
Thursday, 5 May 2022; 10.00 – 11.30 hrs
Colombo, Sri Lanka (Hybrid - UN Compound/virtual)

Overview

Over the past two decades, Sri Lanka has experienced significant economic development, however, this has been accompanied by considerable sovereign debt accumulation. In a 2019 analysis of the country’s macroeconomic challenges, the ADB categorized Sri Lanka as a twin deficit economy with persistent deficits in the current and fiscal accounts. Since that time, tax cuts compounded with a significant drop in tourism revenue and additional COVID-related spending in health and social protection resulted in a significant increase in the country’s fiscal deficit and public financing needs. While COVID-19 impacted government social spending, it also was an economic shock that significantly impacted SMEs which make up 75 per cent of the Sri Lankan economy and 45 per cent of the employment sector (IFC 2020). Furthermore, with tax revenues falling from an already low 12.7 per cent of GDP in 2017-2019 to 8.4 per cent in 2020, the country’s interest payment shot up to an unsustainable level of 95 per cent of government revenues by 2021 and the debt-to-GDP ratio is estimated to increase to 119 per cent in 2022.

Sri Lanka faces a significant immediate challenge to regain economic stability while also facing the challenge of improving its sovereign rating and identifying ways to finance the SDGs. According to ESCAP estimates in 2019 (thus prior to the pandemic and the conflict), Sri Lanka needs to spend an additional 9 per cent of GDP per year to achieve the SDGs by 2030. This funding gap has certainly increased since then. Because of the country’s limited fiscal space, accelerating progress towards the SDGs will require tapping into innovative financing instruments and aligning private sector investments with the SDGs.

The UN's four-year strategy for financing the 2030 Agenda for Sustainable Development identified the need to address all barriers that may impede the flow of finance to sustainable development and leverage opportunities to increase SDG investment at scale. While a range of solutions can be considered, some are more appropriate than others based on the Sri Lanka country context and government priorities. For example, debt-for-climate or debt-for-sustainability swaps are one financing instrument that has proven to be a successful debt alleviation tool while promoting investment in green and sustainable projects. Similarly, concessional and blended finance models can provide favourable rates while meeting development objectives. In the long term, thematic bond issuance is also a tool to mobilize domestic and foreign capital towards SDG-aligned projects, however, debt sustainability will need to be achieved prior to a thematic issuance.

Based on this context Sri Lanka’s Sustainable Development Council has discussed bringing in capacity building and technical assistance support to discuss various sustainable financing options for SDGs in the context of the current macroeconomic situation in the country. ESCAP’s engagement, with Sri Lanka and UN country team partners, is anticipated to be long-term in nature and targeted to respond to Sri Lanka’s capacity needs and support UN and government coordination to facilitate fiscal decision making in alignment with SDG outcomes and support the deployment of financing solutions and policies.

Objectives

This workshop acts as a coordination starting point, facilitating stakeholder dialogue on the macroeconomic situation, and considerations and implications to Sri Lanka’s sustainable development. The session is designed to bring together key Ministries, Central Bank, the financial sector and UN and
relevant agencies, to discuss options for recovery and financing the SDGs. The workshop will also serve as a preliminary seminar to understand the alternative financing options for the SDGs beyond Sri Lanka’s traditional approach of loans, grants and national spending measures. Based on the workshop outcomes and bi-lateral planning discussions with Ministries and key stakeholders, a technical support plan will be developed and delivered.

**Target Audience**

This workshop will bring together decision-makers from the Ministries responsible for national planning and financing, the Central Bank, relevant line Ministries, public and commercial banks, the Stock Exchange, key development agencies and other key stakeholders.

**Agenda**

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<th>Thursday 5 May 2022</th>
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<td><strong>Welcome Remarks</strong></td>
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<tr>
<td>Ms. Chamindry Saparamadu, Director General, Sustainable Development Council</td>
<td>10:00 – 10:10</td>
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<td>Ms. Hanaa Singer-Hamdy, United Nations Resident Coordinator</td>
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**1. Stocktaking: Impacts of the Macroeconomic Situation on the SDGs**

This session will assess the macroeconomic impacts of the financial crisis on Sri Lanka’s sustainable development. The session will highlight key SDG financing gaps and policy considerations to balance immediate economic stabilization measures while maintaining sight of the SDGs.

**Presenter:**

Dr. Hamza Ali Malik, Director, Macroeconomic Policy and Financing for Development, ESCAP

**2. Sustainable Financing Options and Pathways Towards Economic Recovery**

This session will highlight innovative financing options which can be used to mobilize financing toward green and SDG outcomes. The session highlights innovative tools and policy measures that can be deployed.

**Presenter:**

Ms. Deanna Morris, Economic Affairs Officer, Financing for Development, ESCAP

**10:25 – 10:45**

**Stakeholder Dialogue**

This session is designed as a round-table discussion. Participants are asked to come prepared to discuss key macroeconomic and fiscal challenges and key areas of concern in relation to sustainable development. The dialogue is designed to discuss potential policy options and identify technical assistance and supportive actions which can be collectively deployed and coordinated.

**Facilitators**

Dr. Hamza Ali Malik, Director, Macroeconomic Policy and Financing for Development, ESCAP

Representative, Ministry of Finance

**10:45-11:25**

**Closing Remarks**

Ms. Chamindry Saparamadu, Director General, Sustainable Development Council

11:25-11:30