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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX V**

of the Commission Implementing Decision on the Annual Action Programme 2019 (part III) for Environment and Climate Change under the Global Public Goods and Challenges Thematic Programme, to be financed from the general budget of the Union

**Action Document for EU Support to the Implementation of Sri Lanka's Nationally Determined Contributions**

<table>
<thead>
<tr>
<th><strong>ANNUAL PROGRAMME</strong></th>
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</thead>
<tbody>
<tr>
<td>This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.</td>
</tr>
</tbody>
</table>

| 1. **Title/basic act/CRIS number** | EU GCCA+ Support to the Implementation of Sri Lanka's Nationally Determined Contributions (NDCs) in the Industry Sector CRIS number: ENV/2019/042-156 financed under the Development Cooperation Instrument |
| 2. **Zone benefiting from the action/location** | South Asia, Sri Lanka The action shall be carried out at the following location: Sri Lanka |
| 4. **SDGs** | Main SDG(s) 13, 7 and 9 Other significant SDG(s): 8 and 12 |
| 5. **Sector of intervention/thematic area** | Climate Change | DEV. Assistance: YES |
| 6. **Amounts concerned** | Total estimated cost: EUR 7 810 000 Total amount of EU budget contribution: EUR 7 750 000 This action is co-financed in joint co-financing by: UNIDO for an amount of EUR 60 000 |
| 7. **Aid modality(ies) and implementation** | Project Modality **Indirect management** with United Nations Industrial Development Organisation (UNIDO) |
modality(ies)

**8 a) DAC code(s)**
Main DAC codes: 41010 – Environmental Policy and Administrative Management 50%
32110 – Industry - Industrial Policy and Administrative Management 50%

**b) Main Delivery Channel**
United Nations Industrial Development Organisation - 41123

**9. Markers (from CRIS DAC form)**

<table>
<thead>
<tr>
<th>General policy objective</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Principal objective</th>
</tr>
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<tbody>
<tr>
<td>Participation development/good governance</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Aid to environment</td>
<td>☐</td>
<td>☐</td>
<td>X</td>
</tr>
<tr>
<td>Gender equality and Women’s and Girl’s Empowerment</td>
<td>☐</td>
<td>X</td>
<td>☐</td>
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<tr>
<td>Trade Development</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Reproductive, Maternal, New born and child health</td>
<td>X</td>
<td>☐</td>
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<tr>
<td><strong>RIO Convention markers</strong></td>
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<tr>
<td>Biological diversity</td>
<td>X</td>
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<tr>
<td>Combat desertification</td>
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<tr>
<td>Climate change mitigation</td>
<td>☐</td>
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<td>X</td>
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<tr>
<td>Climate change adaptation</td>
<td>X</td>
<td>☐</td>
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**10. Global Public Goods and Challenges (GPGC) thematic flagships**
Global Climate Change Alliance+ (GCCA+) flagship initiative

**SUMMARY**

Sri Lanka is a lower middle-income country aiming a rapid development in which industries are expected to play a growing and an important role. The share of industry to Gross Domestic Product (GDP) was 27.29% in 2016\(^1\). Small and Medium Enterprises (SMEs) contribute around 52% of the total contribution of industries earning around 20% of foreign exchange and provide employment to around 3 million. Following 10 years of peace and stability, the recent terrorist attacks on 21 April have created economic uncertainty and trade tensions. While it is too early to assess its full economic impact, the immediate and visible concern points to the tourist industry and its value chain, but short and long-term implications on indicators such as foreign direct investments and growth can be expected.

Sri Lanka's Nationally Determined Contributions (NDCs) proposes a reduction of greenhouse gas (GHG) emissions by 30% during the 2021-2030 period against the base year 2010 business-as-usual scenario, of which the industry sector together with the transport, forestry

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and waste will contribute a 10% reduction while the remaining 20% will be from the energy sector. High greenhouse gas (GHG) emitting industries due to its manufacturing processes such as clinker manufacturing and lime, are present in Sri Lanka, although no studies have been carried out to quantify industrial emissions. Furthermore, as a result of industries being fragmented under various ministries and various regulatory agencies comprehensive data on past consumption, production and emission are not readily available. Absence of measured GHG emission data for the industry sector is a key challenge in implementation of Sri Lanka’s NDCs and points to the need to create the GHG emission baseline of the industry sector. Without baseline data and a monitoring system, it is not possible to quantify emissions in the industry sector and its sub-sectors, and thereby control the reduction of emissions in line with the country’s commitments.

Industries (both large and SMEs) consume 32.4% of the total electricity consumption and about 15% of the total fossil fuels consumed in Sri Lanka. Hence, in addition to reduction in GHG emissions related to industrial processes, industries have a significant role to play in reduction of GHG emissions related to the energy sector.

The proposed action will focus on establishing the GHG emission baseline of the industry sector and a monitoring, reporting and verification (MRV) system, developing an NDC sectoral national industrial plan, developing polices and a regulatory framework conducive to low emitting industrial development, conducting capacity building tailored specifically for stakeholder groups (eg. government and private sector) and pilot testing several technologies that will be identified to have a significant potential for reducing GHG emissions. The proposed action will focus only on large industries and SMEs. - micro industries are outside the scope of this action given their informal nature where they are mostly unregistered thus not identifiable as micro industries, therefore would require carefully formulated specific strategies and intensive support to enable emissions reduction, pollution control and efficiency improvements.

The **Overall objective** is to support climate change mitigation through the development and implementation of Sri Lanka's Nationally Determined Contributions (NDC) for the industrial sector thereby reducing greenhouse gas (GHG) emissions. The **Specific Objective** is to scale-up the climate change response of Sri Lanka’s industrial sector through the adoption of climate-oriented tools and the design of technical, policy, regulatory and financial mechanisms aimed at reducing energy use and costs, in favour of renewable energy and energy efficiency solutions.

The expected outputs are:
EO1: An MRV system for the industry sector is developed and implemented and baseline for the industry sector established.
EO2: An industrial sector plan for implementing NDCs has been validated and activities prioritised according to agreed criteria.
EO3 Policy and regulatory frameworks are improved and related awareness and capacity of stakeholders to implement these frameworks have been built.
EO4: Capacity related to energy efficiency and climate change mitigation practices in the area of industry is built.
EO5: Pilot technologies leading to improved energy efficiency and reduction in GHG emissions are tested to be then replicated.
The Action will be implemented under indirect management by UNIDO. A technical project office will be established in premises proposed by the Government of Sri Lanka.

1 CONTEXT ANALYSIS

1.1 Context Description

Sri Lanka, a tropical island in the Indian Ocean, has become increasingly vulnerable to the impacts of climate change. With frequent occurrences of heatwaves and droughts, followed by floods and landslides, Sri Lanka now ranks 2nd on the Germanwatch Climate Risk Index and has a 0.35 rating on the GCCA+ Vulnerability Index, being 65th of 111 countries. Sri Lanka is fast approaching ‘hotspot’ status. It is predicted that climate change will negatively affect the living standards and livelihoods of vulnerable communities. Change of rainfall patterns has significantly affected the hydro-electricity generation ability of the country and industries have been impacted by increasing energy costs and unavailability of electricity. In addition damages to key infrastructure such as access roads, factories and electricity transmission and distribution networks caused large losses to industries. Coping with the adverse impacts of climate change risks the country’s development targets with a projected loss of 7.0% of GDP by 2050.

Sri Lanka is a Non-Annex I Party to the United Framework Convention on Climate Change (UNFCCC) through the ratification of the Paris Agreement in September 2016. The country participates in the UNFCCC negotiations, submitting National Communications. As part of its international commitments in the global fight against climate change, through the ratification of the Paris Agreement Sri Lanka’s NDCs commit to reduce 30% of GHG emissions compared to the 2010 baseline by 2030. Industry sector together with transport, waste and forestry sectors are required to contribute by 10% of the total reduction in emissions (3% unconditionally and 7% conditionally) while the remaining 20% is required from the energy sector (4% unconditionally and 16% conditionally). Despite these commitments, Sri Lanka does not have baseline emission data and of the five sectors, only the energy sector has information that can be used to estimate GHG emissions with reasonable accuracy. The lack of baseline data has two main implications in achieving NDC commitments related to industries. Firstly, GHG emissions resulting from industrial processes are unknown at present, and secondly, it is not possible to estimate emissions of various industries either and thereby target reduction and/or energy efficiency in highly emitting industries.

In 2017, the electricity consumption of industries in Sri Lanka was 32.4% of the total national electricity consumption, and including hotels, 34.9%. Shares of coal and oil are the highest in

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2 Global Climate Risk Index 2019, David Eckstein, Marie-Lena Hutfils and Maik Winges, Germanwatch, 2019
5 Non-Annex I: Parties to the UNFCCC not listed in Annex I of the Convention are mostly low-income, developing countries
electricity generation with 34.8% and 34.4% respectively. Furthermore industries consume about 15% of oil products imported to Sri Lanka. It is noted that most industries use outdated and energy intensive technologies. Switching to greener more efficient technologies will not only reduce emissions but also create energy savings for industries, while supporting low-carbon economic growth and green jobs. In addition the co-benefits of reduced air pollution, water pollution, solid waste can be realised through improved human health and increased well-being of other species. However without baseline data on industry sector emissions - which would give more information on high emitting sub-sectors of industries, both from a manufacturing process perspective as well as those using high volumes of energy - it is not possible to have a targeted action to reduce industry emissions.

Statistics show that 25% of establishments in Sri Lanka are run by women entrepreneurs and with 48 % of women employed in industries. Therefore, improved workplace health and safety gained through lower gaseous emissions, as well as co-benefits arising out of the action such as reduction of harmful effluent and solid waste, are particularly important for the Sri Lankan women. Moreover, Sri Lanka has a high rate of youth unemployment – around 21.8% in 2018 – which constitute particularly of educated youth. The action provides opportunities to actively contribute to the creation of green employment through technology transfer and capacity building (for example through vocational training at technical schools) while linking with other interventions relating to renewable energy and access to finance such as ElectriFI.

1.2 Policy Framework (Global, EU)

In line with the EU Global Strategy for Foreign and Security Policy and the European Consensus on Development, the overall objective of the Multi-annual Indicative Programme (MIP) 2018-2020 of the Global Public Goods and Challenges (GPGC) is to enhance the role of the EU as a global actor in the delivery of the 2030 Agenda to help eradicate poverty and achieve sustainable development.

In relation to the EU policy framework, the action falls under the GCCA+ which is one of the Flagship Initiatives under the GPGC programme (2014-2020). The GPGC action on environment and climate change focuses on the policy objective of enhancing the global response to climate change which in practice supports the implementation of the Paris Agreement on climate change and the Katowice Conference Of Parties (COP) 24 Rule book to which this action aligns.

The overall goal of the GCCA+ initiative, is to assist the world’s most vulnerable countries to respond to climate change. The present action is fully coherent with the following priorities: to contribute to enhancing Sri Lanka's resilience to climate change while enabling the engagement in low-carbon development processes via the implementation of the NDCs.

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7 [Department of Census and Statistics 2013/2014](https://www.statistics.gov.lk)
1.3 Public Policy Analysis of the partner country/region

Sri Lanka has pledged to support global initiatives to combat climate change and actively adapt to its consequences. Having endorsed the Sustainable Development Agenda 2030, the government has included SDG-related commitments within its key economic strategy ‘Vision 2025’ and in turn in its Public Investment Programme, while allocating resources from the national budget 2018 towards a sustainable blue-green economy. Furthermore, in January 2019, Sri Lanka published a report on ‘Sustainable Sri Lanka 2030 Vision and Strategic Path’ covering key sectors including energy, transport, water, agriculture and food industry.

Industrial Policy and Strategies - The economic policy framework of the government provides broad guidelines and directions for a sustainable industrial development and promotion of all level of local industries. In particular, on greening of industries, it emphasises increasing efficient resource use, creation of employment and safety of work place, ensuring environment safety, complying with international standards, etc. Keeping in line with the government’s economic policy framework, the Ministry of Industry and Commerce adopts several approaches in promoting sustainable industrial development in the country. i.e. environment friendly industrialisation and productivity improvement in industry sectors.


National Climate Change Strategies - National Climate Change Policy and Strategies, Climate change mitigation action support strategies carbon pricing policy and strategies, Technology Need Assessment (TNA) for climate change mitigation are being implemented and communicated to support national mitigation efforts with different degrees of success. The government has also adopted the Sri Lanka Next program – a blue-green development strategy for sustainable growth.

Sri Lanka is among the 178 countries which signed the Paris Agreement in early 2016. Means of implementation of NDCs are also included within the NDC proposals submitted, specifying the unconditional actions which the country will carry out independently and the conditional actions which will depend on the availability and extent of external support in finance, technology transfer, and capacity building. However, the progress Sri Lanka has made in implementation of NDCs is minimal. In the industry sector, installation of rooftop solar photovoltaic systems is under way and conversion of thermal energy applications from fossil fuels into biomass and use of variable speed drives for withering at tea factories are being pilot tested.

Although the Industrial Policy and Strategies and the National Environment Policy include climate change related aspects they do not adequately cover the requirements for the implementation of NDCs. Furthermore, policies are not adhered in some instances in decision making where for instance the cost of climate change is ignored in preference of less capital intensive but more polluting options. Hence, it is proposed to analyse the existing policy

framework and the level of mitigation and adaptation in detail, and propose new policies, where necessary, and regulatory instruments to strengthen policies and bring industries to comply with policies, thereby contribute towards the ensure implementation of NDCs.

1.4 Stakeholder analysis

**Main Beneficiaries**

**Ministry of Industry and Commerce (MoIC)** is responsible for formulating and implementing national policy on industry and commerce and other subjects which come under its purview. MoIC has a key duty to fulfil by coordinating among industries fragmented under various ministries and statutory bodies and leading the implementation of the sectoral NDC plan. The MRV system will be established in the MoIC which will need capacity building on climate change, climate change policies and implementing the sectoral NDC plan. The **Industrial Development Board (IDB)**, a statutory body under the MoIC, manages industrial estates, provides training, engineering services, marketing assistance and entrepreneurial advice to industries. IDB can be identified as the nodal entity to implement the sectoral NDC plan for MoIC.

**Ministry of Mahaweli Development and Environment (MoMDE)** is mandated to formulate and implement policies and programmes to manage the environment and natural resources in order to ensure the national commitment for sustainable development. The **Climate Change Secretariat (CCS)**, coordinator of Sri Lanka’s climate plans and policies, and acts as the national focal point for UNFCCC. The Central Environmental Authority (CEA) is the regulatory body responsible for the protection, maintenance and control of the quality of the Environment, and for the prevention, abatement and control of pollution. Both CCS and CEA report to the MoMDE and have key roles to play in the project. CCS needs capacity building in regulating GHG emissions, MRV and developing policy/regulatory and legal tools while strengthening its human resources. CEA needs capacity building in collecting effluent discharge and emission data, verification of data collected and good practices adopted regionally and internationally such as load based payments, polluter pay mechanism, etc. The Monitoring Reporting Verification (MRV) system will benefit CEA collect comprehensive data and carry out analysis related also to the Environmental Protection License (EPL). At present many industries don't report emission and effluent related data on a regular basis, and the CEA doesn't verify data submitted by the industries.

**Ministry of Power and Energy and Business Development (MoPE)** is mandated to formulate and implement policies, programmes and projects pertaining to power and renewable energy. The mandate of MoPE also includes promoting demand side management and energy efficiency and developing indigenous renewable energy resources. The **Sri Lanka Sustainable Energy Authority (SLSEA)**, reporting to MoPE, is the regulator of renewable energy resources and energy efficiency established by the Sri Lanka Sustainable Energy Authority Act No. 35 of 2007. SLSEA is a key stakeholder in the Presidential Task Force for Demand Side Management, which will play a key role in implementing demand side management activities throughout industries. SLSEA has been handicapped with limited

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11 The EPL is a regulatory tool under the provisions of the National Environmental Act of 1980. Potentially polluting industries are required to obtain an EPL on a periodic basis.
human resources in implementing its broad mandate over the years. A UNDP project targeting the energy sector has provided many capacity building programmes for the MoPE and SLSEA. However, participation of both organisations in capacity building programmes on industry related energy NDCs, MRV and climate change would be beneficial and will be firstly carried out by the project. It will also be assessed by the Implementing Agency how to build sustainability in the long term in-country by assessing the capacity of technical institutes/universities and/or linking specialised training with international bodies.

**Stakeholders**

**Department of Census and Statistics (DCS),** established in 1948 by combining the Statistics Department and the Census Department comes under the Ministry of Finance is responsible for conducting census and annual surveys for collection and publication of economic data. DSC will have the duty of collecting baseline information and in collecting information for MRV. DCS staff needs to be educated on the Intergovernmental Panel for Climate Change (IPCC) requirements for emission reporting.

**Board of Investment of Sri Lanka (BoI)** has the mandate to function as the central facilitation point for investors investing in Sri Lanka. There are 15 industrial zones managed by the BoI at present, and more than 470,000 people are employed in BoI registered companies with nearly 65% of Sri Lanka’s exports being made by such organisations. Within BoI zones, the BoI approval supersedes the EPL and an organisation can continue to operate without an EPL provided that it holds a valid BoI approval. Considering the number of industries operating within BoI zones, BoI has a significant duty to fulfil as a regulator in implementing environment management and climate change. Capacity building in environment management, climate change, NDCs and MRV would assist BoI in fulfilling its duties.

The **Public Utilities Commission** of Sri Lanka, regulator of power, water and petroleum products, and electricity utilities under MoPE, Ceylon Electricity Board and Lanka Electricity Company (Pvt) Ltd., will participate in policy development discussions related to climate change and GHG emission reduction.

In addition, other stakeholders involved in the action from the Private Sector are:

**Industries** will benefit in terms of compliance with environment regulations, improved market competitiveness due to resource efficient production, low employee turnover due to better working conditions and less public resistance. They will be the source of data collection and thus must develop capacity to maintain good records.

**Energy Service Companies (ESCOs)** specialise in Energy Efficiency (EE) and Renewable Energy (RE) and are registered under the SLSEA. Some are only equipment suppliers and do not offer a comprehensive and objective assessment of all potential energy efficiency measures. Capacities of ESCOs need to be enhanced to provide the total scope of ESCO services. ESCOs would benefit in terms of increased business opportunities and improved capacity.

**Industrial Service Companies (ISCOs)** specialised in industry services such as technology transfer, process modifications, environment management, waste management, productivity
improvement, capacity building. ISCOs may or may not have specialisation in EE & RE
Organisations from both the private and public sector such as the National Cleaner Production
Centre, Industrial Development Board, Industrial Technology Institute, Industrial Service
Bureau can be considered to have the potential to operate as ISCOs. As this is a new business
model for Sri Lanka, capacities of such organisations need to be developed.

Chambers of Commerce both national and regional can assist in linking private sector and
are vocal on issues related to the energy and sustainable energy sectors promoting the
interests of their members. Whilst using chambers to identify issues faced by industries,
chambers can be used as trainers for industries and to influence industries to comply with
requirements related to NDCs.

Overall, stakeholders suffer to varying degrees from insufficient capacities. Furthermore,
there are deficiencies in the coordination process among the stakeholders.

All stakeholders identified above will benefit from the project in terms of improved capacity,
establishment of systems and procedures and development of policy, regulatory and legal
tools. The community at large will be the ultimate beneficiaries with a better environment to
live in and reduced health hazards.

1.5 Problem analysis/priority areas for support

Sri Lanka’s emissions are largely from energy generation, transport and industry sectors. All
these sectors are heavily dependent on imported fossil fuels as a primary energy source.

Furthermore the country is very vulnerable to global price fluctuation of fossil fuels with
industries consuming about 15% of oil products imported to Sri Lanka and 29% of the total
biomass consumption. Biomass accounts for 69% of the total energy supply to the industry
sector. Moreover, many industries use outdated technologies which not only are high energy
consuming, but heavily contribute to GHG emissions. Thus reducing dependency on imported
fossil fuel vis-à-vis its cost which impedes the profitability of industries, while taking into
consideration the ever increasing demand for energy and meeting Sri Lanka's commitments to
reduce its GHG emissions, are major challenges the country faces. In this vein to be noted is
that the entire value chain of the energy system is increasingly impacted by climate events in
Sri Lanka. Floods and droughts significantly affect the contribution of hydropower in energy
generation. Recent droughts in Sri Lanka caused the share of fossil fuels in the energy mix to
increase and industries were forced to use stand-by diesel generators during load shedding
periods, causing GHG emissions to increase. Improving energy efficiency of industries will
reduce the demand for electricity and improve resilience of Sri Lanka. Power cuts lead to
negative investor and voter confidence, motivating a political push towards quick but
polluting sources of energy generation to meet the growing demand for energy. Thus the need
to identify/revise policies which promote low emissions and sustainable growth, and
especially target the industrial sector which is set on a trajectory of growth, is imperative.

A further complication is that the industry sector is fragmented under several ministries and
regulatory authorities. Hence, information collection is not consistent throughout the industry
sector and information availability is poor. No studies have been carried out so far to
determine the baseline of GHG emissions in the industry sector and hence it is not possible to
identify the most efficient interventions that would result in significant reductions in GHG
emissions. Due to the unavailability of baseline GHG information, Sri Lanka still needs to
prepare a NDC industry sectoral plan in which potential interventions for specific sub-sectors (i.e. lime, tea, hotels rice mills etc) are identified and prioritised.

Addressing and supporting climate change mitigation and adaptation activities are outside of the day-to-day tasks of most of the identified stakeholders. Hence specific capacity building support to enable them to perform their tasks, to ensure the sustainability of emission data reporting/collection and quality of data reported, implementing policies and thereby ensuring the implementation of NDCs, would be necessary.

2 Risks and Assumptions

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
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</thead>
<tbody>
<tr>
<td>Poor level of emission data reporting due to weak policy and regulatory framework.</td>
<td>H</td>
<td>Establish a strong policy and regulatory framework to make emission data reporting/collection process mandatory. Conducting specific capacity building programmes for each stakeholder group to improve capacities in emission estimation, monitoring and verification is part of the proposed action plan. Furthermore capacities will be built at relevant agencies to gather the data, develop a monitoring system and strengthen policies. Attention will be paid to build long-term capacities (e.g. at vocational schools) to strengthen not only the monitoring of emissions data and information, but furthermore to develop clean industrial processes (e.g. through the training and installation of energy-efficient technologies).</td>
</tr>
<tr>
<td>Emission data reporting/collection may not continue after the project and/or quality of data reported will decrease due to weak capacities of stakeholders.</td>
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<tr>
<td>Lack of willingness to coordinate among many actors in the public sector.</td>
<td>H</td>
<td>In order to avoid both power struggles or a lack of ownership a Financing Agreement will be signed; terms of reference will be drawn up by the implementing agency on the roles and responsibilities of the main beneficiaries/stakeholders that are clearly linked to organisations' mandates; a high level project steering committee will be established to provide strategic direction during implementation. The EU Delegation will insist on the appointment of focal points, regular meetings and the creation of task forces.</td>
</tr>
<tr>
<td>No planned approach to tackle GHG emissions of</td>
<td>M</td>
<td>A NDC sectoral national industrial plan will be developed as part of the proposed</td>
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</table>
the industry sector will lead to unsustainable activities and inability to meet NDC commitments.

A sectoral action plan based on baseline GHG emission data collected. This sectoral national plan will identify industries/processes with high potential for GHG emission reduction and prioritise actions supporting Sri Lanka to achieve its commitments. Pilot testing of technologies will follow the sectoral national plan. Creation of a conducive environment through inputs to the policy and regulatory framework together with success stories of pilot projects are expected to drive large scale implementation beyond the project's life time.

Low capacity and lack of knowledge of the private sector in the uptake of interventions to reduce emissions.

Technology transfer and capacity building on access to financing is foreseen as part of the intervention. Capacity of ESCOs, ISCOs, Chambers and SMEs will be strengthened.

Low incentive for private sector to engage in interventions that will contribute to the reduction of emissions

Strengthening of regulatory and legal framework to enable private sector engagement and heighten public sector monitoring and enforcement. Awareness raising in the private sector on the cost savings associated with the use of resource efficient and low-carbon technologies and industrial processes.

Risk of duplication

High level of coordination with other on-going project partners and national bodies.

Assumptions

- Despite political transitions, the government remains committed to implement NDCs and for broader consultations and coordination on policy dialogue related to energy and creation of a conducive environment.
- Despite political transitions, the government remains committed to increasing private sector growth.
- Private and public sector funds are available to finance emission reducing interventions.
- The security situation is sufficiently stable.

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

In March 2019 a study by the EU Technical Assistance Facility for Sustainable Energy highlighted that the fundamental constraints for the development of sustainable energy in Sri Lanka are policy and regulatory barriers stemming from a lack of understanding and
agreement on the role renewable energy could play in an isolated grid. A grid integration study as well as other related studies will be considered by other EU technical assistance interventions and/or this proposed action. ELectriFI may also consider the establishment of a country window for Sri Lanka, but this would be a secondary priority for which a conducive regulatory environment should be first established.

A recently concluded SWITCH Asia project supported the establishment of policy and tools related to sustainable consumption and production (SCP) while building capacity both among the public and private sector. In addition to a national policy on SCP being prepared and submitted for cabinet approval, the project was also able to formulate a standardised process for policy formulation.

A UNDP project supported as part of the Nationally Appropriate Mitigation Actions, introduced internationally accepted policy tools such as Marginal Abatement Cost Curve (MACC) and multi criteria analysis to determine best mitigation options in the energy sector. Furthermore, a pilot energy sector MRV system is currently being tested with three pilot energy sector technologies. Through the Global Environmental Facility funding, UNDP also supported development of modern biomass energy applications focusing on industrial thermal applications. This work was scaled up and is currently in a second phase of implementation with government funding and supported by UNDP through a joint programme. Lessons from these pilot technologies will be reviewed during the selection of pilots in the action.

Furthermore, the World Bank funded Partnership for Market Readiness (PMR) project is supporting Sri Lanka in establishing the institutional MRV framework. World Bank may consider a second phase, focusing on the energy and transport sectors. However there is no decision on this as yet.

These experiences can provide the basis to set up systems for aggregation of GHG emissions in the industry and other emission sectors at the national level by the Climate Change Secretariat (CCS) of the Ministry of Mahaweli Development & Environment.

### 3.2 Complementarity, synergy and donor coordination

Key development partners in the country include several agencies of the UN family, Asian Development Bank (ADB), Japan International Cooperation Agency, the World Bank, IFC and Agence Française de Développement (AFD) as development financing institutions (DFIs) and Australia, Canada, Germany, the EU, India and the USA as bilateral partners. No other development partner is currently supporting Sri Lanka in the implementation of its NDCs. On the energy sector *per se*, DFIs focus mainly on infrastructure projects. Green financing is an important aspect to transform existing practices towards sustainable option in the industry sector. The Central Bank of Sri Lanka is currently in the process of developing a roadmap to promote sustainable finance in Sri Lanka. Discussions with donors and the government on the energy sector is currently on a one-to-one basis and the project will closely coordinate with new developments as well as with local actors and international agencies in the field. On the industrial sector as well as climate change, there are no established forums. Here too the project will need to closely coordinate with on-going actions where relevant and are not many and aim to create policy dialogue through the project.
4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

**Overall objective** is to support climate change mitigation through the development and implementation of Sri Lanka's Nationally Determined Contributions (NDC) for the industrial sector thereby reducing greenhouse gas (GHG) emissions.

**Specific Objective** is to scale-up the climate change response of Sri Lanka's industrial sector through the adoption of climate-oriented tools and the design of technical, policy, regulatory and financial mechanisms aimed at reducing energy use and costs in favour of renewable energy and energy efficiency solutions.

The expected outputs are:

**EO1**: An MRV system for the industry sector is developed and implemented and baseline for the industry sector established.

**EO2**: An industrial sector plan for implementing NDCs has been validated and activities prioritised according to agreed criteria.

**EO3** Policy and regulatory frameworks are improved and related awareness and capacity of stakeholders to implement these frameworks have been built.

**EO4** Capacity related to energy efficiency and climate change mitigation practices in the area of industry is built.

**EO5** Pilot technologies leading to improved energy efficiency and reduction in GHG emissions are tested to be then replicated.

The main indicative activities foreseen per expected outputs are as follows:

**EO1**:
- Design of a MRV system for the industry sector complying with the national MRV framework developed by the Partnership for Market Readiness project of the World Bank to collect GHG emission related information from the industry sector.
- Enable data collection for baseline GHG emissions information in accordance with IPCC Guidelines (Tier 1) based on a stratified sample for the MRV system.

**EO2**:
- Identify sector specific action to be implemented in order to achieve NDCs. Cost benefit analysis tools such as Marginal Abatement Cost Curve (MACC) and a Multi Criteria Analysis (MCA), and customised international benchmark data to suit specificities of Sri Lankan context, will be developed to assist the identification and prioritisation GHG abatement options and industries that are drivers for emissions growth.
- Identify areas (industries, processes and energy generation and end use interventions) with potential for GHG emission reduction based on the baseline.
- Propose interventions to reduce GHG emissions with prioritisation in order to achieve Sri Lanka’s NDC commitments.

**EO3**:
- Study the existing policy and regulatory framework and provide recommendations for changes and improvements considering best practices in the region and internationally.
- Identify organisations for enforcement and implementation of policy and regulatory tools and develop Terms of Reference for each organisation that will be involved.
Discuss proposed recommendations and roles of various organisations in the enforcement of the policy and regulatory framework improvements proposed.

Design regulatory tools (for example, 'polluter pays', load based EPL charges as presently these are not based on the amounts of effluents discharged), and rewards/incentive schemes for industries going beyond compliance.

EO4:
Capacity building activities targeting specific needs of each stakeholder and relevant beneficiaries in order to enable them to participate in supporting climate change mitigation and adaptation actions, and continually work towards achieving the NDC targets. These will include, but not limited to, capacity building on;

a. the MRV system to regulatory authorities (Climate Change Secretariat, Sri Lanka Sustainable Energy Authority, Central Environment Authority, Industrial Development Board, Board of Investment, etc), industries and relevant ministries.
b. the Environment Protection License (EPL) - knowledge transfer of regional and international good practices to strengthen the EPL process to enable resource efficiency and non-polluting behaviours.
c. policy, regulatory and legal frameworks used elsewhere in the region and the rest of the world to relevant regulatory authorities.
d. relevant green industrial technologies and energy efficiency measures that improve process efficiency to organisations engaged in clinker manufacturing, lime production and other processes emitting GHG, including Resource Efficient and Cleaner Production (RECP) and promotion of a Circular Economy (CE).
e. build national capacity on implementing recognised standards related to GHG emission reduction such as ISO 14064 - Greenhouse emission, standards. This will enable SMEs monitor and report GHG emissions at entity level and also strengthen national expertise for GHG emission assessments/audits and green certification and improving the quality of available services to businesses in this area.
f. Support private sector entities to access additional funding by building credible ‘bankable’ green solutions for their operations.
g. link with universities, research centres, vocational school to promote the development of curricula in climate change, energy efficiency, green technologies and sustained monitoring.

ERO5:
Pilot testing of several green technologies and energy efficiency measures identified having high potential for GHG emission reduction in the sectoral plan for NDC. The criteria for selection of pilots will be established under ER2 and will be approved by the project steering committee.

a. Implement the pilots, facilitate new investments where possible and document the case studies.
b. Prepare a plan for the replication and up-scaling of the pilots.
Activities will mobilise the European leading industry in energy efficiency and green technologies to share their experience with the Sri Lankan counterpart. This will contribute to the closer relation between the EU and Sri Lanka.

4.2 Intervention Logic

Despite its NDC commitments, so far Sri Lanka has failed to implement any of its industrial sector NDCs, mainly due to the reason that its NDCs are not based on actual GHG emission data - GHG emission data have never been collected in Sri Lanka, hence a GHG emission baseline is not available. Furthermore, a framework for measuring and reporting GHG emissions, industry sectoral MRV, is not in place in Sri Lanka as it was not a requirement earlier. Having an industry sectoral MRV is a requirement to provide guidance to industries on the methodology to follow to measure GHG emissions and establish the sectoral institutional setup for reporting emissions. The project will establish the GHG emission baseline of the industry sector of Sri Lanka using data collected through the MRV system. At present, the Department of Census and Statistics of Sri Lanka conducts a quarterly economic survey with a scientifically selected sample of 5000 industries. This survey will be improved to collect GHG emission data to establish the baseline, and the staff of the Department of Census and Statistics will be provided required training, especially on IPCC Guidelines (Tier 1) and climate change.

For the successful implementation of MRV, industries and all organisations identified in the sectoral institutional framework need capacity building for each organisation to perform its role correctly and will need to take into consideration their needs, levels or knowledge and readiness. The MRV system for the industry sector will be established in the MoIC and comply with the national institutional MRV framework, which is to be developed by the World Bank’s on-going PMR project of the World Bank. The project will work closely with the Department of Census and Statistics of Sri Lanka to establish the baseline emission data in alignment with IPCC Guidelines for Tier 1\(^{12}\) and build capacity on data collection. The MRV system will identify nodal entities for monitoring within the sector. The MoIC will report GHG emissions of the industry sector to the CCS complying with reporting requirement of the MRV national institutional framework, thereby enabling CCS to use the information for international reporting.

Once the project is completed the Climate Change Secretariat will continue to work with the MoIC and the Department of Census and Statistics to obtain emission data required for reporting on NDC commitments.

Based on the GHG emission baseline (which will include emission abatement potential, cost of implementation and other socio-economic factors), emission reduction efforts can be identified and implemented in a coordinated manner. In order to identify action and prioritise them providing the strategy for Sri Lanka to achieve its NDC commitments, an industry sectoral NDC plan must be prepared and cooperation with NDC Partnership will be taken into consideration. Successful implementation of the sectoral NDC plan would require incentivising industries through a conducive policy and regulatory framework, as well as through awareness building. Establishing such a policy and regulatory framework requires the

\(^{12}\) https://www.ipcc-nggip.iges.or.jp/public/2006gl/
analysis of Sri Lanka’s present policy and regulatory framework, requirements of the industry sectoral MRV and good practices at the regional and international level. Introduction of incentives for compliance with regulations and going beyond regulations and penalties for non-compliance will encourage industries to become greener industries through implementation of NDCs. Customised capacity building for stakeholders would be required in order to implement the policy and regulatory framework prepared by the project and all stakeholders to clearly understand its role in implementation. The roles and responsibilities of government entities will be agreed upon through Terms of Reference for each entity and avoid overlapping and fragmentation of roles between different stakeholders.

In addition to a sectoral NDC plan and a conducive policy and regulatory framework, Sri Lanka would need technical support in terms of applying new practices, identifying financially sound environment practices, implementing pilot projects, shifting from fossil fuel to renewable energy and testing of incentive schemes for the implementation of NDCs. Selected local SMEs, capable of acting as a catalyst for the promotion of new environmental friendly solutions applied to the industry sector will be supported in order to contribute to the shift towards a resources efficient, low carbon and climate resilient industrial sector in Sri Lanka. This will assist Sri Lanka test the viability of various practices, systems, policies and regulations and technologies in the industrial sector. Experience gained through pilot testing can be replicated and scaled up using the policy and regulatory framework to achieve the industry sector NDCs, in turn reducing GHG emissions in the sector.

4.3 Mainstreaming

Key benefits resulting from these interventions are: GHG emission reduction in the industry through energy efficiency, switching over from fossil fuel to renewable energy, resource efficiency and non-polluting behaviors in the industrial sector.

Climate change adaptation benefits – The functioning of the industrial sector is dependent on energy and has a direct impact on the economy. Appropriate low emission and resource efficient policy development and climate smart technology will increase the resilience of the industrial sector, by helping the sector to avoid the risk of locking into unsustainable growth patterns, and thereby becoming less vulnerable to climate related hazards that affect energy supply. Also if less energy is required, power outages will cause less damage and thus encourage climate resilience.

Circular economy - Co-benefits include reduction of other harmful gaseous emissions, effluent and solid waste by the industry delivering greater wellbeing to the workforce and a cleaner environment in the surrounding area. Reduction of water and soil contamination with harmful chemicals will also have long term onsite and offsite benefits impacting on food and health of people and the future generation. Improved standards through the application of the EPL would benefit people living close to the industry who often have to live with negative industrial externalities. The GHG emission baseline will be established and project results will be quantified more accurately during the inception phase of the project. Furthermore, any adaptation measures that would be identified in the initial phase for the industries and/or surrounding communities to cope with climate change related incidents will be supported. A strategy for greening the supply chain in selected sectors of the economy - including the selection of equipment and design on the basis of environmental compatibility, the use of manufacturing methods that reduce impacts, recycled materials, as well as adoption of energy efficiency measures in specific production, use, maintenance and end-of-life cycling - would
be one of the outputs. Here the application of Circular Economy models will be targeted where possible.

Gender and green jobs creation – Implementation of a stringent policy and regulatory framework will move industries in Sri Lanka towards green industries operating in a more environmentally friendly manner with more focus on reducing emissions and effluents and green supply chains. This will enable creation of decent and green employment for young people both men and women, to actively contribute to a green economy. Women entrepreneurs and women technical staff will be preferentially targeted to receive technology transfer, access to finance and capacity building through the project. The project will consider gender responsive policies and encourage women participation at various levels.

4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG(s) 13 Climate Action and 7 Affordable and Clean Energy. It also contributes to SDG Goals 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure and 12 Sustainable Consumption and Production. By promoting green growth and a circular economy, the programme will in turn improve the management of environmental resources (land, forest, water, SDGs 14 and 15) and improve human health (SDG 3) and help alleviate poverty (SDG 1 and 2).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of where a financing agreement is concluded.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.4 Implementation modalities.

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures13.

5.4.1 Indirect management with an international organisation

This action will be implemented in indirect management with UNIDO. This implementation entails significantly improving Sri Lanka’s industrial sector compliance with its NDC objectives by establishing a sectoral MRV system, implementing a validated sectoral plan for

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13 www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.
the NDCs, improving the policy and regulatory framework, capacity building of main beneficiaries and other stakeholders and providing technical assistance and financial assistance for pilot testing technologies with potential for GHG emission reduction in the industry sector. UNIDO has been selected using the following criteria:

a) mandate for working in the industrial sector b) proven track record internationally on establishing MRV systems, supporting sector NDC implementation, technical expertise and capacity building c) positive working experience with the EU in Sri Lanka d) development oriented approach e) acceptance by the Government f) ability to facilitate the introduction of climate technologies and green jobs g) proven track record in assisting countries to bolster its policy and regulatory frameworks.

Due to its specific role of being a specialised UN agency promoting industrial development in an environmentally sustainable manner for poverty reduction, it will support Sri Lanka’s industrial sector in moving to a more climate resilient and low emissions state. UNIDO has established a project office in the Ministry of Industry and Commerce in Sri Lanka, which is used for the implementation of another EU project on trade assistance, and can ease the coordination between the different tasks, ensure contact with the key Ministry and private sector, while guaranteeing their sustainability as part of its core business.

The implementation by this entity entails supporting Sri Lanka in achieving their NDC targets relating to industry linked to reduction of GHG emission. UNIDO will be in charge of organising the different procurement and grant awarding processes and closely follow-up on the subsequent steps in the respective procedures in achieving the objectives. Moreover, UNIDO will assume the responsibility for the day-to-day management of the implementation of the above contracts. This includes: monitoring implementation progress and quality as well as performance of the contractors, financial management (payments, accounting and reporting, budget monitoring and – if needed – revision, and organising the required external audits), ensuring coordination with the relevant stakeholders, beneficiaries, and with similar interventions/programmes, and providing secretariat services to the action’s steering committee (convening meetings, establishing agendas, writing minutes and related action plans, monitoring progress on implementation of action plans).

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.4.2.

5.4.2 Changes from indirect to direct management mode due to exceptional circumstances

A call for tender under direct management would be launched in case the preferred modality cannot be implemented due to circumstances outside of the Commission’s control. A service contract under direct management will be procured if negotiations with UNIDO fail, to implement the action as described in section 4 relating to Expected Outputs EO1 – EO5.

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14 As the proposal initially submitted by the Government suggested UNDP as implementing partner, the EU Delegation has assessed that given UNDP’s longstanding experience in the country (thus knowledge of the institutional set-up and local context) together with some limited work in the climate change sector, the EU Delegation has requested UNIDO to take UNDP on-board to enable smooth implementation, for certain activities related to capacity building of institutions using UNIDO procurement procedures.
5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

<table>
<thead>
<tr>
<th></th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third party contribution, in EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.4.1 Indirect management with UNIDO including communication and visibility costs foreseen in section 5.11</td>
<td>7 500 000</td>
<td>60 000</td>
</tr>
<tr>
<td>5.9 Evaluation</td>
<td>250 000</td>
<td>N.A.</td>
</tr>
<tr>
<td>5.10 Audit/Expenditure verification</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.11 Communication and visibility (included in section 5.4.1)</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>Totals</td>
<td>7 750 000</td>
<td>60 000</td>
</tr>
</tbody>
</table>

5.7 Organisational set-up and responsibilities

The project's governance structure will comprise of several layers and its design is geared to promote national ownership, accountability, capacity development and sustainability. The first and highest level of the governance structure is a Project Steering Committee (PSC) co-chaired from the government by the Ministry of Industry and Commerce, Ministry of Mahaweli Development and Environment, and Ministry Power and Energy, and by the EU Delegation. The Department of Census and Statistics which falls under the Ministry of National Policies and Economic Affairs will be a key stakeholder and invited to attend PSCs. During the development of the project, the PSC structure will be finalised and the Ministry of Industry and Commerce may be the sole co-chair for the Government, while the other two main stakeholder ministries will be members of the PSC. The PSC will ensure strategic guidance to the project, while facilitating coordination and communication between a wide range of stakeholders (comprising of several ministries, government agencies, sectoral apex bodies, and private sector), thereby enhancing the probability of success. The detailed Terms of Reference (ToR) of the PSC shall be elaborated during the inception phase. The PSC will meet at least twice a year and UNIDO will ensure the functioning of the Secretariat of the PSC.

At implementation level, expert working groups will be established per result area and will be chaired by the appropriate local counterpart agencies, both government and private sector
apex organisations/chambers of commerce. Overall coordination will be facilitated by the
designated country focal point together with the implementing agency. European Industry
may be invited to exchanges and networking with the Sri Lankan stakeholders to share their
experience.

The rapidly changing political landscape and structures which may affect the implementation
response involving many Government Agencies, Donors, Private Sector and CSOs is factored
in. The lessons learned highlight the need for a flexible approach to make this action a
success. This will be ensured through the Project Steering Committee that will approve work
plans and secondly through the expert working groups. These structures will be re-confirmed
during a 6-month inception phase following signature of the Contribution Agreement.

UNIDO will establish a field based Programme Coordination Unit (PCU), within the premises
of the Ministry of Industry and Commerce. This Unit will assume coordination and day-to-
day management and will also extend technical support to project implementation. An
important function of the PCU will be the outreach, communication and development of
working relations with provincial stakeholders.

5.8 Performance and Results monitoring and reporting

Studies to set baseline data and targets will be conducted by UNIDO during the inception
phase of project implementation. The day-to-day technical and financial monitoring of the
implementation of this action will be a continuous process, and part of the implementing
partner’s responsibilities. To this aim, the implementing partner shall establish a permanent
internal, technical and financial monitoring system for the action and elaborate regular
progress reports (not less than annual) and final reports. Every report shall provide an accurate
account of implementation of the action, difficulties encountered, changes introduced, as well
as the degree of achievement of its results (outputs and direct outcomes) as measured by
corresponding indicators, using as reference the Logframe matrix.

SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint
Programming document should be taken into account.

The report shall be laid out in such a way as to allow monitoring of the means envisaged and
employed and of the budget details for the action. The final report, narrative and financial,
will cover the entire period of the action implementation. An end line study may also be
planned to compare results.

The Commission may undertake additional project monitoring visits both through its own
staff and through independent consultants recruited directly by the Commission for
independent monitoring reviews (or recruited by the responsible agent contracted by the
Commission for implementing such reviews).

5.9 Evaluation

Having regard to the importance of the action, a midterm and a final evaluation will be carried
out for this action or its components via independent consultants contracted by the
Commission.
The midterm evaluation will be carried out for problem solving, learning purposes, in particular with respect to the activities aligned to Expected Output EO 1, 2 and 3 and will help to implement pilot projects as well. This will also determine if a second phase may need to be foreseen.

The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that baseline data will be established during the start of the project and performance against results at the end of the project, to also highlight outcomes of innovative action or a pilot being tested, and effectiveness of policies adopted, where possible.

The Commission shall inform the implementing partner at least one month in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU. This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and contribution agreements.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations. It will be prepared by UNIDO as part of
the contribution agreement. The Communication and Visibility Plan will aim to create stronger relationships with stakeholders, increase ownership, emphasise the tangible impact the Action will have from a climate change aspect in improving the industrial sector but also the lives of beneficiaries, disseminate information on project activities, and build synergies with other initiatives.
### APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

<table>
<thead>
<tr>
<th>Impact (Overall Objective)</th>
<th>Results chain: Main expected results (maximum 10)</th>
<th>Indicators (at least one indicator per expected result)</th>
<th>Sources of data</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>To support climate change mitigation through the development and implementation of Sri Lanka NDC for the industrial sector and thereby reducing greenhouse gas emissions.</td>
<td>EURF\textsuperscript{15} 1.23 - SDG 9.4.1 CO2 emission per unit of value added. EURF 1.22 - SDG 12.2.2: Domestic material consumption, domestic material consumption per capita, and domestic material consumption by GDP.</td>
<td>NDC, National Communications, BURs\textsuperscript{16}</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Outcome(s) (Specific Objective(s)) | | | | |
| To scale-up the climate change response of Sri Lanka’s industrial sector through the adoption of climate-oriented tools and the design of technical, policy, regulatory and financial mechanisms aimed at reducing energy use and costs in favour of renewable energy and energy efficiency solutions. | | | | |
| | 1) No. of energy efficiency solutions included. 2) No. of renewable energy sources used and MW produced; 3) EURF 2.21 - Greenhouse Gas (GHG) emissions avoided (tonnes CO2eq) with EU support. 4) 2.20 - *\textsuperscript{17} Number of large, small and medium enterprises applying Sustainable Consumption and Production practices with EU support. | Industrial MRV; National Communications, Sectoral Baseline; NDC sectoral plan; Reports from the competent ministries; Industry sector survey by the Department of Census and Statistics of Sri Lanka; | Timely interventions by the Government of Sri Lanka forcing to reduce GHG emissions in the industry sector | Political stability |
| | | | | |

\textsuperscript{15} EU Results Framework  
\textsuperscript{16} https://unfccc.int/BURs  
\textsuperscript{17} Mark indicators aligned with the relevant programming document mark with "*" and indicators aligned to the EU Results Framework with "**".
1. MRV system for the industry sector is developed and implemented using baseline for the industry sector established.

2. An industrial sector plan for implementing NDCs has been validated and activities prioritised according to agreed criteria.

3. Policy and regulatory frameworks are improved and related awareness and capacity of stakeholders to implement these frameworks have been built.

| Outputs | 1) Data baseline established and results available no later than 1.5 years after the start of the project.  
2) No. of data collection and reporting responsibilities.  
3) No. of standardised templates for data collection in accordance to IPCC guidelines.  
4) No. of international reporting obligations met during project implementation period.  
5) Development of a MRV system housed at MoIC.  
6) No. of government and SME representatives with increased knowledge of MRV (disaggregated by sex and sector)  
7) No. of protocols to gather industrial data drafted with support of the Action. | TA report, New NDC, steering committee meetings, report from the Ministry of Industry and Commerce | The Ministry of Industry is willing to cooperate with the ministry in charge of environment on NDC implementation for the industrial sector, with support of ministry of P&E; Industry is regarded as one of the main sector to reduce GHG emissions Stakeholders are willing to share data; Government of Sri Lanka considers this as a priority and enforce the framework without a delay Support of government entities and industries extended by participation of suitable staff at training programmes |
| 1) Sectoral plan is available.  
2) GHG emissions reduction potential for the industrial sector estimated.  
3) No. of sectoral reports on the NDC targets produced with support of the Action.  
4) No. of institutional sources from which industrial GHG data is being checked. | NDC sectoral plan for industries  
TA report, reports from the Ministry of Industry and Commerce and Ministry of Mahaweli Development and Environment, gazette notices | |
| 1) No. of policies established creating a conducive environment for the reduction of energy use and costs in favour of renewable energy and energy efficiency solutions.  
2) No. of laws and regulations drafted.  
3) No. of regulatory tools drafted.  
4) No. of enterprises made aware of the new policies and regulations | TA report, progress reports | |

[24]
4. Capacity related to climate change mitigation practices in the area of industry is built.

5. Pilot technologies leading to improved energy efficiency and reduction in GHG emissions are tested to be then replicated.

| No. of training programmes conducted. |
| No. of governmental officials attending the capacity building programs and No. who report an improvement in skills/knowledge, disaggregated by sex. |
| No. of SMEs representatives attending the capacity building activities and No. who report an improvement in skills/knowledge disaggregated according to sex. |

| TA report, progress reports |
| Progress Reports, Industrial MRV, Industry sector survey by the Department of Census and Statistics of Sri Lanka; Opinion survey of industry on acceptance of regulatory framework. |
| Industries extend corporation for pilot testing |
| Industries willing to part finance the investments |

1) No of innovative RE, EE and related technologies introduced/ tested in industrial processes/sustainable value chains.
2) Amount of GHG emissions reduced. by pilots. (The quantity (tCO₂) to be determined based on the sectoral plan for NDC and pilots selected).
3) No. of sectors benefitting from pilot.
4) No. of industries benefitting from the pilot.
5) No. of companies benefiting from pilot technologies (disaggregated by sex of owner/director).