in April 2017, with support from WIPO, during which the workshop on drafting of a National TK Policy was discussed by experts and stakeholders. Furthermore, as a former Group of 15 (G-15) Chair, Sri Lanka hosted a TK Workshop for G-15 nations in April 2017 as a follow-up to the initial G-15 TK workshop in Algeria in 2016 (Permanent Mission of Sri Lanka to the UN, 2017).

The Enabling Intellectual Property Environment (EIE) initiative was officially initiated by the WIPO in 2016, aiming to enhance the capacity of countries to manage IP within universities and research institutions, thereby fostering technology development, IP commercialization, and sustainable innovation ecosystem (Herath et al, 2019). Under this framework, WIPO adopted

a model that positions national IP offices as central coordinators, supported by regional technology transfer experts, with universities and research centres. Sri Lanka emerged as one of the earliest adopters of the EIE model (Herath et al, 2019).

In 2016, WIPO conducted preparatory workshops in Sri Lanka on patent drafting and IP database searching and engaged in a national-level dialogue involving the NIPO and the Coordinating Secretariat for Science, Technology and Innovation (COSTI). This collaboration marked the formal launch of the EIE in Sri Lanka and established a structured platform for supporting IP-related capacity building in universities and research institutions across the country (Herath et al, 2019). Such an awareness program targeting the university research community was conducted on 22 August 2017 at the University of Colombo, with the contribution from experts in the fields of IP and innovation in Sri Lanka. The event was jointly organized WIPO, NIPO, and COSTI. The primary objectives of the program were to introduce the EIE project to academic researchers and to enhance their understanding of fundamental strategies related to patent searches and drafting techniques (University of Colombo, 2017).

In September 2017, a Sri Lankan delegation of experts and officials involved in the drafting process of the National IP policy undertook a Study Visit to ROK with the objective of learning from the best practices in establishing a coherent IP strategy. During this visit, the delegation interacted with the Heads of the Korean IP office (KIPO) and Korea Invention Promotion Association (KIPA) (A. De Alwis, personal communication, April 30, 2025). The outcome of this visit was the finalization of the first National IP Policy. However, this policy is yet to be operationalized.

In 2022, two significant developments shaped Sri Lanka's innovation landscape. The first was the enactment of the Intellectual Property (Amendment) Act, No. 8 of 2022, which introduced a legal framework for the registration of geographical indications (GIs). According to the act, a GI is defined as an indication that identifies goods as originating from a specific country, region, or locality, where the goods' unique quality, reputation, or other characteristic is fundamentally linked to their geographical origin. (Intellectual Property [Amendment] Act, No. 8 of 2022 s.160). Under this amendment, any individual or organization established under any law could apply to the Director-General of IP for GI registration (IP [Amendment] Act, 2022, s.161B [1]). Once registered, the GI protection would be valid for ten years from the date of filing (IP Act, 2022). Before this amendment, products like *Ceylon Tea* and *Ceylon Cinnamon* were registered as trademarks rather than GIs, as no formal registry for GIs existed at the time (Kamardeen, 2017). However, in 2022, Ceylon Cinnamon became the first Sri Lankan product to receive a GI registration certificate from the European Union, marking a milestone in the country's efforts to strengthen its IP regime (Sri Lanka Export Development Board, 2022).

Also in 2022, under the EIE Project, a 6-month Remote Mentorship Program conducted by WIPO, with the support from the Japan Patent Office was held in Sri Lanka. The program aimed to help Sri Lankan institutions better utilize IP to enhance innovation capacity and foster economic development. WIPO experts provided remote training and guidance to *Technology Transfer Offices* (TTOs) and research institutions in Sri Lanka, alongside other participating countries, from October 2021 to March 2022. The mentorship focused on IP management

practices tailored to the technologies of institutions across five countries, including Sri Lanka. Additionally, online lectures covered critical topics such as the evaluation of inventions, IP licensing, and institutional IP policy development, with a wrap-up discussion providing feedback and future advice for Sri Lankan participants (WIPO, 2022).

Since 2017, CLDP has been collaborating with Sri Lanka to enhance its IP and technology transfer ecosystem, and in April 2024, CLDP concluded its tech transfer and IP initiative with a week-long series of exchanges in Colombo. The event featured programming for World Intellectual Property Day, aimed at securing high-level support to further strengthen Sri Lanka's innovation and entrepreneurship ecosystem. Building on recent U.S. consultations attended by Sri Lankan Tech Transfer Offices, the sessions focused on negotiation simulations, commercialization strategies, and fortifying tech transfer offices to operate independently of CLDP or World Bank assistance (CLDP, 2024).

In November 2024, the National Innovation Agency (NIA) in collaboration with WIPO held the Country launching of the GII 2024 under the theme 'Prioritising innovation in Sri Lanka's economic recovery'. Addressing the occasion, the Chief Innovation Officer of NIA Prof. Ajith De Alwis emphasized that the event was to highlight the value of the GII and to ensure that Sri Lanka, as a nation, are aligned with the global standards of innovation (Daily FT, 2024). During this event, WIPO experts addressed and presented some of the key issues that persist in the innovation landscape of Sri Lanka and proposed timely recommendations to address them (Daily FT, 2024).

These collaborations and Sri Lankan representation in international forums display Sri Lanka's determination to progress its innovation status. Yet, to successfully reach this destination, Sri Lanka must overcome the major challenges it is facing.

3.0 Examining the current IP protection landscape of Sri Lanka

IP protection is one of the fundamental tools that drives innovation within any country. Therefore, it is essential to examine the current IP protection landscape in Sri Lanka, with particular emphasis on patents. This chapter explores the primary criteria assessed by the National Intellectual Property Office (NIPO) when granting patent certification and analyses recent trends in patent applications and certifications within the country.

IP encompasses a broad spectrum of legally enforceable rights arising from intellectual activities in industrial, scientific, literary, or artistic fields (Karunarathna, 2014). Two principal objectives can be identified within any State's IP protection system. Firstly, it grants innovators the exclusive right to use and commercialize their newly created products, services, and technologies, thereby promoting investment in entrepreneurial innovation and knowledge development. Secondly, IP protection serves as an incentive for right holders to commercialize their discoveries and concepts, promoting the wider dissemination of new information (India Brand Equity Foundation, 2023).

According to Section 62(1) of the Intellectual Property Act (IP Act), an "invention" refers to an inventor's concept that enables the practical resolution of a particular technological issue. A patent is a legal instrument that safeguards such innovation. A right holder of a patent will enjoy

the exclusivity of their innovation, excluding others of either owning or using such innovation. Furthermore, an invention is patentable only if it is new, involves an inventive step, and is industrially applicable (IP Act 2003, S.63). This means the concept of novelty lies at the heart of patent filling; thus, it is one of the best indicators to identify a Country's innovation level.

To ascertain a wider understanding of the innovation protection of Sri Lanka, the patent trends during the decade should be examined. It reflects how year-on-year patent applications have changed, either positively or negatively (Graph 01).



Graph 01: Registrations-to-application of patents in Sri Lanka (2013-2023)

Source: Author's computation based on data from the National Intellectual Property Office of Sri Lanka *Notes: The data can be found in Annexure 01*

In 2023, 416 patent applications were filed, out of which 235 were from non-residents. Similarly, in 2022, while the local patent applications were drastically lower compared to other years, 268 fresh applications came from non-residents, which was as high as 61.33% (Annexure 01). Between January and December of 2024, there was a total of 434 patent applications. However, a total of only 187 patents have been registered so far in 2024, which is 43.03% (NIPO, n.d). If the analysis is based on applications, between 2013 and 2020, most of the patent applications had come from residents, however, it had dropped significantly in the past 03 years. Even if there had been an increase in patent filing between 2013-2020, the growth rate had been slow and not exponential. If this patent filing is examined globally, Sri Lanka in 2022 ranked 75th in patent applications, falling below lower-middle-income earning countries such as India (7th), Vietnam (48th), Egypt (50th), Pakistan (67th), and Morocco (70th) (WIPO, 2022). The main bottlenecks related to the low application filing and registration of patents have been extensively discussed under section 4.6 of this policy brief.

In summary, while Sri Lanka has established a structured legal and institutional framework for patent protection through the IP laws, recent trends indicate a decline in local patent applications and a modest overall growth rate. Furthermore, the country's global standing in patent filings remains relatively low compared to peer nations. This analysis highlights the

need for a closer examination of the challenges facing Sri Lanka's IP protection system and innovation, which will be explored in the following chapter.

4.0 Challenges experienced by Sri Lanka in Innovation promotion and IP protection

Innovation promotion and IP have been impacted by a range of external factors beyond the control of individual stakeholders, making a detailed, multi-dimensional analysis essential. In order to assess this, the author has employed Political, Economic, Social, Technological, Environmental, and Legal (PESTEL) method, which provides a holistic understanding of the structural barriers and opportunities in fostering innovation. In the context of Sri Lanka, PESTEL is crucial in identifying policy inconsistencies, economic constraints, brain drain, technological infrastructure gaps, environmental sustainability concerns, and weaknesses in IP enforcement. By systematically analysing these factors, this study highlights the multi-dimensional nature of innovation challenges and proposes certain recommendations to improve the current IP laws. A PESTEL-based approach ensures that innovation policy recommendations are comprehensive, forward-looking, and aligned with global best practices.

4.1 Political challenges

A country's capacity to foster innovation and protect IP is largely shaped by the stability, consistency, and clarity of its political and policy environment. In Sri Lanka, however, frequent changes in government, shifting national priorities, and inconsistent policy frameworks have posed significant barriers to sustained innovation promotion. This section explores the primary political challenges hindering the development of a robust innovation and IP ecosystem in Sri Lanka.

The first political challenge is the policy inconsistency in relation innovation in Sri Lanka. It has become a frequent observation that successive governments fail to continue the work of their predecessor, and they strive to introduce a new action plan. Following are such policies introduced by various governments during their period of office with the objective of advancing innovation.

In 1978, Sri Lanka developed its first policy statement on Science and Technology (S&T). Thirteen years later, in 1991, a Presidential task force called for an expanded S&T policy, leading to the enactment of the S&T Development Act in 1994. This Act established the National Commission on Science and Technology (NASTEC) in 1998, granting it the authority to serve as a policy advisory body on S&T matters (Science and Technology Policy Institute, 2019). In 2009, NASTEC formulated a five-year action plan (2011- 2016) to implement the National Science and Technology Policy (NSTP). It proposed ten policy objectives for developing S&T in the country and applying S&T for national development along with corresponding strategies to achieve these goals (Ratnasiri, 2015). After the change of administration in 2015, the Ministry of Science and Technology and NASTEC introduced the National Research and Development Framework (Science and Technology Policy Institute, 2019).

In addition, Sri Lanka has implemented various investment-supporting state policies to drive innovation and economic development. For instance, the National Innovation and Entrepreneurship (NIE) Strategy (2018- 2022) by the Sri Lanka Export Development Board (EDB) aims to foster a dynamic, innovation-driven economy by supporting startups and SMEs through funding and incubation programs, establishing innovation hubs, programs to access global markets and encouraging R&D in high-tech industries (EDB, 2019). The *Startup Sri Lanka* Initiative encourages the growth of the startup ecosystem by offering funding, mentorship, and technical support for tech startups while organizing innovation challenges (ICTA, 2019).

The above policies reflect that while Sri Lanka has implemented several policies with the aim of advancing innovation encompassing scientific literacy and technology transfer. Yet these initiatives have been hindered by lower funding levels and periodic policy shifts. Sri Lanka is still in the early phases of creating holistic national innovation structure, even if working towards achieving such destination.

Another observation in relation to these policies is the fact that there is inadequate focus on the basics of science literacy and raising public awareness on IP. For instance, the State Law schools do offer IP as a subject, but this is more from a legal standpoint. Even if organizations such as the Institute of Commercial Law and Practice (ICLP) and Unichrone offer intensive short courses on IP in Colombo and often virtually, covering essential aspects such as patents, trademarks, copyrights, and trade secrets (Unichrone, n.d), such initiatives have become inaccessible for the public-at-large, thus the argument could be made that the common general public's IP literacy is still at a worrying stage.

Another key political factor that primarily affects the leading private sector and foreign innovators including the ICT sector is Sri Lanka's present tax structure. Successive governments' frequent amendments to the Inland Revenue Act have caused dissatisfaction and disbelief amongst entrepreneurs and innovators. Leading Sri Lankan industry bodies, including SLASSCOM, FITIS, BCS, and CSSL, raised concerns that increased operational costs due to new taxes could hinder innovation and reduce competitiveness. They have warned that Sri Lankan companies may struggle to compete globally against nations offering tax incentives, potentially resulting in revenue and market share losses (Daily Mirror, 2024). The Strategic Development Projects Act which was passed to provide incentives such as tax holidays, duty concessions, and streamlined approval processes for strategic investments has also become controversial (Daily FT, 2023), as the Act does not describe what a "Strategic investment" is and provides the Minister who's in charge of the relevant investment subject, the discretion to grant such incentive (Strategic Development Projects Act, No. 14 of 2000, Section 2&3).

Several policies and initiatives have been presented by institutions like the NIA, but such have stagnated at the higher level of administration. For example, there is a National Innovation policy that has been drafted but hasn't been passed and executed (A. De Alwis, personal communication, January 23, 2025). The amendment to the IP Act in 2022 also took several years to become State Law.

The political challenges facing Sri Lanka's innovation and IP protection ecosystem are characterized by policy discontinuity, inadequate public IP awareness, inconsistent tax and investment regulations, and administrative delays. These factors collectively contribute to an unstable innovation environment, limiting the country's capacity to cultivate a thriving, knowledge-based economy. By studying models like Singapore's Research, Innovation, and Enterprise (RIE) framework, which exemplifies policy consistency, long-term planning, and sustained investment, Sri Lanka can identify valuable strategies for overcoming these political obstacles and fostering an environment more conducive to innovation and economic progress.

4.2 Economic challenges

Ajith De Alwis, the Chief Innovation Officer of the National Innovation Agency (NIA) expressed that a thriving innovation ecosystem requires a well-recognized and strategically nurtured link between the economy, innovation, and IP (personal communication, January 23, 2025). In Sri Lanka, however it seems that this connection has not been sufficiently acknowledged nor effectively integrated into national economic planning. While global leaders such as the United States, Japan, and the Republic of Korea have long capitalized on the economic potential of intangible assets, generating substantial national wealth through the licensing of IP, Sri Lanka continues to lag in both policy recognition and practical implementation (National Innovation Agency, 2023). This section argues that Sri Lanka's underperformance in innovation and IP promotion is rooted in key economic challenges, namely: the country's historically low investment in R&D, the imbalance between public and private sector funding, weaknesses in commercialization mechanisms, and limitations in innovation financing structures. This chapter explores each of these issues to demonstrate how they collectively undermine Sri Lanka's innovation ecosystem.

The lack of R&D spending has been one of the key economic factors that has caused the sluggish improvement in innovation in Sri Lanka. Sri Lanka's Gross Domestic Expenditure on Research and Development (GERD) in 2022 amounted to just Rs. 25,280.70 million (approximately USD 82 million), representing a mere 0.10% of its GDP. This allocation is not only low by global standards but also reveals a worrying trend when viewed in the context of the 2025 national budget, which allocated just Rs. 1 billion to R&D (KPMG, 2025). The failure to increase R&D investment signals a continued lack of political and economic priority given to innovation as a growth strategy.

This value must be evaluated in comparison to previous years and along with Sri Lanka's regional competitors. Graph 02 highlights how Sri Lanka's state of GERD has dropped over the years.

Graph 02: Changes in the Gross Domestic Expenditure on Research and Development (GERD) over time in Sri Lanka



Source: Author's computation based on survey conducted by National R&D Survey Sri Lanka (2022)

If this percentage value is compared with other countries in the neighbourhood, it shows that Sri Lanka would need to seriously divert more resources towards innovation (Table 03).

Country	GERD as a percentage of GDP	GERD as a percentage of GDP in		
	in 2000	2020		
Israel	3.83	5.56		
South Korea	2.13	4.93		
Thailand	0.24	1.33		
India	0.76	0.65		
Indonesia	0.07	0.28		
Sri Lanka	0.14	0.12		

 Table 03: GERD as a percentage of GDP allocated by Asian countries in 2000 and 2020

Source: Author's computation based on World Bank Data

Sri Lanka, as early as 1996, outpaced Thailand and Indonesia in R&D expenditure (World Bank, n.d.). However, while other nations have significantly expanded their spending on research and innovation, Sri Lanka has stagnated for decades. For instance, Thailand, which initially spent less than Sri Lanka in 1996 (0.12% of the GDP), has dramatically increased its GERD, even surpassing India in recent years, and is currently ranked 41st in GII. A key driver of innovation in many of these countries is the private sector, contrasting with Sri Lanka's reliance on government funding, particularly in State Universities and Public Research Institutions (National Science Foundation, 2022).

Graph 03 illustrates a worrying trend: a notable decline in government funding for R&D was seen in Sri Lanka since 2018. The exacerbated reduction of government contributions was visible by comparing the percentage allocations in 2015 and 2022, as it has dropped to just 29% of the total GERD in 2022, from a share of over 55% of the total GERD in 2015.



Graph 03: Changing of R&D Expenditure by Key Contributors

Source: Author's computation based on National Science Foundation data.

Interestingly, the graph also highlights a positive shift, with private-sector funding surpassing government contributions between 2020 and 2022. Ideally, the private sector should play a leading role in promoting innovation while the government focuses on creating a conducive environment for such efforts. Thailand embodies the success of this public-private relationship. As early as 2002, Thailand Government's share in total GERD was more than 60%. However, by 2019, 77% of the total GERD came from the private sector, while 23% came from the public sector (Office of National Higher Education Science Research and Innovation Policy Council, 2021). De Alwis (personal communication, January 23, 2025) stated that sustainable Statedriven R&D expenditure acts as a catalyst for the private sector to invest, and the issue he identified was that many of these investments are for non-marketable products, that the private sector does not see any tangible benefits that they can obtain. Thus, sustainable State funding is important to avoid gaps in funding critical research areas, forming a commercial appeal that would propel the private sector to invest.

Alongside increasing R&D investment, a major economic challenge that Sri Lanka is facing is the inadequate emphasis on innovation commercialization. Commercialization is essential for transforming new ideas, technologies, or inventions into marketable products, services, or processes that generate economic value. Commercialization bridges the gap between innovative ideas and their practical application, enabling innovators to deliver tangible benefits in the marketplace. While Sri Lanka has seen promising innovation activities with business enterprises (National Science Foundation, 2022), weak internal commercialization frameworks have resulted in missed opportunities. A striking example is the case of the Sri Lanka Institute of Nanotechnology's (SLINTEC) nano fertilizer technology, which secured four US patents in 2012 and attracted international attention, only to be transferred to an Indian company due to Sri Lanka's inability to commercialize the product domestically (National Innovation Agency, 2023). This case underscores the broader systemic issue: without robust mechanisms for innovation-to-market translation, even groundbreaking research can fail to deliver national economic returns. Sri Lanka does possess a range of innovation financing mechanisms aimed at supporting innovation activity, but these remain insufficiently integrated and under-resourced. The National Research Council (NRC) is one of such major R&D financers and their grants including the Target Oriented Multidisciplinary Research Grants (TO grants), Investigatordriven grants, and Private-Public Partnership Programs have played an important role. The TO-Grant for instance provides grants that focus on addressing complex national issues through multidisciplinary research. They support projects in areas such as economic development, social welfare, and environmental sustainability, with funding up to Rs. 50 million over five years (National Research Council, n.d). The USAID's Private Sector Development (PSD) provided direct assistance to medium-sized enterprises (MSMEs) and expanded business advisory services for MSMEs, with a particular focus on women in the workforce and female business owners during the post-COVID period (USAID, n.d). However, these fundings have now become critically vulnerable due to the recent departure of USAID from Sri Lanka due to President Trump's administrative decisions.

Complementing these efforts are innovation challenges and awards, including the *Sahasak Nimavum* Innovations Competition, the *Dialog Innovation Challenge*, and the *e-Swabhimani* Digital Social Impact Award, which provide crucial funding and recognition to early-stage innovators. These efforts, undertaken by both state and non-state organizations, are designed to encourage innovators by providing them with funding to support their activities.

However, while these initiatives mark positive steps, they often lack the scale and strategic focus necessary to drive systemic innovation-led growth. What Sri Lanka requires is a more comprehensive national strategy that combines sustainable State R&D investment, incentives for private-sector innovation, effective commercialization pathways, and integrated financing instruments. The government must also explore additional mechanisms such as innovation subsidies, prototype funding, entrepreneurship capacity-building programs, international market access support, and State-led innovation marketing campaigns to fully realize the country's innovation potential.

4.3 Social challenges

A country's capacity to foster innovation is inherently tied to its human capital, and in Sri Lanka's case, it seems that this foundation is steadily eroding due to persistent and escalating social challenges. Among the most critical of these is the brain drain, which has now reached crisis proportions. World Bank data confirms a net migration of -77,495 in 2023, a continuation of negative migration figures recorded every year since 2011. This is not merely an economic inconvenience but a structural threat to innovation, as those leaving the country disproportionately include students, university lecturers, researchers, and skilled professionals the very individuals who drive innovation ecosystems globally.

The higher education sector, which should serve as a cradle for research and innovation, has faced a threat of becoming hollowed out. In 2023, with 175,865 university students currently on-roll, the academic staff currently employed is 7,780 (University Grants Commission, 2023), which the student: teacher ratio is 23:2. This gap has become worsened by the departure of nearly 900 university lecturers in recent years, a direct consequence of economic instability

and burdensome taxation policies (De Alwis, 2024). Such departure weakens the nation's research infrastructure, compromises knowledge production, and disrupts any attempt to establish sustainable, innovation-led economic growth.



Graph 04: Number of students migration

Source: UNESCO (2020)

Moreover, the growing trend of student migration represents another significant social barrier to innovation. Increasingly, young people opt to leave Sri Lanka immediately after their Advanced Levels, or even after their higher-secondary education, to pursue opportunities abroad (Graph 04). This is not accidental; it is the product of a restrictive, under-resourced public university system plagued by delays, trade union disruptions, and the endemic problem of ragging. The result is that Sri Lanka loses some of its brightest future innovators before they even enter the domestic higher education or entrepreneurial sectors.

Compounding this, the country's high educational attrition rates systematically shrink the future talent pool available for innovation. In 2021, there were 1,618,867 students enrolled at the primary level, while 1,343,485 were in the Junior Secondary Cycle (Grades 6 - 9). However, the numbers sharply declined, with only 652,331 students in the Senior Secondary O/L Cycle (Grades 10-11) and just 426,964 completing the Senior Secondary A/L Cycle (Grades 12-13) (Ministry of Education, 2021). These numbers showcase that even if we often boast our high literacy rate, the ground reality is that only 31.7% of the total number of students who have completed their Junior-secondary education will pursue their education up to the Advanced Level. This high dropout rate undermines long-term innovation capacity, creating a bottleneck in the supply of skilled workers, inventors, and entrepreneurs.

While Sri Lanka has gained international recognition as a sought-after tourist destination winning accolades such as the "Most Desirable Island in the World" at the Wanderlust Reader Travel Awards 2024 and being ranked among "The Friendliest Countries in the World" by Condé Nast Traveller, it has yet to fully harness this global attention for innovation-led economic opportunities, by maximizing the available human capital, cultural norms and heritage. The surge in tourist arrivals, with over 2 million visitors in 2024 alone, a 38% increase

from the previous year (Sri Lanka Tourism Development Authority, n.d.), presents a timely opportunity to integrate Traditional Knowledge (TK) and Traditional Cultural Expressions (TCE) into the country's innovation and IP strategy. However, the lack of structured mechanisms to protect and commercialize these cultural assets represents a persistent social challenge for innovation promotion in Sri Lanka.

Despite being identified under the country's 10-point action plan and remaining a focal area for WIPO's recent global initiatives, Sri Lanka's efforts to safeguard and monetize TK and TCE remain fragmented. The draft legislation aimed at protecting TK covering traditional practices in agriculture, wellness, herbal medicine, and architecture, acknowledges the rich cultural and ecological knowledge embedded in rural communities. Yet, this knowledge continues to be undervalued, unprotected, and vulnerable to misappropriation, both domestically and internationally.

Punchihewa (2017) highlighted Ayurveda and wellness tourism as a sector with an untapped economic opportunity. He stated that without a robust IP framework and market-oriented innovation strategies, these sectors risk being sidelined in Sri Lanka's tourism-driven economic recovery agenda. Moreover, small-scale rural innovators who are the custodians of this knowledge lack access to commercialization channels and legal protections, further widening the socio-economic divide and limiting grassroots contributions to national innovation.

The failure to capitalize on TK and TCE as innovation assets not only represents a missed commercial opportunity but also reinforces a social inequality in innovation ecosystems, where urban, institutional, and export-driven innovations receive attention while community-based, culturally significant knowledge systems are overlooked. Without deliberate policy interventions and a strengthened IP framework to protect and promote TK-related innovations, Sri Lanka risks losing both economic value and cultural heritage in an increasingly competitive tourism and wellness market.

In essence, this gap highlights a critical social challenge: the marginalization of rural and traditional knowledge holders within the country's innovation framework. Addressing this through targeted IP protections and innovation commercialization strategies is essential to build an inclusive, culturally rooted, and globally competitive innovation economy.

In sum, these social dynamics such as brain drain, youth migration, and educational attrition, lack of capitalization on TK and cultural tourism are not marginal issues but fundamental social challenges that directly obstruct Sri Lanka's innovation ambitions. Without bold, targeted interventions to retain talent, strengthen universities, and improve the quality and continuity of education, the country risks remaining trapped in a cycle where innovation initiatives lack the human capital necessary for execution and impact.

4.4 Technological challenges

In terms of technology that promotes innovation, Sri Lanka performs slightly above the average of lower-middle-income countries, according to GII 2024. While the Lower-middle-income countries have an average score of 29.8, Sri Lanka has achieved a score of 41.73, ranking 66th globally in infrastructure (WIPO, 2024). This would mean that while improvements are to be made, Sri Lanka has adequate infrastructure to promote innovation given its status quo. As per the GII 2024 report on Sri Lanka, the major reason for this high ranking in infrastructure has been due to the energy efficiency in the economy, i.e., the amount of energy consumed relative to the country's GDP, and the higher gross capital formation, i.e., spending on things like infrastructure, equipment, and tools that help businesses grow, create jobs, and improve productivity. In addition, Sri Lanka ranks 21st in the GII index of software spending as a percentage of the GDP (WIPO, 2024). However, some of the data related to these indexes must be updated.

Even if WIPO has ranked Sri Lanka 91st amongst the ICT infrastructure rankings (WIPO, 2024), they have identified IT as one of the major strengths of Sri Lanka (WIPO, 2024). According to the World Bank (2023), Sri Lanka's IT industry is one of the fastest-growing sectors in the economy and IT-related exports surpassed USD 1 billion in 2019 and USD 1.2 billion in 2021, which was the highest exportation value reported. In addition, the number of IT professionals employed in 2014 was 82,854, while this figure had shot up to 124,873 by 2018, which is an increase of 66% (Sunday Times, 2019), and by 2022, this workforce of over 150,000 employees (Daily FT, 2023).

Every government that came to power has identified the importance of developing the IT sector in a fast-moving, innovative-driven economy, and they have introduced numerous policies to advance the IT sector. However, there are certain bottlenecks that should be addressed. In recent years, the value of IT exports has started to diminish, from USD 1.2 billion in 2021 to USD 900 million in 2023 (World Bank, n.d). Sri Lanka's recent economic crisis may have impacted this drop as the extensive power cuts seriously hampered the working hours of IT firms. Firms had to function at odd times when power was available, and as a result, the productivity of the IT employees dropped.

The slow internet connection affects not only the IT sector directly but also many other sectors, including education and higher education. Sri Lanka is now subscribed to a much-needed 5G connection, which was introduced to Sri Lanka in 2022 (Hasangani, 2020) and currently, Sri Lanka's major telecommunication providers, Dialog, SLT-Mobitel, Airtel have all presented their subscribers with 5G facilities. Yet, the Speedtest Global Index ranked Sri Lanka 103rd out of 112 countries in median country speed of internet in mobile connections with an average of 19.04Mbps where the global average is 56.76Mbps. This ranking is even worse in Fixed Broadband, where Sri Lanka ranked 128th amongst 159 countries in the world with a median internet speed of 22.80Mbps, whereas the global average stands at 94.16Mbps. Surprisingly, Sri Lanka's fixed internet speed is even lower than Madagascar (124th), DR Congo's (119th), Haiti's (107th), Bangladesh's (98th), and Nepal's (76th) (SpeedTest, n.d). A common trait among all the above countries was the absence of an emerging ICT sector as seen in Sri Lanka.

Even if the ICT companies may have the capacity to afford access to superior connections such as Fiber-optic, Small-scale innovators, undergraduates, students, and State universities will not have such options available. Furthermore, Telecom companies have raised the costs of nearly all their services as a consequence of the economic crisis, which were exacerbated by the VAT hike in 2024. In other words, in addition to becoming slightly slower, the internet has also become expensive, making a Fibre connection a Luxury Good. Thus, the improvement of internet connectivity will become a catalyst for the IT sector and IT-related innovations.

Over the past decade, Sri Lanka has made significant strides in fostering a thriving start-up ecosystem through initiatives such as the "Enterprise Sri Lanka" program, which provides young innovators with business loans, ICTA's "Spiralation" seed funding for start-ups, and the "*Disrupt Asia*" conference, which connects investors, academics, and entrepreneurs (Sri Lanka Export Development Board, 2017). The pandemic spurred a unique shift, with many graduates returning home to work remotely or launch businesses, leveraging their expertise and the country's robust start-up infrastructure (Berlin, 2021). Start-ups funded externally demonstrated higher growth rates than those relying on internal sources, emphasizing the need for sound business plans and funding assistance (Sri Lanka Export Development Board, 2017). Sri Lankan ventures like Arimac's Diyazen, focusing on digital solutions and AI, and SenzMate, a start-up tackling climate change through precision agriculture, exemplify the global potential of the nation's innovative startup culture (Renaissance Sri Lanka, 2021).

IH are collaborative spaces designed to foster creativity, entrepreneurship, and technological advancements by bringing together start-ups, businesses, researchers, investors, and academia in one ecosystem. They are strategically developed to promote innovative thinking and rapid prototyping, acting as catalysts for economic growth and problem-solving. IT hubs in Bengaluru (often called the "*Silicon Valley of India*") have been instrumental in transforming the country into a global tech leader (Chaturvedi, 2024). Similarly, Kenya's "*Silicon Savannah*" in Nairobi has catalysed tech-driven innovation across Africa. Nairobi's IT hub attracts local and international investment, focusing on mobile and fintech solutions tailored to the region's unique needs. *M-Pesa*, the most successful mobile money service, emerged from this ecosystem, transforming how financial transactions are conducted in Africa and serving as a model for mobile finance worldwide (Hruby & Bright, 2015).

Sri Lanka presently has a few such innovation hubs located in the City of Colombo, such as TRACE, Hatch, and Orion City. Amongst these, Orion City is the oldest endeavour that dates to 2007 and currently is home to some of the major companies Virtusa, ISM APAC, TATA Communications, Voigue (Pvt) Ltd, Etihad Airways, etc (Orion City, 2024). The impact of TRACE has been vital over recent years with the development of South Asia's first Supercar by Vega Innovations and the location of other major companies (TRACE, n.d).

Since its beginnings in 2018 with just 18 startups, Hatch, Sri Lanka's leading startup ecosystem has grown to support over 700 startups and 800 seats, with plans to expand to 3,000 seats. In March 2025, Hatch launched the *Startup Nation* Initiative to strengthen the country's entrepreneurial landscape, with the aim to discover, nurture, and fund the country's top startups. A key feature is a national startup competition, where over 1,000 applicants will be narrowed down to the top 100 startups for further support and investment opportunities (Ceylon Today,

2025). With proper leadership, planning, and funding, these heavily condensed human capital hubs can be converted into another Silicon Valley.

During the National launching of GII 2024 in Sri Lanka, Prof. Ajith De Alwis, the Chief Innovation Officer of the National Innovation Agency (NIA) expressed that the Diyagama-Homagama-Pitipana area can be a prime location for developing a multi-billion-dollar innovation hub. Home to prominent institutions like the Sri Lanka Institute of Nanotechnology, the University of Colombo's Faculty of Technology, the University of Moratuwa's Institute of Technology, SLTC Research University, and NSBM Green University, the region offers significant potential to drive innovation through collective expertise and resources (De Alwis, 2024).

Considering these facts, innovation hubs and start-ups can be key drivers of future progress. Therefore, increased public and private sector investments in strategic regions to develop such ecosystems will be essential for fostering innovation, driving economic growth, and enhancing global competitiveness in the years ahead.

4.5 Environmental challenges

A significant bottleneck lies in the underutilization of Sri Lanka's environmental resources for advancing innovation. Unlike resource-scarce nations like Singapore and Taiwan, Sri Lanka is endowed with abundant natural resources, offering substantial potential for environmentalbased innovation, particularly in alignment with the Sustainable Development Goals (SDGs) that Sri Lanka has committed to achieve by 2030 (Sandawala, 2023).

Since the introduction of Sri Lanka's 10-point action plan to strengthen innovation promotion, Geographical Indications (GIs) has been identified as a key area with immense scope for growth. One of the notable achievements stemming from this initiative was the enactment of the Intellectual Property (Amendment) Act, No. 8 of 2022, which formally introduced a legal framework for GI registration. Building on this, in February 2025, Sri Lanka officially launched its GI registry, a long-overdue but important milestone in reinforcing the country's intellectual property infrastructure (The Island Online, 2025).

However, while the legal framework now exists, Sri Lanka has yet to strategically leverage its rich environmental, geographical, and cultural diversity as an innovation asset. GIs are inherently tied to a nation's natural environment, traditional knowledge, and cultural identity (Punchihewa, 2014), offering not just economic opportunities but also avenues for branding, product differentiation, and cultural tourism. Many countries in the region have capitalized on this. For example, Vietnam has successfully registered over 100 GIs, turning products like *Phu Quoc* fish sauce, *Moc Chau* tea, and *Binh Thuan dragon* fruit into internationally recognized brands, backed by an updated, business-friendly legal environment (Intellectual Property Office of Vietnam, n.d). India has gone even further, with 370 registered GIs covering everything from regional handicrafts to agricultural goods, effectively transforming local traditions into economic drivers while safeguarding cultural identity (NIP Gyan, 2021).

In contrast, Sri Lanka's utilization of its unique agricultural products, artisanal crafts, and traditional goods for innovation and market development through GIs has been minimal.

Despite possessing globally sought-after commodities such as Ceylon tea, Ceylon cinnamon, which have been registered as Collective marks rather than GIs since a GI registry did not exist at that time, most of the other GIs remain underexploited within structured, innovation-led commercialization initiatives. The absence of an active national GI promotion strategy, integrated with tourism, export development, and rural entrepreneurship policies, reflects a critical missed opportunity. The author, under chapter 05 has expressed some key products that have the potential for being registered as GIs.

The environmental and cultural factors that could serve as powerful enablers of grassroots innovation and international branding remain largely dormant in Sri Lanka's policy framework. Without targeted investment in GI-related capacity building, community-based product development, and strategic international marketing, Sri Lanka risks falling behind regional competitors who are already turning their local traditions into global economic assets.

4.6 Legal challenges

In chapter 3, the current IP landscape of Sri Lanka, and the trends attached to patent filing and registration by residents and non-residents, in the recent years have been explained. It was well observed that there had been a sustained increase in the filling of patents by non-residents. De Alwis (personal communication, January 23, 2025) states the reason for this phenomenon is to protect and enforce their IPR in Sri Lanka. He further argues that leading private companies in Sri Lanka are used to file patent applications abroad than in Sri Lanka due to the low confidence level. A prime example is that MAS Holdings has a portfolio of 64 patent families with 170 applications filed in the USA, UK, Europe, China, Japan, and Australia (Echelon, 2021).

Regarding patent registration, at the outset, it is apparent that the number of patent registrations was significantly lower than that of applications (Graph 01). Only in 2015, the registration-to-application ratio surpassed 50%, yet between 2013-2023, this ratio stood at an average below 50%. This means that close to 50% of the total patents applied are rejected at the NIPO office. Punchihewa (2014) states that the main reason for such rejection would be the non-fulfilment of the novelty criteria. i.e., the innovation is new and not a replication, as stated in Section 63 of the IP Act. Unquestionably, non-resident patent applicants, often the big multinational corporations, or MNCs, benefit from a high threshold of novelty criteria since they are vested with the resource capacity required. However, maintaining such high standard would discourage small and medium-sized businesses (SMEs) and local inventors from applying for patents on small-scale inventions. Therefore, in the context of developing nations like Sri Lanka, a relative standard of novelty (low threshold) would be viable, workable, and appropriate (Marsoof et al., 2022).

Looking at global examples, China's strategic adoption of evolving novelty standards in its patent regime has played a key role in its rise as a global innovation leader. Initially using a low novelty threshold, China established a strong domestic innovation base, where in 2008, the country shifted to an absolute novelty standard (high threshold) as local inventors gained the capacity to compete internationally. Receiving of over 1.3 million patent applications by the Chinese patent is office is a true testament to the success of these successive policies. This

approach offers valuable lessons for Sri Lanka and other developing nations seeking to enhance their innovation landscapes (Marsoof et al, 2022).

In most countries, patents go through a thorough review to ensure they are truly new, inventive, and useful. Some also have extra steps, like allowing challenges to a patent before or after it's granted or forcing the patent holder to share their invention if it's important for the economy. Sri Lanka's system, however, only checks basic paperwork and offers an optional detailed review that's rarely used due to a lack of demand, experts, and resources (Perera, 2014).

According to Perera (2014), substantive patent examinations in Sri Lanka are typically conducted at a basic level, as most patent applications are relatively simple and do not meet the internationally recognized standards in countries like Australia. In Sri Lanka, many patents granted are for engineering improvements, which often lack the necessary novelty or inventive step required for patentability. However, in practice, patents are often granted to encourage innovation or support inventors' further development. In contrast, Australia follows a more rigorous process, where, after a request for examination is filed, a detailed official examination is conducted, usually within 12 months. This includes a comprehensive search of existing patent literature to assess the novelty and inventive merit of the application.

Also, Sri Lankan patent law does not make mention of a pre-grant or post-grant opposition procedure. Patent opposition procedure is an administrative process within the patent office. Laws providing for pre-grant and post-grant patent opposition are essential to prevent wrongful grant of patents before or after the grant. According to Perera (2014), it is also seen that there is no provision regarding opposition procedure in the granting stage, and it is left to the court to decide on the validity of the patent after the grant.

According to Marsoof et al. (2022), an essential area requiring strategic reform is the operational framework of NIPO, particularly in the registration and administration of IP rights such as trademarks, patents, and industrial designs. Lengthy processing times remain a significant bottleneck, especially in patent registration, where delays have had tangible consequences for local innovators. The inability to secure timely patent protection often results in missed market opportunities and diluted competitive advantages, ultimately discouraging commercialisation and innovation.

One practical solution lies in the digitisation of NIPO's systems. Digital registries not only enhance accessibility and transparency but also streamline application processing and decision-making. Expediting this transition could meaningfully reduce the existing backlog and improve service delivery (Marsoof et al, 2022).

Marsoof (2022) also states that another structural challenge is the distribution of responsibilities within the NIPO office. It has been observed that opposition hearings are primarily handled by DG, placing considerable administrative pressure on the top leadership. This centralisation may unintentionally contribute to delays. A more effective approach would involve empowering mid- and junior-level officers to manage application assessments, hearings, and appeals as already outlined in the IP Act while senior officials could focus on strategic priorities such as policy development, capacity building, and stakeholder engagement.

However, these reforms hinge on one critical factor: human resources. The current staffing levels at NIPO are insufficient to meet growing demand (Marsoof et al, 2022).

Sri Lanka also lacks an efficient IP-related dispute related mechanisms. Section 163(2) of the IP Act states that a person aggrieved by a non-insertion in or omission from the register may make an application to the Provincial High Court (PHC) and the PHC can make any order as it may think fit. Further, since the granting of a patent is an administrative decision by the Director-General, their decision is subjected to judicial review; either in the form of a writ application or in the form of a Fundamental right petition (Perera, 2014). While there exist such enforcement mechanisms, it has been observed that there is a lack of IP-related litigation. One reason may be that patent holders are reluctant to enforce their rights against an infringement, or rather; it may be due to the belief that court proceedings are expensive, and time-consuming. Furthermore, Sri Lanka has only a handful of IP-Lawyers, and their fees are considerably high, as a result, such lawyers are mostly absorbed by wealthy innovators or foreign collaborations since they have the means to pay the high legal costs (Perera, 2014). This restricts court access for small-scale innovators as they cannot afford such enforcement mechanisms. Punchihewa (2014) identified this absence of a strong patent enforcement mechanism as one major factor for the low patent application.

The absence of a second-tier protection mechanism, such as utility models, represents a significant legal bottleneck for innovation in Sri Lanka. Utility models, or "petty patents," provide a simpler, more accessible alternative to traditional patents, offering protection for smaller or incremental innovations. These rights, typically lasting 7 to 12 years, require a lower threshold of inventiveness and involve less rigorous examination, making them faster and cheaper to obtain (S. Punchihewa, personal communication, March 17, 2025). This system has proven effective in promoting innovation in countries like the Republic of Korea (ROK) and Taiwan. ROK's "soft patent laws" facilitated the replication of foreign IPs, fostering rapid industrial growth (Kumar, 2003) and driving its rise to 06th place in the GII 2024. Similarly, Taiwan's utility models and design patent systems played a pivotal role in transforming it into a technological leader (Kumar, 2003).

Punchihewa heavily advocates for establishing a utility model system for Sri Lanka that could alleviate the challenges posed by costly and complex patenting processes (Punchihewa, 2015). He argues that this system would give legal protection to the rejected patent applicants who are mostly SMEs that do not have the superior technology to produce a novel product, as required by the Act. He advocates this second-tier patent regime as the most effective system for Sri Lanka, as it allows adaptations that in the short-run, boost innovation and economic development (S. Punchihewa, personal communication, March 17, 2025). This would thereby encourage continued innovation and reduce the risk of losing IP to private or foreign entities.

A stable IP regime will also act as a catalyst for the increase in FDIs. For instance, Vietnam's patent applications have been predominantly by foreigners, whereas the application by the Vietnamese has been significantly lower (Graph 05). The main reason for this high filing was corroborated by the massive insertion of FDI, and the expansion of the ICT sector. Since 2018, ROK and China have led in ICT patent filings in Vietnam. ROK, largely through Samsung, achieved a 50% annual increase in IT filings from 2011 to 2018. Meanwhile, China's growth,

driven primarily by Huawei's investments in Vietnam's ICT sector since 2008, saw a 60% annual rise between 2013 and 2018, positioning Huawei as the top filer of ICT patents in Vietnam (Vu, 2022). This showcased the fact that the legal framework governing innovation must be flexible, open, and accessible to foreigners to attract them for investments, and Sri Lanka could learn lessons if they liberalized their existing laws to boost FDI inflows, which Sri Lanka desperately needs at present.





5.0 A way forward

The challenges that Sri Lanka is currently facing in relation to innovation promotion and IP protectional is multi-dimensional. The absolute way forward is to mitigate some of these many issues. In addition, there are numerous areas which Sri Lanka can capitalize on considering there have been foundations already been laid. Given Sri Lanka's rich cultural heritage and diverse agricultural products, there is a significant untapped potential for GIs, which could enhance innovation, attract global attention, and promote cultural tourism.

Sri Lanka, historically renowned for its premium coffee during the colonial era, is witnessing a resurgence in coffee production, particularly in specialty Arabica, thanks to favourable climatic conditions in the central highlands (Numbers.lk, 2024). With the global demand for premium coffee increasing, registering "Ceylon Coffee" as a GI could bolster the industry and elevate its global reputation, akin to "Ceylon Tea." Similarly, the Jaffna Karuthacolomban mango, a highly sought-after variety with international appeal, faces supply challenges due to seasonal fluctuations and limited production. Innovations to stabilize supply and develop climate-resilient mango varieties could enhance Jaffna's agricultural and tourism sectors (talkingeconomics, 2024). Beyond coffee and mangoes, Sri Lanka's diverse heritage offers several GI-worthy products like Ceylon sapphires, Dumbara mats, Ruhunu curd, Beeralu lace, and Ambalangoda masks, which remain underutilized due to limited GI registrations.

Source: Author's computation based on data retrieved from the INVESTIP (2024) website.

Strengthening the GI framework could unlock significant economic potential for these products, driving growth and preserving Sri Lanka's cultural identity (Kamardeen, 2017).

Furthermore, the country also could emphasize more on plant breeder rights, a sector where laws have been formulated as early as 2001 but have not been enacted yet. According to the Protection of New Plant Varieties (Breeder's Rights) Bill 2001, a planter can apply and obtain breeder rights for new plant varieties (Marsoof et al, 2022). Having such laws enacted in Sri Lanka will be highly beneficial for businesses such as Nelna Mangoes, which produces the world's biggest mango with superior quality (Nelna, n.d).

Incumbent President Dissanayake's Policy Framework on R&D Development for Public Consultation prioritizes enhancing exports of plantation crops, fisheries, and high-potential fruits and vegetables while introducing innovative crops for modern markets. Along with patenting, GI registration and preserving the plant-breeder rights will be beneficial for achieving these targets since they facilitate product branding while setting up a legal framework safeguarding innovation.

In addition, the Tourism Policy under the current Government has given its attention to promoting existing tourism activities in the sensitive natural and cultural resources while following eco-friendly practices to promote their long-term sustainability (National People's Power, 2024). Focusing on GIs will collaborate these tasks promptly with higher economic gains. Since these sectors are already established in the country, the government would require a relatively small expenditure for promotion. With the improvement of tourism, the respective regions will also flourish, and it will ultimately contribute to innovation, regional development while increasing employment opportunities.

In May 2024, WIPO adopted a historic treaty requiring patent applicants to disclose if their inventions are based on genetic resources or associated TK. This treaty aims to prevent the exploitation of these resources by foreign entities, ensuring that knowledge remains within the rights of the traditional custodians (WIPO, 2024). Despite efforts, Sri Lanka has struggled to draft a national policy on TK, even after a decade of discussions. Punchihewa (2017) advocates for best practices in creating IP rights over TK, such as requiring the disclosure of the origin of knowledge, recognizing the custodians' rights, ensuring informed consent, and establishing fair benefit-sharing mechanisms to ensure that communities benefit from the use of their TK.

Through its National Tourism Policy (National People's Power, 2024), the NPP government has emphasized leveraging tourism as a means of cultural preservation, with a focus on identifying and documenting intangible cultural heritage to safeguard it for future generations. In addition, the NPP's Policy Framework on R&D for Public Consultation pledges to explore Indigenous knowledge and circular bioeconomy concepts in agriculture research to preserve ecological footprints (NPP, 2024). Thus, establishing a robust policy framework encompassing TK, TCEs, and Genetic Information, while integrating the latest developments from WIPO, could be instrumental in achieving this policy objective. Such a framework offers multifaceted benefits: it secures Sri Lanka's TK and enables related innovations to provide financial rewards to innovators. Moreover, this approach would bolster the national economy by promoting tourism, enhancing Sri Lanka's global appeal, and improving foreign exchange reserves.

As seen, Sri Lanka faces significant challenges in fostering innovation and strengthening IP protection, which are critical elements for achieving sustainability and economic prosperity. In contrast, many newly industrialized nations, particularly in Asia, have long recognized the importance of innovation-driven economies. Since gaining independence or stabilizing politically, these nations have implemented strategic policy decisions at both the domestic level and through active engagement with multilateral organizations such as WIPO. By maintaining consistent policies and improving budgetary allocation towards innovation, coupled with robust IP frameworks, these countries have successfully elevated their economic standing and fostered sustained development. It is important to note that, despite Sri Lanka being a signatory to most international IP agreements, its patent system remains underdeveloped compared to other developing countries in the region. While countries that have acceded to the TRIPS Agreement have typically tailored their IP laws and patent administration to align with their economic strategies and IP policies, Sri Lanka's system has not yet undergone similar adjustments. As a result, it appears that the current patent system is not particularly attractive to foreign investors or suppliers, though other factors also come into play.

During a seminar hosted by LKI in 2024, Ambassador Lee identified three key policy imperatives for contemporary Sri Lanka as it navigates its post-crisis economic recovery and seeks to implement export-oriented strategies while attracting greater foreign direct investment. Drawing parallels to ROK's own economic transformation, he emphasized the benefits of a liberal market framework underpinned by the rule of law, the critical role of the private sector in driving innovation, and the necessity of strong political leadership coupled with an efficient and responsive bureaucracy (Lakshman Kadirgamar Institute, 2024). Therefore, if well harnessed, IPR protection could play a significant role in Sri Lanka's economic development by fostering local innovation and attracting FDIs, which have the potential to create local employment and facilitate technology transfer. If Sri Lanka aims to integrate more effectively into the global patent network, it should consider reforms to the existing IP laws to address its current weaknesses, catering to the needs for which it was created in the beginning. There are enough studies and policies in place about innovation promotion, including a drafted national IP policy, and it is up to the decision-makers to take the necessary steps to execute them promptly without further delay.

*Nimuthu Nimsith is a Research Intern at the Lakshman Kadirgamar Institute of International Relations and Strategic Studies (LKI). He is an Undergraduate at the Faculty of Law, University of Colombo.

Annexures

Year	Applications		Registrations			Registrations-to- Applications ratio	
	Resident	Non-Resident	Total	Resident	Non-Resident	Total	(%)
2013	328	188	516	71	165	236	46%
2014	314	222	536	43	220	263	49%
2015	217	264	481	34	223	257	53%
2016	274	298	572	41	83	124	22%
2017	272	270	542	53	120	173	32%
2018	342	261	603	64	148	212	35%
2019	352	259	611	40	135	175	29%
2020	350	254	604	49	223	272	45%
2021	262	277	539	66	128	194	36%
2022	163	268	431	80	110	190	44%
2023	181	235	416	58	141	199	48%

Annexure 01: Patent applications vs patent registrations between 2013-2023.

Source: Author's computation based on data from National Intellectual Property Office of Sri Lanka

Annexure 02: Key Highlights of the events that took place in Sri Lanka's innovation and IP landscape between 1977- 2024.

Year	Event
1978	The first policy statement on Science and Technology (S&T).
1979	The Code of Intellectual Property Act No. 52 of 1979
1986	Ratification of the Patent Cooperation Treaty (PCT)
1994	Ratification of the TRIPS agreement.
	The S&T Development Act.
1998	Establishment of the National Commission on Science and Technology (NASTEC).
2003	Passing the Intellectual Property Act, No. 36 of 2003, and establishing NIPO.
2007	• Sri Lanka is listed in the first GII ranking.
	Establishing the Orion City.
2008	Establishment of the Sri Lanka Institute of Nanotechnology (SLINTEC)
2009	The National Science and Technology Policy (NSTP) by NASTEC
2010	Highest reported GERD as a percentage of GDP in history. (0.16%)
2012	The first ever Sahasak Nimavum competition launched by Ministry of Technology and
	Research.
2013	Visit by Dr. Francis Gurry and the introduction of the WIPO-SL "10-point action plan."
2014	Establishment of TRACE.
2015	• Complete the project papers to establish Technology and Innovation Support Centers
	(TISC).
	• Sri Lanka was chosen to take part in the Committee on Development and Intellectual
	Property (CDIP) Project on Intellectual Property, Tourism, and Culture.
2016	WIPO IP Hub mission in Sri Lanka.
	• The National Research and Development Framework by the Ministry of Science and
	Technology and NASTEC.
2017	• National workshop on Traditional Knowledge and Traditional Cultural Expressions
	organized by WIPO.
	WIPO study on Intellectual Property in Tourism and Culture in Sri Lanka
2018	• Sri Lankan delegation of experts and officials to ROK for the Drafting of IP National
	policy
	Establishing Hatch
2019	Establishment of the National Innovation Agency.
	The Startup Sri Lanka Initiative by the EDB.
2022	• The Amendment to the IP Act giving recognition to GIs.
	• The Enabling Innovation Environment (EIE) Project for IP and Technology
	conducted by WIPO.
	Ceylon Cinnamon receiving GI certificate from European Union.
	Access to 5G technology.
2024	• CLDP's Technology Transfer Week & World Intellectual Property Celebration Day.
	• The Country launch of the GII 2024 in Sri Lanka by NIA in collaboration with WIPO.

Source: Author's computation based on data extracted from websites including the Lanka mission, CLDP, USAID and other sources.

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