

Editor's Desk

SANEM and the editor's desk wishes its well-wishers and readers a "Happy New Year"! This January 2019 issue of Thinking Aloud presents four articles based on the panel discussion organized by SANEM and UN-ESCAP on "Emerging Labour Markets and Employment Challenges in South Asia in the Context of SDGs" in the second day of the three-day long 60th Labour Economics Conference of The Indian Society of Labour Economics in IGIDR, Mumbai. The first article "Labour Market and Employment Challenges in Bangladesh in the context of SDGs" analyses six major challenges and identifies the policy options. These challenges are the creation of jobs (the quantity), ensuring decent jobs (the quality), acceleration of economic growth and economic diversification, increasing female labour force participation, enhancing youth employment, and raising the productivity of labour. The second article titled "Structural change, employment and occupational mobility in Indian labour market" explores whether structural change towards in production and trade towards more services has any significant impact on employment and inter-generational occupational mobility in India using three rounds of NSSO data for the years 1999-2000, 2004-05, and 2009-10. The samples include those who are a part of the workforce and are not attending any educational institution and father-son pairs who report their principal industry as well as their principal occupation. It appears that more than 55% of the sons are employed in the same industry as their fathers for the period from 1999-2000 to 2009-10, indicating persistence in occupational choice. The third article titled "Patterns and determinants of labour force participation of elderly population in Sri Lanka" investigates the determinants of elderly labour force participation in Sri Lanka, and examines whether these factors vary across gender and age categories of elderly. The fourth article titled "The job creation challenge in Nepal" investigates the effects of work-related out-migration on the entrepreneurial activities of left-behind family members. The final page draws attention to the events that took place in the month of December 2018.

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Labour market and employment challenges in Bangladesh in the context of SDGs

Selim Raihan

There are six major labour market and employment challenges in Bangladesh in the context of achieving SDGs by 2030. These are the creation of jobs (the quantity), ensuring decent jobs (the quality), acceleration of economic growth and economic diversification, increasing female labour force participation, enhancing youth employment, and raising the productivity of labour.

In terms of the number of new jobs, there has been slower growth in job creation in recent years in Bangladesh. Between 2013 and 2016-17, while the average annual GDP growth was 6.6%, the average annual growth of jobs was only 0.9%. The number of manufacturing jobs declined by 0.77 million, and more importantly, female manufacturing jobs declined by 0.92 million. Also, manufacturing's employment share declined in recent years: from 16.4% in 2013 to 14.4% in 2016-17. The slow growth in job creation is also reflected in the declining employment elasticity over the last decade. The overall employment elasticity with respect to GDP growth declined from 0.54 during 1995-2000 to 0.25 in 2010-2018. While the SDG 9.2 highlights the target of doubling industry's (primarily manufacturing) share of GDP in the LDCs by 2030, with the changing nature of manufacturing, leaning towards automation, increasing the number of new jobs, especially in this sector, will remain a big challenge.

In case of ensuring decent jobs, there are concerns about a high degree of informal employment in Bangladesh. The share of informal employment in total employment in Bangladesh remains well above 85%. A study by SANEM, using the Labour Force Survey data and a recent household survey conducted by SANEM, classified jobs into three different categories: 'good enough' jobs, 'good jobs' and 'decent jobs'. The analysis of this study shows that the share of decent jobs in total jobs in Bangladesh increased from 10% in 2010 to only 12% in 2018. Therefore, there is an immense challenge to register a significant headway from such slow progress in ensuring decent jobs. In this case, both the government and the private sector have important roles to play.

Further acceleration of economic growth, enhancing the quality of economic growth, sustaining economic growth and economic diversification all have important implications for the labour market and employment challenges in Bangladesh. Though Bangladesh has been able to maintain an annual average real GDP growth rate of over 6% during the past decade, there are concerns with respect to the quality of growth. One of the major aspects of job creation and ensuring decent jobs is the need for economic diversification. However, economic growth, so far, has not been associated with significant economic diversification. Though the private sector has the dominant role to play, the private investment-GDP ratio has remained stagnant over the past decade.

Therefore, energising private sector investment for achieving the aforementioned objectives remains a critical challenge for Bangladesh. For this, the effective remedy of both the policy-induced and supply-side constraints will be imperative.

Over the past three decades, labour force participation (LFP) rate of females has increased. Nevertheless, the LFP rate of female remained stagnant between 33% and 36% during 2010 and 2016-17. We explored both the supply and demand side factors affecting female labour force participation in Bangladesh. Our analysis suggests that issues e.g. child marriage, early pregnancy, coupled with reproductive and domestic responsibilities have not changed much with the economic progress of the country, and these factors constrict female LFP. To explore the demand side factors, especially the role of innovation and technology, affecting firms' demand for female labour, we used firm-level data from the World Bank's Enterprise Survey of 2007 and 2013. Female employment intensity, defined as the ratio of the number of female labour to male labour, declined in major manufacturing and services sectors during 2007 and 2013. The overall female employment intensity declined from an average of 20.35% in 2007 to 17.67% in 2013. The econometric estimation suggests a negative impact of innovation and technological upgradation on firms' female employment intensity. In these contexts, there is a need to provide incentives and remove barriers to the creation of new and higher productivity jobs in the sectors which can generate large-scale employment for females.

Youth employment is a major challenge in Bangladesh. The country is passing through the phase of the demographic dividend, and estimates by SANEM suggest that the country will continue to enjoy this dividend until 2030. However, two critical areas of concerns are there with respect to youth employment. The share of youth not in education, economic activities and training (NEET) increased from 25.4% in 2013 to 29.8% in 2016-17, and 87% of the youth NEET are female. Also, the youth unemployment rate increased from 8.1% to 10.6% during this period. In order to address these challenges, there should be targeted programs for the specific disadvantaged segments of the youth population through skill-development and appropriate labour-market policies.

In case of raising the productivity of labour, it is important to note that the productivity of labour critically depends on both quality health and education services. However, Bangladesh lags behind significantly in ensuring quality health and education for all. The public expenditures on both health and education as percentages of GDP in Bangladesh are among the lowest in the world. There is a need for a substantial rise in the ratios of public spending on both health and education in GDP in the coming years, and make such spending more efficient.

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Structural change, employment and occupational mobility in Indian labour market

Suparna Ganguly and Saikat Sinha Roy



There is a large debate whether structural changes in production and trade have any significant impact on India's labour market. As the SDG 8 focuses on sustained economic growth and higher productivity along with job creation and decent jobs, this paper explores into the issue of impact of structural changes in production and trade towards services on employment and on decent jobs using occupational mobility towards higher value-added services in India.

Significant changes are observed in the structure of production, trade and employment along with GDP growth in India. Services growth is found to have picked up since 1978/79, and continued thereafter, and this phenomenon has been termed in studies as services led growth in India. Like most developing countries, emerging markets in particular, the services sector has emerged to be the largest sector in India accounting for more than 50% of GDP in the 2000s. Among many other factors such growth performance of the Indian services sector has accounted to the phenomenal growth in services trade.

Services are traditionally classified as non-tradables. However, large number of services has emerged as tradable services over the years. Services exports also witnessed rapid growth of 16.09 per cent per annum since early 1990s (till 2010). Services exports from India grew at a CAGR of 12.98% during 1991-2000, and at a higher rate of 20.97% during 2001-10. These rates of growth are significantly high in comparison to the corresponding world exports of services. During post-2000, exports of computer & information services, personal, cultural & recreational services and financial services registered high growth. Exports of other commercial services including insurance grew along with transport and travel. Such growth in services trade is attributed to the fragmentation of the processes and advances in information and telecommunication technologies that have made a large array of services tradable across borders, and also the economic reforms in India. However, the composition of India's services exports predominantly comprise of computer & information services (approx. 46%) with the process of services export diversification

remaining slow and comparative advantage in services remaining skewed towards computer and IT related services. Such a pattern of services growth, especially tradable services, has important implications for employment and occupational mobility. Overall employment in India increased between 1999-2000 and 2004-05, it slowed down thereafter. However, the rate of employment growth varies significantly across industries and over time reflecting a structural change. Services sector employment has been marked with low growth, and despite services sector growth, the sector accounts for only about 29% of total employment in India. The employment elasticity in the services sector has thus persistently remained low, and employment has been generated more in the sub-sectors with low educational requirement. Studies have shown that while between 2010-11 and 2012-13, export-supported jobs increased by 13.3 million, the manufacturing sector contributed 75% of it while agriculture contributed 4.4%. Export supported jobs in services sector declined to 12 million in 2012-13 after increasing from 9.2 million in 1999-2000 to 21 million in 2007-08. In total services sector employment, the share of jobs attributable to exports increased from less than 10% in 1999-2000 to 16.7% in 2007-08 and then declined sharply to 7.2% in 2012-13. Our study explored intergenerational occupational mobility using three rounds of NSSO data for the years 1999-2000, 2004-05, and 2009-10. The samples include those who are a part of the workforce and are not attending any educational institution. Also, the working sample includes only those father-son pairs who report their principal industry as well as their principal occupation. It appears that that more than 55% of the sons are employed in the same industry as their fathers for the period from 1999-2000 to 2009-10, indicating persistence in occupational choice. Econometric estimation, controlling for individual characteristics such as age, religion, social group and marital status, household level characteristics like household size and household type, educational attainment of both son and father, occupation category and status of both son and father, show that services trade growth has significant but negative impact on intergenerational occupational persistence. These results on services exports related employment and inter-generational occupational mobility have significant implications for India's labour market, where the latter is indicative of mobility towards higher value-added services and decent work. Suparna Ganguly is Assistant Professor, Department of Economics, Prafulla Chandra College, Kolkata & Doctoral Scholar, Department of Economics, Jadavpur University, Kolkata

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"The services sector has emerged as the largest sector in India accounting for more than 50% of GDP. Such growth performance of this sector is on account of the phenomenal growth in services trade."

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Patterns and determinants of labour force participation of elderly population in Sri Lanka

Ganga Tilakaratna



South Korea, and is primarily an effect of Sri Lanka's rising life expectancy at birth (currently at 75 years), decline in fertility rates and the out-migration over past several decades. The ageing population can have several implications on the country's labour markets, social protection system, as well as the health care expenditure.

The issue of Sri Lanka's ageing population is further compounded by two major labour market challenges: high level of informal sector employment, and continuing low levels of female labour force participation (LFP) which is stagnated at 30-35% during past decade. These two challenges imply that a considerable share of the country's population is without access to social security benefits and have inadequate savings for old age. In this background, elderly LFP can be considered important to ensure old-age income security. Elderly LFP can serve as a source of income for the elderly while lessening the care burden of the working-age population. It can also reduce the vulnerability of the elderly while also increasing the country's overall productivity. It is in this context that this study examines the factors that contribute to the elderly LFP, employing an econometric analysis based on the Sri Lanka Household Income and Expenditure Survey (HIES) 2012/13. It further examines whether the determinants of LFP vary across gender and age categories of elderly. The study has great relevance to the SDGs, particularly the SDG 8 (descent work and growth) and SDG 1 on 'No poverty'.

A descriptive analysis was carried out to provide a detailed profile of elderly. It revealed that over 55% of the elderly are female and the majority are heads of households. About 84% of the male elders are household heads while the figure was only 30.5% for females. In terms of education, 43% of elderly have received education up to the primary level or below with some gender disparities. Overall, about 28% of elderly participate in Labour Force (LF) but the gender disparities are stark. Only 13.2% of female elderly are engaged in the LF compared to 45.8% of male

elderly. Interestingly, a majority of those elders employed are own-account workers (58%), followed by private sector employee (35%). The study analysed the determinants of elderly LFP based on a combination of individual, household, and demographic characteristics. With the aim of capturing differences in determinant of LFP among various subgroups of elderly, six initial probit models as well as six disaggregated models (based on gender and age) were estimated. The results show that a male elderly is more likely to participate in the workforce than a female elderly. Being a head of household also significantly increases the likelihood of elderly LFP. Older the elderly, lesser the likelihood of participating in the LF. Being disabled or chronically ill also decreases the probability of LFP. Interestingly, education does not significantly affect the LFP decision of the elderly. It is important to note that receiving social assistance in the form of various transfers does not play a significant role in determining elderly LFP. This could be a reflection of the inadequacy of coverage and benefits of current programmes. On the other hand, being a recipient of pensions seems to have a significant negative effect on elderly LFP for both men and women. This can be attributed to the generosity of the current pension scheme for Public Servants in Sri Lanka. Similarly, receipt of remittances also found to have significant negative effect on LFP of both male and female with marginal effects being larger for males. The study further finds that the presence of children has a significant negative impact on elderly LFP, for both male and female elderly. This could be attributed to the care role played by elderly as grandparents. The presence of other economically active people in the household decreases the probability of LFP among elderly males. Interestingly, higher the income of the household, higher the likelihood of female elderly's LFP, while the level of income is not a significant determinant of male elderly's LFP. In examining spatial characteristics of LFP, the study finds that elderly in some provinces in Sri Lanka are more likely to engage in the labour force compared to the others. The study brings out several important policy implications. The increased longevity has implications on the discourse on raising mandatory retirement age. In addition, the sustainability of pension schemes needs to be ensured in the face of a rapidly ageing population and rising cost of the current non-contributory pension schemes. There is a need to improve the quality and coverage of the existing social assistance schemes in order to reduce the vulnerability of the elderly.

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The job creation challenge in Nepal

Paras Kharel



Poor economic growth performance and a dearth of jobs in the country have turned Nepal into a nation that specializes in exporting labour. The average per capita GDP growth over the past one decade was only 3.2%. Per capita GDP in 2017/18 stood at US\$1,004, the lowest in South Asia barring Afghanistan. Manufacturing share of value added has fallen from 9% in the mid-1990s to 6.3% in 2017/18. Export performance has been lacklustre: exports of goods and services in 2017/18 amounted to just 8.8% of GDP, while imports amounted to 45.5% of GDP. About a quarter of households have at least one member abroad and also receive remittances from the absentee member(s). Absentees abroad are largely male, and young—some 75% of male absentees being aged below 35. Nearly a third of male youths aged 16-34 are abroad. About 3.6 million labour permits were issued in the nine-year period 2008/09-2016/17, averaging 394,964 per year, compared with the average annual increase in the labour force of 344,000 during the same period, as estimated by the ILO. There is massive underemployment in the domestic labour market: a conservative estimate puts labour underutilization rate at 30 percent (in 2008), with a much higher rate of 46 percent in the age group 20-24. Remittances, currently 24% of GDP, not only are by far the most important source of foreign exchange for Nepal, but have also contributed significantly to the attainment or near-attainment of several MDGs. However, relying on labour exports cannot be a viable and sustainable strategy. Refreshingly, the SDGs lay emphasis not only on development outcomes but also on the mechanism for realizing those outcomes—for example, through productive job creation. This accent has a special salience for Nepal, given its development experience. The catchphrase of the current government is "Prosperous Nepal, happy Nepalis". Making that a reality boils down to creating decent and productive employment to Nepali citizens on Nepali soil. An ILO estimate puts Nepal's labour force in 2018 at 16.32 million, expected to increase by some 3.3 million by 2030. The challenge is to create jobs for them, not to mention the underemployed in the country, discouraged workers (labour force participation rate is about 80%) and a portion of the at least 2.2 million Nepalis working abroad.

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While there is a policy emphasis on channelizing remittances into "productive" use and harnessing the resources of returnees, the narrative on productive use mostly concentrates on macro aspects such as issuing foreign employment bonds or mobilizing remittances for setting up big hydropower projects. Less discussed is a micro-level aspect: the economic activities of left-behind family members, especially their involvement in non-farm self-employment activities. Helping people, particularly the youth, in self-employment activities is a policy priority, but its possible linkages with receipt of remittances at the household level have not been given due attention. The proportion of households operating non-farm enterprises increased from 24.2% in 1996 to 34.6% in 2012. The operation of non-farm enterprises, albeit largely informal, by left-behind family members and the degree of success in doing so has implications for (i) the domestic employment prospects of foreign-employment returnees (some 14.5% of men aged 16-34 are returnees), (ii) the employment prospects of migrants' children (who if faced with the same scarcity of decent off-farm jobs as their parents will be compelled to migrate), and (iii) in the long term, the employment opportunities for non-migrants in the neighbourhood (if the household-owned non-farm enterprises expand and hire labour, or through possible spill-overs arising from the self-employment economic activity by the migrant-sending household). Such household-owned enterprises are overwhelmingly informal and micro-sized and there are reasons to believe that if wage jobs were available in adequate numbers, people would likely prefer the latter to self-employment. But precisely because wage jobs are few and far between, policy attention towards promotion of micro and small enterprises in the non-farm sector as a practicality cannot be dismissed. A basic question, then, is whether receipt of remittances is encouraging (or discouraging) the left-behind to operate non-farm enterprises in Nepal. Results from an econometric exercise, accounting for the endogeneity of remittances, indicate that contrary to popular perception, females aged 15-64 in Nepal are more likely, by an order of magnitude, to operate such enterprises if their households are receiving remittances than if their households are not receiving remittances, whereas receipt of remittances by a household makes male members in the same age group significantly less likely to operate such enterprises. Of course, whether this is happening in tandem with remittances making left-behind household members less keen on seeking wage jobs remains to be investigated.

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Training for Bangladesh Tariff Commission



South Asian Network on Economic Modeling (SANEM) organized a three-stage training program for Bangladesh Tariff Commission titled 'Trade Policy, Research Techniques and Analysis: Gravity and CGE Modeling'. The training program was designed to equip the participants with a compact knowledge on international trade and research techniques to formulate trade policies and empirical trade policy analysis. In that regard, recent trade issues and modern theoretical frameworks were discussed accompanied by gravity model analysis, SMART and CGE modeling. All the participants were introduced to statistical software which included STATA, GAMS, etc. through hands-on exercise sessions. The final module of the training program was conducted by Dr. Selim Raihan, Executive Director of SANEM and Professor of Economics at the University of Dhaka. Upon successful completion of the program on December 10, 2018, the participants were awarded with certificates by Dr. Raihan.

SANEM participated at the 60th Labour Economics Conference held in Mumbai



Dr. Selim Raihan, Executive Director of South Asian Network on Economic Modeling (SANEM), Zubayer Hossen, Senior Research Associate, Md. Jahid Ebn Jalal, Research Associate, and Mahtab Uddin, Associate of SANEM and Lecturer of Economics at the University of Dhaka participated in the 60th Labour Economics Conference organized by The Indian Society of Labour Economics in IGIDR, Mumbai during December 19-21, 2018. The SANEM team took part in different sessions of the conference and organized a panel discussion in collaboration with UN-ESCAP. Dr. Kaushik Basu, Former Chief Economist and Senior Vice President, The World Bank was the Conference President.

Dr. Selim Raihan spoke at Reading Club Trust's 300th Weekly Public Lecture



Dr. Selim Raihan, Executive Director at South Asian Network on Economic Modeling (SANEM) and Professor of Economics at the University of Dhaka spoke at the 300th Weekly Public Lecture titled "History of Economics as Practiced in Bangladesh" organized by Reading Club Trust at Sirajul Islam Lecture Hall, Lecture Theatre, University of Dhaka on December 7, 2018. Dr. Raihan spoke at length not only about the history of economics and economists in Bangladesh, but also about the context which set the ground for such development in the field over the course of time. The event was chaired by Dr. Hossain Zillur Rahman, Executive Chairman of Power and Participation Research Centre (PPRC).

Dr. Selim Raihan participated in a civic dialogue organized by PPRC

Dr. Selim Raihan, Executive Director, South Asian Network on Economic Modeling (SANEM) and Professor, Department of Economics, University of Dhaka participated in a civic dialogue titled 'Citizen Perspective on an Agenda for Bangladesh' organized by Power and Participation Research Centre on December 15, 2018 at LGED Auditorium, Agargaon in Dhaka. The dialogue aimed for an honest and close examination of citizen perspectives on the strategic journey of Bangladesh in order to identify key messages for all actors including political parties and leadership. The thematic discussions covered youth and elusive dreams, jobless growth, inequality and the curse of under-performance, crumbling institutions and restoration of merit and accountable governance and empowering the grass-roots. Notable national personalities, academics, professionals, entrepreneurs, youth representatives, local government representatives and other stakeholders were present at the civic dialogue.

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Dr. Selim Raihan made a keynote presentation at ICMA conference



Dr. Selim Raihan, Executive Director of South Asian Network on Economic Modeling (SANEM) and Professor of Economics at the University of Dhaka made a keynote presentation on 'Turning Challenges into Opportunities: Post LDC Graduation Era in Bangladesh' at the ICMA conference titled 'Bangladesh toward Developing Nation' in Chattogram on December 14, 2018. The session was chaired by Md. Mamunur Rashid, FCMA, Deputy Managing Director, Index Group of Companies, and the Chairman of Bangladesh House Building Finance Corporation. Professor Dr. Md. Salim Uddin, FCA, FCMA was present as the Commentator.

UN-ESCAP - SANEM panel on emerging labour markets and employment challenges in South Asia in the context of SDGs



UN-ESCAP and SANEM organized a panel discussion on 'Emerging Labour Markets and Employment Challenges in South Asia in the Context of SDGs' in the second day of the three-day long 60th Labour Economics Conference, organized by The Indian Society of Labour Economics in IGIDR, Mumbai. Dr. Selim Raihan, Executive Director of South Asian Network on Economic Modeling (SANEM) was present in the session as a panelist. During the session, Dr. Raihan mentioned some challenges which Bangladesh is currently facing regarding employment. The list includes job creation (quantity), decent job (quality), economic growth, FDI and diversification, female labour force participation, youth employment, and productivity. Dr. Raihan gave a few solutions to the aforementioned challenges such as economic diversification, promotion of labor-intensive sectors, quick and effective implementation of SEZs, emphasizing on human capital and institutional development. The session was chaired by Dr. Nagesh Kumar, Director, Social Development Division, United Nations Economic and Social Commission for Asia and the Pacific, Bangkok and Officer-in-charge, UNESCAP's South and South-West Asia Office, New Delhi.



SANEM is a non-profit research organization registered with the Registrar of Joint Stock Companies and Firms in Bangladesh. Launched in January 2007 in Dhaka, it is a network of economists and policy makers in South Asia with a special emphasis on economic modeling. The organization seeks to produce objective, high quality, country- and South Asian region-specific policy and thematic research. SANEM contributes in governments' policy-making by providing research supports both at individual and organizational capacities. SANEM has maintained strong research collaboration with global, regional and local think-tanks, research and development organizations, universities and individual researchers.