

35

332.6 S41

**INNOVATIVE FINANCING FOR DEVELOPMENT:  
ANALYSIS OF NEW DEVELOPMENT FINANCIE IN  
SRI LANKA**

**BY**

**Thayanithy skantharopa**

71343

## ABSTRACT

Sri Lanka is an emerging market economy with plenty of opportunities at its disposal. More than twenty million population resides in nine provinces of the country. The country's economic opportunities, growth, development and prosperity lie in effective decision making of the provincial and central governments. Development, especially in infrastructure, healthcare and human capital are considered the key to economic prosperity. However, provincial governments in Sri Lanka are heavily dependent on the central government fund transfers for their operational expenses and the central government is dependent on extensive borrowings from the foreign sources for development financing. Emergence of this unfavourable macroeconomic condition due to extensive external borrowings and dependency syndrome when it comes to financing for development are the reasons that urged to explore alternative financing for development initiatives. The need is to explore innovative financing approaches and mechanisms for development in Sri Lanka that would create transparency, credibility, public confidence, sustainability, self-reliance, pride and ownership among the citizens of Sri Lanka.

The research identified four main innovative financing approaches and its mechanisms for Sri Lanka which could be used by the policy makers, legislators of provincial and central governments to develop a policy framework for the implementation. This transition would see a paradigm shift in the governance of development financing in Sri Lanka. Four main innovative financing approaches are Crowdsourcing / Crowdfunding, Transparent Taxation, Global Strategic and Sustainable Investments and Global Humanitarian Funding approach. Crowdsourcing / Crowdfunding approach includes Philanthropy, Public Private Partnership and Diaspora Bond mechanisms. Transparent Taxation approach is to maintain Tax File Number (TFN) for every citizen in Sri Lanka. This is to ensure effective and efficient tax collection system which includes potential for Carbon taxation. Global Strategic and Sustainable Investments approach is the global engagement for green development projects in Sri Lanka and to have disaster risk

mitigation for Sri Lanka. Global Humanitarian Funding approach is the global engagement in reciprocal humanitarian initiatives for the benefit of people of Sri Lanka.

Innovative financing is relatively a new concept in Sri Lanka. Lack of understanding about the concept of innovative financing in Sri Lanka, unavailability of suitable case studies and policy framework are the limitations identified. However, Tellipalai Trail Cancer Hospital, Jaffna is a trailblazer project given the scope, performance and achievement and has become the case study for Crowdsourcing / Crowdfunding approach and philanthropy mechanism in Sri Lanka. Another mechanism identified is the diaspora bond that is effectively used by the state of Israel and India to deliver infrastructure and innovation projects. Sri Lanka has more than a million diaspora population which could be easily tapped using diaspora bond for the potential mega-projects funding such as Thalaimannar – Rameshwaram Train Service and Road Expressway, Palali International Airport and Kankesanthurai International Harbour in the Northern Province. In 2014, Northern Provincial Council legislators have passed a resolution to commence international commercial operations through the Northern airport and harbour. If initiated using diaspora bond, these mega projects would become a trailblazer and future case study for diaspora bond as innovative financing mechanism for development in Sri Lanka.

The policy makers, project owners and end users strongly believe, the identified innovative financing approaches and mechanisms promote the qualities such as project management excellence, transparency, credibility, sustainability, self-reliance, public confidence, pride and ownership among the citizens of Sri Lanka.

