

Enabling Social Innovation in Sri Lanka

Country Snapshot

Social innovation: "the processes and outcomes of developing novel approaches to address societal challenges facing people and planet." ↓

This snapshot represents a descriptive, non-exhaustive overview of key highlights from Sri Lanka's social innovation ecosystem.

✓ Direct focus on social innovation 🔗 Connected but indirect focus on social innovation ✗ No focus on social innovation

INSTITUTIONAL FRAMEWORK

Official Definition of Social Innovation 🔗



Sri Lanka has **no formal legal definition** of social innovation. Government and policy documents do not codify the term. In practice, stakeholders apply a broad working understanding aligned with UNDP usage: innovative approaches, products or services that address social and environmental challenges. While concepts such as *social enterprise*, *CSR*, and inclusive entrepreneurship appear in policy discourse, "social innovation" remains relatively new in formal government language.

Government Body for Social Innovation ✓



Sri Lanka does not have a single dedicated social innovation authority. However, two public bodies play a central role:

- **National Innovation Agency (NIA)** (Act No. 22 of 2019; operational from 2022): Mandated to coordinate national innovation policy across science, technology, services and society, with an explicit objective to promote understanding of social innovation.
- **Citra Social Innovation Lab** (2018): Sri Lanka's first public-sector innovation lab, established by the Prime Minister's Office and UNDP. Citra works across ministries to introduce design thinking, foresight and citizen engagement into public services, positioning social innovation as a tool for governance reform.

Government Strategy for Social Innovation ✓



Sri Lanka has **no standalone national strategy** for social innovation. Relevant priorities are embedded in broader innovation and economic frameworks:

- **National Innovation and Entrepreneurship Strategy (2018–2022)**: Focused on competitiveness, start-ups and SME innovation, with indirect relevance to social innovation but no dedicated pillar for social enterprises.

Recent policy statements acknowledge the need for innovative, inclusive solutions following the economic crisis, but no dedicated roadmap or action plan for social innovation exists.

Policies, Laws & Regulations

Direct or closely linked frameworks:

- **National Innovation Agency Act (2019):** Institutionalises social innovation as part of the national innovation mandate.
- **SME Policy (2016):** Explicitly recognises social entrepreneurship as an area for government support, positioning it within SME development.



Broader enabling frameworks:

- **Legal forms:** In the absence of a social enterprise law, mission-driven organisations operate as NGOs, companies limited by guarantee, cooperatives, or charitable trusts.
- **Cooperative Societies Law (1972):** Longstanding framework enabling community-based economic and social activity.
- **CSR and ESG:** CSR spending is voluntary; there are no mandatory ESG disclosure requirements, though the Colombo Stock Exchange promotes voluntary ESG reporting

Official Statistics

Sri Lanka does **not collect official statistics** on social innovation or social enterprises. Data is fragmented across NGO registries and cooperative databases. The most cited estimate comes from **the British Council social enterprise survey (2017)**, which **identified 6,000–15,000 social enterprises** operating nationwide across agriculture, manufacturing, services and creative sectors.



Government Programs

Sri Lanka has **no national programs explicitly branded as social innovation**, but several initiatives intersect indirectly:

- **Public-sector innovation programs** (NIA, Citra Lab): Capacity-building for civil servants, design thinking pilots, and service reform.
- **Youth social innovation challenges:** *HackaDev* (since 2017) supported youth-led, tech-enabled social solutions through mentoring and seed funding.
- **SME and livelihood schemes:** General programs (e.g. *Enterprise Sri Lanka*) are accessible to social enterprises that meet sector or size criteria.

Overall, government support remains fragmented and indirect.



ECOSYSTEM

Stakeholders

Core ecosystem bodies:

- **Social Enterprise Lanka (SEL)** (2015): National network and advocacy platform supporting social enterprises through training, certification and policy dialogue [9].
- **SANASA Federation** (1978): One of Sri Lanka's largest cooperative movements, serving over one million members through microfinance, insurance and social services, embodying community-based social enterprise models.



Sectoral and support organisations:

- **Lanka Social Ventures (LSV):** Incubator and accelerator for early-stage social enterprises.
- **Impact Hub Colombo** (c.2016–2022): Provided co-working and innovation support for impact-driven start-ups.
- **Good Market:** Hybrid marketplace and digital platform connecting ethical producers, social enterprises and consumers.

International NGOs (e.g. World Vision, Oxfam) and platforms such as **British Council Sri Lanka** also play a significant ecosystem-building role.

Support Initiatives

Key non-financial support initiatives include:

- **Youth Co:Lab** (since 2017): UNDP–Citi Foundation initiative promoting youth-led social entrepreneurship through bootcamps, mentorship and regional exposure .
- **Accelerators and bootcamps:** Lanka Social Ventures, SEL, Good Life X (GLX) and university-linked incubators provide venture development support.
- **University challenges:** Social innovation competitions hosted by institutions such as the University of Kelaniya and Uva Wellassa University.

Collaboration

Collaboration is growing but remains informal:

- **Public–private partnerships:** Citra Lab–NIA collaboration mainstreams innovation in government; impact funds launched through UNDP–LIIN partnerships.
- **Ecosystem events:** *Sri Lanka Social Enterprise Summit* (since 2021) convenes entrepreneurs, academics, policymakers and donors.
- **International linkages:** Participation in the Social Enterprise World Forum and engagement with Ashoka and Commonwealth networks.

FINANCE

Financing Schemes

Sri Lanka’s social innovation finance ecosystem is **nascent**:

- **Social impact funds** (launched 2018):
 - Social Enterprise Fund (USD 5m) for early-stage ventures.
 - Social Impact Capital Fund (USD 20m) for growth-stage inclusive businesses.

Both were developed by **Lanka Impact Investing Network (LIIN)** with UNDP support.

- **Microfinance and cooperative finance:** SANASA and Sarvodaya Development Finance provide grassroots capital, particularly to women and rural entrepreneurs, though debt sustainability concerns persist.
- **Donor and philanthropic funding:** UN agencies, EU, USAID and corporate CSR trusts fund pilot projects and innovation challenges.

There is **no government fund exclusively dedicated** to social innovation.

Financing Inclusivity

Financing disproportionately benefits urban, established ventures. Women-led, rural and youth enterprises often face barriers to collateral and investment readiness. Impact funds and youth programs partially address these gaps but remain limited in scale.

SOCIETY

Public Awareness of Social Innovation

Public awareness remains **low**, with limited understanding of social innovation as a distinct concept. Media coverage has increased since the 2022 economic crisis, highlighting social enterprises as recovery mechanisms, but terminology remains niche.

Research

Academic research is **emerging but limited**:

- No dedicated social innovation research centres exist.
- Key outputs include the **British Council social enterprise mapping study (2017)** and policy briefs by ILO and UN agencies.
- Universities increasingly host conferences and student research on social entrepreneurship.

Education & Human Capital

Sri Lanka offers **no full degrees** in social innovation. However:

- Social entrepreneurship modules appear within business and public policy programs.
 - Short courses and informal training are delivered by SEL, British Council and Youth Co:Lab.
- Human capital development relies heavily on ecosystem-led training rather than formal education pathways.

Entrepreneurship

99th / 190 countries

Business Environment

Ease of Doing Business (World Bank, 2020):

85th / 132 countries

Innovation Capacity

Rank 85/132, reflecting moderate innovation capacity

Global Innovation Index 2022



Social entrepreneurship prevalence

Present across all districts but remains a small share of total entrepreneurial activity

Social & Environmental Consciousness



Solidarity

Sri Lanka ranked 28th globally in the **CAF World Giving Index (2024)**, reflecting strong volunteerism and charitable norms

CAF World Giving Index 2024



Political participation

Classified as a *flawed democracy* with moderate participation levels.

EIU Democracy Index 2023



Volunteering

132nd / 180 countries

Sustainability

Low overall ranking (132/180) in the Environmental Performance Index 2022, despite growing public concern

Environmental Performance Index (EPI) 2022