



Sustainable Development  
Council Of Sri Lanka

# INTEGRATED SDG INSIGHTS SRI LANKA

This initiative supports the articulation of national commitments to SDG transformation, towards accelerated SDG action in the second half of the 2030 Agenda.



# HOW TO READ THIS REPORT



Integrated SDG Insights provides an overview of a country's economic growth trajectory, highlighting potential conflicts between growth, environmental concerns, and societal well-being (referred to as the **SDG Moment**).



It builds from the foundation of national SDG progress through the lens of the 5Ps and uses machine learning to analyse national development ambition with an SDG lens (**SDG Trends & Priorities**).



Combined, these insights are mapped against SDG interlinkages to define policy choices that accelerate SDG progress, tailored to national context (**SDG Interlinkages**).



These policy choices are made against fiscal constraints and opportunities for stimulus to ensure choices translate to development impact and leave no one behind (**Finance & Stimulus**).

# SDG MOMENT: SRI LANKA

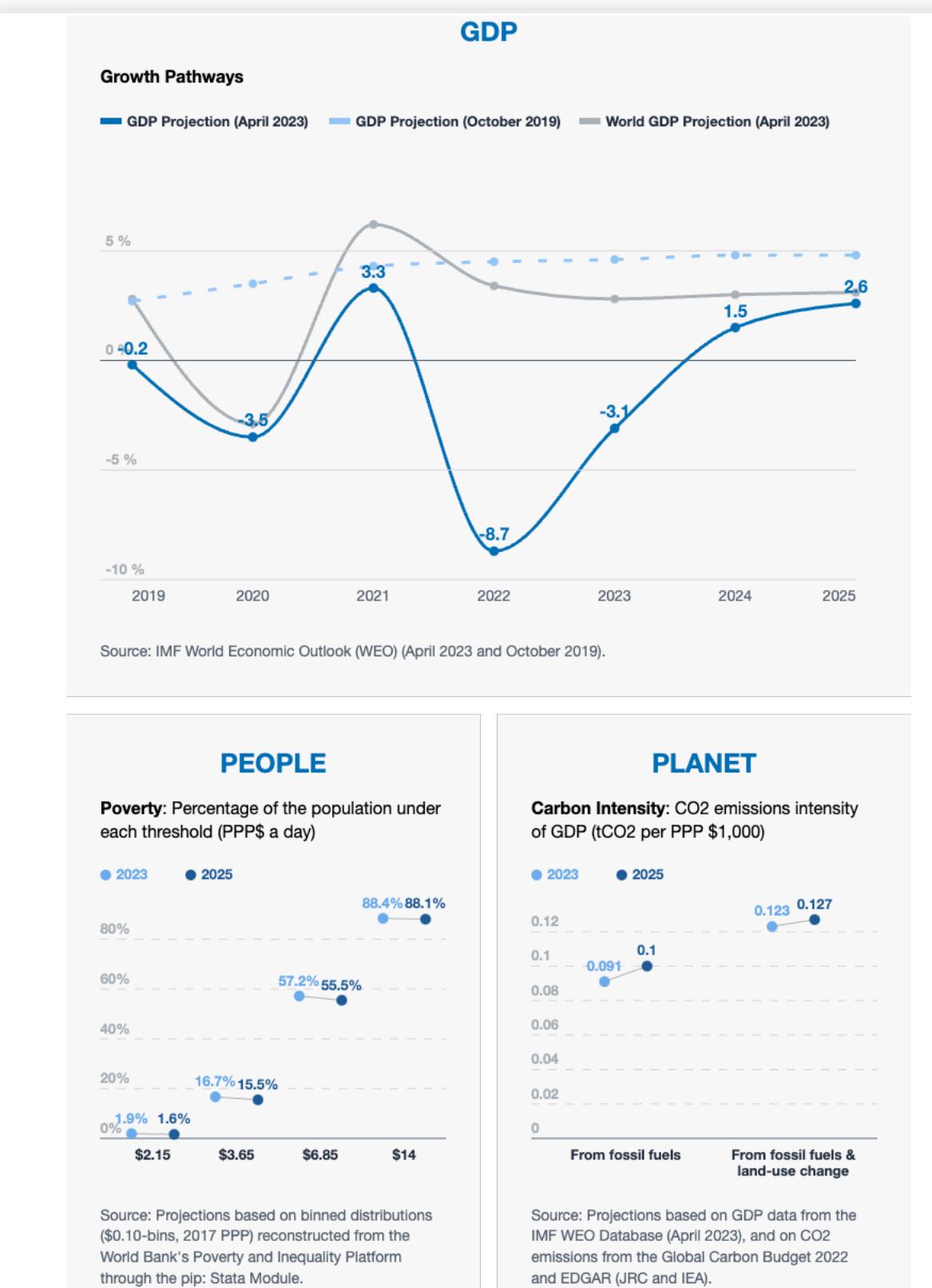
While economic growth is a key element in achieving the SDGs, many countries are intent on moving beyond growth as a yardstick for progress. In the short run, growth enables the SDGs; but in the long run, the SDGs aim to transform the pattern of growth itself.

Sri Lanka's recent economic challenges have led to the ongoing crisis. The poverty rate surged from 13.1% to 25% in 2022 (World Bank), with further increases expected due to various threats to livelihoods. The attempt to promote green growth by replacing chemical fertilizers with eco-friendly alternatives faced implementation issues, affecting agriculture and food security.

A buildup of public financing and debt sustainability issues led to the economic downturn and the country did not have the space to recover post-pandemic as rapidly as many other countries. Sri Lanka dealt with debt distress, fiscal constraints and declining private sector growth and is expected to face an economic contraction in 2023, but to slowly recover from 2024 onwards. The country considers the current situation as an opportunity to rebuild the economy while achieving the SDGs.

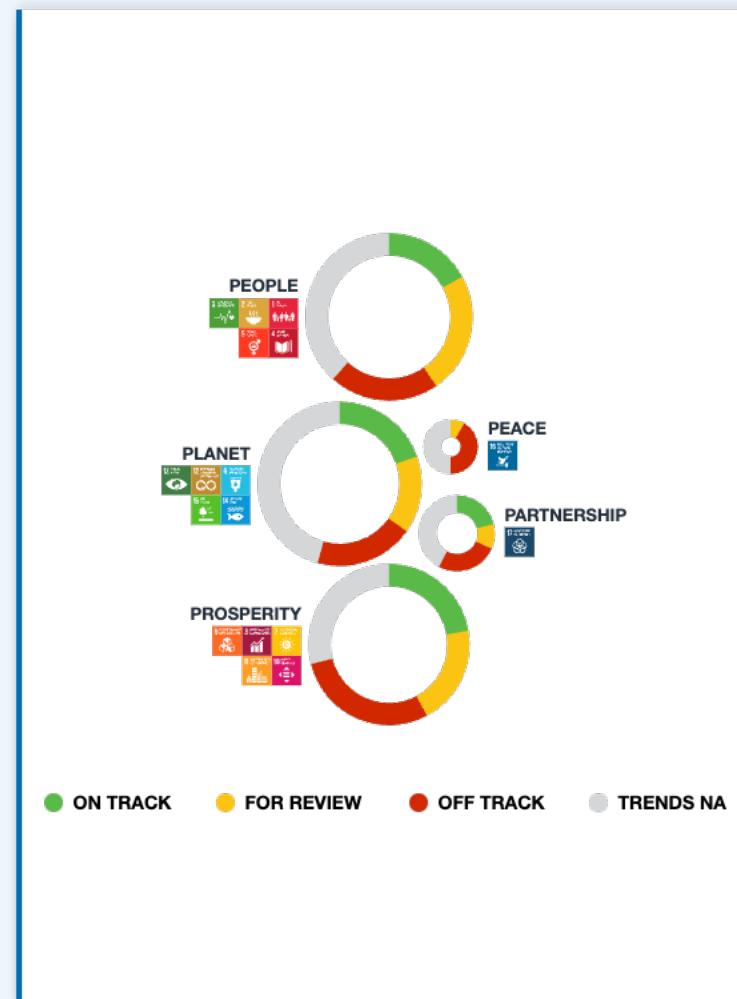
The government has already started acting on immediate measures, such as macroeconomic reforms to stabilize the economy and on social protection reform as a cushion for the most vulnerable, while also engaging in long term-measures, such as cost-reflective energy, taxation and other institutional reforms. Additionally, Sri Lanka has actively pursued economic growth and human development with a focus on reducing carbon emissions. The country has implemented measures to enhance resilience to climate change and to mitigate its effects. These efforts including the development of nationally determined contributions to the United Nations Framework Convention on Climate Change that align with the global mission to combat the impacts of climate change.

The commitment to achieving the SDGs is focused on reversing the adverse impacts of the crisis to reduce poverty, elevate human development and ultimately achieve sustainable economic growth, while addressing the needs of the most vulnerable.



# SDG TRENDS

Understanding how Sri Lanka performs against the SDG targets provides a baseline landscape against which to build integrated SDG pathways. SDG progress tracking follows [UN Stats](#) standards and [methodology](#), and is aligned with country profiles.



# SDG PRIORITIES

Sri Lanka's national priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents. This analysis uses a custom-built model for SDG classification. It considers 100k+ terms, including phrases and expressions.



## Key documents for analysis\*:

1. Voluntary National Review 2022
2. National Agriculture Policy (updated version)
3. National Health Policy (2021-2030)
4. National Gender Action Plan
5. National Education Policy Framework (2022)
6. Long-Term Generation Expansion Plan (2023 -2041)
7. National Environment Policy
8. National Drinking Water Policy
9. National Policy on Sustainable Consumption and Production
10. SDG 16 Action Plan - Ministry of Justice

## Priorities in detail:

<https://data.undp.org/sdg-push-diagnostic/LKA/current-priorities>

# SDG INTERLINKAGES

SDG interlinkages reveal how actions directed towards one SDG can impact others. Uncovering and understanding these interactions can help Sri Lanka to achieve the 2030 Agenda for Sustainable Development and to navigate trade-offs.

Based on a global framework for interlinkages, Sri Lanka's SDG progress is colour-coded at the target level.

Building from national trends and priorities, the following integrated SDG pathways reflect policy choices with the most potential to accelerate the SDGs for Sri Lanka:

- Target 1.4: Equal rights to ownership, basic services, technology and economic resources
- Target 2.4: Sustainable food production and resilient agricultural practices
- Target 7.2: Increase percentage of renewable energy
- Target 8.5: Full employment and decent work with equal pay
- Target 16.6: Develop effective, accountable and transparent institutions
- Target 17.3: Mobilize financial resources for developing countries



## ACCELERATION PATHWAYS



# SDG INTERLINKAGES

**1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

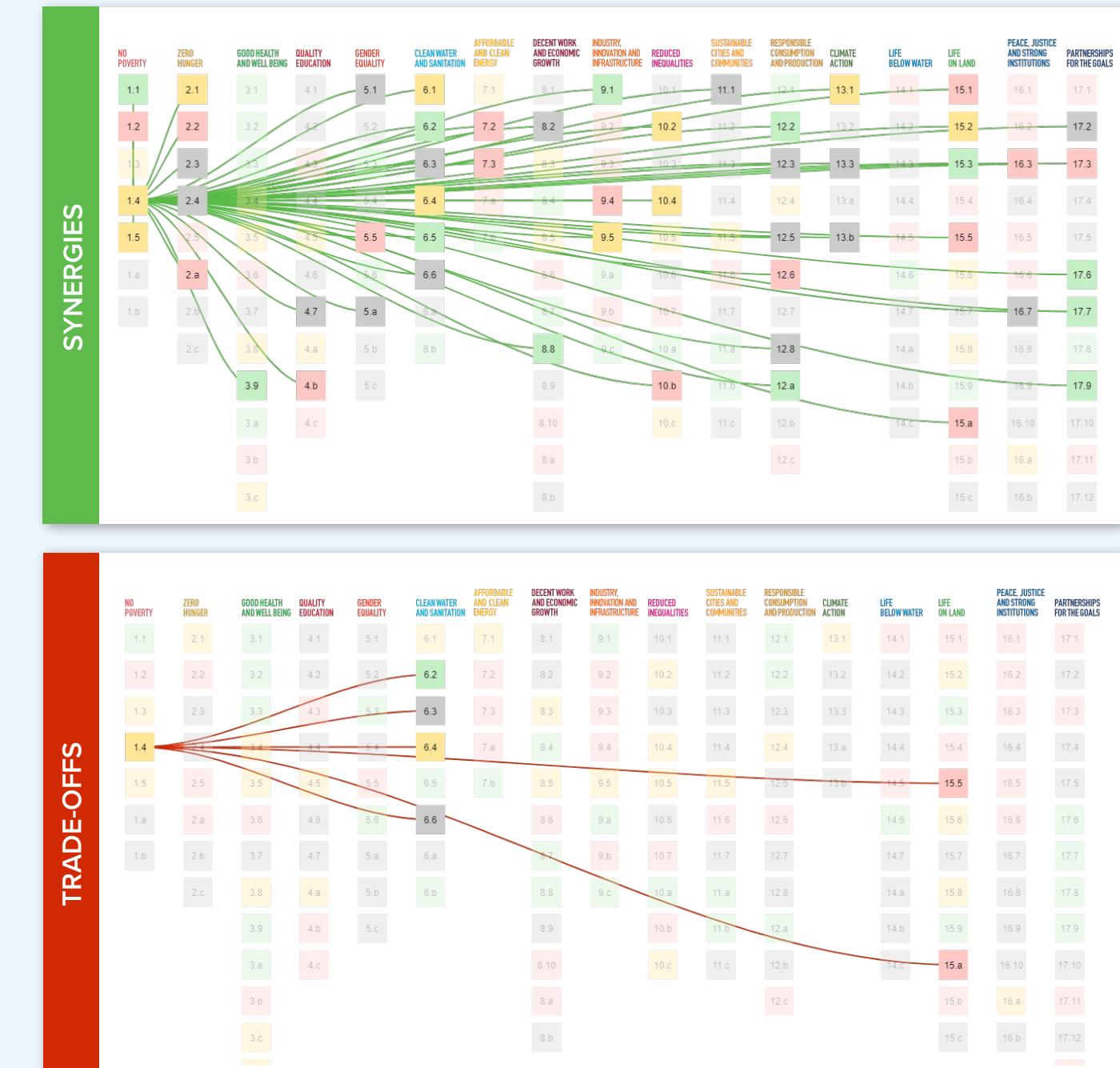
Amid Sri Lanka's economic crisis, poverty and vulnerability have surged. Poverty rates doubled between 2021 and 2022 from 13.1% to 25%<sup>1</sup>, with an additional 2.5 million people living below the poverty line in 2022 alone. To address this crisis, Sri Lanka introduced the "Aswesuma" social welfare system, which consolidates four essential programs aimed at assisting the most vulnerable households – those living in poverty, the elderly, individuals with disabilities, and those suffering from chronic kidney disease

Social protection is a central component of Sri Lanka's 'National Transformation Roadmap' and aligns with IMF Extended Fund Facility (EFF) recommendations. The government is committed to pro-poor economic policies, prioritizing the well-being of vulnerable populations and fostering inclusive growth.

SDG target 1.4, contributes to SDG 2 (Zero hunger) by ensuring access to productive resources for vulnerable groups, SDG 5 (Gender equality) by addressing women's economic empowerment, and SDG 12 (Responsible consumption and production). While synergies exist with some targets linked to goals such as clean water and sanitation (SDG 6) and life on land (SDG 15), there are also trade-offs within these same SDGs.

<sup>1</sup> World Bank.

● ON TRACK      ● FOR REVIEW      ● OFF TRACK      ● TRENDS NA



Explore the interlinkages at:

<https://data.undp.org/sdg-push-diagnostic/LKA/synergies-and-tradeoffs>

# SDG INTERLINKAGES

**2.4:** By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality

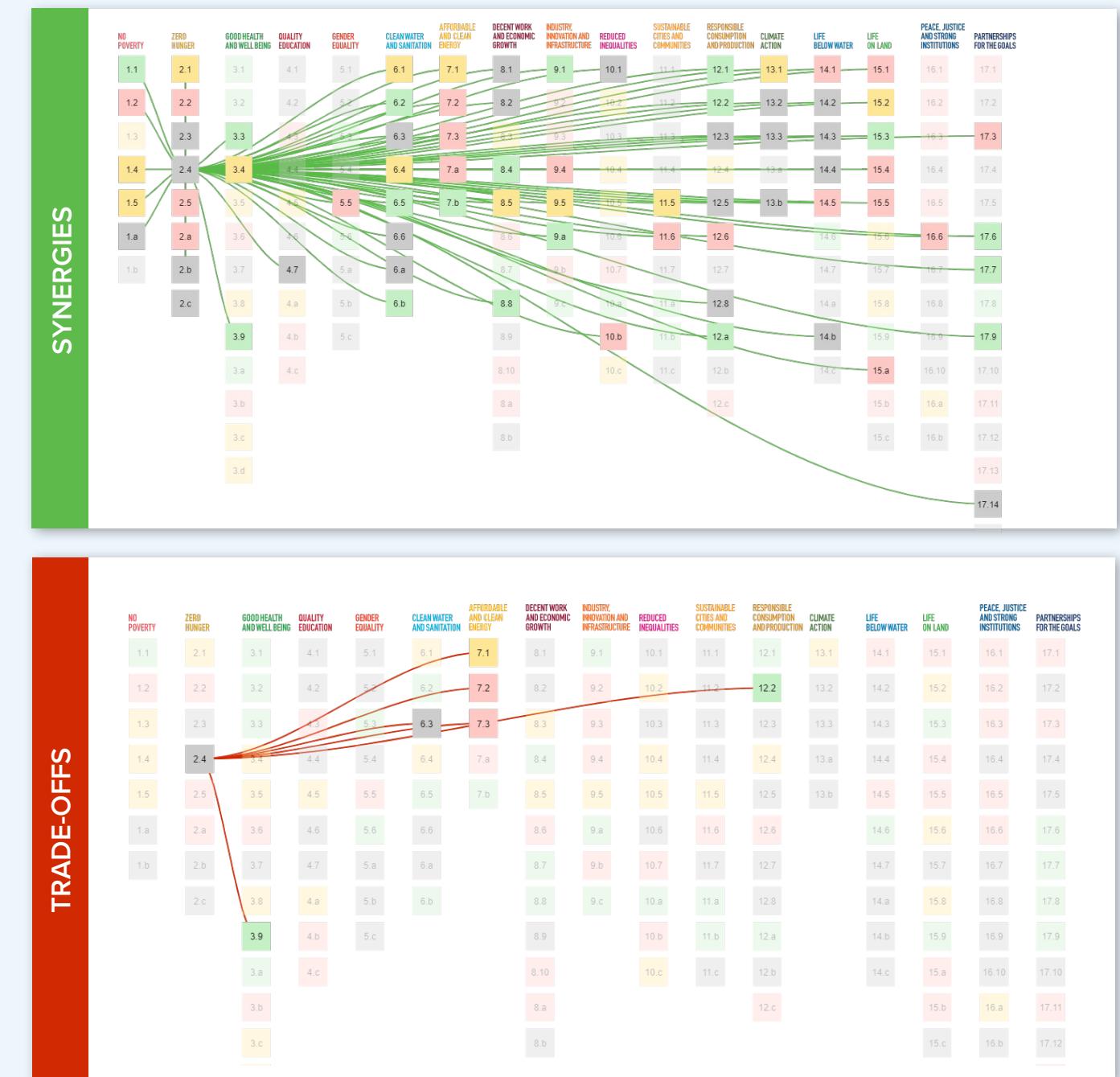
A World Food Programme report highlights that more than 6 million Sri Lankans (constituting around 30% of the population and 86% of families) face food insecurity, largely due to unaffordability during the hyperinflation of 2022. The cost of living continues to rise due to elevated input costs and disruptions in agricultural practices caused by unusual weather patterns.

Investing in achieving SDG target 2.4 can mitigate food waste (which accounts for roughly 30-40% of production), and foster agri-oriented research and innovation to improve agricultural practices, especially in value chains. These practices offer promising returns, such as solar-powered cold chain storage for vegetables (8-11% return) and fruits (over 56% return).

Investing in target 2.4 will also help mitigate the impact of climate change on agriculture, thereby increasing the sector's contribution to GDP, which stood at 7.5% in 2022. It can also enhance the physical and mental well-being of people (SDG 3.4) and contribute to reducing poverty (SDG 1.2).

As signified by the trade-offs, increased productivity and production should not be at the cost of increased pollution (SDG 6.3) and an even higher dependence on fossil fuels (SDG 7.2). An approach that will enable sustainable management of natural resources is vital (SDG 12.2).

● ON TRACK      ● FOR REVIEW      ● OFF TRACK      ● TRENDS NA



# SDG INTERLINKAGES

## 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix

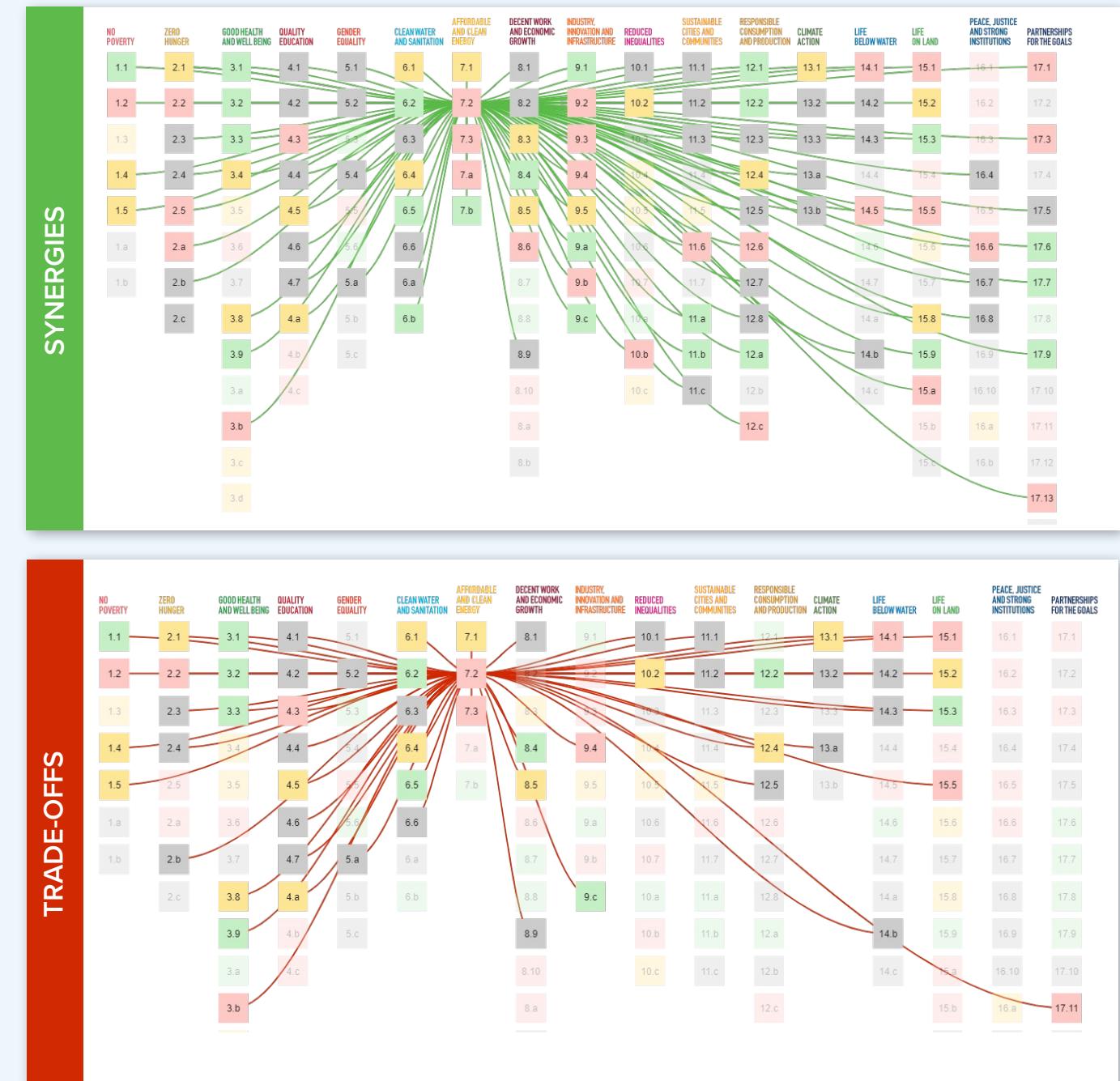
Securing renewable energy generation is crucial for Sri Lanka's sustainable development. The nation's ongoing reliance on fossil fuel-generated electricity harms both the environment and the economy, with 30% of export earnings spent on fuel imports. Additionally, only 9.7% of electricity was derived from renewable sources in 2020. To address these challenges, the government envisions a long-term transition to achieving at least 70% renewable energy generation by 2030.

Propelling SDG 7.2 forward can foster economic growth by achieving higher levels of economic productivity (SDG 8.2) and sustainable industrialization (SDG 9.2), while also encouraging responsible consumption and production practices (SDG 12.4).

The renewable energy sector is expected to grow at a compound annual growth rate of over 25% for a time-frame of 5-10 years, which can help other industries to reduce their environmental footprint.

Potential investment in this area should, however, ensure that the transition to renewable energy is accessible to all in the society, and therefore an inclusive approach is needed that will be able to circumvent any trade-offs, such as the exploitation of natural resources, e.g., water (SDG 6.3).

● ON TRACK      ● FOR REVIEW      ● OFF TRACK      ● TRENDS NA



# SDG INTERLINKAGES

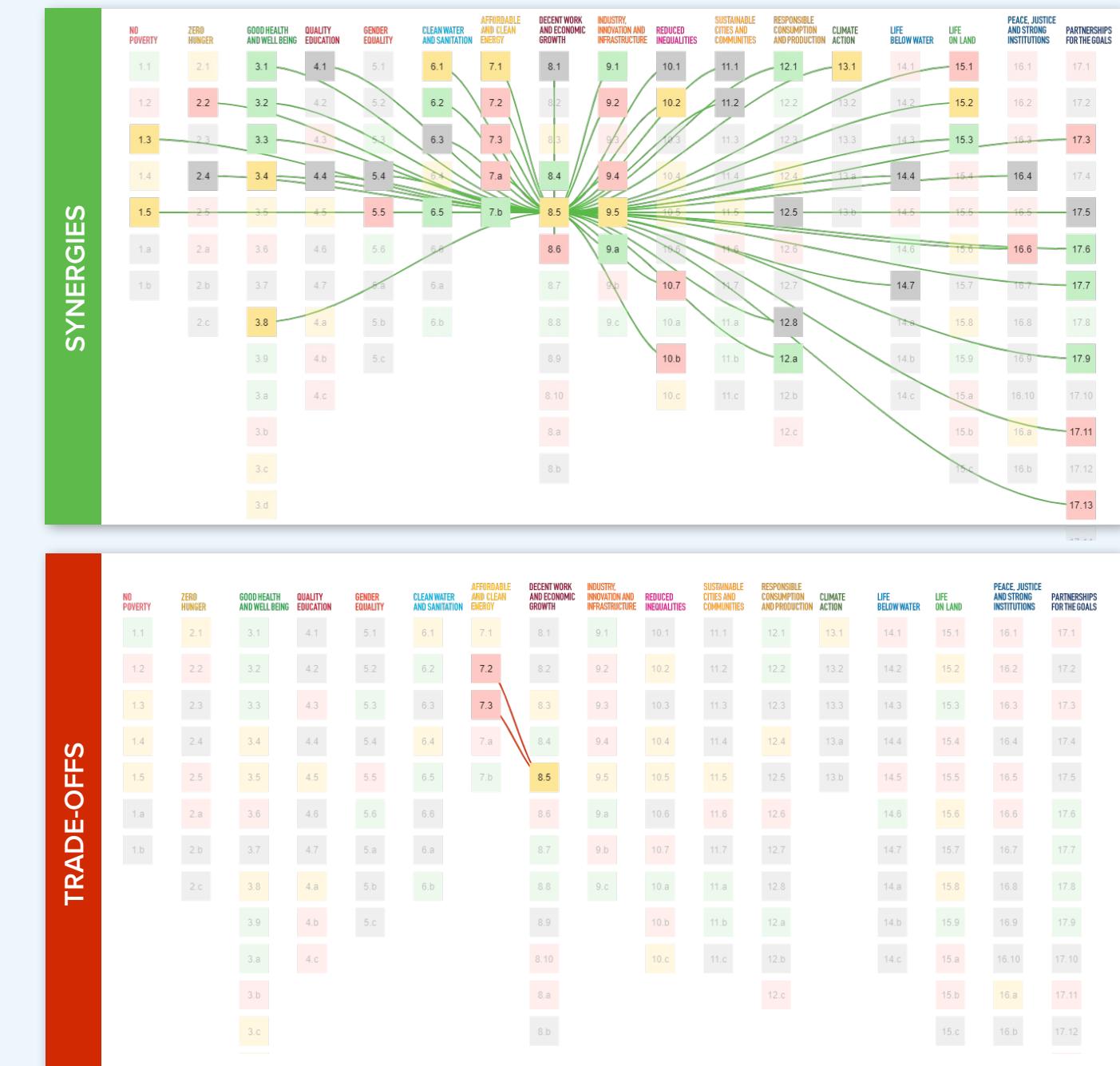
**8.5: Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value**

In 2021, Sri Lanka had a significant gender gap in labor force participation, with 71% for males and only 31.8% for females. A substantial 58.4% of the workforce was engaged in the informal sector, and the economic crisis in 2022 exacerbated existing challenges, leading to increased youth unemployment and a brain drain. Additionally, those in the informal sector lacked sufficient social protection coverage.

Increasing investments to accelerate SDG target 8.5 will aid Sri Lanka in achieving decent work and productivity, which will have a multiplier effect on the development of other SDG targets, such as target 4.1 (Improving education), target 4.4 (Vocational training for decent work), and 9.5 (Upgrading technological capabilities). It will also help reducing poverty and ensuring women's full and effective participation is recorded and rewarded with equal pay (latest data shows female participation in the informal sector is 49.7%).

However, achieving full employment should not compromise on increasing renewable energy (SDG 7.2) and energy efficiency (SDG 7.3) which are potential trade-offs that need to be managed.

● ON TRACK      ● FOR REVIEW      ● OFF TRACK      ● TRENDS NA



Explore the interlinkages at:

<https://data.undp.org/sdg-push-diagnostic/LKA/synergies-and-tradeoffs>

# SDG INTERLINKAGES

## 16.6: Develop effective, accountable and transparent institutions at all levels

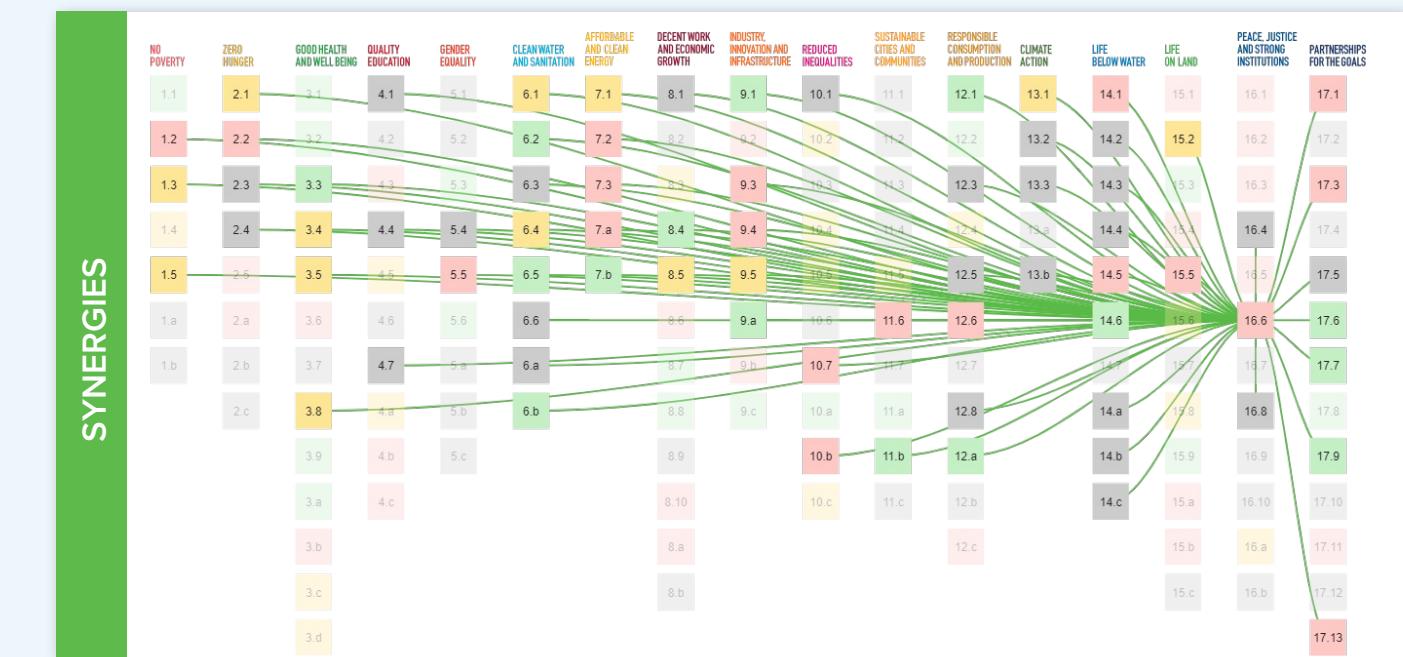
The Government of Sri Lanka views corruption as a macroeconomic concern and aims to improve governance by implementing measures to strengthen the anti-corruption framework, enhance state-owned enterprise governance and to leverage e-government platforms for revenue collection and expenditure management.

In line with the IMF recommendations, the following legislation is in place:

- As the country recognizes the need for a durable institutional framework, supporting flexible inflation targeting and greater exchange rate flexibility. To achieve this, by strengthening the autonomy of the Central Bank, a new Central Bank Act has been passed by the parliament and will soon be implemented.
- To enhance fiscal transparency and governance, strengthen anti-corruption measures and conduct thorough governance assessments, an Anti- Corruption Bill was passed in Parliament.
- The Public Financial Management (PFM) department collaborates with other government institutions to improve the management of public resources, fostering growth, development and poverty reduction. To address existing gaps and loopholes, a new PFM law will be introduced, ensuring legal clarity in the budget formulation process and establishing requirements for information and accountability.

Governance will be critical as Sri Lanka embarks on the next phase of the crises and ensuring trust in the institutions to support the rest of the SDGs including SDG 17.3 on mobilizing resources and partnership.

● ON TRACK      ● FOR REVIEW      ● OFF TRACK      ● TRENDS NA



Explore the interlinkages at:

<https://data.undp.org/sdg-push-diagnostic/LKA/synergies-and-tradeoffs>

# SDG INTERLINKAGES

## 17.3: Mobilize additional financial resources for developing countries from multiple sources.

In terms of foreign direct investment (FDI), Sri Lanka has implemented investor-friendly policies to attract external capital. The Board of Investment (BOI) is key in promoting FDI in manufacturing, tourism and infrastructure. Special economic zones and incentives are also in place to attract multinational corporations. BOI aims for US\$1.5 billion FDIs in 2023, with \$211 million achieved in the first quarter and \$3 billion FDI inflows by 2026.

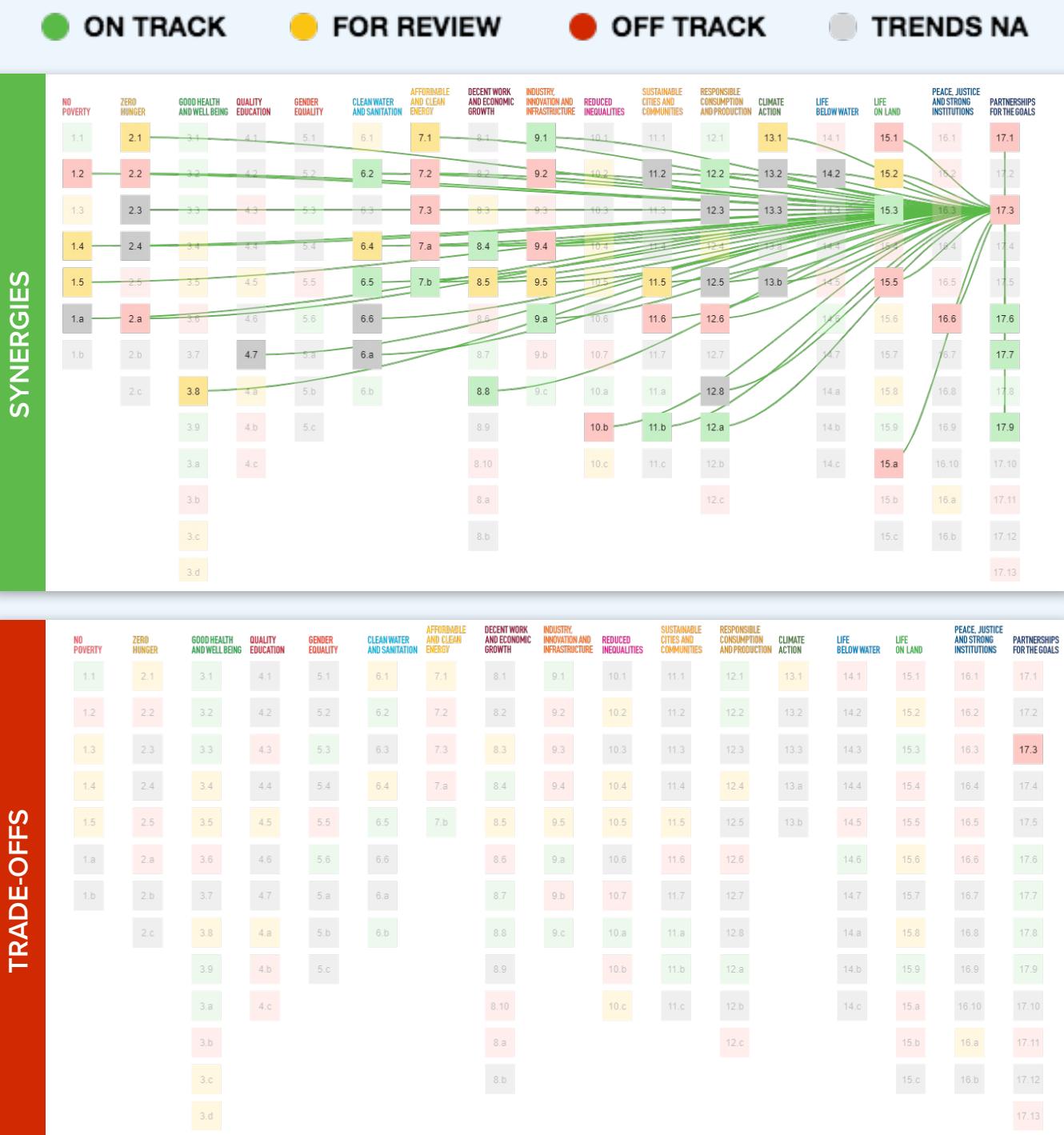
Sri Lanka's remittances from migrant workers have bounced back after a slump in 2021-2022, providing crucial support to its vulnerable external sector. In June, the country received \$475.7 million, a slight dip from April's \$479.7 million, but substantially higher than the \$274.3 million received a year ago during a period of acute foreign exchange challenges. These inflows play a key role in stabilizing Sri Lanka's external finances.

The government has also made several efforts to establish a conducive ecosystem for innovative/sustainable financing to meet Sri Lanka's SDG targets while achieving debt sustainability. Noteworthy measures comprise a sustainable financing road map, green taxonomy, green bond framework and new instruments, such as Debt-for-Nature swaps. Furthermore, the 2023 National Budget introduces a 'Marine Spatial plan' to attract sustainable investments and uphold nature conservation targets aligned with SDG commitments.

Sri Lanka actively nurtures South-South cooperation, engaging with both bilateral counterparts like China, India and Thailand and with multilateral alliances, including the Association of Southeast Asian Nations, the BRICS, the Regional Comprehensive Economic Partnership and the South Asian Association for Regional Cooperation.

However, Sri Lanka has not made a specific calculation of the SDG financing requirements. An estimate made in 2019 indicated that achieving the SDGs by 2030 would necessitate an annual investment equivalent to 9% of GDP. Considering this estimate was from 2019, it is likely that the funding gap has widened due to the challenges faced.

Sri Lanka's active engagement in international cooperation, as outlined in SDG target 17.3, has far-reaching synergies across most of the SDGs. Notably, this contributes to the promotion of affordable and clean energy (SDG 7) and climate action (SDG 13) the most, among other goals. It reflects a holistic approach to sustainable development.



# FINANCE & STIMULUS

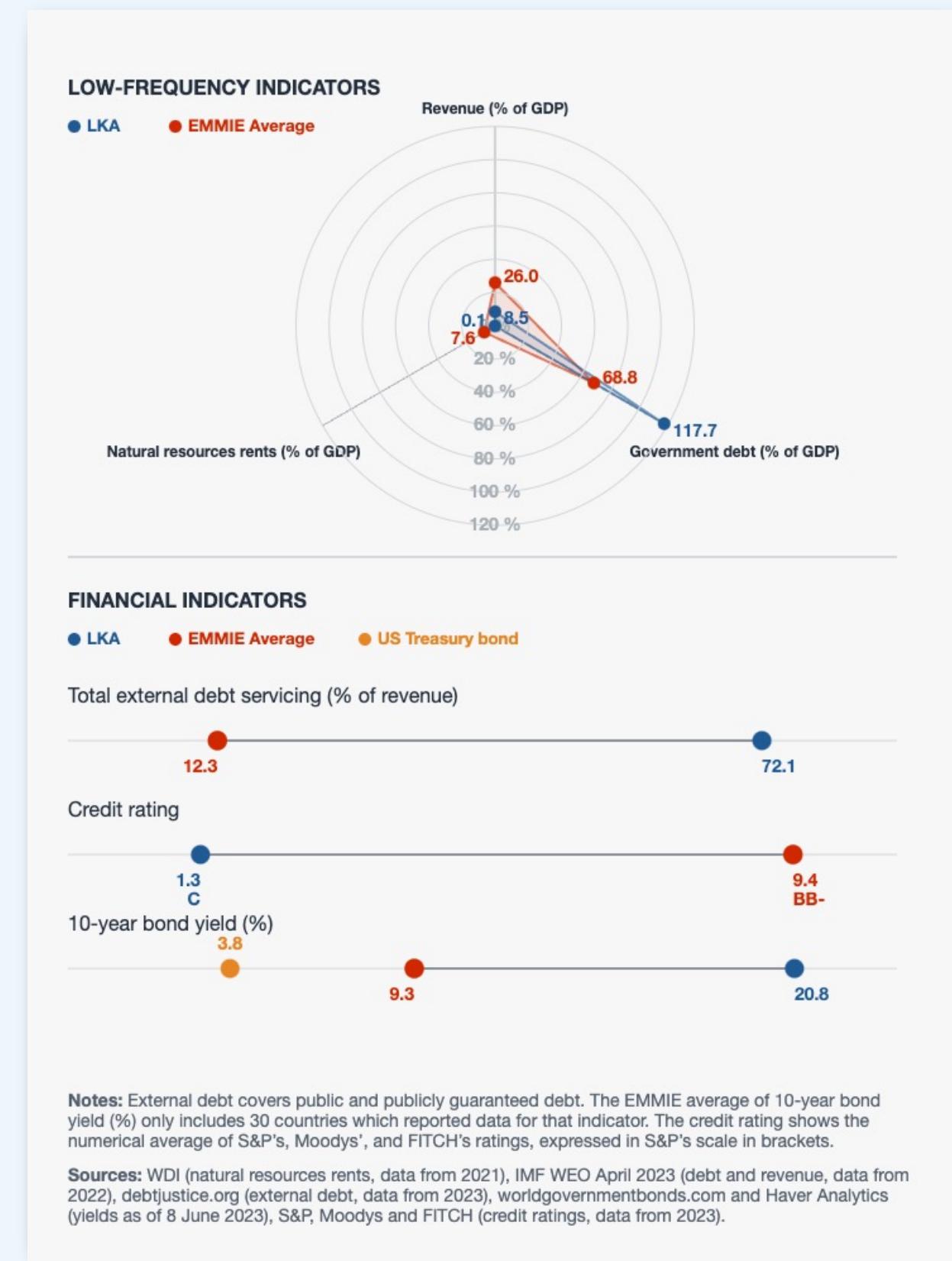
Many countries are facing reduced fiscal space, high debt levels, rising interest rates and downgrades on credit ratings. Fiscal and financial constraints tend to slow or even reverse SDG progress.

The radar diagram shows low frequency data points linked to government revenue, debt and natural resources rents as a proportion of GDP. The financial indicator graphs show external debt servicing relative to revenue and the country's sovereign credit rating and 10-year bond yield.

Sri Lanka's gross government debt, projected at 117.7% of GDP in 2023, is more than 1.8 times the emerging market and middle-income economies (EMMIE) average of 68.8%. The country has been managing an acute economic downturn since 2019, which also sparked a political crisis in 2022. In April 2022, Sri Lanka suspended repayments on its debt, and subsequently approached the IMF for support via the EFF. The 17th IMF programme includes an ambitious set of fiscal reforms which the government is currently implementing. However, revenue targets to collect 8.5% of GDP in revenue this year are yet to be reached.

Sri Lanka's external debt servicing this year is expected to be as high as 72.1% of revenue, which is nearly six times the EMMIE group's 12.3%. The country's credit rating is in the 'selective default' category and hence significantly below the EMMIE average of 'non-investment grade speculative'. The country's 10-year bond yield is trading at 20.8% – 11.5 percentage points (pp) above the EMMIE average of 9.3%, and 17 pp above a 10-Year US Treasury bond.

Due to the combined impact of low government revenue, high debt servicing costs and constraints to access commercial capital, investments in the SDGs are likely to remain a challenge.



# SDG STIMULUS

The [UN Secretary General's SDG Stimulus Plan](#) lays out a blueprint for action within the existing financial architecture. It includes:

- Providing liquidity to support recovery in the near term
- Enhancing debt relief for vulnerable countries
- Expanding development financing by MDBs
- Aligning financial flows with the SDGs and the Paris Agreement, according to country-level priorities and needs, for example through the roll-out of the UN Integrated National Financing Framework (INFFs).

The Government of Sri Lanka has implemented measures to adopt alternative financing mechanisms, including strong institutional and legal frameworks, governance systems, monitoring and evaluation mechanisms and technical expertise to ensure transparency, accountability, effectiveness and efficiency. In addition, revenue-based fiscal consolidation is a key component of the IMF EFF reform programme, which also offers additional recommendations to create a conducive environment for potential financing options. Consequently, Sri Lanka has identified the following possible financing options highlighted in the SDG Stimulus Plan for investments derived from the identified interlinkages to bring together national priorities on financing for development and SDGs:

- Tax and revenue reform
- Debt for SDGs through instruments such as debt swaps and thematic bonds
- Climate finance
- Blended and public-private finance
- SDG-aligned business environment and investment
- Accessing financial markets and insurance

## United Nations Secretary-General's SDG Stimulus to Deliver Agenda 2030

FEBRUARY 2023



# METHODOLOGY

Click [here](#) to view the Methodological Note for the Integrated SDG Insights



## SDG MOMENT

### Methodology

Assesses challenges and opportunities in national growth trajectories with insights on environmental sustainability and inclusiveness.

### Data Sources

Future trajectories to 2025 are based on IMF-WEO GDP projections, distributions of per capita income or consumption from the World Bank, and CO<sub>2</sub> emissions from the Global Carbon Budget 2022 and EDGAR (JRC and IEA).



## TRENDS & PRIORITIES

### Methodology

SDG trends tracks progress from 2015 to date for the 231 indicators. National priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents.

### Data Source

Trends utilizes official [UN statistics](#) to assess [SDG progress](#), supplemented with national data when available. Priorities uses a custom-built model for SDG classification. The policy documents analyses are provided by Governments.



## INTERLINKAGES

### Methodology

Global target-level interlinkages are drawn from the [KnowSDGs Platform by European Commission](#). SDG interlinkages were retrieved through a structured literature review in Scopus and Google Scholar to tap both grey literature and peer-reviewed publications as a source of information.

### Data Source

The exercise globally considered a total of 454 documents published from 2015 to August 2022. ([Miola et al., 2019](#) updated in [2021-2022](#))



## FINANCE & STIMULUS

### Methodology

Provides insight into indicators of fiscal and financial stress with options (INFF) for stimulus and other means to accelerate progress.

### Data Source

Most recent resource data from UNU-WIDER GRD (between 2018 and 2021), debt and revenue from IMF WEO (between 2020 and forecasts for 2023), external debt from IDS (2023), yields from Haver Analytics (8 June 2023), credit ratings from S&P, Moodys and FITCH (2023), and DSA ratings from World Bank/IMF (31 May 2023).