

ACCELERATING
INDUSTRIES'
**CLIMATE
RESPONSE**
SRI LANKA



**ASSESSMENT OF THE LANDSCAPE OF
FINANCING CLIMATE CHANGE MITIGATION
ACTIONS IN SRI LANKA MANUFACTURING
INDUSTRIES**



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION



Funded by
the European Union

Acknowledgements

This report was developed by the consulting firms Econoler and EnergySolve International under the supervision of the United Nations Industrial Development Organization (UNIDO) within the scope of the Accelerating Industries' Climate Response in Sri Lanka project. It was developed with the financial assistance of the European Union. The authors would like to thank all local and international experts for their valuable input to this study and/or their insightful comments on the earlier version of this document.

Disclaimer

The authors and their affiliated organizations have provided the information in this publication for informational purposes only. Although great care has been taken to maintain the accuracy of the information collected and presented, the authors and their affiliated organizations do not make any express or implied warranty concerning such information. Any estimates contained in the publication reflect authors' current analyses and expectations based on available data and information. Any reference to a specific commercial product, process or service by trade name, trademark, manufacturer, or otherwise, does not constitute or imply an endorsement, recommendation or favoring by the authors and their affiliated organizations.

The views expressed herein can in no way be taken to reflect the official opinion of the European Union. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of UNIDO's Secretariat concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as "developed", "industrialized" or "developing" are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process.

This document has been produced without formal United Nations editing. It may be freely quoted or reprinted, but acknowledgment is requested.

Table of Contents

Table of Contents	3
Introduction	4
1 Methodology	5
2 Current Policy and Economic Landscape in Sri Lanka for Financing Climate Mitigation Actions	6
2.1 Country Context: Economic Overview of Sri Lanka	6
2.1.1 Current Economic Outlook	8
2.1.2 Investment Policies	11
2.2 Country Context: Financial Sector of Sri Lanka	11
2.2.1 Overview of the Banking Sector	11
(1) Licensed Finance Companies and Specialised Leasing Companies	12
(2) Financial Markets	12
(3) Insurance Market	12
2.2.2 The 2022 Default	13
2.3 Sri Lankan Policy Context: Climate Mitigation and Financing Policies	13
2.3.1 Climate Policy Context	13
2.3.2 Climate Finance Context	14
(1) Power sector specifics	16
2.3.3 Green Finance Regulatory Framework	16
2.4 Gender mainstreaming in financial sector	17
2.5 Stakeholder Mapping	17
3 Assessment of Existing Climate Financing in Sri Lanka	19
3.1 Industry awareness, interest, and financing requirements to finance low-carbon mitigation measures and technologies	19
3.2 Existing Practices and Trends in Green Finance	23
3.3 Risks and Barriers	23
4 Conclusions and Next Steps	26
APPENDIX I List of Stakeholders Interviewed	28

Introduction

UNIDO is currently implementing “Accelerating Industry’s Climate Response in Sri Lanka”, a five-year project funded by the European Union under a Global Climate Change Alliance Plus (GCCA+) initiative. The overall objective of this project is to contribute to climate change mitigation by supporting the implementation of Sri Lanka’s Nationally Determined Contribution (NDC) for the industrial sector.

As part of the expected output 5 (EO5) for this project entitled “Pilot technologies and methodologies leading to improved energy efficiency and reduction in GHG emissions are tested to be then replicated”, UNIDO has contracted Econoler, a Canadian consulting firm, and national consultant EnergySolve International (ESI)¹ to undertake an “Assessment of financing climate change mitigation actions and financing strategy for manufacturing industries in Sri Lanka”.

This assignment comprises two components:

1. Assess the landscape of financing climate change mitigation actions in Sri Lankan manufacturing industries, and
2. Develop a financing strategy and risk mitigation programme. This report meets the requirements under the first component – Landscape Assessment of Financing Climate Change Mitigation Actions in Sri Lankan Manufacturing Industries. According to the mandate of this first component, the landscape assessment consists of carrying out the following tasks:
 - Identify financing requirements and interest among the priority industries in investing in low carbon technologies.
 - Identify risks, success factors, challenges, and barriers for financing low-carbon technologies in Sri Lanka.
 - Map current and potential stakeholders in financing actions to achieve industry sector NDC targets.
 - Identify and review existing and potential financing schemes available for low carbon technologies.
 - Explore potential climate finance mechanisms to support financing of low carbon technologies.

The report has been structured to fulfil the above requirements and is structured as follows:

Section 1

explains the approach and methodology undertaken for the landscape assessment.

Section 2

details the current landscape for climate mitigation in Sri Lanka, from an economic and policy perspective and presents a mapping of current key and potential stakeholders for climate financing in Sri Lanka.

Section 3

presents the findings from the extensive stakeholder consultations conducted with policymakers, industry, and financing institutions. The key focus of that section is to identify the needs, interest, and requirements of industry stakeholders as well as the challenges, barriers, risks, and success factors for financing climate mitigation actions in the manufacturing industry in Sri Lanka.

Section 4

presents the conclusions as well as highlights the approaches and mechanisms to be explored within the second component of the Assignment (Development of a financing strategy and risk mitigation programme).

¹ Hereinafter referred to as the Econoler team or the team.

1 Methodology

The Econoler team undertook a thorough and detailed research focused approach to deliver the first component of this project: Assessment of the landscape of financing climate change mitigation actions in Sri Lankan manufacturing industries. The methodology adopted is outlined below.

Identifying Priority Industries:

The first task of this assessment was to identify the manufacturing industries on which this assignment would be focused. The team undertook a detailed and comprehensive approach to determine the priority industries. The first step was to agree on the definition of manufacturing industries. The team agreed to the definition “production of goods mainly with equipment/ machines and labour”, which is aligned with the definition from the Ministry of Industry. Drawing on data from various sources,² the team ran the first filter to select industries that are considered large and medium-sized industries. In consultation with UNIDO, the team decided to focus on these two sized industries since these industries play a determining role in mitigation activities.³ The team then applied an economic filter on the two selected industries – GDP share of the economy as well as employment share and export share of economy. Following this, a climate/energy filter was applied using energy/fuel consumption data. The top five in each of these were selected and those that ranked 5/5 in all sectors (textiles and apparel as well as food and beverage) and 4/5 (rubber and plastics) were chosen for this assignment.

These were then cross-checked against the NDCs to ensure there was alignment. Non-metallic products (which include the cement sector) ranked 3/5 and, after discussion with UNIDO, the team decided to focus on the above three industries to ensure a clear scope to the assignment. In addition, the cement sector has limited plants in Sri Lanka hence was excluded, and moreover, focusing on the abovementioned sectors would have a wider impact in terms of the objective of the project.

It is important to note that the purpose of identifying the priority industries was to establish a clear scope for the assignment and identify stakeholders that should be interviewed. However, as the team consulted with various stakeholders, it became clear that, while various industries may be at different stages of adopting mitigation actions, **their financing needs and challenges generally remain the same across the various industries.** Although the scope of the assignment was to focus only on the three sectors mentioned above: textiles and apparel, food and beverage and rubber and plastics, the team determined **that the findings of this assessment, specifically in relation to financing, are generally applicable across the latter.**⁴

Desk Review and Stakeholder Consultations:

The team undertook an extensive desk review of macro-economic situation in the country, the financial sector, key mitigation policies and financing options in Sri Lanka. In addition, stakeholder consultations were conducted among various groups including policymakers, industry stakeholders and financial institutions. The team conducted both one-on-one interviews and focus group discussions with key stakeholders. The team developed semi-structured questionnaires for stakeholders to explore the key questions related to the challenges and issues related to financing, their experiences, their awareness about available resources, and needs/interests in mitigation actions and financing. Where needed, presentations were also prepared. Apart from stakeholder consultations, the team also requested banks to fill out a survey. We received a response from five banks.

A list of all stakeholders interviewed is outlined in Appendix I. The findings from the above are presented in the following sections of this report.

² <https://www.industry.gov.lk/web/wp-content/uploads/2023/05/data-book-2022-Copy.pdf>; <http://www.statistics.gov.lk/Industry/StaticInformation/AnnualSurveys/2020> (2019 data).

³ Where a small-sized industry may play a disproportionately large role in the economy, these would be considered.

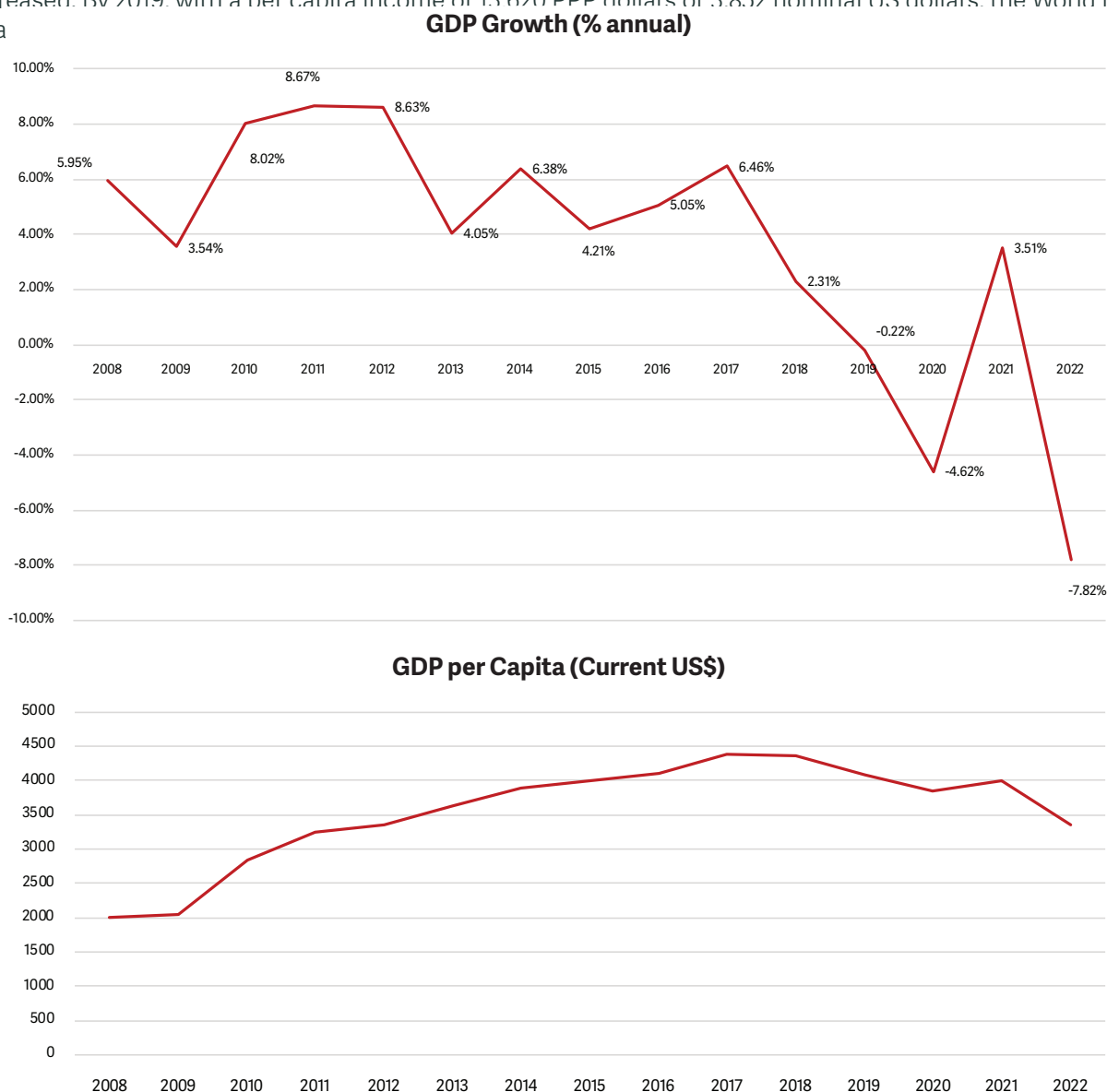
⁴ Along with stakeholders in the identified industries, the team held consultations with representatives from outside these industries; it should be noted that the challenges, needs, barriers remain generally similar. See Appendix I for a detailed list of interviewed stakeholders.

2 Current Policy and Economic Landscape in Sri Lanka for Financing Climate Mitigation Actions

2.1 Country Context: Economic Overview of Sri Lanka

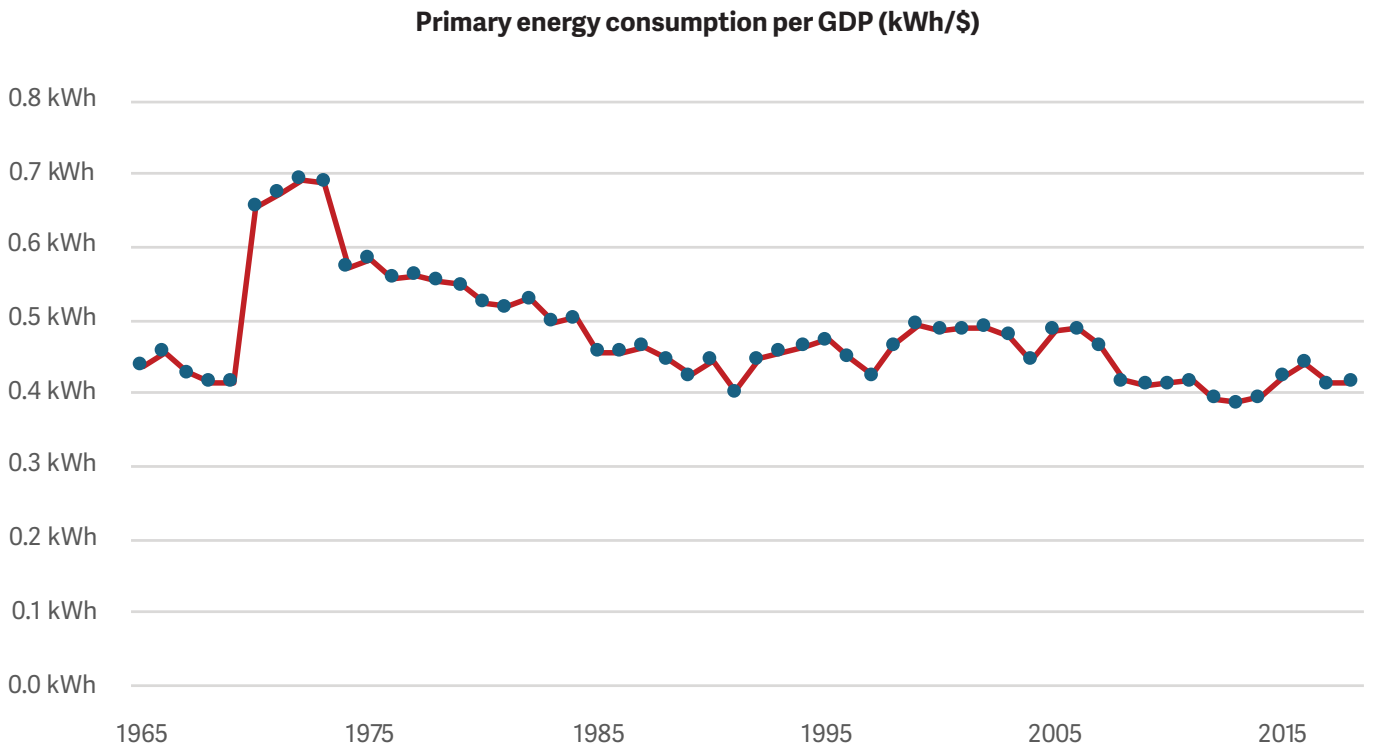
Sri Lanka (officially the Democratic Socialist Republic of Sri Lanka) is a South Asian island country located in the Indian Ocean with a population of approximately 22 million people.

During the 2003-2012 period, Sri Lanka enjoyed a robust annual growth rate of 6.4%, thus surpassing its neighbours. This expansion was largely due to a boom in non-tradable sectors. However, the World Bank had cautioned that this type of growth was unsustainable and did not equitably benefit the population. Since then, the growth rate has decreased. By 2019, with a per capita income of 13 620 PPP dollars or 3,852 nominal US dollars, the World Bank downgra



Source: World Bank Database

The energy intensity of 1 \$ of GDP was relatively stable in the last 30 years as depicted in the picture below, though it



welfare support for Sri Lanka.⁶

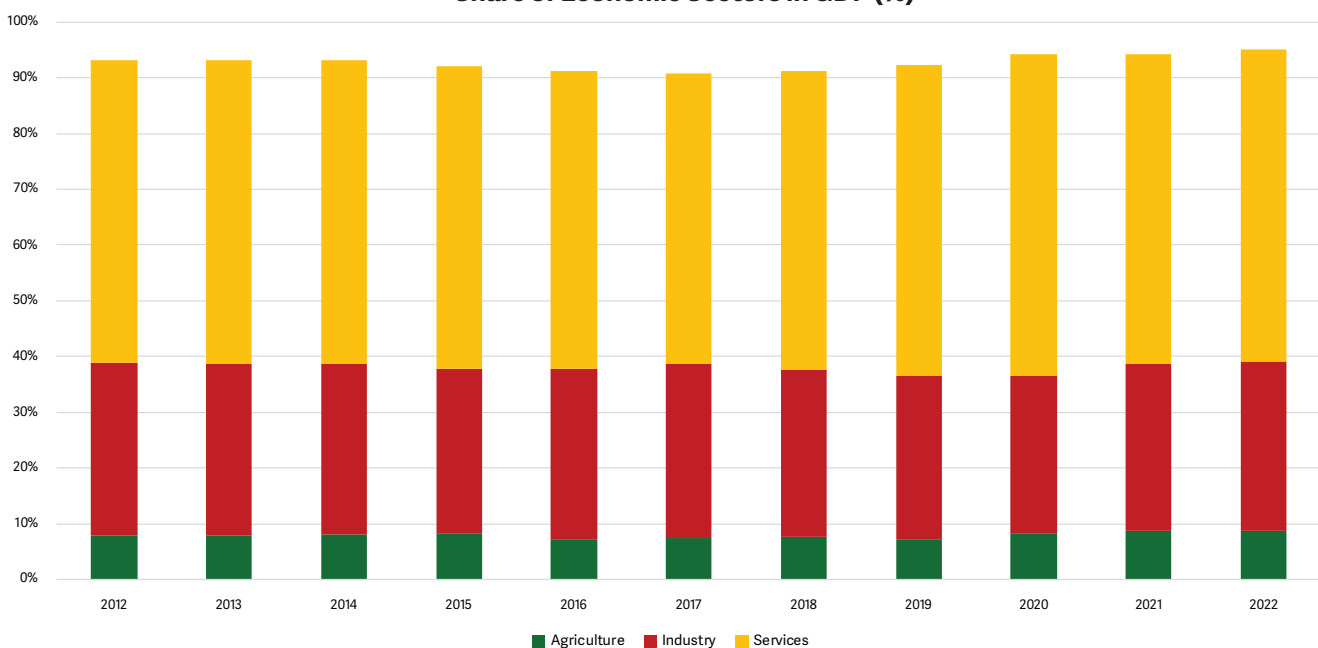
2.1.1 Current Economic Outlook

In 2022, Sri Lanka's economy saw a severe downturn shrinking by 7.8% from the previous year, marking the steepest decline since gaining independence. The country's gross domestic product (GDP), based on constant 2015 market prices, shrank by an unprecedented rate of 7.8% following a growth of 3.5% in 2021. Remittances from migrant workers, traditionally a significant source of foreign exchange for the country (approximately \$7.1 billion in 2020), reached a 10-year low of \$5.5 billion after experiencing a sharp decline in 2021 due to the COVID-19 pandemic. Tourism, another key source of foreign exchange, was a \$4.4 billion industry at its peak in 2018 but only recorded revenues of about \$500 million in 2021. Given the severely low foreign exchange reserve levels, the country is experiencing critical shortages in key commodities such as fuel, cooking gas, medicine, fertiliser, and imported food items. In April 2022, the government announced the first sovereign default in Sri Lanka's history. The government entered into talks with the International Monetary Fund (IMF) to obtain an extended fund facility in what would be the country's 17th IMF programme and achieved a Staff Level Agreement in September 2022. In September 2023, the IMF was not able to reach a Staff Level Agreement with Sri Lanka in its first review under the \$2.9 billion package due to a shortfall in revenue generation. As a result, the second tranche of \$330 million under the lending programme was not released.⁵ In June 2023, World Bank approved \$700 million in budgetary and

Despite this, the key policy strategies deployed by the Central Bank and the government were instrumental in mitigating the severe economic challenges the nation faced. On the other hand, the GDP measured at current market prices stood at USD 77.1 billion in 2022, thus demonstrating a significant nominal decrease of 37.2% in rupee terms from the USD 88.5 billion of the previous year. This apparent nominal growth was largely due to the heightened price levels throughout the year, as evidenced by the spike in the GDP implicit price deflator that reached 48.8% in 2022, up from 8.5% in 2021. The gross national income (GNI) was reported as a nominal increase of 36.7% at current prices, which constituted a notable rise from the 12.8% growth exhibited in 2021. The rise in GNI was essentially a reflection of the increase in the nominal GDP as net primary income declined from abroad.

Sri Lanka is transitioning from being a predominantly rural based economy toward becoming a more urbanised economy with a focus on manufacturing and services. As of 2021, the service sector was the biggest contributor to Sri Lanka's GDP with 58% in addition to comprising 46% of the entire labour force. There has been considerable growth in the information technology (IT) programming and telecommunications subsectors of Sri Lanka's services economy. Industries come second with a 25% contribution to GDP and representing 26% of the labour force working mainly in manufacturing and construction.

Share of Economic Sectors in GDP (%)



Source: World Bank Database

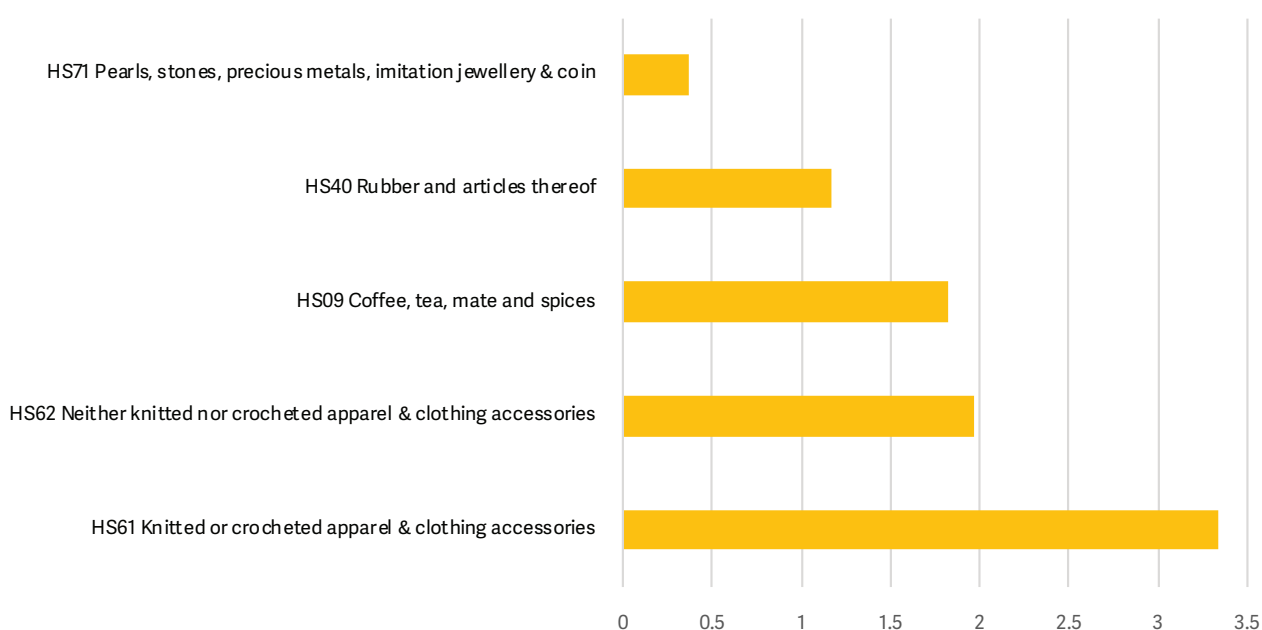
⁵ <https://www.aljazeera.com/news/2023/9/27/new-imf-funds-for-sri-lanka-may-be-delayed-as-review-sees-revenue-shortfall>.

⁶ <https://www.cnn.com/2023/06/28/economy/sri-lanka-world-bank-funding-hnk-intl/index.html>.

In 2022, Sri Lanka's agricultural sector faced considerable challenges, including acute shortages in vital farming inputs like fertilisers and agrochemicals, a sharp rise in production costs, and fuel supply interruptions. These factors had a negative impact on the sector's overall output. As a result, agricultural activities saw a 4.6% decrease in value-added terms, a downturn from the 0.9% growth observed in 2021. This

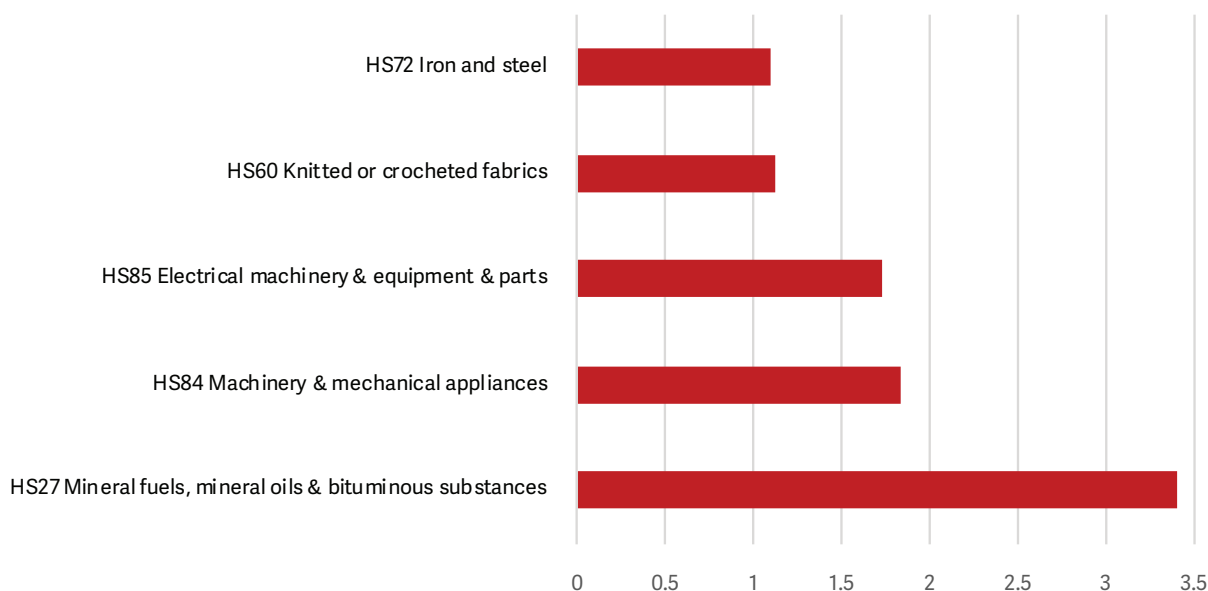
decline was most notable in the areas of fishing, rice cultivation, and animal production. The production of tea, vegetables, other cereals, and rubber also experienced a decline in 2022. Conversely, some segments of the agricultural sector managed to grow despite these challenges. Forestry and logging, agricultural support activities, and the cultivation of oil-bearing fruits (including coconuts), spices, and fruits recorded an uptick in 2022. A recovery in agriculture activities was observed during the last quarter of the year due to the improved availability of agricultural

Major Export Commodities (USD billion, 2021)



Source: World Bank Database

Major Import Commodities (USD billion, 2021)



Source: World Bank Database

inputs and fuel as well as favourable weather conditions.

The industrial sector was impacted most severely and shrank by 16.0% in 2022. The lack of foreign exchange, limits on imports, and challenges in opening letters of credit led to reduced availability of imported raw materials, intermediate products, and machinery.

Services, the largest contributor to GDP, contracted by 2.0% in 2022. Nonetheless, an increase in tourism in the fourth quarter buoyed services to some extent with contributions from accommodation and transport services. Despite this, an 18.3% contraction in financial services and insurance offset growth in accommodation, public administration and compulsory social security, as well as transport amid heightened economic uncertainty and limited demand.

The non-financial corporations (NFC) sector was the largest contributor to gross value added in 2022, representing a significant share at 43.6%. This sector continued to spearhead industrial activities, while the household and non-profit institutions serving households (HH and NPISH) sectors primarily drove agricultural and services activities. Additionally in the same year, the HH and NPISH sectors along with the general government (GG) and financial corporations (FC) sectors experienced significant growth rates of 42.5%, 7.1%, and 52.1% respectively.

Despite the weak macroeconomic environment impacting labour productivity, the economy experienced a slight reduction in unemployment rates in 2022. The labour force participation rate (LFPR) – the proportion of the labour force relative to the working age population – saw a slight decrease to 49.8% from the 49.9% observed in the previous year.

Throughout the first nine months leading up to September 2022, headline inflation surged rapidly driven by escalating prices in critical sectors such as food, energy, and transport. These sectors experienced the brunt of various stressors including supply chain disruptions, swift adjustments in regulated prices, a significant devaluation of the Sri Lankan rupee, and persistent demand due to the delayed effects of previous expansive monetary policies. However, as the year progressed, the enactment of stringent monetary policies, such as the prioritisation of essential imports and the decline in food and energy prices, contributed to a slowdown in the rate of headline inflation. Consequently, the year-on-year headline inflation that stood at 12.1% at the close of 2021 soared to 50.2% by September 2022, as indicated by the Colombo Consumer Price Index. Core inflation averaged 34.3% year on year, softening from its peak in September.

The Central Bank of Sri Lanka (CBSL) made several policy decisions that would significantly affect the outlook of the country's economy.

- › The Sri Lankan Rupee (LKR), which had previously been maintained on a managed float against the US dollar, was shifted to a free-floating regime. Following this change, the LKR experienced a sharp depreciation losing over 75% of its value within the span of just two months.
- › In a move to address economic pressures, the CBSL hiked policy rates by 700 basis points, setting the standing deposit facility rate (SDFR) at 13.5% and the standing lending facility rate (SLFR) at 14.5%.
- › Additionally, rates for Treasury bills saw a dramatic increase in the primary market, jumping by approximately 1,200 basis points within one month.
- › The country also made the difficult decision to halt external debt repayments, which led to credit rating downgrades by all three major international rating agencies, although Sri Lanka Development Bonds were exempt from the consequences thereof.
- › In its pursuit of economic stability, Sri Lanka turned to the IMF for support and engaged technical and legal advisors to aid in restructuring its external debt.
- › To bolster government finances, the administration adjusted the value added tax (VAT) and other taxation rates upward.
- › Furthermore, the government eased import restrictions on a list of 369 regulated items, signalling a relaxation in the control of foreign goods entering the country.

As per an IMF press release in October 2023, the economy has started to show minor improvements toward stabilisation. Inflation came down to 1.3% in September 2023 from 70% in September 2022, and the shortage of essential items has eased. However, full economic recovery is not yet assured. As per the Central Bank of Sri Lanka (CBSL), worker remittances reached \$2.8 billion during the first half of 2023 compared to \$1.6 billion during the corresponding period in 2022. Furthermore, earnings from tourism reached \$1.4 billion during the first nine months of 2023 compared to \$0.9 billion during the corresponding period in 2022.

2.1.2 Investment Policies

In recent years, Sri Lanka has largely promoted pro-business positions such as announcing tax benefits for new investments to attract Foreign Direct Investments

(FDIs). The government's economic goals include positioning the country as an export-oriented hub for the Indian Ocean region to improve trade logistics, attract export-oriented FDI, and boost the ability of the business sector to compete in the global market. The Sri Lankan government has set up the Board of Investment (BOI) to promote FDI; the BOI currently manages several industrial parks and export processing zones in the country, with tax incentives and duty-free facilitation on offer to qualified foreign investors. The government has identified nine key investment sectors, tourism and leisure, infrastructure, knowledge services, utilities, apparel, export manufacturing, export services, agriculture, and education as well as provided special incentives to overseas enterprises looking to invest in these sectors. The BOI plays a key role in the implementation of Sri Lanka's export-oriented industrialisation strategy. Textiles and garments have become important industrial products following the development of export-processing zones. Foreign investment is restricted to 40% ownership in production for the export of goods subject to international quotas.

2.2 Country Context: Financial Sector of Sri Lanka

Sri Lanka's financial sector comprises the banking and non-banking sectors, the insurance sector, pension and provident fund sector, debt, and equity capital markets. The market-participating institutions include banks and non-banking financial institutions (NBFIs), insurance and reinsurance entities, private and state-owned provident and pension funds, primary dealers, unit trusts, venture capital funds, investment banks, stock brokerage firms, and asset managers. The Insurance Regulatory Commission oversees the insurance sector, while the Securities and Exchange Commission (SEC) governs the capital markets. Other integral parts of the financial system include the Colombo Stock Exchange (CSE), the Credit Information Bureau, and various credit rating agencies. Currently, there is no standalone regulatory body for microfinance, although the Sri Lankan government has plans to establish one. A deposit insurance system is in place to protect depositors in banks and non-banking financial institutions, which is presently managed by the CBSL.

Beginning in the latter half of 2021, local banks encountered challenges in foreign currency liquidity due to the central bank's inability to offer the required foreign currency liquidity given its diminished reserves. Additionally, the country's deteriorating macroeconomic perspective and external vulnerabilities hampered bank access to foreign credit and swap lines. Amid the turbulent economic environment, the stability of the financial system was preserved during 2022. Sovereign rating downgrades, high sovereign exposure of the banking sector, economic contraction, acute foreign

exchange shortages, high inflation levels, along with the announcement of the standstill on external debt servicing on account of bilateral and commercial debt by the government in April 2022 created a significant and unprecedented adverse impact on the activities of the financial sector.

Nevertheless, prudent regulatory measures along with regulatory changes facilitated the preservation of financial system stability during the year. The licensed finance companies (LFCs) and specialised leasing companies (SLCs) sectors managed to continue expanding in terms of assets and deposits with adequate capital and liquidity buffers amid challenges stemming from the contraction of credit growth, declining profitability, and increasing non-performing loans. Meanwhile, the insurance sector reported modest growth in terms of the asset base and gross written premium (GWP) and a decline in insurance penetration during 2022. Primary dealer companies, licensed microfinance companies, superannuation funds, and other subsectors demonstrated mixed performance during the period mainly owing to headwinds from the economic crisis.

2.2.1 Overview of the Banking Sector

Sri Lanka's banking sector is a critical player in the nation's financial intermediation and holds a dominant position in the financial system with 61.9% of total financial assets as of 2022. Despite facing several complex challenges, Sri Lankan banks have shown resilience by maintaining sufficient capital and liquidity.

By the end of December 2022, the sector accounted for 61.9% of total financial system assets that amounted to SLR 31.4 trillion. Loans constituted 58.4% of those assets, while investments accounted for 30.6%. The sector is made up of 30 banks including both commercial and specialised banks such as development, savings, and housing finance institutions. There are 24 commercial banks in operation; among them, four are identified as domestic systemically important banks (D-SIBs). This group includes two state-owned banks, the Bank of Ceylon, and People's Bank as well as two privately owned banks listed on the Colombo Stock Exchange. The Central Bank of Sri Lanka mandates all commercial banks not owned by the public sector to list on the stock exchange.

Throughout 2022, the sector withstood challenges such as deteriorating credit quality, strained liquidity, low profitability, and weakened capital. The Central Bank's stringent monetary policy and difficult economic conditions led to slower credit growth in 2022 compared to the previous year. Deposits were the main funding source with a marked decline in foreign currency borrowing due to the country's sovereign rating downgrades and the government's decision to suspend external debt payments for bilateral and commercial loans in April 2022.

Nonetheless, the banking sector saw asset growth with the total asset base expanding by LKR 2.6 trillion over the year, reaching over LKR 19 trillion by the end of the year, an increase of 15.4%. Deposits remained the principal liability, making up 78.8%, while borrowing represented 9.6% of total liabilities by the end of 2022. Due to increasing impairment charges, the profitability of the banking sector declined. Returns on assets (ROA) dropped to 8.5% in the third quarter of 2022 from the 20.4% observed in the first quarter of 2022. While liquidity ratios remained within regulatory limits, banks, particularly state-owned, relied heavily on the CBSL liquidity facilities to fulfil their funding needs.

At the same time, NBFIs experienced a rapid deterioration of their asset quality, with non-performing loans (NPLs) increasing by 6.5% in 2022 to 17.5% by the

end of the year. Capitalisation, however, improved from 17% in 2021 to 22% in 2022 mainly due to the infusion of new capital to meet the regulatory requirements as per the CBSL Master Plan for Consolidation of NBFIs approved at the beginning of 2022.

In 2022, the Central Bank released a direction for Licensed Commercial Banks (LCBs) and a guideline for licensed finance companies (LFCs) to promote sustainable finance practices consistent with the Sri Lanka Green Finance Taxonomy. Both the direction and guidelines recognise the importance of equipping the financial sector with a governance structure and risk management system for such activities. Additionally, the Central Bank collaborated in creating a Green Bond Framework for the issuance of sovereign green bonds, a project spearheaded by the Ministry of Finance.

(1) Licensed Finance Companies and Specialised Leasing Companies

Despite a challenging macroeconomic situation, the asset base of the LFCs and specialised leasing companies (SLCs) sectors has been on the rise since the beginning of 2021 and persisted in its growth trajectory into the third quarter of 2022. The sector's entire asset base surged by Rs. 201.6 billion, marking a notable 13.1% annual growth by the close of September 2022, an increase of Rs. 117.3 billion or 9.8% year-on-year. The sector expansion was largely represented by an increase in loans and advances that accounted for 75.5% of total assets. The LFCs and SLCs sector accumulated excess funds in the form of liquid assets as a risk mitigation measure to face the adverse liquidity concerns of the financial sector.

(2) Financial Markets

After experiencing downgrades in its credit rating, Sri Lanka was cut off from international financial markets in 2020. The country managed to keep up with its external debt obligations and import payments by using its official reserves and securing loans from domestic banks. Official reserves sharply declined from USD 7.6 billion in 2019 to under USD 400 million by June 2022, which did not include a USD 1.5 billion currency swap with China. The country felt the impact of this significant shortage in foreign currency across various sectors starting from the second quarter of 2022, leading to acute shortages in essentials such as fuel, medicine, cooking gas, and other critical imports. In response to the draining reserves, Sri Lanka declared a suspension of its external debt payments in April 2022 and proceeded with engaging legal and financial advisors to restructure its debt.

As of October 2022, the equity market experienced a downward trend in terms of price indices coupled with increased volatility. This occurred against the backdrop of a persistent economic downturn and soaring inflation rates. The All-Share Price Index (ASPI) and Standard & Poor's (S&P) Sri Lanka 20 index recorded negative year-to-date growth of 29.6% and 38.8% respectively. Market capitalisation contracted by 31.1% to Rs. 3,779.4 billion compared to Rs. 5,489.2 billion registered in 2021.

The Treasury bond market continued to remain the largest segment of the capital market, catering to the increased financing needs of the government. The stock of Treasury bonds as a percentage of GDP increased to 40.7% as of June 2022 compared to the 35.8% recorded by the end of June 2021.

(3) Insurance Market

The insurance sector is dominated by six companies in terms of total sectoral assets. Out of twenty-seven insurance companies in the sector, six companies contributed 76.7% of total sectoral assets at the end of June 2022. In addition, 71.1% of the market share based on total assets was dominated by the long-term insurance subsector at end June 2022. The high level of institutional concentration of assets poses additional risks as any vulnerability in a large company could significantly affect the sector. Adverse business conditions and a decline in disposable household income negatively affected the expansion of the insurance sector during the 2021-2022 period. The penetration of the insurance sector, as measured by the ratio of gross written premium (GWP) to GDP at current prices decreased marginally. GWP as a percentage of GDP decreased to 1.1% by the end of June 2022 compared to the 1.2% recorded in the same period in 2021.

2.2.2 The 2022 Default

For the first time in its history, Sri Lanka defaulted on a 78 million USD bond payment in May 2022. The decline in economic growth signalled serious challenges faced by the economy long before the outbreak of the COVID-19 pandemic, suggesting that, while economic decline was among the biggest contributors to the country's economic struggles, it should not be viewed as the sole cause of Sri Lanka's default. For instance, there were considerable flaws in the formulation and execution of economic strategies that negatively affected the nation's fiscal health. The tax cut of 2019 resulted in a significant decline in revenue that fell below 8% of GDP. Consequently, the fiscal shortfall grew more severe, prompting rating agencies to lower Sri Lanka's credit rating in April 2020, which nearly resulted in a default. Instead of opting for debt restructuring and seeking aid from the IMF, the government chose to settle debts using its fiscal reserves and to finance the deficit by borrowing from the Central Bank. Thus, Sri Lanka's debt burden was further exacerbated by its large and persistent trade deficit and negative current account balances. Despite various efforts to boost exports, the country struggled to reduce its dependence on imports after 2010; Sri Lanka's trade balance worsened with a deficit exceeding 4 billion USD annually and peaking at more than 9 billion USD in 2011 and 2017. This persistent trade imbalance placed undue pressure on Sri Lanka's foreign exchange reserves, thereby further limiting its ability to service its debt obligations.

2.3 Sri Lankan Policy Context: Climate Mitigation and Financing Policies

2.3.1 Climate Policy Context

Sri Lanka has established several policies, strategies, and measures to address climate change. Its updated Nationally Determined Contribution (NDC), submitted to the United Nations Framework Convention on Climate Change (UNFCCC) in September 2021,⁷ commits to increasing forest cover by up to 32% by 2030 and reducing GHG emissions by 14.5% over the 2021-2030 period from power (electricity generation), transport, industry, waste, forestry, and agriculture. The unconditional NDC component amounts to a 4.0% GHG emission reduction compared with the business-as-usual (BAU) scenario for the period, while the conditional component amounts to an additional 10.5% GHG emission reduction compared with the BAU scenario for the same period. In addition, it aims to achieve carbon neutrality by 2050 in electricity generation and 70% renewable energy in electricity generation by 2030. The NDC also recognises Sri

Lanka as highly vulnerable to the impacts of climate change. The NDC includes seven actions for the industrial sector to reduce GHG emissions against the BAU scenario by 7% in the industrial sector (4% unconditionally and 3% conditionally).⁸ Sri Lanka recently also published its NDC Implementation Plan⁹ that includes a detailed plan for implementing the NDC, including in the Industrial sector. For each NDC, the plan provides key actors responsible for implementation, timeframes, key performance indicators, and sources as well as means of verification, baseline, and target.

Sri Lanka also has a National Climate Change Policy (2012)¹⁰ that is now being updated through the National Climate Change Policy 2023¹¹ that is currently open for public comments. The 2012 policy lays out the vision as a future wherein climate change will have no adverse consequences on Sri Lanka.

The Carbon Net Zero 2050 Roadmap and Strategic Plan¹² has been developed and is currently open for public comments; they lay out a clear vision on the direction the country must adopt to reach the NDC net zero goal. For the industrial sector, the document lays out various options to attain the net zero goal.

Sri Lanka also established the National Environmental Policy (NEP) in 2022 and the National Environmental Action Plan (NEAP) 2022-2030 that provide a broader framework related to climate and environmental policy in the country. In addition, sustainable environmental management is a key principle of the National Policy Framework Vistas of Prosperity and Splendour (2019), and the role of industries is clearly noted in this context.

Sri Lanka is also currently developing a National Policy on Industry Development (NaPID) and action plan that is currently in the draft stage. The aim of this policy is to create a globally competitive, high value-added, innovative, technology and knowledge-based industry with minimal adverse impacts on the environment, which could boost investor confidence and ensure higher export revenues to achieve sustainable development.

The National Energy Policy and Strategy of Sri Lanka developed in 2019 states several objectives dealing with access to clean and safe energy. The nation aims for sustainable, reliable, and affordable energy supply with policy for a firm commitment to affordable and clean energy. The strategy recognises that energy, the sources of energy, access to energy, and the use of energy all have social, economic, and environmental impacts and that the energy sector will play a role in helping the nation achieve carbon neutrality.

7 <https://unfccc.int/sites/default/files/NDC/2022-06/Amendmend%20to%20the%20Updated%20Nationally%20Determined%20Contributions%20of%20Sri%20Lanka.pdf>

8 See Table 4.4.3 of the NDC 2021.

9 [Final_NDC_IP_-_10072023.pdf \(env.gov.lk\)](#)

The key areas of the strategy include:

- 1) Development of renewable energy.
- 2) Promotion of energy efficiency.
- 3) Promotion of fuel switching.
- 4) Development of nuclear energy.
- 5) Carbon capture and storage.

The Ministry of Power has launched an initiative to promote solar, wind, and hydro power generation projects, entitled 'Soorya Bala Sangramaya' (Battle for Solar Energy) in collaboration with the Sri Lanka Sustainable Energy Authority (SLSEA), Ceylon Electricity Board (CEB), and Lanka Electricity Company (Private) Limited (LECO). The initiative mainly promotes setting up small solar power plants on the rooftops of households, religious places, hotels, commercial establishments, and industries. The initiative is also assisted by the Asian Development Bank.

Under this initiative, consumers will have options to generate and use electricity on their premises with provisions to sell excess generation to the national grid under three schemes:

Net Metering Scheme – A billing mechanism that credits solar energy added to the grid.

Net Accounting Scheme – A system to pay for excess electricity generated and added to the grid at a fixed rate.

Net Plus Scheme – A system to encourage feed-in energy to the grid without consuming.

SL Sustainable Energy Authority (SEA) also expects energy efficiency initiatives to contribute to carbon neutrality by 2060. To assist in the uptake of energy efficiency solutions, an ecosystem of technology providers, solution providers, governments, technical experts, and others is needed. The industry does not have the knowledge of how to develop bankable projects, and dedicated technical resources are needed to develop such skills and expertise. One solution mentioned in this context was to establish an "intermediary", potentially a pool of consultants authorised to verify and provide technical assistance on energy efficiency and the bankability of projects as well as provide capacity building workshops, etc.

More than 20 organisations are registered as ESCOs with SLSEA. These organisations provide services to reduce energy consumption, lower energy costs, and decrease GHG emissions. However, only a few provide shared or guaranteed savings as the majority focuses on energy audits.

While there is significant potential for such activities in Sri Lanka, limited success has been recorded primarily due to difficulties in accessing funds at concessionary rates. Few cooling related projects have been implemented under both shared and guaranteed savings mechanisms by three ESCOs.

ESCOs mainly concentrate on common energy saving measures such as lighting upgrades, HVAC improvements, building envelope improvements, motor/pumping power improvements, and the installation of EE equipment and technologies. The ESCO industry also provides energy efficiency and energy management services to businesses and institutions. Moreover, governments and SLSEA have undertaken a number of initiatives to promote the industry, but a lack of funding is identified as a major barrier for the growth of the industry.

The SEA is implementing the Energy Benchmark Regulations starting with supermarkets and financial intermediaries that are required to monitor and report their energy usage. If they are above the benchmark for their sector, the given company needs to develop an action plan and implement it. Additional sectors will be added in the future.

2.3.2 Climate Finance Context

Despite ambitious NDC targets and the fact that the country adopted a relatively comprehensive set of climate policies and strategies, there are certain concerns among leading experts in the field that these climate targets are unlikely to be met by the country due to limited fiscal resources, low tax revenues, and high levels of debt distress. Although Sri Lanka also announced, at COP27 in 2022, the Climate Prosperity Plan,¹³ a national investment strategy to carve a pathway toward prosperity in a climate insecure world our analysis and discussions with the market representatives and stakeholders show that the specific sources of financing the NDCs and other climate policies and strategies are not fully identified yet.

10 https://www.climatechange.lk/Documents/Climate_Change_Policy/Climate_Change_Policy_English.pdf.

11 [Calling for Public Comments on the National Policy on Climate Change \(NPCC\) \(2023\) \(env.gov.lk\)](#).

12 [CarbonNetZero2050.pdf \(climatechange.lk\)](#).

The main identified barriers when it comes to financing climate action are the following:

- › Lack of country-level climate data and information that can impact the decision to invest, which often leads to the challenges of estimating the potential investment needs and size.
- › Lack of institutional coordination as well as inefficient collaboration/coordination between different stakeholders including government agencies, private sector, IFIs/MDBs, NGO sector etc.
- › Disconnect between private and public sector when it comes to information sharing and communication.
- › Slow rate of releasing the available/allocated funds due to stringent eligibility criteria and approval processes,
- › Last but not least: negative impact of economic crisis on investments in climate action and their deprioritization both in the public sector and among private companies.

The assessment found that, in general, stakeholders are unaware of the government's decarbonisation plans and are undertaking mitigation measures largely due to international and export-oriented business competition. Some large corporates that have undertaken mitigation measures focused mostly on renewables such as solar, hydro, wind, and biomass. Solar projects have been largely driven by credit lines offered by multilateral development banks (MDBs).

For the textiles and apparel industry and to some extent other industries, implemented measures were largely driven by business - global buyer requirements for implementing sustainability practices in line with global standards. In some cases, industries expressed a desire to be a leader in the global space on climate/sustainability. In almost all cases, leadership and strong engagement at the highest level had driven the adoption of measures. Sri Lanka's economic and climate crises demonstrate the need for concessional finance in debt-distressed economies to address climate and debt vulnerabilities simultaneously. It is crucial that the financial system explores new solutions and redirects unproductive capital from debt repayments and subsidies to more effective investments.

It has to be also highlighted that our interviews with the representatives of donor institutions and IFIs (e.g. ADB, World Bank) come to prove that the economic situation of the country considerably deprioritized and delayed investments in climate action. As highlighted by interviewees, the major share of the funding goes to budget support actions targeted at economic recovery related activities.

To meet its ambitious environmental goals amid the difficulties of debt distress, Sri Lanka requires a comprehensive approach. This entails coordinated actions from creditors and policymakers to reroute finances to sectors with the greatest economic potential. When engaging in negotiations for debt restructuring, the government should explore the adoption of climate finance tools such as green bonds, debt-for-nature, and debt-for-climate swaps. These strategies can play a role in creating a more sustainable debt environment, producing significant multiplier effects that have positive outcomes for both the economy and the environment.

13 https://unfccc.int/sites/default/files/resource/SriLanka_LTLEDS.pdf

(1) Power sector specifics

In pursuing its vision of a clean, secure, and market-driven **power sector**, Sri Lanka faces considerable systemic challenges including a problematic tariff review process, incomplete long-term planning, mounting financial imbalances, and a lack of competition. Nonetheless, the industry has taken proactive steps toward encouraging sustainable financing practices. In early 2015, the Sri Lanka Banks' Association (SLBA) introduced the Sri Lanka Sustainable Banking Initiative (SL-SBI) with the objective of establishing and adopting basic environmental and social standards across the operations of its member banks. The SLBA, under this initiative, crafted a set of Sustainable Banking Principles on a voluntary basis, which outlines a broad strategy for how banks in Sri Lanka can support more sustainable local economic development. Eighteen banks have joined this initiative, pledging to integrate environmental and social considerations into their business operations. Within the same year, the Colombo Stock Exchange (CSE) announced its participation in the United Nations Sustainable Stock Exchanges (SSE) Initiative.

2.3.3 Green Finance Regulatory Framework

The [Sustainable Finance Roadmap for Sri Lanka](#) was officially launched in April 2019 by the Central Bank of Sri Lanka (CBSL) with support from International Finance Corporation (IFC) and the United Nations Development Programme (UNDP) to encourage financial institutions and regulators to adopt international environmental, social, and governance (ESG) risk management standards to thus help promote green and inclusive growth in the country. The country has established an inter-regulatory committee on sustainable finance under the leadership of the Central Bank, comprising of the Climate Change Secretariat, the Insurance Regulatory Commission, the Securities and Exchange Commission, the Banks Association, the Finance House Association, and the Association of Microfinance Practitioners. The main objectives of the roadmap are:

- › Foster a unified approach to policymaking among ministries, the Central Bank, various financial regulatory bodies, and financial sector actors while tackling distinct ESG concerns.
- › Bolster the robustness of financial entities and ensure their sustainable evolution and expansion by implementing robust ESG risk management practices.
- › Encourage the creation and innovation of financial products and services focused on green and climate

finance to predominantly engage private investment in sustainability initiatives, thereby providing the necessary financial backing for Sri Lanka to meet the Sustainable Development Goals (SDGs).

The CBSL representative mentioned during the interview that that several activities planned under the Sustainable Finance Roadmap are under way. Specifically:

- › Capacity building activities of different stakeholders including CBSL itself, other relevant state agencies, Stock exchange as well as financial institutions. CBSL is committed to this initiative with the support of EU Commission and UNESCAP, where capacity building gaps of each stakeholder group will be identified upon assessment and thereafter, programs to be developed to bridge the identified gaps.
- › Development of green products
- › Green initiatives in the region
- › Accreditation activities (including identification of a dedicated authority, identification of relevant State Agencies under each economic sector, establishing relevant Standards and guidelines for each economic sector, identification of auditors and verification specialists, conformity to taxonomy).

In May 2022, the Central Bank of Sri Lanka launched the [Sri Lanka Green Finance Taxonomy](#), a classification system defining and categorising economic activities that are environmentally sustainable; the Taxonomy is also a key action outlined in the Roadmap for Sustainable Finance. The Taxonomy will also serve as a critical tool to guide financial institutions, investors, corporates, and green-bond issuers to navigate the transition to a low-carbon, climate resilient, and resource efficient economy According to SLCB, vulnerability to climate change of projects financed by financial institutions, increases the risk of a higher percentage of non-performing loans in a banks' portfolios. This could affect the stability of the financial system and therefore, cause concern for the regulator, CBSL. Thus, CBSL intervened in greening the portfolio and have introduced the sustainable financing roadmap and related Taxonomy. Taxonomy stipulates regulations and guidelines with respect to disclosure requirements.

On 25 April 2023, the Colombo Stock Exchange (CSE) ¹⁴announced the introduction of green bond listing and trading for the first time in the Sri Lankan stock market. This development paves the way for investments in environmentally sustainable initiatives such as renewable energy, energy efficiency, sustainable waste management, eco-friendly land management including forestry and agriculture, the

14 <https://cdn.cse.lk/pdf/Listing-of-Green-Bonds-Guidance-Note.pdf>

conservation of biodiversity, clean transportation, and the provision of clean water. Despite this positive development, according to the interview with the CBSL, there are no green bond issuances in the market yet mainly caused by high country risk.

The CBSL representatives also mentioned that the challenges and delays related to implementation of the Taxonomy and Sustainable Finance Roadmap in Sri Lanka are due to other priorities of banks given the current context.

2.4 Gender mainstreaming in financial sector

National Policy Framework for SME Development emphasizes the importance of women entrepreneurship, and specifically highlights gender aspects under its policies and strategies, including scaling-up loan schemes for women entrepreneurship development, support for women led SMEs, programs for women entrepreneurship development, rewarding women entrepreneurs and strengthening women specific industry chambers.

Financial institutions are conscious of gender financing needs and have savings and lending products targeting women. Women who have opened specific accounts offered to them are entitled to various concessions, depending on the financial institution, which include:

- › relatively higher rate of interest for savings and deposits (usually 0.25% to 0.5%),
- › relatively lower interest rates and flexible grace periods for loans,
- › higher rates for special investment plans,
- › faster processing of loans in emergencies, hospitalization benefits,
- › special insurance schemes,
- › easy payment plans and, rewards/gift certificates for key milestones in life including graduation, marriage and child birth.

A dedicated (to women entrepreneurship aspects) component can be observed under certain IFI credit lines. For example, as per the Project Administration Manual of the ADB funded SME Line of Credit Project, Third Additional Financing, October 2023, Women's Chamber of Industry and Commerce has highlighted four key challenges faced by women entrepreneurs, namely (1) lack of skills and cultural barriers, and dependency on spouse for financial support, (2) lack of access to markets and information, and difficulties in finding new markets, (3) lack of access to finance due to low financial literacy and lack of collaterals, and (4) weak Government and Institutional support. The ADB Project includes a condition to the effect that 20% of sub-loans are to women led enterprises together with a Women Entrepreneurs Finance Initiative grant, supporting a principal paydown for eligible women entrepreneurs. As per the Project Progress Report September 2022, the participating financial institutions have granted 60.7% of sub-loans to women led enterprises together with utilization of 70.4% of grant funds.

When it comes to gender mainstreaming in climate finance it has to be highlighted that the climate change disproportionately exposes women to its effects due to persistent gender norms and discrimination. This is evident in the way climate change impacts factors such as water scarcity, food security, disasters, and fuel shortages, significantly affecting women's human rights and gender equality. Additionally, the approaches taken to address climate change can influence women's rights and equality. The formulation and implementation of climate response strategies, including the inclusion and participation of women, play a crucial role in shaping the realization of women's rights and ensuring comprehensive solutions.

The outcomes of our assessment reveal that, currently, there are no designated activities or allocations for gender financing within the existing climate financing lines, particularly within low-carbon financing mechanisms and products. Furthermore, our desk research and interviews with financial institutions did not uncover any initiatives aimed at integrating gender mainstreaming into climate finance practices within the financial institutions of Sri Lanka.

2.5 Stakeholder Mapping

Based on the results of extensive research and stakeholder consultations, Table 1 below presents a mapping of the key financing players in Sri Lanka's industrial sector NDC targets along with their roles (specifically on actions/measures/products that they offer or have offered to financing climate mitigation actions). Table 2 further below provides details on the existing schemes offered by the banking sector.

The list of interviewed stakeholders is presented in Appendix I.

Table 1: Mapping of Key Players for Financing Sri Lanka's Industrial Sector NDC

Type of Stakeholder	Name of Stakeholder	Role (actions, measures, products offered for financing climate mitigation actions)
Financial Institutions	Banks	Several banks in Sri Lanka provide financing for mitigation actions such as renewables, energy efficiency, biomass switching, and others. In some cases, these are marketed as green loans while in other cases they are not. Certain banks offer green loans at a rate marginally lower than the established commercial interest rate for projects with such a risk profile. (see additional details on Table 2 below)
Multilateral Development Banks	World Bank	Two lines of credit, namely ESD and RERED, were offered for the development of renewable energy. A concessionary line of credit for EE initiatives is likely soon.
Multilateral Development Banks	IFC	Provides training and capacity building for two banks to establish guidelines and assessment support with respect to sustainability initiatives.
Multilateral Development Banks	ADB	A credit line was made available for the development of rooftop solar power generation. There is a likelihood of a follow-on credit line, but there is no confirmation to date.
International Climate Funds	GEF	Sri Lanka has accessed funding from the Global Environment Facility (GEF). ¹⁵
International Climate Funds	GCF	DFCC Bank received accreditation from the Green Climate Fund (GCF) to access concessionary funding for projects with a value of up to USD 250 million. ¹⁶ The Ministry of Environment, along with other key stakeholders, are developing 5-6 medium to large projects to present to the GCF. Currently, there is no plan to present a concept on industrial sector climate mitigation, but the Ministry is open to concepts in this space.
International Climate Funds	CIFs	Climate Investment Funds - No engagement to date.
Donors/UN Implementing Agencies	GGGI	Global Green Growth Institute: Recently signed a memorandum of understanding (MOU) with two banks, Commercial Bank and NDB Bank, to develop and explore the potential of sustainability/green bonds. ¹⁷ While there is considerable interest around green bonds, there is an acknowledgment that the process may take 2-3 years to build capacity, and it would be important for Sri Lanka to have a better sovereign rating. In addition, GGGI is working with Sri Lanka on accessing GCF finance and debt to nature swaps among others.
Donors/UN Implementing Agencies	UNDP	The UNDP is undertaking the Climate Finance Network project aimed at addressing barriers in achieving the Sustainable Development Goals (SDGs) and NDC commitments while enabling countries to effectively mobilise, manage, utilise, and track the use of public finance and climate aligned private investments to combat climate change effectively while promoting gender equality, human rights, and poverty reduction to contribute to the implementation of the 2030 Agenda. ¹⁸

15 <https://www.thegef.org/projects-operations/country-profiles/sri-lanka>.

16 <https://www.dfcc.lk/media/dfcc-bank-becomes-first-sri-lankan-entity-accredited-by-the-green-climate-fund-gcf-unlocking-climate-finance-opportunities/>.

17 <https://gggi.org/press-release/the-commercial-bank-of-ceylon-cbc-and-gggi-join-forces-for-green-finance-initiatives-in-sri-lanka/>
<https://www.ndbbank.com/news-and-event/ndb-bank-spreadheads-green-transformation-through-sustainable-financing-initiatives#:~:text=Through%20this%20partnership%2C%20NDB%20is,a%20robust%20sustainability%20bond%20framework.>

18 <https://www.undp.org/srilanka/press-releases/resilience-face-climate-change>.

3 Assessment of Existing Climate Financing in Sri Lanka

For the landscape assessment, the team conducted extensive stakeholder consultations with various key stakeholders as listed in Appendix I. The key aspects that were explored through these consultations are as follows:

- › Awareness, interest, and financing requirements among the priority industries for investment in low-carbon measures.
- › Risks, success factors, challenges, and barriers for financing low-carbon measures.

The following subsections detail the key findings from the abovementioned consultations.

3.1 Industry awareness, interest, and financing requirements to finance low-carbon mitigation measures and technologies

Due to the current financial crisis in Sri Lanka, several stakeholders reported that the industrial sector is in recovery mode, and the focus is to remain operational and drive business, and they are generally not able to prioritise climate change actions. The financial crisis remains front and centre for industries, and the recovery process directly impacts the ability of industries to invest, including in green measures. This is true for large industries but even more so for SMEs. Large-scale investments in energy efficiency and renewable energy are unlikely to be implemented until there is an improvement in the economic conditions of Sri Lanka. However, with the recent increase in electricity tariffs, EE initiatives may become more attractive and create interest among industries.

Companies reported undertaking some energy efficiency measures, recycling and waste management, and water management in other cases. Energy efficiency and related measures attracted less interest, and there seemed to be less awareness related to some of those activities. A key issue that was mentioned related to biomass supply chains and the need to have a continuous supply at an acceptable price. The summary of decarbonization measures and technologies applied in the preselected sectors is presented in the Table 2. The summary of dedicated green credit lines from the banks is presented in Table 3.

Table 2: Decarbonization technologies by industries

Sector	Decarbonization technology	Advantages	Disadvantages
1: Food & Beverages	Application of renewable energy, mainly Solar Photovoltaic.	Widespread application, mostly funded by the ADB Solar PV program – phase 1	Limited to mostly funding under the ADB solar PV program phase 1.
	Fuel switching from fossil fuels to biomass mainly for drying and steam production.	Use of commercial timber from rubber plantations	Limited applications and availability of commercial timber and wood waste
	Processed specific heat recovery	Limited applications mainly in the beverage sector	High cost of applications
	Application VFD for motor drives	Over 33% saving on most motor driven applications	Cost of application is high and low performance reliability
	Efficient lighting	LED as most common technology	Nonavailability of reliable products and lack of quality labeling have led to use of low quality products with short lifespans and poor quality light.

Sector	Decarbonization technology	Advantages	Disadvantages
2: Textile & Wearing Apparel	Application of renewable energy such Solar PV	A common application as it has a direct and quick return.	Partly funded by the ADB solar PV program. Applications are based on capital investment model and not on operational models.
	Fuel switching from fossil fuels to biomass, mainly for boiler applications	Application of wood waste and commercial timber	Limited availability of commercial timber and wood waste for these applications.
	Efficient cooling with the use of centralized cooling	Use of efficient water-cooled HVAC systems with considerable energy savings and indoor air quality improvements.	High cost of improvements limits potential applications.
	Efficient lighting based on LED technology	Mixed with daylighting	Reliability of products without standards and labeling
	Performance monitoring with the application of BMS systems	Energy management with BMS leads to considerable saving and limited outages.	Cost of applications and limited funding for technology applications
	Process improvements	Use of efficient and energy saving machines	Cost of applications
	Regular audits and third-party certification	LEED certification with energy and water savings	Lack of or limited local funding for improvements and certifications.
	3: Rubber & Plastic	Application of renewable energy, mainly Solar PV	Most common application.
Fuel switching from fossil fuels to biomass, mainly for boiler applications		Commercial and wood waste applications	Limited availability
Use of LED lighting		Energy savings and improved lighting with quality products	Reliability of products without standards and labeling
Regular audits & process improvements		Effective and leads to energy saving & product quality improvements	Lack of funding limits application

Table 3: Dedicated Green Financing Schemes Offered by Banks in Sri Lanka

Name of Bank	Products			
Bank of Ceylon	“E-Friends II” <ul style="list-style-type: none"> › Revolving credit facility › Waste minimisation/ resource recovery/pollution control › Maximum of Rs 30m › Maximum 10 yrs. loan repayment 	“Sashrika” <ul style="list-style-type: none"> › For micro & SMEs › Local manufacture and value addition of organic fertilisers, weedicides, and pesticides › Maximum 6-month loan repayment 	“Rooftop Solar” <ul style="list-style-type: none"> › Domestic/ commercial/SMEs › Maximum Rs 1.5m /5.0m/5.0m › Maximum 7 yrs. / 7 yrs. /5 Yrs. loan repayment 	“Sustainable Energy & Eco-Friendly Products” <ul style="list-style-type: none"> › Rs. 0.15-1.0m › 2-5 Yr. repayment
Commercial Bank	“Green Loan” <ul style="list-style-type: none"> › EE lighting and household equipment › Optimisation and recycling of natural resources › Maximum Rs 3.0. › Maximum 5 Yrs. loan repayment 			
Hatton National Bank	“E-Friends II” <ul style="list-style-type: none"> › Revolving credit facility › Waste minimisation/ resource recovery/pollution control › Maximum Rs. 30m › Maximum 10 Yrs. loan repayment 			

Examples of climate financing

The IFC, a member of the World Bank Group, has partnered with Sri Lanka’s Commercial Bank of Ceylon on a 100 million USD financing structure to help the bank increase lending for renewable energy and energy efficiency projects in the country. This is IFC’s largest financing in the country. This seven-year financing to commercial bank is aimed at reducing GHG emissions, promoting energy efficiency, and supporting the expansion of conventional and non-conventional renewable energy projects.

In July 2023, DFCC Bank became the first Sri Lankan entity to receive Green Climate Fund (GCF) accreditation, thus granting it access to concessionary funding for projects with a value of up to \$250 million. The accreditation enables DFCC to finance climate mitigation and adaptation projects across Sri Lanka. DFCC is currently working on two concept notes for GCF funding, one focused on e-mobility and the other on solar energy worth 35 million USD each.

On 14 September 2023, USAID, in collaboration with SLSEA, launched the National Energy Benchmarking

Portal (NEBP) as part of the Sri Lanka Energy Programme. This pioneering tool is intended to guide businesses in reducing their electricity usage through the adoption of energy efficient practices and conservation strategies, especially in the face of rising energy costs. The introduction of the NEBP signifies a pivotal movement toward advancing sustainable and energy conservative operations in Sri Lanka’s business sector.

Based on feedback received during interviews with banks, we noticed a clear and strong interest for renewable energy uptake through the green loans/ schemes offered, but there was much less interest in energy efficiency measures.

The renewable energy industry has developed significantly over the last two decades driven primarily by the World Bank funded Energy Service Delivery (ESD) - 1997 and Renewable Energy for Rural Economic Development (RERED) - 2002 credit lines. The two development finance institutions (DFIs) that existed during that period had the in-house capacity to appraise renewable energy projects. The two DFIs, due

to the size of investments and risk mitigation purposes, syndicated loans with other licensed commercial banks, which served to develop capacity within those institutions as well. By the end of RERED project, Sri Lankan banks had adequate in-house knowledge to assess renewable energy projects on their own and have been doing so successfully since then. The cost-based technology specific tariffs offered to such projects made them commercially viable without concessionary loans. Due to visible cash inflow from renewable energy projects due to energy generation, the banks preferred to finance such projects rather than EE initiatives. In general, for mitigation measures, banks reported that, while they had a keen interest in engaging in energy efficiency, most such projects had medium-term payback periods that discouraged investment given the lack of a savings guarantee, independent verification on energy savings, established mechanism for long-term savings monitoring, established standards for equipment (thus doubt on their long-term performance), and in-house capacity to understand energy audit reports, all of which have created an uncertain investment environment for banks.

On the other hand, during consultations with the industry representatives we observed that in addition to investments in renewable energy, some companies have experience in investing in such technologies as LED lighting, fuel switching from fuel to biomass, PF correction, lighting and cooling improvements (e.g. with BMS systems), machine replacements, heat recovery, AC replacement, automation of process to reduce waste, investments in processes to enhance material circularity (e.g. separation of cotton from elastic and other products to recycle fiber). We also observed cases of investments on the crossroad of mitigation and adaptation practices such as smart agriculture (within the supply chain of the observed industries), waste management, water treatment, other. However, many companies highlighted the fact that the investments in mitigation activities are mostly done by internal resources rather than bank financing due to high interest rates.

Certain banks further stated that, although the designated energy champions within the industry are keen to implement EE initiatives, finance managers and top management in some cases have not been so convinced, thus creating hesitancy to commit to project. However, although there is no visible cash inflow compared to renewable energy projects, certain banks expressed comfort in lending for projects with improved cash inflows through energy efficiency/waste management/recycling initiatives provided that other issues mentioned above are properly addressed. Several companies reported self-funding their mitigation measures due to the lack of accessible and attractive funding options, especially in the case of

projects with smaller investment needs. SMEs have used the ADB Rooftop Solar Energy Programme to finance their solar projects, and one company reported working with the IFC to leverage funding through their programme. In addition, our analysis found that, due to the financial crisis, those companies that had access to funding outside Sri Lanka (such as those that have companies in India, Singapore, or others) leveraged their balance sheet to receive financing from non-Sri Lankan banks.

However, a general perception exists among industries that no green financing is currently offered from banks in Sri Lanka (which is contrary to perception of banks). This seems to be driven by the fact that, if a green product is offered by banks, it would generally not be considered credible due to the high interest rates. Given the current financial and economic situation of the country, it was broadly acknowledged both by banks and industry that marketing a green loan with high interest rates (currently about 15%) was not generally palatable.

The results of the assessment indicate that industry believes that no attractive option for green financing currently exists in the marketplace because of the current environment. Larger corporates have ongoing relationships with their preferred banks, and they leverage these relationships to receive a suitable green loan on the strength of the company's balance sheet. This was reaffirmed by banks when they mentioned that, due to the high interest rates, the pipeline for green projects has been limited, although they are seeing increased interest and activity among industry due to lowering interest rates and higher energy prices.

Current Guidance given by the CBSL through the Green Taxonomy and the Sustainable Finance Roadmap ensures directives have been welcomed by the financial sector, with several stakeholders mentioning that they are aligning their practices with the Green Taxonomy. Some reported the Taxonomy to be somewhat complex and technical; hence, there remains some ambiguity in how to interpret it. This has resulted in banks needing to provide training or hand-holding at various levels. The CBSL monitoring and reporting requirements have also facilitated the tracking of bank green finance, and stakeholders mentioned that they see these as a step in the right direction in terms of mandatory requirements to which they may be subject. In addition, some banks are considering setting targets for green financing within their portfolio. However, certain banks expected more clarity from the CBSL in identifying and categorising green loans.

3.2 Existing Practices and Trends in Green Finance

Banks generally confirm the availability of sustainable financial products in their institutions offered to both corporate and retail customers.

Mitigation activities financed by the banks mainly include energy efficiency and renewable energy, although sometimes they finance climate smart agriculture, building construction, low carbon transportation, and forestry. The average tenure for energy efficiency loans is around five years with amounts in the range of LKR 10 m. Some banks finance green buildings with loans up to LKR 100 m with a tenure of seven to 20 years. All banks extend facilities for renewable energy investments with an average tenure of 10 years and loan size ranging from LKR 100 m to 2,000 m.

All banks conform to the Sri Lanka Green Finance Taxonomy published by CBSL and their own internal taxonomies. Selection criteria are based on the Green Taxonomy and their own internal credit appraisal procedures. The loans are being as per guidelines stipulated under the Sri Lanka Green Taxonomy of the Central Bank of Sri Lanka (CBSL).

As per information provided by banks, a significant portion of each bank portfolio consists of commercial facilities. There is also substantial investment when combining the banks' industrial and infrastructure portfolios.

Banks secure all the above loans through project assets, but they may request additional collateral including corporate/personal guarantees based on their respective credit appraisal and risk mitigation requirements.

3.3 Risks and Barriers

Barriers

High interest rates were the overarching barrier mentioned across stakeholder groups, which is hindering the adoption of low-carbon mitigation measures. Given the recent and current economic situation, interest rates have been extremely high – close to 30% - in the last two years with rates only reducing to about 15% over the last few months. The expectation is that rates may be reduced by a few more percentage points within the next few months. However, for most industries, high interest rates have remained and more palatable rates would be between 6-8% similarly to what was offered through the ADB rooftop solar project.

This is extremely critical as even large corporations that are ahead of the curve reported having already invested in low-hanging fruits (i.e. usually smaller investments) and, for larger investments (capital expenditures, etc.), they will need access to concessional financing. Efforts were made by banks to attract green (cheaper funding), but they were not very effective. For example, one of the banks introduced green deposit product to raise low-cost funds to finance green initiatives at concessionary rates. However, the deposit product is not attractive for individual customers, since the offered rate is below market rates. The bank still intends to promote this among large corporates who may wish to showcase that part of their investments are in low yielding green deposits as a strategy to strengthen their overseas markets and as CSR action.

Related to the above, most banks also consider the lack of financial incentives as a high-level barrier to implementation. Concessionary loans and guarantee schemes would be useful in this respect. Furthermore, duty concessions for energy efficient equipment and tax concessions for industries that implement such projects are also among the initiatives that can be considered. However, introducing such concessions could be difficult under the current economic circumstances.

According to the SBSL, however, there is a lack of demand from the industry to shift to sustainable processes and therefore, banks are expected to take the lead and promote green initiatives. Concessionary interest rates should not be the only incentive for the corporates to shift to sustainable processes. Other incentives such as increase accessibility to EU markets and future restrictions in accessing such markets, should also be considered for implementing decarbonization processes. Banks are also expected to manage their green portfolios effectively promoting such benefits.

Furthermore, financial institutions have limitations in granting long-term loans since most customer deposits are for a shorter terms of three months to two years. Thus, in addition to low interest rates, access to long-term credit lines would also enable banks to finance long-term investments, thus minimising asset and liability maturity mismatch issues and financing EE projects that need a longer tenure.

Most banks consider the collateral requirements and perceived risks of industrial decarbonisation as medium level barriers. These two issues could be addressed by identifying industry specific needs and introducing consumer protection initiatives that include standardised equipment, minimum performance guarantees, and independent monitoring and verification.

Low levels of expertise and capacity among industries, policymakers, and banks were reported as critical barriers. On the industry side, most corporates that are implementing climate change mitigation measures reported building their own in-house expertise and capacities with limited external support. Larger companies reported knowledge exchanges among themselves and engagement with ministries and banks to some extent. Several stakeholders reported a lack of understanding and capacity between industry and banks on various technical terms on the requirements for green products and bankable projects.

Banks also mentioned the need to build capacity and knowledge internally on the CBSL Green Taxonomy, how it needs to be interpreted and operationalised among their portfolio officers, and a lack of adequate training or clarity in relation to these issues. While it seems that several training sessions are being offered to both industries (SEA provides several) and banks (CBSL, ADB, AFD, IFC etc.), stakeholders mentioned that these seem to be ad hoc and sometimes repetitive without a clear focus as to what the objective are. Having a structured approach to building capacity with incentives built in would be an efficient and effective manner to ensure that expertise is developed in house and remains in Sri Lanka.

Our research shows that despite the fact that all interviewed banks (6) have experience in green lending only 3 banks have dedicated green loan products (as depicted in table 2 of this report). This means that, on the one hand, the banks do not have stable access to sustainable funding (with affordable cost and maturity) and, on the other hand, some of them perceive investments in green activities as high-risk and not financially viable. In addition, as already mentioned, although banks have had exposure and training in green investments and lending, the institutional awareness and knowledge levels are not enough to establish dedicated green products and streamline green lending (e.g. not all the banks have clearly defined targets and business plans for developing green lending).

The low uptake of energy efficiency measures compared to renewable energy is related to the lack of a standard verification system, lack of adequate data, and uncertainty related to guaranteed savings. Several stakeholders mentioned as a key barrier the lack of a standard and adequate certification scheme that guarantees energy savings. Various banks and industries reported using different verification systems ranging from third-party verification to energy bill evaluations based on pre and post-actions. Stakeholders mentioned the nature of auditors as “fly in fly out” whereby they are not held responsible for audit results and the subsequent savings that may be generated. Moreover, auditors often place a caveat within audit reports dismissing all responsibility. Industry stakeholders reported various means of verification of their energy savings with no acceptable standard. Banks are reluctant to accept energy audits from ESCOs without independent verification; instead, they stated clearly that they preferred an independent confirmation of energy savings as well as monitoring and evaluation during the project implementation period.

Clear needs and expectations were expressed from banks for the Sustainable Energy Authority (SEA) to take on this role. This can be a considerable issue for medium and small industries when requesting green financing from banks for energy efficiency measures as opposed to larger corporates that are able to borrow on the strength of their balance sheet. However, with the recent change in the process for setting electricity tariffs, which requires a revision of tariffs every six months, there is growing recognition among stakeholders that adopting energy efficiency measures is no longer a luxury but a necessity from a cost perspective. **Due to these reasons (uncertainty and no guarantees of savings, long payback periods) banks prefer investing in RE with more guaranteed cashflows and shorter payback periods.**

Several stakeholders mentioned that, due to the current economic situation in Sri Lanka, several qualified individuals have emigrated in the last few years. For example, one stakeholder mentioned that, despite offering several training sessions on energy efficiency and energy audits, certain individuals that were trained on these topics moved to other countries to seek new opportunities. The lack of energy auditors and experienced energy efficiency professionals was repeatedly mentioned as a key barrier. In that context, the brain drain in Sri Lanka is a considerable barrier.

The lack of a coordinated and comprehensive approach across the government was stated as another key barrier. Stakeholders mentioned that, in spite of establishing several policies on climate change, the NDC, and sustainability, there remains a lack of continued momentum and direction toward meeting NDC targets at the broader governance level. A cohesive and coordinated approach is required to ensure that all key policymaking stakeholders understand and recognise the importance of climate change. For example, one stakeholder mentioned that, even though the CBSL Green Taxonomy stipulates certain requirements, it is not certain if these are aligned with other government requirements such as import requirements. The case of solar panel efficiency levels was specifically mentioned.

While banks generally expressed satisfaction with the level of guidance and direction provided by the CBSL to date, stakeholders mentioned that clear commitment, guidance, and direction from the government is needed to ensure that all stakeholders transition and prioritise mitigation measures.

Risks

A key obvious overarching risk is the country's current economic crisis. Several industries as well as banks have a "wait and watch" policy whereby they are waiting to see how the country will recover from the crisis. One stakeholder mentioned that the MDBs should exercise flexibility in extending credit lines for sustainability initiatives focused on the financial health of the bank sector rather than focusing on the current economic situation of the country. Given that Sri Lanka is a highly vulnerable country, the extension of credit lines could be linked instead to meeting certain green financing/ climate goals.

Another key risk mentioned, related to the current economic situation and policy uncertainty, is the fact that the government is removing certain tax reductions for wind, hydro, and biomass based on current recommendations from the IMF. From a stakeholder perspective, this is an arbitrary decision and makes such technologies unviable for the longer term. The discussions with IFI and donor community showed that there are no specific plans to extend concessional green credit lines to financial institutions which is mainly conditioned by challenging macroeconomic situation and related challenges in the financial sector.

Uncertainty related to government policies and regulations was also highlighted as a key risk for industries and the banking sector.

Several stakeholders mentioned that changing recommendations from the government on the

adoption of proposed technologies have created confusion and uncertainty in the market. For example, due to the financial crisis, the Ceylon Electricity Board has not made any payments to industries for the renewable energy they generate. As a result, industries have not received their anticipated income, which has resulted in significant losses and less confidence among investors. In another example, a stakeholder mentioned that industries were initially recommended to switch technologies to IE3 motors, which several industries did. However, the government then changed their recommendation to using IE2 motors instead. This has caused a lack of trust on the technology recommendations among industries. In fact, some corporates reported developing their own research and development (R&D) capabilities to advise on such matters and future technologies. In addition, policy changes due to five-year election cycles were also mentioned as a key challenge for industries and banks.

Banks also highlighted that approvals are required from multiple state agencies, and most of them include conditions with respect to environmental and social assessments. It would be convenient if state agencies work in coordination to stipulate such conditions ideally with all such conditions being conveyed by an apex agency through a single window. Such a process would facilitate and accelerate the implementation of sustainable initiatives. Awareness creation among state agencies thereof would be useful.

Stakeholders also mentioned that, in terms of risks related to technology uncertainty, the government does not have the needed data to develop a convincing case to adopt certain technologies and measures. In addition, the lack of capacity and resources further hinders this process, and the government ends up being in a situation wherein sound recommendations are sometimes not provided. This was specifically the case mentioned for energy efficiency, and one solution would be to develop a validated database on the technologies and measures and the level of energy savings that should be generated by measures. This would provide a reference point for various stakeholders, especially banks when undertaking their due diligence.

Cumbersome and complex processes to apply for international financing, such as those of the ADB, IFC, local banks, and others were stated by industries as critical challenges. Several industries are focused on day-to-day operational issues, and responding to requirements from financing institutions for green loans/credit lines can often be cumbersome and resource intensive. Some institutions have stringent policies, and one stakeholder mentioned that given the country's ongoing crisis, jumpstarting green financing in the country would be beneficial to make some of those requirements/processes slightly easier.

4 Conclusions and Next Steps

The key conclusions of the current assessment are the following:

- The NDC includes seven actions for the industrial sector to reduce GHG emissions against the BAU scenario by 7% in the industrial sector (4% unconditionally and 3% conditionally). Sri Lanka recently also published its NDC Implementation Plan that includes a detailed plan for implementing the NDC, including in the Industrial sector. For each NDC, the plan provides key actors responsible for implementation, timeframes, key performance indicators, and sources as well as means of verification, baseline, and target. Our analysis and discussions with the market representatives and stakeholders show that the specific sources of financing the NDCs and other climate policies and strategies are not fully identified yet.
 - Lack of access to affordable finance was identified as one of the major barriers during the assessment. Different stakeholders including policy makers, industry representatives, representatives of financial institutions pointed out that the access to affordable financing would speed up investments in decarbonization of the industrial sector. Our assessment of the few green financial products available in the market as well as discussions with key stakeholders show that existing pricing (of green loans) in the market is perceived as twice higher than the desirable one. Moreover, there is a shared opinion that the collateral requirements are too strict, and the maturities of the loans are too short.
 - The described gap is not covered by concessional finance instruments from government or donor community (e.g. concessional funding from MDBs and concessional instruments such as interest subsidies, guarantees, other risk sharing mechanisms from the government) due to narrow fiscal space, which is one of the reasons that prevents financial institutions from financing investments in decarbonisation technologies.
 - Despite isolated policy measures in the country, it has to be also highlighted that Sri Lanka's industry sector lacks a comprehensive holistic policy framework dedicated to promoting investment in energy efficiency and decarbonization.
 - One of the overarching issues which deprioritises investments in industrial sector decarbonization is the economic crisis in the country. The crisis negatively influences the access to funding of financial institutions (high level of country risk prevent the banks from raising funds from overseas), moreover, the companies in the target industries are also negatively influenced by the economic crisis in the country.
 - Other barriers preventing industries to invest in decarbonization measures and technologies are lack of expertise and understanding of the benefits thereof, scarcity of effective and affordable technologies that would enable industrial decarbonisation, lack of skilled workforce, underdeveloped infrastructure.
 - In addition to challenges related to high cost of funding, financial institutions have other significant barriers that prevent them from financing industrial decarbonization. Among those are lack of dedicated green products, lack of verification mechanisms to assess and comply with green taxonomy, lack of knowledge and capacities among staff, other.
 - Our assessment concluded that although the decarbonization technologies and needs in different industries might be different, the identified challenges and issues related to financing industrial decarbonization are identical throughout different industries. Therefore, in the second component of the Project (financing strategy development) the proposed approaches and measures will not be differentiated for different industries.
- The unstable economic environment (including high interest rates) has become a major barrier to climate financing and increased the need for concessional financing. In this regard, the following modalities of concessional financing may be considered:

Government instruments:

Various countries apply different subsidy instruments to stimulate the market for green investments. Frequently used finance subsidies are:

- (i) up-front grants tied to credit or savings, that can be applied to closing costs on a loan, the down payment, or to reduce the loan,
- (ii) interest-rate subsidies to lower the monthly payments,
- (iii) tax-benefits that lower the effective recurring cost of payments.

The Consultant will explore the most relevant (for SL market) instruments and propose mechanisms and approach to implement those.

Concessional funding mechanisms:

1. Guarantees:

Guarantee facilities play a crucial role in supporting green finance by reducing risk in green loans. These guarantees enable lenders to share credit risk with the guarantee facility, facilitating greater loan capacity while protecting lenders' balance sheets in case of defaults. Once green loans are repaid, the guarantees are released, allowing the facility to reinvest and attract more private financing.

This approach aims to boost capital availability for environmentally friendly and affordable investments by encouraging lenders to embrace green technologies. Beyond addressing immediate decarbonization finance needs, this comprehensive strategy aims to cultivate a self-sustaining green finance ecosystem driven by local initiatives.

At the same time the guarantees aim to boost the demand for green technologies. By improving the credit opportunities for these borrowers, the guarantee enables lenders to expand their loan portfolios into an untapped market while minimizing potential risks.

2. Cash-backs/incentive schemes:

To support the development of the sustainable market, a direct grant is often made available for successfully implemented projects (e.g. green investments). The grant should be released upon completion of the financed activity and verification of its successful implementation or upon acquisition of green technology. Depending on the project type and market realities, the grant amount can range between 5 and 30% of the amount lent by the FIs to the final beneficiaries.

3. Sustainability-linked bonds

In case of issuing Sustainability-Linked Bonds ("SLBs") (debt instruments with a mechanism of incentives to meet sustainable goals) financial institutions can get an opportunity of getting a step-down of the coupon spread from investors (IFIs, MDBs) in the long-run (not very relevant under the economic crisis conditions).

Specifically, SLBs are structured as forward-looking instruments in which issuers commit to reaching sustainability-performance targets on a predefined date ("SPTs"). The selection of Key Performance Indicators (KPIs) is essential to measure the progress of goals annually and to determine the achievement of SPTs. Based on the results, it could represent no change,

step-up or step-down of the coupon spread. SLBs could apply to plain vanilla and structured transactions.

KPIs related to green and/or social indicators can be successfully applied under these bonds.

4. Outcome-Linked Bonds

Similar to SLBs, Outcome-Linked Bonds ("OLBs") are also forward-looking performance-based instruments that incentivize the issuer's sustainable performance. This product is suitable for issuers who are not ready to issue an SLB, but who have progressed in their ESG strategy and sustainability profile and who want to align their financing strategy with their sustainability strategy. Also, for issuers whose sustainability objectives are considered relevant and a priority for IFIs, but classified by ICMA as secondary or not relevant (e.g. portfolio growth, TCFD or TNFD alignment, development of net-zero strategies). Incentive size is calibrated by the relevance and ambitiousness of the SPTs and the pre-issuance external opinion is not public.

In addition to exploring ways and mechanisms targeted at facilitating financing industrial decarbonization, the Consultant will suggest other measures and actions such as:

- strengthening capacities of FIs in such areas as:
 - green products development
 - facilitation access to concessional funding (via green bonds, sustainable bonds, other financial instruments)
 - enhancing capacities in assessing climate and social risks (introduction/strengthening of ESMS practices)
- strengthening capacities of industries in better accessing sustainable financing.

Under the second component of the current Project (Industrial Decarbonization Financing Strategy), the Consultant will propose a strategy that will identify broad areas of interventions to mobilize and unlock funding for industrial decarbonization. The Strategy will include specific activities and measures that will bridge the identified gaps. The Consultant among other activities and measures will at least cover the measures and instruments described above.

APPENDIX 1

List of Stakeholders Interviewed

Policy

- › Ministry of Environment
- › Sustainable Energy Authority
- › Ministry of Power and Energy
- › Ministry of Industries
- › Ministry of Finance
- › Public Utilities Commission of Sri Lanka
- › Board of Investment
- › Central Bank of Sri Lanka

Banks

- › NDB Bank
- › Commercial Bank
- › Sampath Bank
- › DFCC Bank
- › Bank of Ceylon
- › HNB Bank

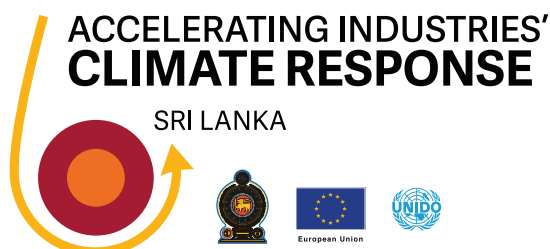
Industry

- › Food & Beverages
 - › Bogawanthala Tea
 - › Lion brewery
- › Textile & Apparel
 - › Star garments
 - › Jay Jay Mills
 - › Ocean Lanka
 - › Stretchline
- › Rubber and Plastics
 - › Global Rubber
 - › Pheonix Plastics
 - › Michelin
- › Associations
 - › JAAF
 - › National Ceylon Chamber of Commerce
 - › FCCISL
- › MDBs
 - › ADB
 - › World Bank
- › ESCOs
 - › Energy Management Services
 - › Industrial Services Bureau
 - › Lanka Energy

IFIs, donor institutions

- › World Bank
- › Asian Development Bank

Accelerating Industries' Climate Response in Sri Lanka is a project funded by the European Union under the Global Climate Change Alliance+, and implemented by the United Nations Industrial Development Organization with the Ministry of Environment, Ministry of Industry and the Ministry of Power and Energy.



Accelerating Industries' Climate Response in Sri Lanka Project

Ground Floor, New CSL Building | No. 133, Kinsey Road
Colombo 08, Sri Lanka.

Tel/Fax: +94 112 689 155 Email: aicr-srilanka@unido.org