
Strategy to Promote Inclusive and
Sustainable Businesses to Achieve
the Sustainable Development Goals
in Sri Lanka



Government of Sri Lanka

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In collaboration with:



INTRODUCTION

As the Government of Sri Lanka charts a path to economic revival following a period of acute crisis, it is embracing ambitious reforms to rebuild a resilient, sustainable and equitable economy. To achieve this vision, it is imperative to catalyse the potential of the private sector to foster high-quality inclusive growth that creates prosperity for all.

Inclusive and sustainable businesses (ISBs) will be the engines that propel the transformation in Sri Lanka. ISBs are purpose-driven enterprises that use commercially viable models to generate positive social and environmental impact. They encompass diverse business forms - from green businesses and social enterprises to inclusive business models that empower vulnerable communities. With the right ecosystem support, ISBs can flourish and drive large-scale change.

However, ISBs currently face critical barriers that constrain their growth and limit their impact. These include inadequate access to information, skills training, partnerships, finance and formal recognition. Many pioneering Sri Lankan ISBs struggle to scale up and maximize their contribution to urgent development needs.

To address these systemic challenges, the Government has formulated a comprehensive national strategy, namely the Strategy to Promote Inclusive and Sustainable Businesses to Achieve the Sustainable Development Goals in Sri Lanka, with the technical assistance of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and in consultation with stakeholders from the private sector, local and international development partners, civil society organizations, academia and think tanks. The strategy provides a coherent framework centred on five interlinked focus areas to unleash the potential of ISBs:

1. Establishing a clear vision and policy direction to elevate ISBs within mainstream economic plans and export promotion efforts;
2. Raising awareness and recognition of ISBs through high-profile events, awards and media campaigns;
3. Building capacities of both ISBs and government agencies through tailored skills training, toolkits and advisory services;
4. Enhancing access to impact data, international certifications and digital solutions for improved traceability and transparency;
5. Addressing financing gaps by connecting ISBs with innovative investment instruments and risk mitigation mechanisms.

The strategy entails coordinated efforts across government ministries and agencies, international partners, the private sector and civil society. This unity of purpose and collaboration will create an enabling ecosystem where pioneering ISBs can thrive, replicate solutions, achieve scale and maximize their contribution to achieving the Sustainable Development Goals.

The development of the strategy was supported by an in-depth background study which included consultations with stakeholders in the form of key informant interviews, focus group discussions, validation workshops and desk research. The findings from these exercises provide deeper insights into the recommendations made in the strategy and are presented in a separate background note.

With ambitious reforms underway, the strategy outlines an opportunity in Sri Lanka to pivot toward a new economic paradigm that harnesses the dynamism of ISBs to drive equitable and sustainable growth. It signals the Government's commitment to catalyse private sector ingenuity in meeting urgent development needs and securing long-term prosperity for all Sri Lankans.

STRATEGY TO PROMOTE INCLUSIVE AND SUSTAINABLE BUSINESSES TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS IN SRI LANKA

I. Introduction

1. The Government of Sri Lanka is committed to a private sector-led inclusive and sustainable economic transformation aligned with the implementation of the 2030 Agenda for Sustainable Development and the achievement of the Sustainable Development Goals (SDGs) in Sri Lanka. This entails fostering economic diversification, developing a blue-green economy, embracing technology-driven approaches, ensuring social inclusivity and strengthening law enforcement. Simultaneously, the Government of Sri Lanka aims to enhance climate resilience, achieve 70 per cent renewable energy by 2030 and meet social development objectives, all with a strong focus on reducing poverty to 8 per cent of the population by 2030.
2. Inclusive and sustainable businesses (ISBs) are purpose-driven enterprises that take a deliberate and intentional approach towards positive change in communities and the environment. ISBs use market-based approaches to achieve positive social and environmental impacts, ensuring their own sustainability while benefiting society and the planet. ISBs include green businesses that operate in an environmentally sustainable manner; inclusive business models that provides goods, services and livelihoods on a commercially viable basis to people living at the base of the economic pyramid; social enterprises; women-focused and women-led enterprises; and businesses providing decent employment to vulnerable groups (such as women, young people and persons with disabilities).
3. ISBs in Sri Lanka can play a crucial role to achieve national social development and environmental sustainability goals. The role of ISBs is particularly critical in the current context of fiscal limitations on public spending.
4. Already, there are several examples of ISBs in Sri Lanka that are generating positive environmental and social impacts. These may be built upon, replicated and scaled up. Some examples include: (a) businesses supporting environmental sustainability, such as plastic recycling companies; (b) commercial businesses integrating and adding value to smallholder farmers in their supply chain; (b) cooperative agricultural networks providing smallholder farmers with access to technical knowledge, market opportunities and internationally recognized certifications; (c) social enterprises that ensure fair and equitable employment opportunities for women, youth and disadvantaged communities; (d) social enterprises supporting environmentally friendly practices, such as carbon sequestration, reforestation and regenerative agriculture; and (e) incubators and platforms that nurture ISBs, offering curated support and guaranteed access to both local and international markets. To enhance the private sector's role in achieving the SDGs, it is imperative to integrate and promote these types of businesses into mainstream economic activities.
5. Developing and mainstreaming ISBs – in addition to enhancing economic resilience and global competitiveness – will require integrating the promotion of ISBs into national business, industrial, financial and investment policies, as well as integrating the contribution of the private sector into policies and strategies seeking to achieve social development and environmental sustainability.
6. Fostering collaborations and partnerships within the Sri Lankan and global ecosystem of ISBs is vital for the successful implementation of this strategy. Partnerships are essential to catalyse innovation, share knowledge, mobilize resources and amplify the impact of ISBs. Leveraging partnerships will be essential to understand ISBs in Sri Lanka and the emerging challenges and opportunities, and to design, implement and monitor impactful initiatives as outlined in this strategy.

7. ISBs are faced with multiple challenges. In addition to challenges related to characteristics of the broader ecosystem in which they operate (such as available infrastructure, market linkages and ease of doing business), ISBs also face unique challenges that need to be considered and addressed to facilitate their development:
 - a) Limited access to capital, including equity or debt that considers sustainable and inclusive outcomes in investment/lending decisions, reduces the ability of ISBs to scale up their impact and prevents inclusive and sustainable business models from being adopted by other businesses;
 - b) Limited knowledge of impact measurement, evaluation and reporting means that ISBs may lack sufficient data to secure impact investment and to credibly determine the level of sustainable and inclusive impact delivered;
 - c) Limited formal recognition of the special status of ISBs puts them in competition with purely profit-driven traditional private sector businesses on the same conditions, which lowers the margins of ISBs and impacts their profitability and scalability;
 - d) Owing to the high cost, technical complexities and language barriers to secure and maintain certifications and accreditations related to social and environmental impact, ISBs, especially smaller firms, are disadvantaged when accessing and competing in international markets;
 - e) ISBs have limited access to specialized business coaching and advisory services that support the adoption and scaling of inclusive and sustainable business models;
 - f) Women-led and women-focused enterprises often faced unique challenges to establish and grow their businesses.
8. In light of the above, there is an opportunity to enhance the effectiveness of government strategies to support ISBs in the following manner:
 - a) Establishing a coherent and coordinated set of government policies that address the key barriers businesses face to develop inclusive business models: recognition, access to critical support services, building partnerships, measuring and managing impact, and access to finance;
 - b) Extending and supporting national and international certification, accreditation, or registration schemes for inclusive and sustainable business models;
 - c) Incorporating inclusive and sustainable practices, and impact measurement and reporting in existing entrepreneurship promotion and development programmes, so that business promotion policies support national economic, social and environmental goals;
 - d) Enhancing the capacities and resources in the public sector to promote inclusive and sustainable business development;
 - e) Building impact measuring and reporting capacities to enable firms develop more impactful business models and access impact investment, and to build compelling cases for inclusive and sustainable business development;
 - f) Expanding access to capital and affordable financing for ISBs by expanding debt options and gender lens investments, developing secondary markets and improving exit opportunities for impact investors.

II. Vision

9. In 2030, Sri Lanka will have a thriving and globally respected ISB sector recognized for leading in innovation, environmental responsibility and social progress while contributing to shaping a prosperous, resilient and equitable economy.

III. Objectives

10. To realize the above vision, the Government of Sri Lanka has put the present national strategy in place to promote ISBs and to recognize and enhance their contribution towards implementing the 2030 Agenda and achieving the SDGs in Sri Lanka.
11. The present strategy aims to strengthen and consolidate government support for the development of ISBs in a manner consistent with the achievement of the SDGs and is centred on promoting quality and high-value growth that encourages social development and environmental sustainability. The strategy provides a coherent set of actions to promote the development of ISBs through legal and regulatory frameworks, capacity development for integration into local and global supply chains, local and global recognition, partnerships, impact measurement and reporting, and improved access to finance.
12. The actions are categorized into the following five major focus areas:
 - Vision and direction
 - Awareness and recognition
 - Capacity-building
 - Access to information and impact reporting
 - Access to finance and incentives

IV. Actions

A. Vision and direction: Setting the direction for inclusive and sustainable business development

13. **Elevate the present strategy into a policy on ISBs endorsed by the Cabinet.** To institutionalize the implementation of the present strategy, elevate this document into a national policy endorsed by the Cabinet with specific targets to be achieved by 2030.
14. **Develop a road map for Sri Lanka to become an inclusive and sustainable export and investment hub.** Create a road map, as an integral component of the national action plan, with the aim of positioning Sri Lanka as one of the leading hubs for inclusive and sustainable production and exports, and for facilitating impact and SDG-focused investment. This road map will encompass the following actions: launch a multi-stakeholder initiative to steer its direction; define a minimum standard framework for recognizing ISBs; promote the “Inclusive and Sustainable Sri Lanka” brand, which complements the National Export Strategy; enhance capacities to adhere to global sustainability and ethical standards; and formulate strategies to attract impact investment and SDG-focused investment.

B. Awareness and recognition: Raising awareness on the economic and development impact that ISBs bring and recognizing the efforts of ISBs to support inclusive and sustainable development

15. **Recognize local success stories.** Create profiles of best-case ISBs and sectors that have demonstrated inclusive and sustainable practices and disseminate these profiles and achievements through a nationally and internationally recognized promotional and awareness generation campaign on social media, television programmes and business events. Pay particular attention to showcase women-led businesses and women-focused ISBs.
16. **Elevate national awards.** Enhance the recognition, interest and visibility of ISBs, with particular focus on micro, small and medium-sized enterprises (MSMEs) and women-led enterprises, through strategic collaboration with existing national business awards. Align existing criteria with global standards to bolster the credibility of these awards and enable award recipients to access international markets and financing opportunities more effectively.

17. **Inclusive and sustainable business forum.** Organize an annual multi-stakeholder forum with businesses, leading national and international chambers of commerce, business networks, investors, development partners and government agencies to raise awareness on the business case for ISBs and on the contribution ISBs make towards achieving national economic, social and environmental goals; to share learning on developing and promoting inclusive and sustainable business models; to appraise emerging opportunities; to promote impact investment and sustainable investment instruments; and to build a collective commitment to promote ISBs. The forum will explicitly engage women-led and women-focused ISBs and support them to interact with potential investors.

C. Capacity-building: Building capacities of businesses and government agencies to develop and promote ISBs

Capacity-building for ISBs

18. **Appoint a lead agency to design and implement a road map to develop the capacities of ISBs.** Following a review of its mandate, scope and capacities, including addressing any structural and capacity gaps, assign the National Enterprise Development Agency (NEDA) as the lead government agency responsible for developing and implementing, in partnership with other stakeholders, including the Ministry of Industry and the Sustainable Development Council, a road map for developing the capacities of ISBs for both government agencies and businesses. The road map will identify capacity gaps among businesses to develop inclusive and sustainable business models and among academic and public institutions to promote such business models; identify agencies and organizations currently providing training and building capacities in these areas; and put forward measures (including training programmes, teaching curricula and toolkits) to enhance the offer of business training and development services to support ISBs.
19. **Refocus existing government-led entrepreneur and business development programmes.** Realign and update existing government-led entrepreneur and business development programmes to support national development goals, including the development of critical capacities for ISBs, such as impact business model development; gender lens analysis; impact measurement and management; impact reporting; readiness for impact investment; access to markets; access to sustainable, organic and responsible certifications; and enhanced firm sustainability and circular product design. Develop specific initiatives that will help to tackle the distinct challenges women entrepreneurs face and build financial readiness among women entrepreneurs.
20. **Enhance the offer of specialized coaching services to ISBs, beyond government agencies.** Work with private organizations, development partners, business associations, accelerators and academic institutions to develop an offer of capacity-building programmes and tailored business coaching services for businesses seeking to develop and expand inclusive and sustainable business models. The programmes may encompass impact business model development; gender lens analysis; impact measurement and management; impact reporting; readiness for impact investment; impact investment opportunities; access to markets; access to sustainable, organic and responsible certifications; and enhanced firm sustainability and circular product design.

Strengthening government agency capacities

21. **Appoint lead agency to develop government capacities to promote ISBs.** The Sri Lanka Institute of Development Administration (SLIDA) should develop a programme to build public sector capacities to promote ISBs, in consultation with the respective ministries and in collaboration with domestic and international development partners. The programme will offer training provided by different agencies and development partners, including programmes that seek to do the following: (a) shift mindsets from an activity-based approaches to change/outcomes-based approaches; (b) build capacities to develop theories of change, discern outcomes and impacts, and select robust indicators backed by high-quality data to accurately evaluate the impact of public initiatives; (c) build skills to promote inclusive business models

(e.g. accreditation of inclusive business models, facilitating partnerships to develop inclusive business models); (d) build skills to promote sustainable business models; and (e) develop capacities on promoting investment for sustainable development.

22. **Seek advisory services for the design of policy instruments to promote ISBs.** Seek crucial guidance and develop frameworks and toolkits for government agencies to develop policy instruments and programmes promoting inclusive and sustainable business models, such as accreditation systems, social and green procurement, impact investment and investment for sustainable development promotion.

D. Access to information and impact reporting: Provide greater access to information and support impact measuring and reporting.

23. **Facilitate access to sustainability and inclusivity credentials.** Foster strategic partnerships with reputable certification bodies, including Fair Trade International, the World Fair Trade Organization, B Corp and the European Chemical Agency, to streamline, simplify and reduce the cost of the certification and accreditation process for ISBs, particularly medium-sized ISBs. In parallel, facilitate financial support for ISBs seeking to undergo such processes.
24. **Incentivize the use of participatory guarantee systems.** Building on existing experience, offer incentives for MSMEs in selected sectors to adopt a participatory guarantee system (PGS). This low-cost, locally based system of quality assurance has a strong emphasis on social control and knowledge building, based on the active participation of ISBs, consumers, rural advisors and local authorities to support and check that ISBs are operating according to the agreed set of standards. PGS ensures transparency and quality and helps ISBs to obtain certifications, accreditations and/or registration.
25. **Support and promote impact reporting.** Deploy new initiatives in collaboration with international development partners to collect, analyse and report impact data of ISBs and public business development programmes, including data required by the Government to determine the progress of this strategy. The Sustainable Development Council will be responsible for reporting biannually on the progress made in the implementation of this strategy.
26. **Enhance supply chain traceability/transparency using technology.** Support, promote and recognize ISBs adopting tech-driven traceability and transparency solutions for impact monitoring and reporting. Incentivize such ISBs to share data and knowledge to improve impact reporting. In consultation with ISBs, technology partners and experts, identify incentives and opportunities to promote industry-wide adoption, including promoting the use of technology-based traceability/ transparency solutions and exploring mechanisms to finance their adoption. These efforts should align with supply chain transparency regulations and the European Climate Law, and seek to increase export resilience, especially for small and medium-sized ISBs.

E. Access to finance and incentives: Enhance access to finance for ISBs

27. **Enhance the financing and investment ecosystem for ISBs.** The Ministry of Finance, Central Bank, Board of Investment and Sustainable Development Council will identify financial needs of ISBs and develop a road map to connect ISBs with existing financing opportunities and investment instruments (including equity, green and social bonds, gender inclusive financial products, grants, crowdfunding, carbon credits, lending on offtake agreements) and domestic and foreign investment to explore and develop additional financial instruments and regulations that can help to address the financing gaps that ISBs face. The road map will be developed jointly with key financial stakeholders – including retail and development banks, local and international development agencies, impact investment funds and networks, venture and private equity funds – and deployed through a coordinated approach. The annual Inclusive and Sustainable Private Sector Forum will play a critical role in connecting ISBs with financial and investment opportunities.

28. **Leverage private sector investing by introducing risk-reduction mechanisms (e.g. guarantees) and liquid secondary markets.** To leverage private investment, the Ministry of Finance will introduce a special guarantee mechanism to attract impact investment for ISBs, linking the guarantee to the long-term financial savings generated by the positive social and environmental impacts of ISBs. The Securities and Exchange Commission, in collaboration with local and international partners, will establish a green and social public trading exchange to develop a secondary market that brings liquidity and facilitates exit strategies for impact investors.
29. **Develop multi-tiered impact investment funds.** The Ministry of Finance will lead the creation of impact investment funds, in collaboration with domestic and international impact investors and international financing and development partners, addressing different investment ticket sizes, making funds more accessible to a wide range of small and medium-sized ISBs seeking investments between \$25,000 and \$2.5 million.

V. Implementation mechanism

Implementation

30. **Effective implementation of the strategy for developing ISBs in Sri Lanka relies on robust collaboration and multi-stakeholder partnerships.** Cross-government agency collaboration, along with engagement from the private sector, civil society organizations, international organizations and academia, will be essential to leverage collective expertise and resources and build an enabling ecosystem. This collaborative approach enhances policy implementation, knowledge exchange and the adoption of sustainable business practices across the nation.
31. **The following ministries and departments are identified as the key Government implementing agencies** and specific roles are further elaborated in the annexed implementation matrix.

Focus areas	Relevant ministries	Related authorities and departments
Vision and direction	Ministry of Industries Ministry of Finance Ministry of Investment Promotion Ministry of Environment Ministry of Women, Child Affairs and Social Empowerment	Presidential Secretariat Prime Ministers Secretariat Sustainable Development Council
Awareness and recognition	Ministry of Industries Ministry of Investment Promotion Ministry of Environment Ministry of Mass Media	Sustainable Development Council National Enterprise Development Authority Export Development Board
Capacity-building	Ministry of Industries Ministry of Higher Education Ministry of Finance	National Enterprise Development Authority Department of Vocational Training Industrial Development Board Sri Lanka Institute of Development Administration
Access to information and impact reporting	Ministry of Industries Ministry of Finance Ministry of Environment	National Enterprise Development Authority Sri Lanka Standards Institute Sri Lanka Accreditation Board Board of Investment Industrial Development Board
Access to finance and incentives	Ministry of Finance	Sustainable Development Council Board of Investment Central Bank of Sri Lanka

Oversight

32. **Oversight of the implementation of the strategy will be provided by the Presidential Secretariat through the appointment of a steering committee on ISB development.** The Sustainable Development Council will act as the secretariat and convene the steering committee meetings, coordinate the implementation of the strategy and monitor progress.

33. **The steering committee on ISB development will be constituted as below:**

Government	Non-government
Oversight: Presidential Secretariat Secretariat: Sustainable Development Council Representatives from key Government Ministries: Ministry of Finance Ministry of Industries Ministry of Investment Promotion Ministry of Environment Ministry of Women, Child Affairs and Social Empowerment	Representatives for the private sector: Large (Ceylon Chamber of Commerce) SMEs (Federation of Chambers of Commerce and Industry of Sri Lanka) ISBs (Good Market) Women (Women’s Chamber of Industry and Commerce Sri Lanka) UN Global Compact Network Sri Lanka Representatives for civil society, including think tanks, universities, representatives from the coronavirus disease (COVID-19) pandemic response, CSO Collective Sri Lanka and representatives from environment-related umbrella organizations Representatives from relevant United Nations agencies and the Development Partners Forum

Allocation of resources

34. **The Government of Sri Lanka will allocate resources to support the implementation of this strategy.**

35. Furthermore, the realization of this strategy will entail actively seeking collaboration and financial partnerships with a diverse array of development partners, including bilateral development agencies, United Nations organizations and multilateral financing agencies, to secure the necessary resources to (co)finance the strategic initiatives outlined in the strategy.

Monitoring and reporting

36. Biannual reports will be submitted by the Sustainable Development Council to the steering committee providing comprehensive updates on the progress made in implementing this strategy and highlighting actions taken, financial resources secured, achievements and challenges ahead, and proposing priority actions and necessary adjustments to the strategy.

37. The steering committee will review the reports and provide its comments to ensure transparency, accountability and continuous improvement in driving inclusive and sustainable economic growth.

Annex: Implementation matrix

Focus areas	Actions	Sub-activities
Vision and direction	Setting direction for ISB development	<ul style="list-style-type: none"> • Elevate strategy to a Cabinet-endorsed policy • Develop road map for Sri Lanka to become an inclusive and sustainable export and investment hub • Develop ISB legal framework
Awareness and recognition	Raising awareness and recognition of ISBs	<ul style="list-style-type: none"> • Recognize local success stories • Elevate national awards • Inclusive and Sustainable Business Forum
Capacity-building	Building ISB and government capacities	<ul style="list-style-type: none"> • Develop road map to build capacities for ISBs and government officials • Refocus entrepreneur and business development programmes • Enhance access for ISB capacity-building • Strengthen government agency capacities to promote ISB
Access to information and impact reporting	Providing access to information and supporting impact reporting	<ul style="list-style-type: none"> • Facilitate access to sustainability and inclusivity credentials • Incentivize participatory guarantee systems • Support and promote impact reporting • Enhance supply chain traceability and transparency
Access to finance and incentives	Enhancing access to finance for ISBs	<ul style="list-style-type: none"> • Enhance the financing and investment ecosystem for ISBs • Leverage private sector investing by introducing risk-reduction mechanisms and developing secondary markets • Develop multi-tiered impact investment funds

