





# SRI LANKA Country Partnership Framework FY23-26

## ABOUT THE WORLD BANK GROUP (WBG)

## Mission: fight poverty and support inclusive growth



#### **IBRD**

The International Bank for Reconstruction and Development

#### **IDA**

The International Development Association

#### **IFC**

The International Finance Corporation

#### MIGA

The Multilateral Investment Guarantee Agency

#### **ICSID**

The International Centre for Settlement of Investment Disputes

Together, IBRD and IDA form the World Bank

Sri Lanka has been a member of the World Bank since 1950 and IFC in 1956 Since then, the WBG has been instrumental in supporting Sri Lanka's development

### WBG ENGAGEMENT CYCLE

Diagnostic of core development issues and priorities

Country **Partnership Systematic** Country Framework Diagnostic (CPF) (SCD) Performance Completion and and Learning **Learning Review** Review (CLR) (PLR)

**CPF FY23-26 preparation is underway**. It is informed by:

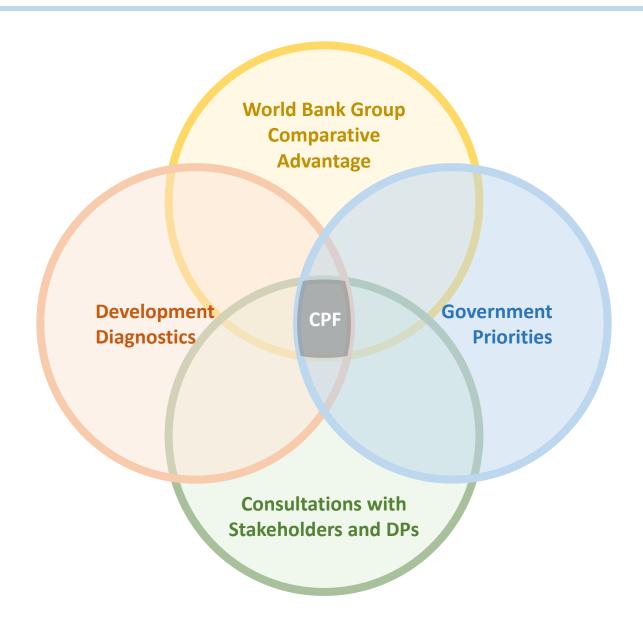
- SCD Update
- IFC Country Strategy and country priorities

Review of previous CPF (2017-2021) just completed

Midterm review planned



## CPF PRINCIPLES OF ENGAGEMENT



## CPF ADDRESSES GOVT. PRIORITIES, KEY CHALLENGES (INDICATIVE OUTCOMES INCLUDED)

#### GOVERNMENT PRIORITIES

## Economic stabilization and revival through structural reforms and debt restructuring

Fiscal consolidation, promoting trade and investment, SOE reforms, etc.

Enhancing social welfare

Enhancing access to quality education

Maintaining and increasing effectiveness of essential health services

#### MAIN DEVELOPMENT CHALLENGES

- Fiscal challenge to ensure macro-economic stability
- Governance, public financial management
- Heightened financial sector stress/risk
- Lack of competitiveness
- Increased poverty and vulnerability; existing social protection system is inadequate
- Stress on public healthcare systems; learning losses due to successive crises
- Climate change vulnerabilities; natural capital degradation



## THE CPF SUPPORTS 2 ASPIRATIONAL OUTCOMES (INDICATIVE OUTCOMES INCLUDED)

To help Sri Lanka restore economic stability and build a stronger foundation for green, resilient, and inclusive development and recovery, while protecting the poor and vulnerable



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## Improved Economic Resilience and Access to Jobs

Improve Fiscal and Debt Sustainability

Strengthen the Investment Climate and Increase the Resilience and Efficiency of the Financial Sector

Improve Economic Inclusion



## Protected and Enhanced Human and Natural Capital

Sustain and Strengthen Health, Education and Social Protection Systems

Maintain and Strengthen Natural and Human Capital for Resilience and Livelihoods

CROSS-CUTTING THEMES

#### **Enhancing resilience**



### PROPOSED APPROACH

#### The crisis presents an opportunity to reset Sri Lanka's economic development narrative

Working with the Government and other development partners, WBG will contribute to this recovery

## IDA resources are limited compared to Sri Lanka's extensive needs



**Selectivity** and calibrated project design is critical



Need to **leverage existing resources** 



Need greater **flexibility/adaptability** in approach



Planned **mid-cycle assessment** to calibrate engagement



**Inclusion** and targeting crucial

## The crisis presents an opportunity for WBG to support Sri Lanka through:



Addressing structural **governance** weaknesses



Greater focus on human capital



Greater focus on building **institutional resilience** to future shocks; **building back better** 



Stronger collaboration with DPs



WBG collaboration to address vulnerabilities and enable greater private sector participation



### SHIFT FROM PREVIOUS CPF

Initial focus on stabilization and recovery

**Greater selectivity** 

Flexible and adaptive CPF approach

Crisis presents an opportunity to build back better

Crisis presents an opportunity to help Sri Lanka rethink its economic development narrative, frontload analytics

Continuous monitoring of the country context, regular dialogue with stakeholders, and a planned mid-cycle assessment will help WBG calibrate the program

While Sri Lanka's needs are extensive, available resources are limited. In this context, the WBG program will be selective, leveraging existing resources and partnerships

Focus on restoring
economic stability and
building a stronger
foundation for green,
resilient, and inclusive
development and
recovery, while
protecting poor and
vulnerable populations

**Enhancing cooperation** 

Greater alignment and cooperation within the WBG and with development partners are critical to maximizing impact in a resource-constrained environment



### **CPF TIMELINE**

A roadmap for the development of Government strategy SCD as input as input CLR as input the Sri Lanka CPF 2023-26 partners, private sector, CSOs, IFIs, academia 0 **Board presentation WBG Operations** 

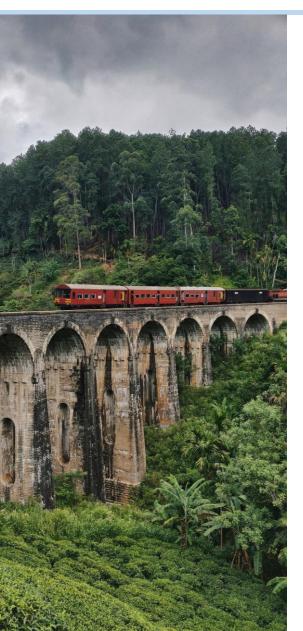
Final government review

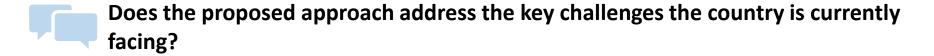
Committee review



(May 2023)

### FOR DISCUSSION





- Given the resource-constrained environment, are the proposed areas of focus appropriate?
- Are there any opportunities for complementarities/collaboration between the WBG's approach and your work?
- Are there any specific knowledge and analytical products the WBG should undertake during the CPF period?