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RECOMMENDATIONS AND ACTIVITY REPORT
TRAINING COURSE
FOR
FINANCIAL JOURNALISTS
AND
SEMINAR FOR POLICY AND OPINION MAKERS

FINANCIAL MARKETS PROJECT, SRI LANKA
(USAID Contract No. 383-C100-C-00-3063-00)

By
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October 1993



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Financial Markets Project (FMP), funded by the United States Agency for International Development, is designed to improve the reliability of capital market information, increase the availability of financial instruments and assist the development of new forms of financial intermediation in Sri Lanka. It began activities in the field and will continue till the end of 1995. The project will assist in the development of the Securities and Exchange Commission (SEC), Colombo Stock Exchange (CSE), Institute of Chartered Accountants, the Central Bank and emerging financial institutions and will institute the Chartered Financial Analysts training program and assist with the development of a secondary debt market for government and corporate obligations.

The FMP Series.

This series presents research studies, reports, discussion papers and notes prepared by experts working on assignments for the project.

1. *Debt Securities Action Plan*. Michael BeVier and John Biasucci, Chairman and President, respectively, of MorBanc Financial Corporation. September 1993.

2. *Recommendations and Activity Report Training Courses for financial Journalists and Seminars for Policy and Opinion Makers*. Hannan Ezekiel, Senior Economist, ISTI. October 1993.

3. *1993 Securities Regulation in Sri Lanka*. Robert Bishop, retired Chief Regulatory Officer New York Stock Exchange. The report examines the progress made by the SEC and CSE in implementing regulatory changes, many which were proposed by Mr. Bishop during an assignment for ISTI in 1990. Provides commentary on progress since 1990 with discussion and recommendations on 18 areas for current attention. November, 1993.

4. *Legislative Review and Training*, Jeswald Salacuse, Dean and Henry J. Braker Professor, and Joel Trachtman, Associate Professor, Fletcher School of Law and Diplomacy, Tufts University. The report analyzes Sri Lanka's legislative and training needs with respect to securities and financial markets. December, 1993.

Forthcoming

Stock Option Plan Study, Khursheed Choksy with Robert Bishop. This study examines issues related to developing stock options and compensation for senior corporate executives. January, 1994.

Second-Tier Market Research Study, Khursheed Choksy, Research and Operations Manager FMP, and Bradford Warner, Vice President, Private Sector and Economics at ISTI. This study examines the motives and constraints under which Sri Lankan companies decide to raise equity through public share offerings and the potential for a second-tier market. January 1994.

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TRAINING COURSES FOR FINANCIAL JOURNALISTS

AND

SEMINARS FOR POLICY AND OPINION MAKERS

Introduction

For a liberalized economy to function properly, the stock market as well as money, capital and exchange markets must function efficiently and effectively. For this to happen, there must be wide understanding of their role and functions and the ways in which they are integrated with the rest of the economic system. At the same time, their operations must be transparent so that all those who are interested in them have all the information they need.

Financial journalists play a critical role in ensuring the transparency of financial market operations. It is, therefore, necessary for them to have a full understanding of how these institutions function. In addition, they must have a mastery over their craft, which means that they must be fully acquainted with the techniques and skills of their profession. Government officials, officers of financial and development institutions, as well as academics from the teaching and research community play a critical role in determining the legal and policy framework within which these institutions operate. They also must understand how these institutions function, what role they play, how they affect and are affected by one another and by the economic system as a whole.

This is a proposal for further steps to be taken under the Financial Markets Project on the basis of the experience gained and lessons learned from the successful training course for financial journalists and the seminar for faculty organized in Sri Lanka earlier this year (See following: "Financial Journalists Training Course and Faculty Seminar -- July-August 1993: Report on Assignment").

Recommendations

1. Training for Financial Journalists

The success of the first training course for financial journalists in Sri Lanka held in July 1993 suggests that further action along the same lines needs to be taken. This could be at two levels. One would be a course for financial journalists who did not attend the first course held this year. A special effort would be made this year to include financial journalists from Sinhala or other local language newspapers. The second could be a higher level course for those who had already participated in this year's course.

In addition to covering new ground and involving much more interaction during training sessions, the higher level course would concentrate heavily on assignments involving reporting, investigative reporting and analytical and background writing. To facilitate this process, arrangements would have to be made to spread the training over a somewhat longer total period from beginning to end, while not necessarily increasing the time spent in training sessions compared to the course already conducted. This could be achieved by spacing the sessions out, so that there would be more time intervening between some sessions. I recommend that the course should be of approximately three weeks as before but should be spread over six or seven weeks. An opening session – to introduce the course and give out initial assignments -- should be held in the preliminary week before the beginning of regular sessions.

The first level course would also give a somewhat larger number of assignments to be done by participants than was attempted during this year's course. Spacing out of formal sessions could also be carried out for this course. Therefore, the first level course should also consist of approximately three weeks spread over six or seven weeks. An initial session for this course should also be held in the preliminary week to introduce the course and hand out the first assignments.

As in this year's course, provision would be made for participants to meet personally with the instructor individually or in pairs to discuss achievements and failures and to elaborate on issues raised during sessions. Each participant would be required to meet the instructor at least twice during the entire period. Some of these meetings should take place on Saturdays to enable all participants in both courses to have such meetings on a meaningful basis.

To enable the financial journalists to get an idea of how critical economic and social issues can be discussed by those who influence and make policy, I would also recommend that participants in the courses at both levels be invited to be observers at one of the two policy seminars that would be separately organized: the second level participants to the senior seminar and the first level participants to the middle level seminar.

The seminars should be held during the third week and the sixth week of the seven week program. This would make it possible to devote the last week of the entire program to the final sessions of both course levels.

2. Seminars for Academics and Policy Makers

Short residential seminars should be organized for academics and policy makers on the main economic and social issues facing the country in the context of the new economic policies being followed and the new highly competitive international economic environment within which the Sri Lankan economy has to operate. These seminars would provide a framework for a deeper understanding of economic policy making in general and the role of the stock market and other financial markets in particular.

These seminars should also be organized at two levels. However, these levels should be determined on different principles from those forming the basis of the two course levels for financial journalists. One seminar should be aimed at a balanced mix of senior academics, senior policy makers from government

and the Central Bank, and senior managers of important institutions such as the state banks, the two major insurance companies, development finance institutions, the Board of Investment, etc. The other seminar should be aimed at a similar mix of persons at middle levels within the same institutions. There are advantages in holding the middle level seminar first. This would help in preparing for the senior level seminar by giving an indication of the sorts of questions that arise in the minds of participants. It is assumed that considerable discussion would take place in both seminars, but that perhaps it would occur more intensely and to a somewhat larger extent at the senior level seminar.

The middle level seminar could be held during the third week of the entire period. The senior level seminar should be held in the sixth week of a seven week program. The last week should, however, be left free for the financial journalists' training course at both levels -- so that the experience of the seminars can be discussed with the participants of these courses.

Financial Journalists Training Course and Faculty Seminar – July-August 1993

Report on Assignment

Hanan Ezekiel

Introduction

I was in Sri Lanka from July 5 through August 6, 1993. The assignment covered (1) a training course for financial journalists, and (2) a seminar for faculty members and economists. The first week of my stay was spent in preparation and preliminary work for both activities. The two activities are discussed below.

(1) Training Course for Financial Journalists

(a) Preparation

During the first week of my stay, I examined business reports and pages in the English newspapers of Sri Lanka by studying copies of these newspapers for the previous month. I also examined the resumes of the participants and specimens of their work that they had submitted in advance. At the same time, I collected and studied various documents and reports necessary for the course. During this week, I also prepared my approach to the course and drew up a broad structure that was flexible so that it could be modified in the light of comments and experience as the course progressed.

During this week, as planned, I met several editors of Sri Lankan newspapers to understand their requirements and obtain their assessments of the existing quality and coverage of business and economic news in Sri Lanka. Two such meetings were held with different editors. In each case, I initiated the discussion with them by giving them a broad indication of the scope and content of the planned course and of the approach that I intended to adopt. There was general agreement that the existing quality of business reporting and writing left much to be desired. It was felt by the editors that the published material showed an inadequate understanding of economic, business and market developments. They also felt that most of the journalists showed only a limited command over the techniques of business reporting and writing.

During this week, a preliminary meeting for the participants was organized. I used the opportunity to introduce the course. The schedule of sessions was also set up.

(b) Participation

The total number of initial participants was 18. However, one of the participants was sent out of town on an assignment after the first day of the course. At the same time, a new participant joined the course a couple of days late. The total number of effective participants was, therefore, 18.

After reviewing the list of participants, I had suggested earlier that an attempt be made to obtain participation of English speaking journalists from Sinhala newspapers in the country. As a result, two journalists from a Sinhala newspaper joined the course from the beginning. They are included in the effective total of 18 participants.

Formal sessions were held on four days a week for two hours a day for three continuous weeks. In addition, participants were expected to complete some assignments outside the formal sessions and were also expected to meet me for one or more individual sessions. In spite of this heavy load, participants were not released from their normal duties during this period. In some cases, these duties, for instance, covering press conferences, clashed directly with the formal sessions. Nevertheless, the average daily attendance at the formal sessions was well over 16.

The participants covered a wide range in terms of education, background and experience. In education, they ranged from high school graduates with an A level to a holder of two degrees -- one in journalism and the other at the master's level in communications -- from an American University. They ranged in experience from 6 months to 30 years in journalism, though few had more than four years experience in financial journalism.

(c) Content and Approach

The course focussed on two aspects of financial journalism in Sri Lanka: (a) information about and understanding of financial and economic matters important for financial journalists; and (b) journalistic techniques and skills.

Information and understanding of financial and economic matters was provided through discussion of subjects such as company balance sheets, the stock exchange, money and capital markets, the balance of payments, the components of the economic system, liberalization of the economic system and its relationship to efficiency, social justice and development.

Discussion of journalistic techniques covered areas such as obtaining an exclusive story, following up and researching a news story, sources of leads, role of contacts for information and understanding, sources of information in Sri Lanka, interviews to support a news report, structure of a news report and the role of the lead paragraph, relationship of the headline to the news report, press conferences, exclusive interviews (as independent features), analyzing a balance sheet or company report, reporting on stock exchange developments, reporting on money and capital market developments, trade and industry reporting, features and their planning, and editorial writing.

Practical work included an assignment to prepare an exclusive news story, to write a report on the closed press conference, to write a report on the open press conference, to analyze a company annual report in

class, to write a brief note based on a table. Also, published reports prepared by individual participants were discussed with them in individual meetings.

Throughout the formal sessions and the individual meetings, it was emphasized that the course was not intended to cover all the information and knowledge required or to teach all the techniques and skills that would make for good financial journalism in Sri Lanka. It was explained that the object of the program was to give a taste of how much work needed to be done and to show how efforts could be directed at strengthening knowledge and understanding and mastering skills in order to achieve excellence.

To provide some variety during the formal sessions and to take advantage of available expertise, other speakers were invited to take some of the sessions. These were Professor Kenneth Stringer (on company financial statements), Seth Isaacs (on stocks and bonds), Susan Martin (on financial ratios and unit trusts), and Ranjit de Silva (on his experiences as a journalist in Washington). In addition, two press conferences were arranged in class to provide practical experience following discussion of the subject presented in the sessions earlier. These consisted of a closed press conference (not for publication) by V. Kailasapillai, Chairman of the Colombo Stock Exchange, and an open press conference (for publication) by Stanley Jayawardene, Chairman of the Securities and Exchange Commission.

(d) Some Interesting Developments

Three developments related to the course are worthy of note.

- (1) The Sinhala newspaper, represented at the course by two young members of its reporting staff, decided to initiate planning for the publication of a business page in the paper. The participants in the course consulted me on the steps they should take in preparing for the purpose.
- (2) One of the newspapers represented in the course invited me to address a meeting of its entire staff of journalists in its office on an appropriate theme followed by a question and answer session. Other papers wanted to do the same but raised the question with me too late for arrangements to be made.
- (3) I was interviewed for a personality feature by one of the participants in the course. The interview was published.

(2) Seminar on the Role of Financial Markets

The one and a half day residential seminar was intended for university teachers and the staff of the research departments of financial institutions and brokerage houses. The seminar attracted 19 participants. It was intended to cover the economic framework within which the stock exchange and other financial markets operate in Sri Lanka. The objective was to raise fundamental issues relating to

the working of the market economy in the context of the process of economic liberalization taking place in the country.

Mr. Stanley Jayawardene, Chairman of the Securities and Exchange Commission, made a presentation on regulatory aspects of the Commission's work and participated in the discussion at all sessions throughout the seminar. Mrs. Susan Martin was also present in addition to myself.

The seminar was held at the Triton Hotel in Ahungale on the seashore a few hours driving distance from Colombo. The surroundings were congenial. However, the program was intensive. Six sessions of one and a half hours each were held within the one and a half day of the total program. The content was structured. It started with the working of the Colombo Stock Exchange and the role of the Securities and Exchange Commission. It went on to examine the interconnections between the stock exchange and other money and capital markets, and the business and industrial sectors in the country and the rest of the world. In the process, it examined the role that financial markets play in promoting efficient and effective use of extremely scarce resources.

A great deal of attention was focused on liberalization of the economy and its relationship to social justice and economic development. The objective was to improve understanding of the role of the market economy in promoting these objectives. Greater understanding of the nature of the market economy, irrespective of ideological concerns, could be expected to result in better analysis of various developments and policy changes.

There was active discussion of the issues raised. Many questions were raised. However, it was also apparent that for the most part, most of the participants had not been exposed at all to many of the issues, particularly those relating to the broader economic framework and the policies needed to improve it.

EDITORS' PLANNING CONFERENCE

JULY 12TH, 1993

Manik de Silva	Chief Editor	Daily News
Mr. Mahindapala	Chief	Observer
Edmund Ranasinghe	Chief Editor	Island
Mr. Ratnatunga	Chief Editor	Times
Gamini Abeywardane	Business Editor	Times
Erick Devanarayana	Business Editor	Island
Prithi Kodagoda	Business Editor	Lake House

JOURNALISTS' TRAINING PROGRAM

July 13 - 30, 1993

NAME	AFFILIATION
1. G. Jayanath	Peoples' Bank Research Department
2. Gamini Abeywardana	Sunday Times
3. Mohan Samarasinghe	Daily News
4. E. Weerapperuma	Observer/Sunday Observer
5. Mrs. Prithi Kodagoda	Daily News
6. Dalton de Silva	Bloomberg Financial News Agency
7. Nicholas Candappa	Sunday Observer
8. Jayampathy Jayasinghe	Sunday Observer
9. Elmo Leonard	Sunday Island
10. W.G.S. Waidyanatha	Peoples' Bank Research Department
11. Anoj Dharmawardhane	The Island
12. Dhilara Seneviratne	The Island
13. Hiran de Alwis	Times
14. Rajpal Abeynaike	Observer
15. Jatile Wellaboda	Divayina
16. Sisira Paranathanthri	Divayina
17. Mrs. Chitra Weerassinghe	Observer
18. Mrs. Sunethra de Silva	Observer
19. Sugeeswara Senadhira	Observer

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Director - Economic Research
Bank of Ceylon

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Chief Accountant
Hatton National Bank Limited

Mr. H.A. Ariyaratne
Manager Finance
DFCC

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HDF Securities (Pvt) Ltd.

Mr. Tyron de Silva
Manager - Research
HDF Securities (Pvt) Ltd.

Mr. N. Vairavanathan
Commercial Stock Brokers (Pvt) Ltd.

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Consultant
Post Graduate Institute of Management

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Professor of Economic
University of Kelaniya

Dr. A. Patabendi
Head of Department of Commerce
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