



**Report on the Brainstorming Dialogue on
Commercialization of Sustainable Investment Opportunities in the Agribusiness
Sector**
19th December 2023

Objectives

The Dialogue was convened by the Sustainable Development Council (SDC) in collaboration with the Ceylon Chamber of Commerce (CCC) and the Sri Lanka Bank's Association's Sustainable Banking Initiative (SLBA SBI) to map the sustainable investment opportunities in the agribusiness sector which is identified as an important area with high sustainability gains as well as having high potential to generate sustainable private investments through viability gap funding.

Background to the Discussion

- A Presentation was made by the SLBA SBI on the need for a Country Level Blended Finance Facility in Sri Lanka as one of the options that could be explored to address market failures, especially in relation to high impactful sectors such as agri-food sector, where negative connotations in relation to risk impede the flow of private investment. Blended finance is the use of catalytic capital from public or philanthropic sources to crowd-in private sector investment for sustainable development. The presentation highlighted some of the market impediments that deter Sri Lanka from tapping the full potential of its agri-food sector and illustrated some of the positive reinforcements stemming from changes in global trade and investment regimes such as the EU Green Deal, which incentivizes national stakeholders to collaborate to enhance export competitiveness through adoption of sustainability best practice.
- This presentation by SLBA SBI elaborated on how a blended finance facility could support the uptake of such sustainability best practices in pooling and mobilizing resources of different stakeholders with differing risk, return and impact appetites and how such a facility could be used to aggregate high-impact investment opportunities that could be materialized with access to blended finance. The presentation delved in to the architecture and structure of such a facility in specifying different stakeholder groups that could be involved in the set-up of a blended finance facility in Sri Lanka. Such a structure could include:
 - Sourcing and blending of funds and resources from government/public resources, domestic private investment, local donor funds, international private capital, international development assistance and donor funding.
 - Correspondents – entities that could directly list their investment opportunity in the Platform without needing to go through the project preparation facility (optional)-pre-registered entities that have been vetted and approved by the governing council such as technical advisory bodies, accelerators/ incubators, banks and financial institutions (including investment banks) seeking collaborations from structured finance/ syndications, larger companies in export and modern trade.
- It was posited that initially this blended finance facility could be set-up as a Special Purpose Vehicle (SPV) that pools resource commitments (both financing and technical



assistance) from different partner organizations with a smaller fund with catalytic capital in place to mobilize on urgent funding needs of impactful business ventures. With time, as the market platform matures, the facility could graduate from managed fund to a decentralized financial platform (eg: in using permissioned blockchain architecture).

- A Presentation was made by the SDC of the key policy, financing and investment opportunities in policies/plans and financing frameworks developed by Sri Lanka.
- The CCC presented the potential Sustainable Agriculture Projects mapped through the Sri Lanka SDG Investor Map. These include:
 - Cold Chain Storage for Agricultural Products
 - Smart Information Systems
 - Input side Digital Platforms for Farmers
 - Promotion of commercial scale Aquaculture

Key Discussion Points

Land (Access to Land, Ownership and Land Usage)

- Access to land is a significant concern within the agri-business sector. It is widely recognised that 80% of agriculture is smallholder-based, and these farmers often face challenges related to limited access to land and ownership. Land ownership plays a crucial role in facilitating access to finance and resources. Banks and financial institutions carefully evaluate the risks associated with land and ownership when considering lending opportunities. **One of the solutions proposed is engaging in contract farming on state-owned land, which emerges as a viable solution to empower and uplift agri-entrepreneurs, fostering sustainable growth and development.**
- The importance of land use efficiency and the need to explore possibilities beyond primary crop cultivation to maximize the benefits derived from the land was also emphasized. **Introducing peri-plantation and expanding its implementation was suggested as a solution although the support for this aspect is currently lacking or insufficient.**
- On land use efficiency, it is also essential to focus on land usage patterns and the use of fertilisers and pesticides. These aspects are closely linked to sustainable development dimensions such as environmental protection, biodiversity, and the quality of water, soil, and land.
- **It was suggested that there should be dedicated space for research and development focused on enhancing land use efficiency and sustainable agricultural practices.**
- Enhancing the synergy between bio-gas initiatives and agriculture holds immense potential for sustainable development. By promoting the power of renewable energy, the energy needs of farming communities will be met and simultaneously will contribute to mitigating environmental challenges. In India, there are remarkable examples related to this. **Drawing from comparative experience and best practices, Sri Lanka can**



consider raising awareness and providing essential capacities/skills related to renewable energy generation within the sector.

Risk Management - Insurance and Guarantees

- Investing in the agribusiness sector or enhancing financial support systems for the sector is hindered by a significant drawback—the absence of a comprehensive country-level insurance scheme or guarantee programme for crops, relevant technologies, and tools. Unfortunately, the existing schemes and facilities are not universally accessible.
- To overcome this hurdle, there is a need to explore viable financial mechanisms and alternative approaches to insurance and guarantee schemes at all levels. Currently, there are notable gaps in crop insurance coverage such as limited in the number of crops and limited areas where premiums are paid. These also hinder the sector's potential and **it's important to consider expanding the coverage and exploring opportunities without burdening public finances.**
- **To address these issues, the government was requested to take proactive measures, particularly in micro-insurance initiatives such as index insurance. Additionally, a comprehensive evaluation of insurance, guarantee, and risk management mechanisms is essential to establish a robust and effective structure.**
- **The agro-business sector requires a well-developed insurance and guarantee system to mitigate risks and provide financial security. By expanding coverage, exploring alternative methods, and involving the government, a more sustainable and supportive environment for agricultural investments can be created.**

Regulatory Compliance

- Public sector inefficiencies and policy uncertainties and inconsistencies are hindering investment. Therefore, it was emphasised that the government must prioritise addressing these issues to attract both domestic and foreign investors.
- Another area of concern highlighted is with regard to fiscal policies, where trade restrictions and tariff limitations are detrimentally impacting the agribusiness sector. These measures are creating obstacles for growth and development of the industry, especially impacting the smallholder farmers and small industries compared to the macro industries. Additionally, non-tariff barriers are impeding private sector entities from obtaining necessary clearances from customs for agricultural inputs and materials required for value additions. Such limitations further hinder the progress of the sector. **Tariff and non-tariff barriers could be addressed by amending the customs ordinance, phasing out para-tariffs and streamlining the process through a trade adjustment programme. Empowering smallholder farmers can be done through market linkages and digital platforms as well as offering tax concessions and subsidies that will prevent the farmers from switching from one sector to another.**
- **In relation to operationalizing a blended finance platform, one of the current regulatory hurdles that would deter organizations to pool resources is the effect of double taxation on any returns from the facility. A representative from an investment bank stressed on the need for regulatory changes to allow such**



blended finance SPVs to operate as pass through entities as a way to encourage more organizations to participate in blended finance vehicles.

Agriculture Modernisation and Technology Transfer

- It was highlighted that agriculture modernisation demands urgent attention in Sri Lanka as the entire sector is outdated and inefficient, characterized by low productivity, low output, and minimal value addition in production. The issue lies not only in limited access to technologies and seeds but also in the lack of implementation of good agricultural practices. **It was pointed out that before considering commercialisation, it is crucial to address the barriers to modernisation and issues that are hindering the farmers' capacity to adopt and adapt to new technologies.**
- Various initiatives are currently underway to promote technology transfer and modernization of the agriculture sector. The Ceylon Chamber of Commerce (CCC) is engaged with the government in the field of agri-technology, providing valuable inputs and collaborating with the private sector to introduce new technologies.
- Asian Development Bank (ADB) pointed out that the limited availability of financial resources for the sector poses a significant obstacle although not a critical one and the primary focus should be directed towards the imperative of agriculture modernisation.
- On modernisation and technology transfer, Ellawala Horticulture expressed commitment to supporting technology transfer and proposal development. However, few concerns were raised regarding the sustainability, accountability of technology and knowledge transfer as follows:
 - Ensuring effective technology transfer to farmers: identifying responsibility and guaranteeing success
 - Collaboration and continuity: filling the gap in technology transfer and sustainability of the process and progress
 - Coordinating efforts for sustained impact: maintaining linkages and addressing challenges by engaging with multiple stakeholders and institutions,
- **ADB pointed out that one highly tangible initiative that can be considered for support is 'Agrarian Modernisation Hubs' by the government at the Divisional Secretariat Level.** The government has committed to creating these public-private centres, which will serve as a hub for all agricultural sector-related inputs. **Prioritising agricultural modernisation is an important parallel to enabling access to finance and resources to overcome the sector's inefficiencies.**
- **It was highlighted that the responsibility for technology transfer to farmers and main stakeholders must be clearly defined, and mechanisms should be put in place to guarantee its success.** Collaboration and continuity play pivotal roles in filling the gap left by departing entities. Fostering coordination and maintaining linkages would help overcome challenges and ensure the seamless continuation of technology transfer efforts.



Supply Chain Management

- Integrating agricultural products into the local or higher value chain in more effective ways was another issue that was discussed. The potential for fresh fruits and vegetables is an evident option but the lack of cold and thermal chains in the supply chain and value addition poses a significant barrier in Sri Lanka. This issue is closely tied to the need for technology transfer, modernisation, and capacity building among the key stakeholders in the sector.
- It was brought to attention that there is an incomplete cold chain facility in Dambulla. It is crucial to thoroughly understand the factors contributing to this situation to gain a comprehensive understanding of the requirements and identify areas for improvement.
- One of the stakeholders has suggested providing financial support for solar-powered cooling systems, utilizing renewable energy. They are eager to collaborate with appropriate entities, preferably NGOs, to efficiently tackle this issue using the resources at hand.
- Enhancing revenue in the agriculture sector requires careful attention to the value chain and the adoption of relevant technologies. These considerations play a vital role in maximising profits and ensuring sustainable growth. Additionally, it is essential to focus on facilities that can assist smallholder farmers, taking into consideration their unique needs and limitations.
- Stark differences have been observed in different geographies when it comes to the profitability of the same crop, primarily due to the differences in management of value chains. This needs to be considered when formulating policies and the provision of funding since the conduciveness of the ecosystem matters.
- **The strategic structuring of the value chain holds immense significance in optimising agricultural operations. In this regard, exploring the potential of the e-value chain also becomes a notable aspect.**

Investment Opportunities in the Agribusiness Sector

- According to a recent Report from the World Bank, the country's untapped export potential for merchandise is approximately US\$10 billion annually, with a significant portion coming from agricultural products. At the same time, Sri Lanka possesses an untapped market that can be effectively promoted, particularly in the areas of fresh vegetables, king coconut, tea, cinnamon, and spices. Ministry of Agriculture particularly pointed out the high demand for king coconut from Sri Lanka that should be explored and expanded.
- Data suggests that Sri Lanka has the potential to generate substantial GDP growth through its agricultural sector, particularly in the export market. However, it is currently experiencing a decline in its export capacity. By maintaining high-quality standards that meet market expectations and demands (including the appropriate level of usage of fertiliser and pesticides), the benefits can be obtained by people in agri-business.
- The Ministry of Agriculture communicated its intention to grant concessions for value-added agro-industry exports. Furthermore, the Ministry is committed to providing support and encouragement to newcomers (especially youth) in the sector and willing to



collaborate with other stakeholders to enhance the capacity of the agricultural industry. The Ministry of Agriculture's commitment to facilitating this growth through tariff concessions and support for newcomers is a positive step towards realizing this potential.

Financial Issues and Blended Finance

- **It was pointed out that the Non- Bank Financial Institutions (NBFIs) play a vital role in addressing the current challenges. It is crucial to utilize the expertise of NBFIs to effectively tackle the issues.** Surprisingly, 48% of borrowers in Sri Lanka rely on borrowing from friends, family, and unregulated sources due to the limited presence of the banking and financial sector at the grassroots level. It was further emphasized that to truly promote development, it is essential to prioritise the NBFIs sector, as it has the necessary reach and risk capital. This approach will lead to tangible progress and upliftment in the region.
- From the perspective of banking and financial institutions, there are regulatory limits and assess the risks associated with proposed agri-business initiatives for lending purposes. Banks seek a guarantee of return and have limitations on time duration, grace periods, and payback periods. As highlighted, insurance availability for the sector is not prominent and making access to finance a barrier in many situations. However, banks extended their support to provide non-financial services related to agri-business initiatives, such as proposal development and financial advisory services.
- **It was pointed out that the banking sector's understanding of the agriculture sector also needs to be enhanced particularly in lending facilities.** Different types of agriculture have varying time durations from planting to cultivation, and need reasonable flexibility in repayments, interest rates, and long-term loan facilities for certain initiatives. However, the current available banking facilities do not provide financial assistance up to these expected requirements. In such cases, the concept of blended finance facilities proves beneficial. Ellawala Horticulture provided the example of mango cultivation, where the investments need longer gestation periods, which the banking and finance sector is ill-equipped to support due to lack of depth of capital markets.
- Another example of market failure was the risk averseness and hesitancy of financial sector to invest in R&D. Aitken Spence Plantations elaborated with examples on how they have attempted to diversify their business through R&D, in venturing in to cultivation of berries such as blueberries and raspberries, which was new to Sri Lankan market. The representatives from the company noted that the constraints in access to finance for such new ventures have stifled innovation. They offered support for the formation of a blended finance facility with the hope that the facility could also spur greater innovation in the economy.
- The control over the market and products plays a pivotal role in impacting the smallholder farmers and their agricultural practices. Therefore, providing blended finance and other relevant technical assistance could contribute to stable engagement of the banking sector in the agriculture sector and support agri-business improvements.
- **The strategy for blended finance should consider both macro and micro aspects, as some large investors like international development agencies are unable to reach micro level without the intervention of local partners, thus making the**



proposed facility a means of connecting international agencies and micro-level beneficiaries.

Technical Assistance and Capacity-building

- Financial resources alone are not always sufficient to address complex challenges in the agribusiness sector. It is important to recognise other resources that can contribute to the success of agri-business initiatives. **Blended Finance is a key aspect, but a wide range of resource mobilisation strategies need to be considered. These include providing technical assistance to enhance project implementation, offering non-financial services to support project development, facilitating knowledge management services to foster learning and collaboration, and enabling technology transfers to promote innovation.**
- **Therefore, collaboration is needed to bring together various stakeholders, including government agencies, private enterprises, and people in the agri-business sector, to integrate innovative technologies, best practices, and expert guidance through the platform model.**
- **The platform modality presents an opportunity to leverage the expertise of stakeholders and derive benefits not only through financial resources but also through other relevant resource mobilization strategies.**
 - It was suggested by Ellawala Horticulture to establish a system to evaluate agri-business proposals by industry specialists. The extent of technical assistance required can be determined based on the capacity and project's capability. Moreover, they expressed interest in offering help for technical support and technology transfer relevant to mango cultivation including support with proposal writing and business plan development.
 - **The United Nations Development Programme (UNDP) emphasized the importance of creating a monitoring system to track the impact of initiatives from both development and commercial aspects**, which has rarely been given importance. It is crucial for specialists to contribute to the testing of this system, and the UNDP is willing to engage in capacity development and support to design a model for monitoring.
 - JICA invited individuals/ agri-business institutions to visit JICA project sites engaging in agriculture projects, particularly in supply chain management - Fertilizer and Pesticide Appropriate Use Project, as well as the projects in the Dairy Sector. JICA committed to providing comprehensive technical assistance to those in need.
- It was pointed out that the agri-business initiatives need to effectively address the nutritional requirements of the national population. It is crucial to assess the anticipated consumption levels of the country for the next 3-5 years. This assessment will serve as the foundation for making informed decisions regarding food exports, with the primary objective of ensuring a secure food supply for the people.
- The ADB is actively engaged in the development of a resource platform that specifically targets infrastructure projects, with a strong emphasis on renewable energy to promote public-private partnerships. Since the blended finance platform also have a similar focus of the mobilisation of resources and opportunities, it was pointed out that prioritising



transparency and access to information will undoubtedly yield numerous advantages for all stakeholders while avoiding complications.

- While welcoming the modality of blended finance, UN Global Compact raised concerns that establishing a separate entity for such financial modality should not take priority over the need to establish a dedicated Sustainable Development Bank which can prioritise national welfare over revenue and profit through special regulatory provisions.

**Brainstorming Dialogue on
Commercialization of Sustainable Investment Opportunities in Agriculture Sector
19th Dec 2023
Participants List**

No	Institute	Name & Designation
	Government Sector	
01	Presidential Secretariat	Dr.Ananda Mallawathantri Advisor to the President on Environment, Climate Change and Green Finance
02	Ministry of Agriculture	Ms.Roshani Dissanayaka Additional Secretary
03	Sustainable Development Council	Ms.Chamindry Saparamadu Director General
04	Export Development Board	Ms.M.Baddegamage Act. Director General Sri Lanka Export Development Board
05	Ceylon Fisheries Cooperation	Dr.Lalith Liyanage General Manger
06	Ceylon Fisheries Cooperation	Mr. K.K.S.Kothalawala DGM - Marketing
07	Department of Export Agriculture	Mr.K.D.Chamil Mahipanchala Marketing Consultant
08	Ministry of Fisheries	Mr.B.A.P.Kapila Director (Planning)
09	National Aquaculture Development Authority	Mr.J.A.Saminda Lakmal Assistant Director
10	Department of Agriculture	Ms.Shamika Premarathna Assistant Director
11	Sustainable Development Council	Ms.Nadeeka Amarasinghe Assistant Director
12	Sustainable Development Council	Ms.Mehala Mahilraj Research Project Assistant
13	Department of Export Agriculture	Mr.H.M.L.Abeyrathna Media Officer
14	Ceylon Chamber of Commerce	Mr.Buwanekabahu Perera SG/Chief Executive Officer
15	Ceylon Chamber of Commerce	Ms.Imesha Dissanayaka Economist
16	Sri Lanka Banks Association (SLBA)	Mr.Ravi De Silva Secretary General
17	Sri Lanka Banks Association (SLBA)	Mr.Adeesha Chathuranga Core Group Member
18	UN Global Compact	Mr. Rathika de Silva Executive Director
19	FCCISL	Mr.D.K.Sarath Chandrasena Executive Committee Member
20	CIC Holdings	Mr.Aroshan Seresinhe Group Chief Executive Officer
21	Taprobane Sea Food Association	Mr.Dilan Fernando Chairman
22	Ellawala Export (pvt) Ltd	Mr.Chanaka Ellawala Director

23	Market Development Facility	Ms. Dulanga Witharana Country Team Coordinator
24	Ceylon Cold Stores PLC	MR.Amila Sirimanne Senior Manager (Regulatory Affairs)
25	TWCorp Pvt Ltd	Ms.Natasha Silva Senior Vice President
26	TWCorp Pvt Ltd	Mr.Tharinda Jayawardena Director
27	Ocean Pick Ltd	Mr.Irfan Thassim Managing Director
28	Standard Chartered Bank	Ms.Oshani Wickramasinghe Associate Transaction Banking Sales
29	Commercial Bank PLC	Ms.Kamalini Ellawala Senior Manager-Sustainability
30	Commercial Bank PLC	Sushara Vidyasagara Head of Investment Banking
31	Siyapatha Finance PLC	Ms.Ayodya Galapaththi Branch Manager
32	DFCC	Mr.Nalin Karunathilaka Vice President-Sustainability
33	DFCC	Mr.Chandana Wanigasena Vice President-MSME
34	The Finance Houses Association	Mr.Romani De Silva Managing Director
35	Alliance Finance Company PLC	Mr.Amal Somarathne Head of Sustainability and Strategic Planning
36	Embassy of Japan	KATSUKI Kotaro Minister/ Deputy Head of Mission
37	Asian Development Bank (ADB)	Mr.Takafumi Kadono Country Director
38	Asian Development Bank (ADB)	Mr.Sanath Ranawana Principal Water Resource Specialist
39	UNRC Office	Mr.Azam Bakeer Marker Partnership and Development Finance Specialist
40	Food & Agriculture Organization (FAO)	Dr.W.M. W. Weerakoon Senior Agriculture Specialist
41	UNDP	Ms.Dulani Sirisena Team Leader-Sustainable Growth
42	Japan International Cooperation Agency (JICA)	Mr. Takuma Noguchi Senior Representative
43	IFC	Ms.Priyaka Cooray Senior Investment Officer
44	IFC	K.Abeywickrama Operation Officer
45	SLYCAN Trust	Mr.Kavindu Ediriweera Director