

# Summary Report

## *Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub* **Mission Findings and Key Recommendations**



*Based on request made by the Sustainable Development Council in Sri Lanka (SDCSL) a mission of UNDP Bangkok Regional Hub was carried out from 5-9 August 2024<sup>1</sup>. The mission met with senior officials of government: Ministry of Finance, representatives of multilateral and bi-lateral development agencies: Asian Development Bank (ADB); representatives of state-owned agencies and enterprises: the National Credit Guarantee Institute, Sustainable Development Council in Sri Lanka, Sri Lanka Security and exchange commission, Sri Lanka Banks Association and Ceylon Chamber of Commerce. Discussions were also held with representatives of private sector and commercial banks.*

*The purpose of the mission was to help SDCSL structuring the initial investment thesis for a National Blended Finance Facility (NBFF) with focus on agricultural transformation in Sri Lanka. The initiative is also supported by The Ceylon Chamber of Commerce and the Sustainable Banking Initiative.*

*The overall objectives of UNDP support are:*

- 1. To provide overall technical assistance on the country/market assessment, suitability of proposed models, identification of relevant financing actors (local and foreign) and the assessment of capacities of relevant actors, guidance on governance structures, de-risking tools etc.*
- 2. To identify specific areas of UNDP's technical assistance and concretize UNDP offer in the design and implementation phases of the proposed BFF.*

*This note summarises main findings of the mission and recommendations for the SDCSL in relation to improving the investment thesis for a national blended finance facility, positioning of the new facility on the market, potential models, key stakeholders, and a way forward.*

---

<sup>1</sup> The mission comprised Samuil Shiderov (BRH) and was led by the CO team comprising of Dulani Sirisena, Team Leader - Sustainable Growth Team and Vagisha Gunasekera, Economist

# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**



Empowered lives.  
Resilient nations.

## Contents

1. Overall country context.....	3
1.1 Role of the SME sector .....	4
1.2 Agricultural Context and Environmental Goals.....	4
2. Overall considerations for a national blended finance facility. ....	5
Overall recommendations .....	6
3 Recommendations to the proposed National BFF.....	8
2.3 Notes .....	11

# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**

## 1. Overall country context

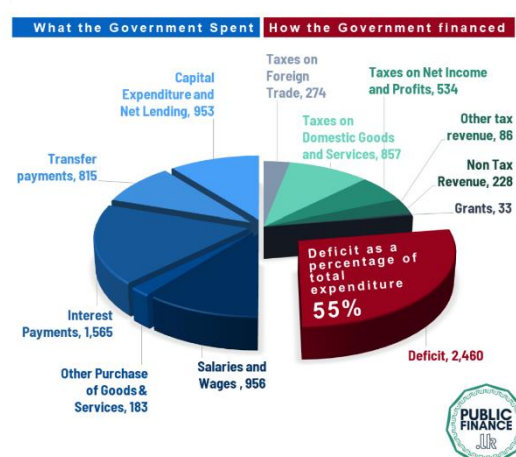
To achieve the SDGs by 2030, Sri Lanka requires significant investment. A study by the Institute of Policy Studies of Sri Lanka<sup>2</sup> indicates an additional \$1.4 trillion or 12.5% of GDP is needed by 2030. Despite allocating 5.4% of GDP for public investment in the 2024 budget, concerns arise due to the historical average of only 3.4% during 2022-2023, raising questions about the adequacy and effectiveness of the allocated funds in meeting the country's needs and goals.

Challenges like debt repayment commitments, widening primary deficits, and poor domestic resource mobilization hinder development financing. This scarcity of SDG financing isn't unique to Sri Lanka; globally, the SDGs lack adequate financial support, with developing countries facing an investment gap of \$2.2 trillion annually for the energy transition alone, which constitutes more than half of the \$4 trillion funding gap for the SDGs. The largest gaps in SDG-related investments in developing countries are in energy, water, and transport infrastructure. While fiscal policy has more influence in advanced economies, where public investment and tax revenue increase with per capita incomes, public investment remains crucial in developing economies as it stimulates economic activity and attracts private investments.

To bridge the SDG financing gap, Sri Lanka could explore innovative mechanisms such as blended finance. Blended finance deals can take various forms, including projects, facilities, funds, bonds/notes, companies, and impact bonds, and they often utilize financial instruments like loans, guarantees, and equity investments to support social, economic, and environmental sustainability in developing nations. The driving force behind these deals is the provision of concessional funds. By definition, blended finance refers to the strategic leveraging of development or concessional funds to attract additional market or non-concessional funding for sustainable development initiatives. Concessional funds are typically provided by philanthropic organizations, governments, multilateral development banks, and development finance institutions, while non-concessional funds are sourced from various local and international players, including funds from remittances or crowdfunding.

The structure of government expenditure in 2022 reveals that a significant portion was allocated to interest payments (LKR 1,565 billion) and salaries and wages (LKR 956 billion), with capital expenditure and net lending constituting LKR 953 billion. This spending was primarily financed through taxes on domestic goods and services (LKR 857 billion) and taxes on net income and profits (LKR 534 billion), yet the budget deficit still accounted for a substantial 55% of total expenditure, highlighting the heavy reliance on borrowing to finance the government's spending. (Figure 1). This reliance on borrowing is further underscored by Sri Lanka's exceptionally high interest cost to revenue ratio, which is the highest among countries with

Figure 1 Revenue and Expenditure (PublicFinance.lk)



<sup>2</sup> Public Investment for Closing the SDG Financing Gap: Sri Lankan Perspective

# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**



large debt levels, highlighting the severe fiscal pressures facing the country<sup>3</sup>.

Sri Lanka's public investment ratio across the three pillars of sustainability - economic, social, and environmental - is skewed heavily towards physical infrastructure development. For example, the Ministry of Finance, Economic Stabilization, and National Policies received 62% of total capital expenditures in the 2024 budget, leaving only 39% to be shared among 29 other line ministries, including health, education, and environment<sup>4</sup>.

Investment spending often fails to support productive asset accumulation due to weak institutions and bureaucracies. To address this, it is essential to deviate from conventional practices and implement positive changes. For example, in October 2013, the European Council called for a significant increase in the use of financial instruments compared to the 2007-2013 period and recommended doubling the amounts of support delivered to SMEs through financial instruments in program countries.

The benefits linked with the use of blended finance structures and various financial instruments can be substantial. They leverage resources and increase the impact of public funds. Financial instruments also provide efficiency and effectiveness gains due to the revolving nature of funds, which stay in the target area for future use towards similar objectives. Since investments must be repaid, they generally result in higher-quality projects. Additionally, these instruments offer access to a wider spectrum of financial tools for policy delivery and involve private sector expertise. They help move away from a culture of grant dependency and attract private sector support and financing to public policy objectives.

## 1.1 Role of the SME sector

Sri Lanka faces a significant financing gap in the SME sector. The IFC estimates the difference between the demand and supply to be USD 17 billion for the formal sector and an additional USD 14 billion for the informal sector. Despite SMEs accounting for over one million businesses—approximately 75% of all enterprises—and contributing more than 50% to both value-added and employment, the MSME credit balance represents only 11% of total loans. To address these challenges, the National Credit Guarantee Institution (NCGI) was established in 2023 with an initial capitalization of USD 100 million. This initiative aims to unlock a portfolio of investments ranging from USD 300-500 million by providing credit guarantees to partner banks, thereby enhancing financial inclusion and supporting market dynamics and technology adoption. However, access to finance on concessional terms remains a major challenge, particularly for investments with high impact but insufficient market returns. NCGI's mission is to bridge this gap by facilitating greater access to finance for SMEs through its credit guarantee schemes.

## 1.2 Agricultural Context and Environmental Goals

Agriculture in Sri Lanka contributes approximately 8% to the GDP<sup>5</sup>, which aligns with the relatively low allocation of credit to this sector by the country's largest banks. Despite Sri Lanka utilizing 40% of its land for agriculture, the sector faces significant challenges due to insufficient credit facilities, which hampers the ability of farmers to modernize production and increase yields. The banking sector's risk-averse nature has resulted in agriculture and fisheries receiving some of the lowest proportions of credit, making it difficult for these industries to access the necessary technology for development.

---

<sup>3</sup> [Sri Lanka Pays the Largest Proportion of Its Revenue as Interest Payment](#)

<sup>4</sup> Institute of Policy Studies of Sri Lanka

<sup>5</sup> [Are Sri Lankan banks failing the production economy?](#)

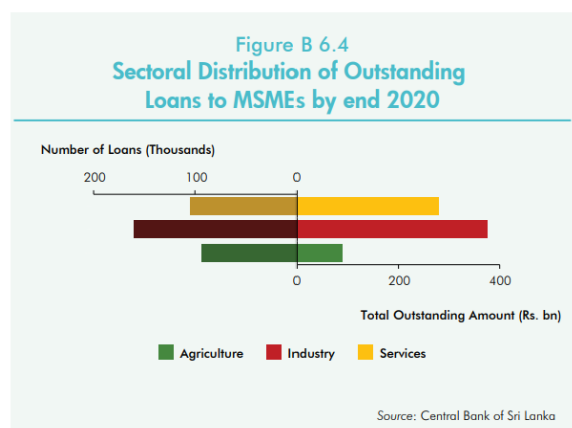
# Summary Report

Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub  
Mission Findings and Key Recommendations

This underinvestment is not due to a lack of ambition among farmers and fishers but rather a reflection of the credit scarcity imposed by banks. Even state-owned institutions, initially established to support rural development, allocate less than 10% of their credit to agriculture. This inadequate financial support contributes to the backwardness of these vital sectors, which are crucial for reducing greenhouse gas (GHG) emissions, as agriculture accounts for 20% of Sri Lanka's national GHG emissions.

Sri Lanka has committed to reducing GHG emissions by 14.5% from 2020 to 2030 and achieving net-zero emissions by 2060. However, without sufficient credit allocation to agriculture, these environmental goals may be challenging to achieve. The emissions from agriculture, primarily rice field methane (52%), livestock enteric methane (27%), and soil management (16%), highlight the need for investment in sustainable agricultural practices. Enhancing credit facilities for agriculture could play a pivotal role in modernizing the sector, reducing emissions, and supporting Sri Lanka's broader environmental goals.

Figure 2 MSME financing (CBSL data)



**Table B 6.1**  
**MSME Financing**  
**in Selected Regional Counterparts**

Country	Outstanding Loans to MSMEs as a Share of Total Outstanding Business Loans (End 2017, <sup>9</sup> %)	Interest Rate Spread Between Loans to Large Firms and MSMEs (End 2017, <sup>9</sup> bps)
Republic of Korea	80.2	31
Malaysia	50.6	217
Thailand	50.5	N/A
Indonesia	19.9	167
Sri Lanka	14.1 <sup>10</sup>	246 <sup>11</sup>

Sources: OECD (2019), Central Bank of Sri Lanka

## 2. Overall considerations for a national blended finance facility.

The context of Sri Lanka's financial landscape and the need to strategically engage with blended finance instruments present opportunities and challenges:

- (i) **Structural Gap Assessment:** In aligning with Sri Lanka's country priorities, the initial step in considering blended finance instruments involves identifying and elucidating existing market failures or suboptimal investment situations. By discerning these shortcomings, the focus is then directed towards assessing the value proposition of the blended finance structure. This evaluation delves into understanding how such mechanisms can address identified market failures, promote sustainable development, and catalyse private sector participation. Moreover, it necessitates a thorough analysis to determine the requisite public funds needed to complement private resources, both from local and international sources, to leverage investments and bridge gaps effectively. The goal would be to design blended finance

# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**



structures that amplify the impact of limited public resources by attracting and channelling private investments toward sectors that contribute to achieving the SDGs.

- (ii) Institutional Capacity. Assessing institutional capacity constitutes another pivotal consideration for implementing blended finance instrument. This entails a comprehensive evaluation of areas where local development-oriented institutions can be strengthened to access global funding opportunities effectively (such as the newly established National Credit Guarantee Institution). Strengthening local institutions enables them to attract funding and play a pivotal role in increasing the flow of funds towards SDG aligned investments. Simultaneously, there's a need to identify areas where international expertise and support could complement local efforts, fostering an environment conducive to blended finance. By leveraging international stakeholders (MDBs, DFIs, investors, asset managers etc.) and expertise, Sri Lanka can benefit not only from increased FDIs, but also from knowledge exchange, capacity building, and technical assistance to enhance its financial infrastructure and create an enabling environment for successful implementation and sustained impact of blended finance initiatives.

## Overall recommendations

In line with the above, the main recommendations in relation to establishing and operationalization of national blended finance structures include:

In the short term, strengthen government capabilities<sup>6</sup>, particularly within the Ministry of Finance, but also extend this to other relevant government entities (or development funds like the National Credit Guarantee Institution) based on identified priority areas for investment. This involves setting up a working group on blended finance, undertaking targeted capacity development initiatives, mapping priority areas where blended finance can support investments, and identifying barriers to attracting private sector financing supported by concessional funding from the government (and/or DFIs, MDBs and other stakeholders).

In the medium to long term, the government could focus on effectively employing innovative financial instruments for sustainable development, ensuring adherence to best practices and principles, and strategically aligning financial support to attract private sector investments in areas strategic for the development of the country. .

- Adherence to best practices and principles:
  - Blended finance structures, while addressing market gaps, should strictly adhere to established best practices<sup>7</sup>. Implementing these principles ensures transparency, accountability, and ethical conduct in the deployment of financial mechanisms. Additionally, it's imperative to uphold principles of independence and foster a robust corporate governance structure to enhance credibility and trust among stakeholders.
- Strategic alignment and financial support:

---

6

<sup>7</sup> such as the OECD DAC Blended Finance Principles



# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**



- The government needs to diversify its range of financial instruments to effectively attract private sector investments. Developing a more comprehensive suite of instruments tailored to specific investment needs and sectors can significantly amplify the country's capacity to attract and leverage private capital<sup>8</sup>. These instruments should be designed with flexibility and innovation to cater to varying investor preferences and risk appetites. The implementation of these instruments should be aligned with the country priorities and based on market assessments that will ensure efficiency and market acceptance and conformity. To ensure the success of blended finance transactions, it is imperative to secure adequate financial resources or guarantees. Inadequate financial backing for blended finance initiatives could limit their impact and jeopardize financial sustainability, eroding investor confidence and undermining policy objectives<sup>9</sup>.
  - Accessing resources under the IMF RSF window in suitable areas of investment. Government of Sri Lanka should consider accessing resources under the IMF RSF window –which it is eligible by virtue of currently having a qualifying UCT (Upper Credit Tranche) program of an Extended Credit Facility (ECF). The RSF resources could serve as an effective conduit for blended finance options in the country paving the way for multiple of interventions including: de-risking private investments into green infrastructure and other green investments, support for banks (through schemes such as on-lending) for SME for spurring green growth and for obtaining cover against major natural and climate related disasters through parametric insurance.
- **Strengthening the financial system:**
- A stable and well-capitalized banking system is pivotal for fostering an environment conducive to attracting and facilitating FDI inflows. The government should prioritize initiatives aimed at bolstering the stability and robustness of the banking sector. This includes measures to enhance regulatory frameworks, strengthen risk management practices, and ensure adequate capitalization to inspire investor confidence and support sustained FDI inflows critical for economic growth<sup>10</sup>.

---

<sup>8</sup> - In Europe, the Juncker Plan was established in 2015 to boost investment in Europe following the economic downturn. The plan leveraged an initial €21 billion in public funds, comprising €15.2 billion from the EU budget and €5.8 billion from financial partners, to provide an estimated total guarantee of €47.5 billion. This guarantee successfully crowded in private and public investment, multiplying the initial funding by 13.7 times, resulting in a total investment of €650 billion. The investments were strategically targeted across areas such as SMEs, social investment and skills, research and innovation, and sustainable infrastructure, thereby driving economic growth and job creation across the EU.

- In Indonesia, the Ministry of Finance launched an innovative blended finance platform called “SDG Indonesia One” in 2018 to bring in private capital for SDG-related infrastructure projects in various phases of the project cycle. It appointed the State-Owned Enterprise, PT Sarana Multi Infrastruktur, to manage the platform. At its launch, the fund had already raised US\$2.3 billion, which has since risen to US\$3 billion, with 64 percent earmarked for climate change. ADB is providing US\$600 million in financing to SDG Indonesia One for development of its Green Financing Facility. UNDP plans to support the bankability of renewable energy projects under the platform

<sup>9</sup> For example, if a public credit guarantee scheme targeting to support access to finance SMEs is inadequately funded, it may only be able to offer micro-loans to achieve sufficient diversification in the portfolio. This would limit its market outreach and fail to attract the interest of larger financial institutions and donors. As a result, small and medium-sized businesses, which require more substantial guarantees to meet the high collateralization levels in the country, would be left unsupported, ultimately jeopardizing the financial sustainability of the initiative and undermining its intended policy objectives.

<sup>10</sup> Singapore has established a strong and well-capitalized banking system with rigorous regulatory frameworks, making it a leading hub for FDI in Asia, particularly in finance and technology sectors. South Korea has implemented robust risk management practices and capitalization requirements for its banks, contributing to sustained FDI inflows and the country's emergence as a major destination for investment in advanced manufacturing and innovation.

# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**



- Strengthening the enabling environment:
  - To strengthen the enabling environment for blended finance solutions<sup>11</sup>, the government should prioritize addressing the regulatory areas to encourage participation of private sector in blended finance transactions. Apart from the direct financial support provided as seed funding to attract private investors, the government could also promote blended finance initiatives indirectly. This can be achieved by enhancing regulations (such as PPP frameworks, trust funds, escrow accounts, etc.), offering various incentives for priority investments (including feed-in-tariffs, carbon credits, and tax benefits), engaging with MDBs and DFIs, and fostering collaboration among regulatory bodies, private sector investors, and other stakeholders..

The design and establishment of financing structures play a pivotal role in both mobilizing and deploying funds effectively towards sustainable development. The financing structures could be both local and international. Government efforts could focus on strengthening local institutions, setting up new structures or supporting and facilitating international initiatives.

- National blended finance initiative:
  - SDCSL has initiated the implementation of a national blended finance facility.
- Targeting international blended finance initiatives:
  - The Government agency mandated for investment promotion could position itself as a convening body, with potential to play a pivotal role in bringing together diverse stakeholders and facilitating investments through innovative financial mechanisms, including blended finance<sup>12</sup>. As part of this mandate, the board needs to establish and cultivate expertise in blended finance within its organizational structure. Strengthening skills and fostering collaboration with MDBs, DFIs, Investors and Foundations will significantly enhance the country capacity to effectively engage in blended finance initiatives across priority sectors.

## 3 Recommendations to the proposed National BFF

- Options for implementation of the NBFF
  - **Detailed external assessment:** Significant improvement of the *SDCSL*'s “Initial investment thesis”<sup>13</sup> based on external assessment - a detailed feasibility study that will map the opportunities and provide the information needed to effectively engage investors and development partners (MDBs, DFIs, Development agencies, etc), Targeted area, specific gaps, investment potential and impact outcomes. However, this will take time and additional time (up to one year), efforts and resources (the feasibility study should be prepared by an external consultant, individual or a firm) that might discourage the participants (current supporters of the initiative) and will not guarantee a successful outcome (interest from investors).
  - **Improvements in the “Initial investment thesis”** with internal human resources – positioning of the facility, clarify the scope and the investments. The key for operationalizing

<sup>11</sup> The rules and regulation part in the [M4P approach](#) for example

<sup>12</sup> The Board of Investment of Sri Lanka for example could play such role (TBD)

<sup>13</sup> National Blended Finance Facility: Initial Investment Thesis: Agricultural Transformation in Sri Lanka through Resilient, Green and Inclusive Agripreneurship



# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**



the facility is **engagement and support from identified key stakeholder** (ADB, GCF, other) that will provide the seed funding (ideally alongside the government and the private sector – banks, value chain players, others).

Given the current activities and stakeholders' engagement, the second option is more feasible. The goal is to clarify the business case and the investment thesis, to improve the structure and the information presented in the thesis so this could be discussed with potential partners and to identify and engage a potential key partner/s with interest to support the initiative (ADB, GCF, others). The required information and steps will be aligned with the expectations of these potential key partners. The following steps are based on the identified gaps in the presented 'Initial Investment Thesis'<sup>14</sup> and offer a set of recommendations to help identify a key partner and prepare for presenting the initiative.

The suggested areas for improvement in the initial investment thesis include:

1. Define the **Theory of Change**
2. **Position the proposed BFF on the market:** value added from setting up a national blended finance facility, positioning of the market and specific failures to be mitigated, potential partners (FIs, NBFIs, value chain players, etc.).
  - Map and review the opportunities offered by current BF structures that cover Sri Lanka, assess the value added and impact (on the financial sector and on end beneficiary level - is this support strong enough to drive a change).
  - Map and review the opportunities to partner with current projects and initiatives in Sri Lanka that cover the proposed target areas.
  - Map and review the ongoing initiatives that will affect the position of the BFF (such as the work on setting up a new development bank for SMEs, and different projects focused on the Agri sector).
3. **Use existing BF transactions to inform on the design** – Review the examples in:
  - [Mongolia Green Finance Corporation](#) – GCF,
  - [Bhutan Mountain Hazelnuts](#) – value chain player and ADB,
  - [India Omnivore Partners India Fund II](#) venture capital fund focused on agriculture
4. **Desing the national BFF.** The level of details should be with strategic focus, aligned to this initial stage. Additional details could be provided depending on the identified key partner.
  - Define the ambitions (during the pilot phase and goals for upscaling), capitalization levels (equity and debt structuring), and stages (start with a pilot if the investment pipeline is not clear now).
  - Clarify the mission and vision of the fund, type of mandate (development, sustainable, commercial). Clarify the climate rationale with focus on the target area.
  - Clarify the scope of the support - specific focus like climate positive agriculture or broader focus considering the effects of economies of scale, costs for setting up the fund, etc.
  - Assessment of the potential demand (volume of investments) and impact – direct and indirect.

---

<sup>14</sup> Notes on the presentation are covered in Table 2 below

# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**



- Targeted financial instrument (loans and on-lending, guarantees, or equity). Narrow the scope of the TA focusing on the instrument and partners, not on the sector or end beneficiaries. The BFF could be complemented by other development projects that are focused on the same target areas.
  - Legal set up and establishment (Sri Lanka or other jurisdictions depending on the selected instrument – especially for equity funds). Taxation of the facility (double taxation for private sector investing on facility level)
  - Governance and fund management.
  - Expected operational costs and TA component funding.
  - Target beneficiaries (small farmers, micro, SMEs or large enterprises)
5. **Decide on the potential key partner** (MDB, DFI)
- Review opportunities to support NBFF in partnership with [Convergence](#), [Nature Conservancy](#), FMO (participates in 3 of the 4 national blended finance facilities).
  - Receive confirmation from an institution that will support the initiative, providing seed funding, technical assistance (ADB, CGF, etc).

**When the key partner is identified (or partners):**

6. **Discuss what is possible and what is not possible.** Level of engagement and role of the government and the private sector players. Other potential partners (value chain companies).

Decision on the next steps for the implementation: feasibility study, proposal preparation, detailed business model, stakeholders engagement strategy

# Summary Report

Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub  
Mission Findings and Key Recommendations

## Notes



Table 1 Financial solutions - gaps and constraints - Example

Financial solution	Positioning and role	Gaps and constraints (to be identified)
1/ Foreign led Blended Finance Transactions – 4 deals with focus in SL	Provision of concessional funding support to partner FIs.	<ul style="list-style-type: none"> <li>- Limited concessionality</li> <li>- Limited TA support</li> <li>- Individual FI coverage</li> <li>- Lack of public sector support and coordination</li> </ul>
2/ National Credit Guarantee Institution	Provision of credit guarantees focused on improving access to finance for SMEs	<ul style="list-style-type: none"> <li>- Limited instruments, focus on derisking SME lending, limited coverage of PFIs (only shareholders in the institution)</li> <li>- Sufficient capitalization levels</li> <li>- New institution, expected to start end of 2024</li> <li>- Potential collaboration in derisking investments</li> </ul>
3/ Current Local solutions	Innovative solutions.	Limited scale and additionality
4/ Foreign led Blended Finance Transactions – 11 Regional deals	Provision of concessional support (loans, equity) to eligible FIs and projects	...
5/ International guarantee providers	Provision of credit guarantees focused on partner FIs or eligible projects	Limited scale, focus on larger transactions and established businesses, etc.

# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**



*Table 2 Notes on the Initial Investment Thesis*

<ul style="list-style-type: none"> <li>➤ <b>Objective</b> <ul style="list-style-type: none"> <li>• Comprehensive Theory of Change (ToC) framework, mission and vision</li> <li>• Unify the use of term BFF (different terms are used in the text: SPV, catalytic fund)</li> <li>• Focus on the short and medium term – too early for a decentralized platform</li> </ul> </li> <li>➤ <b>Context</b> <ul style="list-style-type: none"> <li>• Climate rationale with focus on the target area (agriculture)</li> <li>• What we want to achieve is not clear</li> <li>• The facility will target to improve access to finance – what is needed – Working capital, investment loans, equity investments, capacity building and technical assistance. How big is the financing gap – potential demand to achieve the desired transformation.</li> </ul> </li> <li>➤ <b>The role of BF</b> <ul style="list-style-type: none"> <li>• Who is facing funding constraints. These constraints will be mitigated by the government or the private sector</li> <li>• Why national BFF is needed to increase the effectiveness of the development finance</li> <li>• Role of the TA. The TA is expensive and should focus on BFF areas, not to expand in areas that are typical for a big agricultural project</li> </ul> </li> <li>➤ <b>Agricultural BF case studies</b> <ul style="list-style-type: none"> <li>• <b>To review 1. Mongolia</b> Green Finance Corporation – GCF, 2. <b>Bhutan</b> Mountain Hazelnuts – value chain player and ADB, 3. <b>India</b> Omnivore Partners India Fund II - venture capital fund focused on agriculture.</li> <li>• Identify BF in target areas that cover SL (1. Climate Smart Agriculture Food Systems Strategy, 2. Mission Invest Social Impact Fund, 3. MCE Empowering Sustainable Agriculture Fund)</li> <li>• Focus on BF – Ghana – improve A2F is an activity but this is an agricultural project</li> <li>• Ireme Invest is capitalized significantly by EU institutions – 80% and 20% coming from national public sector funds – Development Bank of Rwanda.</li> </ul> </li> <li>➤ <b>Proposed target areas</b> <ul style="list-style-type: none"> <li>• Tailored to the targeted key stakeholder –GCF, ADB or other.</li> </ul> </li> <li>➤ <b>The role of BF</b> <ul style="list-style-type: none"> <li>• These funding constraints will be mitigated by the government or the private sector</li> <li>• Why national BFF is needed to increase the effectiveness of the development finance</li> <li>• Role of the TA. The TA is expensive and should focus on BFF areas, not to expand in areas that are typical for a big agricultural project</li> </ul> </li> <li>➤ <b>The proposed structure</b> <ul style="list-style-type: none"> <li>• This is not a structure but list of potential stakeholders and roles</li> </ul> </li> <li>➤ <b>The catalytic fund</b> <ul style="list-style-type: none"> <li>• Again, list of options that require different structuring.</li> <li>• FX, right of first refusal are elements for the detailed proposal, not for the current stage</li> </ul> </li> <li>➤ <b>The proposed administrative structure</b> <ul style="list-style-type: none"> <li>• For the next stage</li> </ul> </li> <li>➤ <b>The project preparation, M&amp;E</b> <ul style="list-style-type: none"> <li>• For the next stage</li> </ul> </li> <li>➤ <b>Current progress</b> <ul style="list-style-type: none"> <li>• From the partners (ADB, USAID, JICA.) who could provide grant, equity, loans, who is focused on the BFF targeted area.</li> </ul> </li> </ul>
--

# Summary Report

*Sri Lanka NBFF Mission August 2024 – Bangkok Regional Hub*  
**Mission Findings and Key Recommendations**

Table 3 Example that can be used also in Sri Lanka

The Mongolian Green Finance Corporation (MGFC), capitalized at \$50 million, serves as a central hub for green financing in Mongolia. It receives funding from various sources: \$27 million from the GCF, \$18 million from the Government of Mongolia through the Ministry of Environment and Tourism, and \$5 million from 11 commercial banks under the CGF scheme.

XacBank is a private bank accredited by the GCF. The bank acts as an intermediary channelling equity, loans, and grants to the MGFC.

**Proposal:** <https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp153.pdf>

