

## **Launch of the Sustainable Finance Roadmap 2.0**

**05 May 2025 - The Atrium**

### **Keynote Speech by the Governor**

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- Address:
  - Secretaries of the Government Ministries;
  - Group Country Manager for Sri Lanka of the World Bank;
  - Representatives of the European Union;
  - Heads and Representatives of Other International Institutions and Partner Agencies;
  - Other government officials;
  - International and National Experts;
  - Representatives of Financial Institutions and Associations;
  - Esteemed Invitees joining us virtually;
  - Colleagues at the Central Bank;
  - Ladies and Gentlemen;
- It's with great pleasure that I speak to you this morning at the launch of Sustainable Finance Roadmap 2.0, which is a milestone in the Central Bank's sustainable financing journey and a critical step forward in strengthening resilience, inclusiveness, and long-term sustainability of the financial sector and the economy.
- This moment comes at a time when the world faces profound and interconnected challenges related to environment and social wellbeing.
  - According to the Network for Greening the Financial System (NGFS) estimates, more than USD 4.2 trillion of financial assets could be at risk globally if the current climate-related impact trends continue.
  - Based on the World Bank estimates, climate change could push an additional 130 million of the world population towards poverty unless decisive action is taken.
  - In the Sri Lankan context, it is estimated that USD 10.85 billion is required for implementing the NDC's until 2030.

- As you all may agree, the extreme weather events we have witnessed are no longer anomalies; they are signs of a shifting climate that will increasingly impact our agriculture, energy security, infrastructure, and livelihoods hence sustainable finance is no longer optional. It is an economic, social, and environmental imperative globally and here in Sri Lanka.
- It was with this global reality in mind that the Central Bank of Sri Lanka launched its first Sustainable Finance Roadmap in 2019. That initiative set the foundation for integrating sustainability into our financial system, building awareness, and piloting green finance products.
- Today, as we launch the Sustainable Finance Roadmap 2.0, we are reaffirming and strengthening that commitment.
- First of all, I would like to extend my gratitude to the International Finance Corporation (IFC), for the technical guidance and the European Union for collaborating with IFC for funding the project under the Accelerating Climate-Smart and Inclusive Infrastructure in South Asia (EU-ACSIIS) program which was a timely intervention as we completed five years since the launching of the first roadmap.
- I congratulate the project team and make this a point to thank all the stakeholders who engaged in the project and provided their valuable input and expert knowledge in developing a well-balanced Roadmap.
- If I give you an essence of the context in which the Central Bank started this journey in 2016 with the joining of SBFN, the landscape for sustainable financing was more focused on environmental aspect of sustainability.
- However, over the years, closer to a decade, many dimensions related to sustainable development have gained momentum.
- As climate risk emerged as one of the major deterrents against financial stability it is the responsibility of the Central Bank to take initiatives to green the financial system in maintaining both price stability and financial stability as per the mandate vested upon CBSL.

- Climate change or the impact of climate events on the economy could be transformed into the financial sector in two ways.
  - Supply side disruptions could trigger inflationary pressure weakening price stability while building up of non-performing portfolios following a catastrophe which could take a toll on financial system stability through a credit crisis.
  - With the enactment of the new CBSL Act, Inclusiveness also comes under the duties of CBSL where we have strategized how financial inclusion could be achieved.
- Climate-related events are becoming more common, which raises concerns over financial institutions' ability to manage their risks and to continue to provide financial services in certain segments and geographies. Financial authorities are taking steps to integrate climate risk in their financial stability assessments.
- For example, Climate Scenario Analysis, Climate Stress Testing and Value chain analysis in relation to Green House Gas (GHG) emissions are carried out by the financial regulators and financial institutions in the global context.
- On the other hand, decarbonization efforts have reached new heights with tightened regulations especially in the European region which is challenging for the local industries catering to such markets.
- Simultaneously, reporting and disclosure requirements are getting streamlined globally with the introduction of accounting standards (S1 and S2) and other integrated reporting initiatives.
- National level commitments including NDCs, National Adaptation Plan and Net Zero Plan were revisited, and ambitious targets have been set.
- In this backdrop, the Central Bank policy interventions are necessary to ensure resilience while uplifting the inclusiveness among society for achieving greater prosperity. Particularly, we have incorporated the social aspect of sustainability into the Roadmap 2.0 as the New CBSL Act recognised inclusiveness as a duty of the Central Bank.

- Further, the Roadmap 2.0 has given more emphasis to the internal risk management frameworks in addressing climate challenges in the financial sector, while focusing on green initiatives.
- As you all know, the past few years have been a challenging period not only for the financial sector but for the whole economy. We have made considerable progress in terms of restoring stability, however the future challenges are not to be undermined.
- I believe Sustainable Finance Roadmap 2.0 is one such policy initiative that will guide us towards how we, particularly as the financial sector, should strategize in terms of environmental and social challenges that may arise due to potential climate events.
- In terms of the social aspect of sustainability the Roadmap 2.0 will serve for the broader theme of social justice with special emphasis on MSME's, vulnerable groups and gender equality. National Financial Inclusion Strategy (NFIS) Phase II will also be implemented as part of the Roadmap which is expected to promote Inclusive Green Financing (IGF).
- We have challenges to overcome especially with inter institutional coordination and alignment with a national strategy in climate financing. More emphasis on adaptation financing remains to be addressed while different avenues to facilitate blended financing where the financial institutions can collaborate with the State need to be revisited.
- While new challenges will emerge with the evolution of the subject area, implementation of the actions laid down in Roadmap 2.0 is very important as it will strengthen the foundation of the financial sector to gain more resilience against climate risks while uplifting financial inclusion among society.
- We have maintained the momentum to be categorised as an **advancing member country** in terms of sustainable finance framework development and implementation in line with international trends and good practices as per the 2024 SBFN Global Brief. Successful implementation of RM 2.0 will position Sri Lanka at the forefront of the sustainable financing leadership in the region.

- At the launching of Roadmap 2.0 my request to all the stakeholders who have validated this document is to extend your fullest cooperation in achieving the targets set in a timely manner and contributing to the area of sustainability both individually and collectively, understanding its criticality as a nation in driving the mandate on climate combating and social inclusiveness.
- I hope you will extend your fullest cooperation and continue to engage with the Central Bank through the Stakeholder Committee and the Working groups to be formed in near future.
- With that I will conclude my address, wishing you all the very best for your commitments and endeavours in this area in the future.

Thank you!