

## PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR)

### 1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	Sri Lanka
Reporting Period:	January 15, 2018 – April 15, 2019
Report Date:	April 15, 2019
Implementing Agency:	Ministry of Mahaweli Development and Environment (MMDE), Sri Lanka
Contact Person:	<b>WB:</b> Mr. Keisuke Iyadomi Mr. Harikumar Gadde <b>MMDE:</b> Dr. Sunimal Jayathunga – Director (Climate Change)

Grant Executed By:	World Bank and the Government of Sri Lanka
Grant Effectiveness and Closing Dates:	The Bank-Executed Trust Fund (US\$ 1.2 million): October 1, 2018 – June 30, 2020 for The Recipient-Executed Trust Fund (US\$ 1.8 million): To become effective in April, 2019
Grant Amount (USD):	US\$ 3 million
Funding Mobilized (USD):	US\$ 25,000
Funding Committed (USD) (as of April 01, 2019)	US\$ 320,000

### 2. OVERVIEW

#### **Objective**

The objectives of the project are strengthening the Government of Sri Lanka's capacities and systems to: (a) implement national climate change policies, strategies and actions; and (b) design or strengthen market/non-market mitigation instruments.

While balancing the Sri Lanka's development challenges, such as volatile economic growth, food security, and maintaining trade and industrial development, the project aims to identify mitigation actions and policies that can simultaneously address climate change.

The PMR project of Sri Lanka has been structured into the following components based on the Building Blocks of the Market Readiness Proposal (MRP):

### **Component 1: Mitigation Policy Objectives, Landscape and Options Analysis**

1.1 Assessing mitigation potential in different sectors and identification of suitable CPI(s) for potential sectors

1.2 Designing and implementing an optimal policy package: Develop an optimal policy package that would indicate the potential role of a new carbon pricing instrument (CPI) and how that could further support and enhance Sri Lanka Carbon Crediting Scheme (SLCCS) to support NDC implementation.

### **Component 2: Technical and Institutional/Regulatory Readiness Components to Support Implementation of MRV**

2.1 Reviewing the existing systems, mechanisms and institutions in Sri Lanka to determine the needs for resources and capacity building, to fully assess the basis for new MRV and registry systems

Identify the legal mandate, roles and responsibilities of institutions to perform their function with respect to MRV and the registry to avoid duplication of activities.

2.2 Designing a national Monitoring, Reporting, and Verification (MRV) and registry system. Define the functional and technical specification of the national MRV framework and registry system based on the needs assessment done by the World Bank.

2.3 Piloting a national MRV systems, with an initial focus on project-/facility-level emissions and emission reductions: Pilot the main components of the MRV framework for a specific sector(s) and/or technology area(s) that complement other ongoing initiatives and strengthen the national MRV system.

### **Component 3: Framework for Enhancing and Scaling Up the Sri Lanka Carbon Crediting Scheme (SLCCS)**

3.1 Study and understand the requirements for different demand and supply options, and their role in supporting SLCCS goals.

3.2 Designing the institutional, legal and technical framework to support the enhanced (SLCCS).

3.3 Piloting the enhanced SLCCS.

3.4 Developing a roadmap for a new CPI. Develop a new CPI that could complement the SLCCS and contribute to Sri Lanka's NDC goals based on the optimal policy package recommended under Component 1 through, inter alia:

### **Component 4: Organization, Communication, Consultation and Capacity Building**

4.1 Establishing a Project Management Unit (PMU) to assist in the management of the PMR grant

4.2 Developing comprehensive strategies and workplans for general outreach, stakeholder consultation and capacity building

4.3 Ensuring that all stakeholders, including the PSC and AC(s), are informed about the decision process, and ensure buy-in on all activities under the MRP

- 4.4 Raising general awareness about the benefits, objectives and requirements of the proposed CPI(s), MRV framework and registry system
- 4.5 Building stakeholders' capacity to operate and participate in the CPI(s), registry system and MRV framework.
- 4.6 Monitoring and track progress, and identify solutions for potential risks

**3. IMPLEMENTATION REPORT BY COMPONENT**
***Differences between the Objectives/Activities in the Market Readiness Proposal and the Implementation Plan***

Are there any important and material differences between the objectives/activities proposed in the Market Readiness Proposal and endorsed by the Partnership Assembly of the PMR and those agreed to in the Grant Agreement with the Delivery Partner and described in the Project's Results Framework?	No changes in the project objective activities and result frame work.

***Implementation Progress by Component***

<b>A. Component 1: Mitigation Policy Objectives, Landscape and Options Analysis</b>	
Status:	Under implementation
Comments:	<p>1.1 Assessing mitigation potential in different sectors and identification of suitable CPI(s) for potential sectors.</p> <ul style="list-style-type: none"> <li>• <i>Inception report prepared</i></li> <li>• <i>One stakeholder workshop conducted</i></li> <li>• <i>Scoping Analysis draft report available.</i></li> <li>• <i>Modeling analysis of six scenarios- work on process</i></li> </ul> <p>1.2 Designing and implementing an optimal policy package: <i>ToR for consultants being developed.</i></p>
<b>B. Component 2: Technical and Institutional/Regulatory Readiness Components to Support Implementation of MRV</b>	
Status:	Under implementation
Comments:	<p>2.1 Review of the existing systems, mechanisms and institutions in Sri Lanka to determine the needs for resources and capacity building, to fully assess the basis for new MRV and registry systems (Need Assessment)</p> <ul style="list-style-type: none"> <li>• <i>Need assessment data collection completed and the draft report circulated.</i></li> </ul>

	<p>2.2 Designing a national Monitoring, Reporting, and Verification (MRV) and registry system. Define the functional and technical specification of the national MRV framework and registry system based on the needs assessment done by the World Bank.</p> <ul style="list-style-type: none"> <li>• Inception report prepared</li> <li>• <i>Second level stakeholder workshop conducted on the MRV system and national registry system findings are being analyzed.</i></li> </ul> <p>2.3 Piloting a national MRV systems, with an initial focus on project-/facility-level emissions and emission reductions:</p> <p><i>Activity not yet started.</i></p>
<b>C. Component 3: Framework for Enhancing and Scaling Up the Sri Lanka Carbon Crediting Scheme (SLCCS)</b>	
<b>Status:</b>	Under implementation
<b>Comments:</b>	<p>3.1 Study and understand the requirements for different demand and supply options, and their role in supporting SLCCS goals</p> <ul style="list-style-type: none"> <li>• <i>Supply and demand assessment for the implementation of the Sri Lanka SLCCS has been started.</i></li> <li>• <i>Inception report prepared.</i></li> </ul> <p>3.2 Designing the institutional, legal and technical framework to support the enhanced (SLCCS).</p> <ul style="list-style-type: none"> <li>• <i>Activity not yet started</i></li> </ul> <p>3.3 Piloting the enhanced SLCCS.</p> <ul style="list-style-type: none"> <li>• Activity not yet started</li> </ul> <p>3.4 Developing a roadmap for a new CPI. Develop a new CPI that could complement the SLCCS and contribute to Sri Lanka's NDC goals based on the optimal policy package recommended under Component 1 through, inter alia:</p> <ul style="list-style-type: none"> <li>• Activity not yet started</li> </ul>
<b>D. Component 4: Organization, Communication, Consultation and Capacity Building</b>	
<b>Status:</b>	Under Implementation
<b>Comments:</b>	<p>4.1 Establishing a Project Management Unit (PMU) to assist in the management of the PMR grant</p> <ul style="list-style-type: none"> <li>• <i>All internal approval and clearance obtained to establish the PMU.</i></li> </ul>

	<ul style="list-style-type: none"> <li>• <i>ToR for all the PMU staff and the vacancy advertisement prepared will be published in the media.</i></li> </ul> <p>4.2 Developing comprehensive strategies and workplans for general outreach, stakeholder consultation and capacity building</p> <ul style="list-style-type: none"> <li>• <i>Activity not yet started</i></li> </ul> <p>4.3 Ensuring that all stakeholders, including the PSC and AC(s), are informed about the decision process, and ensure buy-in on all activities under the MRP</p> <ul style="list-style-type: none"> <li>• <i>Activity not yet started</i></li> </ul> <p>4.4 Raising general awareness about the benefits, objectives and requirements of the proposed CPI(s), MRV framework and registry system</p> <ul style="list-style-type: none"> <li>• <i>Activity not yet started</i></li> </ul> <p>4.5 Building stakeholders' capacity to operate and participate in the CPI(s), registry system and MRV framework.</p> <ul style="list-style-type: none"> <li>• <i>Activity not yet started</i></li> </ul> <p>4.6 Monitoring and track progress, and identify solutions for potential risks</p> <ul style="list-style-type: none"> <li>• <i>Activity not yet started</i></li> </ul>
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#### 4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

##### **Important policy or regulatory developments related to the Grant's objectives and activities:**

Sri Lanka proposed two key 2030 mitigation targets as part of its Nationally Determined Contribution (NDC) for the UNFCCC's Paris Agreement: (a) to reduce GHG emissions in the energy sector against a Business-As-Usual (BAU) scenario by 4% unconditionally and an additional 16% conditionally; and (b) to reduce GHG emissions against a BAU scenario in other sectors by 3% unconditionally and an additional 7% conditionally. The NDC further maps out a set of policies and actions to achieve these goals in five priority sectors: energy, transport, waste, industry, and forestry. While Sri Lanka does not explicitly mention the use of carbon pricing to achieve its NDC goals, the government is seeking the PMR's support to enhance the role of carbon pricing to reduce costs and mobilize the resources required to reduce emissions. Sri Lanka has already taken significant steps to ensure a successful NDC implementation. For example, Sri Lanka prepared a "Readiness Plan for NDC implementation" in 2016 to identify policy and institutional gaps, as well as the technical capacity and resources required to implement policies and actions under its NDC. The plan is intended to inform the work plan for relevant ministries during the "Readiness Phase" between 2017 to 2019, before the NDC implementation period from 2021 to 2030. The national climate agenda is guided by two overarching policies at the national level: (a) the National Climate Change Policy, which outlines key principles that should be considered

<p>when developing climate actions in the energy, transport, industry, waste and agricultural sectors; and (b) the “Sri Lanka NEXT - A Blue Green Era” Program, which identifies priority technologies and subsectors for a low carbon economy based on the country’s sustainable development priorities.</p>
<p><b>Important changes in the technical design or approach related to the Grant’s activities:</b></p>
<p>No change</p>
<p><b>Key capacity issues (implementation, technical, financial management, procurement) related to the Grant’s activities:</b></p>
<p>Climate Change Secretariat obtained internal approval from relevant government entities to setup a project management unit (PMU) and ToR of the PMU staff also defined. As the grant agreement of US\$ 1.8 million was signed on April 11, 2019, the vacancies will be advertised on newspapers and the recruitment will be started shortly. The ToRs for the steering committee and the technical advisory committee were also finalized and members for the mentioned committees have been identified.</p>
<p><b>Coordination with other carbon pricing initiatives, including those funded by other donors:</b></p>
<ul style="list-style-type: none"> <li><i>In 2017 carbon tax was introduced through green budget in Sri Lanka. It is one of the carbon pricing initiative of Government of Sri Lanka. Policy-level discussion are ongoing .</i></li> </ul>
<p><b>Stakeholder engagement related to the Grant’s activities:</b></p>
<p>The MMDE is responsible for oversight of the entire activities as well as coordination with the line Ministries, agencies, the consultants, and other stakeholders on regular basis. Once the PMU is set up, the PMU will continuously engage with relevant stakeholders, including the private sector, think tanks, government departments, civil society organizations, etc. In addition, need-based engagement and regular dialogue through round table discussions, etc. will be carried out by the Ministry. Qualified technical experts of relevant entities are selected to the members of steering committee and the technical advisory committee to ensure the representation of stakeholders.</p>
<p><b>Other issues related to the Grant’s activities</b></p>
<p>None</p>

## 5. ADDITIONAL INFORMATION

*In this Section, please provide any additional information that may be relevant for the achievement of the Grant’s objectives and/or the implementation of the Grant’s activities. Please also provide any relevant information related to carbon pricing and the use of market-based instruments for climate change mitigation.*