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Assessing the Effectiveness of Sustainable Climate Finance: An Integrated Framework of Stakeholder Engagement, Risk Management, Innovation, and Ethical Responsibility in a Developing Country Context

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Abstract

Sustainable climate finance plays a pivotal role in addressing climate change while supporting economic development in developing countries. This study examines the effectiveness of sustainable climate finance mechanisms by analyzing the integration of stakeholder engagement, risk management, innovation adoption, and ethical responsibility. The research adopts a quantitative, work-based approach focused on organizations actively engaged in climate finance-related activities. Primary data were collected through a structured questionnaire administered to ten organizations, including private companies, government institutions, non-governmental organizations, and academic and research institutes. Responses were measured using a five-point Likert scale and analyzed using descriptive statistics, sectional mean analysis, and SWOT analysis to evaluate organizational performance across the four key dimensions. The findings reveal that stakeholder engagement and ethical responsibility are perceived as relatively strong contributors to sustainable climate finance, fostering transparency, trust, and collaboration. However, risk management and innovation adoption demonstrate moderate performance, indicating gaps in institutional capacity, systematic frameworks, and resource allocation. The study highlights the necessity of an integrated approach that aligns these four dimensions to enhance the overall effectiveness of climate finance initiatives. The research offers practical insights and strategic recommendations for strengthening sustainable climate finance frameworks in Sri Lanka and provides valuable implications for climate finance institutions operating in similar developing-country contexts.

Keywords: *Sustainable climate finance, Stakeholder engagement, Risk management, Innovation adoption, Ethical responsibility, Climate governance*