

# Setting-up a Country Finance Platform for Sustainable Development in Sri Lanka

## Introduction

After successfully restructuring debt, Sri Lanka needs to urgently address underlying vulnerabilities and focus on building resilience and sustainability in the economy. This includes targeting high-impact areas such as food security, clean and affordable energy, and reliable supply chains for essential goods and services.

The government faces severe fiscal constraints; there is a need, therefore, to crowd-in private capital to address these vulnerabilities. Whilst the Sustainable Finance Roadmap for Sri Lanka and the Green Finance Taxonomy declared by the Central Bank of Sri Lanka calls on financial sector participants to align their financing to national needs - including for Climate Adaptation - some required investments should have coordinated, concerted efforts that surpass the capacity of one single financial institution. Sectors such as agriculture, energy and food – identified in the UN SDG Investment Platform – should prioritise economic outcomes alongside social and environmental outcomes to pursue a more holistic development strategy.

Countries around the world that have experienced similar financing challenges have explored country finance platforms and blended finance approaches among the potential solutions. Some countries have accessed [IMF's Resilience and Sustainability Facility](#) to build national resilience, which received the support of international development partners and development banks. This involved establishing a national-level platform that helps to align domestic and international finance and resource mobilization for national priorities such as climate adaptation and minimising inequality.

Countries such as [Bangladesh](#) and [Egypt](#) have set up such Country Platforms led by their respective Governments to set long-term strategies for sustainable finance and resource mobilization. Similarly, countries such as [Rwanda](#), [India](#), [Indonesia](#) have also launched national blended finance facilities (some led by Govt. whilst others led by non-profit organizations/coalitions) to facilitate partnerships and enable crowding of private investment in leveraging public finance and philanthropic funds for technical assistance, risk sharing and mobilizing of concessional finance for sustainable development.

Mongolia is one example of an effective financial sector and private sector collaboration. Through the [MSFA](#), partners led country level coordination on sustainable finance and resource mobilisation in alignment with the government's priorities. The [Mongolia Green Finance Corporation](#) was established to mobilise financing for climate action, with energy efficiency and green buildings as their initial priority area.

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MSFA, [Singapore Green Finance Centre](#), and [Astana Green Finance Centre](#) also serve as examples as to how such collective platforms could also help to develop the country's standing as a [Sustainable Finance Hub / Centres of Excellence on Sustainable Finance for the region](#). Such platforms (set up as a Special Purpose Vehicles) could also [facilitate structuring of innovative debt treatments such as debt for nature, debt for climate or debt for sustainability swaps](#).

## The Role and Objectives of a Country Finance Platform in Sri Lanka

The primary objective of the Country Finance Platform is to mobilize resources (particularly domestic private capital and international sustainable finance) through a blended finance approach for Sustainable Development priorities. The Platform will serve as a Governance, Coordination and Engagement Mechanism for a **Country-Led Approach** on Sustainable Finance and Resource Mobilization.

The secondary objective of the Platform is to develop Sri Lanka as a Sustainable Finance Hub in the Indian Ocean Rim Region in initially developing the knowledge and capacity among local market participants on sustainable finance, so they may play an active role as investment aggregators for frontier and emerging markets. Given the size of Sri Lanka's domestic market, this capacity building role of the platform for regional integration will support its primary objective in attracting greater quantum of international sustainable finance to Sri Lanka.

In fulfillment of the above objectives, **the Platform will perform the below functions:**

1. Serve as a multi-stakeholder engagement and knowledge body to **advise and guide** domestic private capital and international sustainable finance providers (including impact investors) on entry points for resource mobilization / capital allocation that serves to enhance resilience and sustainability of Sri Lanka's economy (**Market Facilitation on Sustainable Finance**).
  - a. This will involve regular stakeholder engagement and review of investment needs identified in relation to Sri Lanka's Nationally Determined Contributions (NDCs) and the Long-Term Strategy for Low Emission Development (LTS LED); National Adaptation Plans (NAP); National Biodiversity Strategic Action Plans (NBSAPs); and Voluntary National Commitments on Sustainable Development Goals (SDGs), especially in relation to addressing Multi-Dimensional Poverty and Vulnerability. It

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shall also include review of other relevant national roadmaps, strategies, sustainable finance taxonomies and investment plans / investment opportunity maps (especially pertaining to further development of Sri Lanka in relation to an Inclusive Economy; a Green and Blue Economy; a Digital Economy; a Shared and Circular Economy; and a Knowledge and Creative Economy).

- b. This will also require conducting of research / assessments / diagnostic studies on market status, viability gaps, market failure and issues in the business ecosystems/ policy and enabling environment preventing financing from flowing to key SDG financing priority areas.
  - c. Based on this research, the platform shall **declare mid-term integrated sustainable finance and resource mobilization strategy (5-year) and set investment thesis on the priority areas including impact parameters.**
2. Engage and provide feedback to the Government of Sri Lanka, regulatory authorities and development partners on Policy and Enabling Environment to enhance and deepen the sustainable finance market in Sri Lanka, and to position Sri Lanka as a regional hub for Sustainable Finance. This may include supporting Govt to structure development impact bonds and structure debt for sustainability swaps **(Policy Advocacy and Technical Input to Govt and Development Partners on Sustainable Finance, particularly to enhance Private Sector Engagement and Participation).**
3. Support innovation and strengthening of the Sustainable Finance Ecosystem in Sri Lanka through:
  - a. **Setting-up, operating and/or managing technical assistance facilities or project preparation facilities** to develop and incubate pipeline of high-impactful ventures/projects aligned with integrated sustainable finance and resource mobilization strategy identified by the Platform.
  - b. Helping to **promote Catalytic Impact Funds or other blended finance structures ensuring that proper governance and safeguards are built-in to ensure that national/public interest of Sri Lanka is upheld.** The platform may decide to retain shareholding, even controlling interest of such a blended finance vehicle promoted, if it deems that not doing so could allow for short-term commercial interests or

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political expedience to drive such blended finance vehicles to distort the market and create unintended negative outcomes for Sri Lanka.

- c. Develop capacity of local sustainable finance ecosystem actors in Sri Lanka through **training and capacity building programs organized together with local and international partners and enhance integration across financial sector, real sector, research community/academia and other civil society actors.**
  - d. **Initiate and support social innovation and digital innovations on sustainable finance** including developing network of correspondents and digital market platforms (including decentralized finance solutions) that could broad base and improve access to sustainable finance across Sri Lanka and help to grow pipeline of sustainable finance eligible ventures/projects.
  - e. **Enhance collaboration and networking among Sri Lankan and international sustainable finance ecosystem participants** by working together to organize events/engagements including Sri Lanka Sustainable Finance Week and hosting international sustainable finance related events together with Colombo International Financial Centre to enhance integration and dynamism of Indian Ocean Rim Region (IORA) on Sustainable Finance.
4. Monitoring, Evaluation and Reporting on Sri Lanka's Sustainable Finance Ecosystem Development in supporting Govt agencies, regulators, associations and market participants both with aggregated data for macro decision making, whilst also being able to disaggregate and showcase impact and outcomes at granular levels.

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## Structure and Governance of the Country Platform

As the primary objective of the platform is to mobilize private resources and capital for sustainable development through blended finance arrangements, the Platform will be a private sector-led entity that will translate national policy and stakeholder needs in terms of investment needs and structured finance solutions. However, for the platform to ensure that economic, social and environmental justice is considered in decision making and have legitimacy among international partners, it is essential for the Platform to have participation by Government Agencies and Civil Society.

The platform will have three categories for engagement:

1. Members of the Platform
2. Observers to the Platform
3. Partners to the Platform

The ideal scenario would be for **Government Agencies** such as the Sustainable Development Council (currently a promoter of the Platform), Ministry of Finance, Ministry of Environment, Institute of Policy Studies, etc., to be members of the Platform, whilst entities that have a regulatory capacity such as the Central Bank of Sri Lanka (CBSL), Securities and Exchange Commission (SEC) and Insurance Regulatory Commission of Sri Lanka (IRCSL), Board of Investment (BoI), Port City Economic Commission could be Observers to the Platform.

In terms of the members from the **private sector and financial sector**, this would be open to industry associations / collectives. The initial promoters of the Platform from private sector - the Ceylon Chamber of Commerce (CCC) and the Sri Lanka Banks' Association (SLBA) - will proceed to create the Platform subject to their Board approvals. The Finance Houses Association (FHA) has expressed interest in joining as a member and serving in the governance of the platform together with CCC and SLBA. Other such collectives that could join as members include Insurance Association of Sri Lanka, Microfinance Practitioners' Association of Sri Lanka, Unit Trust Association of Sri Lanka, UN Global Compact, and Biodiversity Sri Lanka.

In terms of the members from the **civil society**, organizations such as SLYCAN Trust, Center for a Smart Future (CSF) and Centre for Poverty Analysis (CEPA) that conduct research on environmental finance, social finance and broadly on sustainable finance could serve as potential members. CEPA has already expressed interest in joining as a member of a Country Platform and support promotion of impact fund for climate smart agriculture.

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**Development Partners** including UN agencies (UN RC, UNDP, UNESCAP, FAO, UNIDO, UNEP-FI), IFIs (IMF, World Bank Group, ADB) and other entities (USAID, EU, JICA, KOICA, DFAT/ AusAid, Commonwealth/ etc) could serve as “Partners to the Platform”. Other partners could include international organizations such as ODI, Deloitte, EY, Climate and Company GmbH, Convergence Blended Finance and Bill and Melinda Foundation/Connect to Care.

The Chair and the Secretariat for the Country Platform for the first three years of the Platform will be the Ceylon Chamber of Commerce, supported by its Chief Economist and the Economic Intelligence Unit (EIU). Sustainable Development Council (SDC) and Sri Lanka Banks’ Association’s Sustainable Banking Initiative (SLBA SBI) will provide technical support to the Platform for the first three years.

The legal structure of the Country Platform could be determined accordingly as either Company Limited by Guarantee (CLG), Unlisted Public Company, or body corporate constituted by an Act of Parliament.