

FINANCING CIRCULAR ECONOMY INVESTMENTS IN THE FOOD SECTOR IN SRI LANKA

DIAGNOSTIC AND STRATEGY REPORT
OCTOBER 2025





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About the report

In line with the European Union's commitment to a green transition, the “**Circular Economy in the Food Sector (CIRCULAR)**” is a three-year project funded by the EU and jointly implemented by Expertise France (EF), the Food and Agriculture Organization of the United Nations (FAO) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the latter being partly co-funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).

The overall objective of the CIRCULAR project is to promote a circular economy approach in the food sector, while increasing resilience to food crises and climate change.

This diagnostic was conducted as part of Expertise France's contribution under project outcome 2, which aims to promote sustainable production and consumption models, output 2.3 specifically to contribute to MSMEs, startups, social enterprises, cooperatives having increased Access to Finance and Business Development Support related to sustainable and gender sensitive business models and practices.

Expertise France will focus on mobilising financing for growth and expansion stage companies looking for Series A funding (ticket size approx. USD 500k-5mn), while GIZ will focus on supporting early-stage companies looking for seed funding (ticket-size approx. USD 10k - USD 500k).

This Diagnostic assesses the Circular Economy Financing Ecosystem in Sri Lanka in turn to propose Expertise France's strategic actions to increase circular economy investments in the food sector. The Diagnostic maps the key stakeholders that can contribute to building Sri Lanka's Circular Economy Financing Ecosystem, identifying opportunities and barriers faced in investing in their circular economy.



Methodology

The diagnostic was conducted between February and October 2025. In addition to a desk review, the analysis of the roles and knowledge gaps of relevant stakeholders through direct consultation has informed the Diagnostics on the Circular Economy Financing Ecosystem. Stakeholders consulted to conduct this Diagnostics were selected to represent the key stakeholders in Sri Lanka's Circular Economy Financing Ecosystem. The full list of stakeholders consulted is listed in Appendix 1. The scope of the assignment includes an in-depth review of food value chains with a focus on:



Food loss and food waste, with emphasis on post-harvest handling, processing, retail waste, and consumer level waste reduction.



Single Use Plastics (SUP) associated with food packaging, distribution, and retail.

The report targets growth and expansion stage companies involved in or transitioning to circular business models. It also examines the role of banks and financial institutions (FIs), including commercial banks, development finance institutions (DFIs), and impact investors in supporting this transition.

This assessment provides a foundation for the development of targeted interventions for Expertise France's capacity building efforts and provides recommendations to mobilise funding to increase investments in the circular economy ecosystem in the Sri Lankan food sector.





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Acronyms

AFD	Agence Française de Développement
B2B	Business-to-Business
CASA	Current Account and Savings Account
CBSL	Central Bank of Sri Lanka
CE	Circular Economy
CEBM	Circular Economy Business Model
CSE	Colombo Stock Exchange
DFI	Development Finance Institution
EF	Expertise France
EPF	Employees Provident Fund
EPR	Extended Producer Responsibility
ESG	Environmental, Social, and Governance
ETF	Employees Trust Fund
EU	European Union
FAO	Food and Agriculture Organization
FI	Financial Institution
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GDP	Gross Domestic Product
GFT	Green Finance Taxonomy
IFRS	International Financial Reporting Standards
MSME	Micro, Small and Medium Enterprises
MDB	Multilateral Development Bank
NBFI	Non-Bank Financial Institution
NDC	Nationally Determined Contribution
PPWR	Packaging and Packaging Waste Regulation
SDG	Sustainable Development Goals
SEC	Securities and Exchange Commission
SME	Small and Medium Enterprises
SOFR	Secured Overnight Financing Rate
SUP	Single Use Plastics





Executive Summary

Investing in Circular Economy (CE) in the food sector in Sri Lanka presents a significant opportunity to address pressing challenges of solid and SUP waste. Shifting from the traditional linear model of “take-make-dispose” to embedding circularity through reusing, reducing and recovering value from natural resources can strengthen food security and support transition to a low carbon economy. In addition, bringing circularity closer to the heart of their business models can enhance competitiveness for businesses and open access to new sources of sustainable finance. Despite these advantages, CE initiatives (including but not limited to recycling) remain underfunded and unimplemented. This report brings together insights from consultations with key stakeholders and draws on desk research to highlight global statistics, financing trends, and best practices relevant to CE development.

In spite of a compelling business case for CE investments, lack of technical knowledge, high upfront costs and long payback periods are barriers for adoption of circular practices.

Many food businesses lack technical knowledge to design and implement profitable CE business models (CEBMs). Businesses are challenged as circular alternatives untested in the local context could compromise food safety, taste, and shelf life. Businesses are also unable to pass on upfront cost of CE investments to the price sensitive customers. Although sustainable financing is available, businesses have limited awareness of suitable financing instruments and find it difficult to produce financial projections and structure bankable proposals that align with requirements of financial institutions.

Circularity offers stronger risk-adjusted returns but local financial institutions lack confidence in CE investing and have inadequate financing instruments.

Circularity is not only about sustainability; it is also a prudent risk management strategy. Financial institutions that fund linear business models are subject to increased financial, climate and regulatory risks, especially given their high loan portfolio concentration in the agriculture sector. However, investing in CE is considered risky, with most Financial Institutions requiring third-party verification for consideration. Limited awareness

on CEBMs beyond recycling, lack of appropriate assessment tools, and the current Green Finance Taxonomy under defining CE are some of the reasons for CEBMs remaining underfinanced.

Addressing these financing gaps requires coordinated action across stakeholders.

Food businesses need targeted support to identify CE opportunities and translate them into credible financial proposals. Financial institutions must strengthen their capacity to assess CE projects, integrate them into risk frameworks, and develop CE financial products. Equally important is the broader enabling ecosystem that comprises certification bodies, CE consultants, accounting firms, impact evaluators, marketers, insurers, regulators and others that can validate and de-risk CEBMs. Academia can further contribute by providing data and research on innovative CE models. Combined efforts of all these market actors can make CE more attractive for both businesses and financiers.

Expertise France, through the CIRCULAR project, will support the following actions over the next 24 months to bridge the circular financing gap between businesses and financiers:



Build evidence and demonstrate the business case for CE in the food sector



Strengthen food business capacity on CE through mentoring and circular clinics



Enhance the capacity of Sri Lankan financial actors on CE financing



Strengthen partnerships with market actors enabling CE financing ecosystem

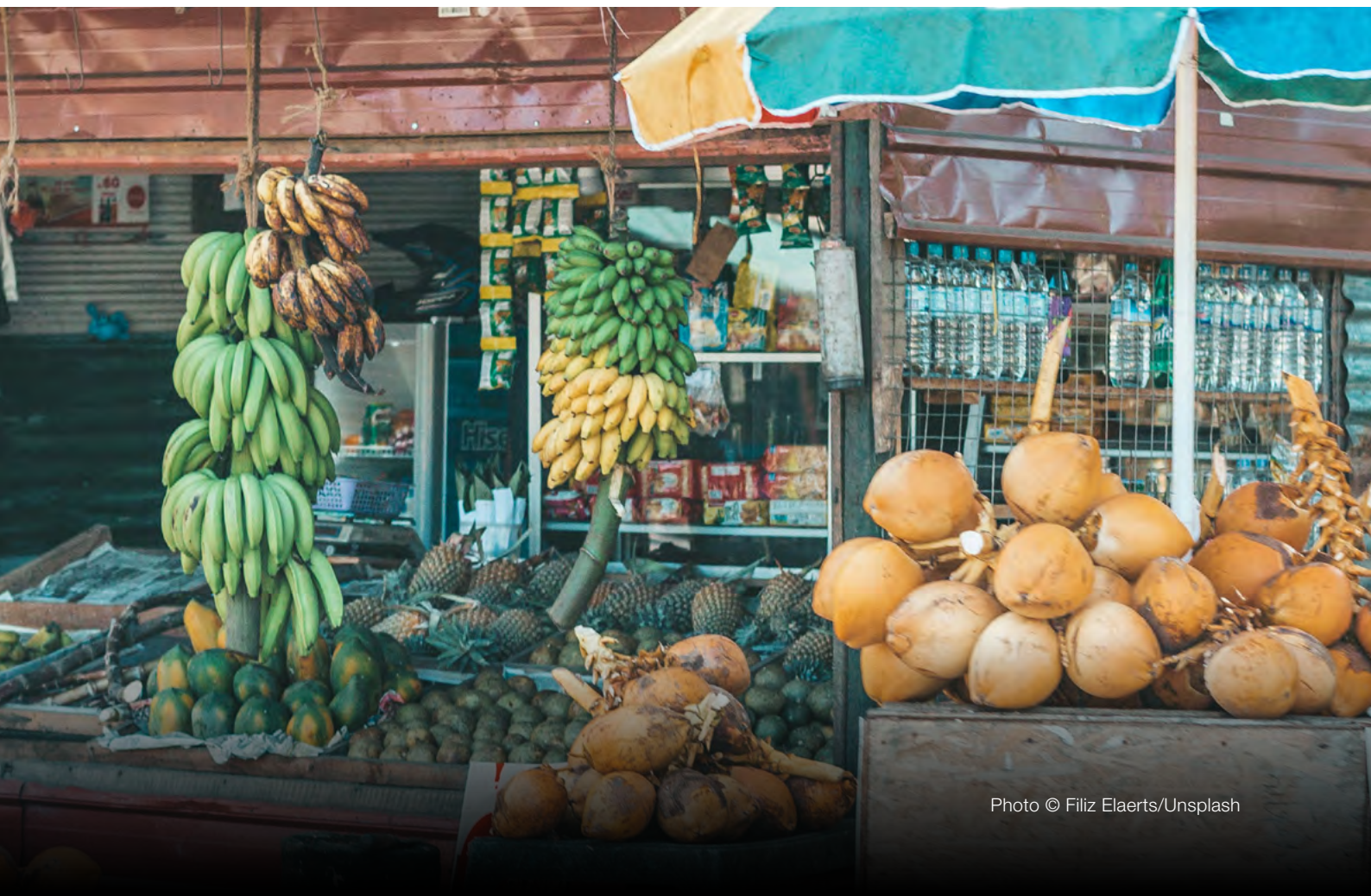


Connect food businesses with investors to access finance for their bankable circular proposals

Together, these actions aim to unlock finance for promoting CE in the food sector.



Rationale for investing in Circular Economy in the food sector





The CE is a framework for a better business model. The CE provides a range of business models such as using renewable or upcycled inputs, extending product life through reuse, and recovering value from waste all designed to eliminate waste and keep materials in continuous use.



A major opportunity lies in tackling system inefficiency. Circular practices offer a direct pathway to cost savings through improved resource efficiency.



Circular models create new and profitable revenue streams. Investing in circularity is proven to be highly profitable by creating new value from materials previously wasted and by local innovators who are turning agricultural by-products into new valuable products.



The transition is driven by powerful "Push" and "Pull" factors. The business case is driven by two sets of forces. "Push factors" are external pressures, including reputational risk from growing consumer demand for sustainability, and tightening international and local market regulations. "Pull factors" are the compelling internal benefits, such as enhanced brand value, greater supply chain resilience, and economic opportunities.



Ultimately, the rationale for adopting a circular model is to build a more resilient, profitable, and future-proof enterprise. By reducing dependence on volatile commodity markets and moving away from a wasteful linear system, Sri Lankan food businesses can create more stable and sustainable operations that are better prepared for future economic shocks and evolving global demands.

Context and Background

Sri Lanka produces about **10,768 MT** of municipal solid waste each day¹, of which **50-76%** is estimated to be food waste².

Agriculture accounts for around **87%** of Sri Lanka's freshwater use⁴. With high levels of food waste, much of this **water is effectively used to produce food that is never consumed.**

When food waste decomposes in landfills, it **generates methane.** Globally, food loss and waste contribute **8-10%** of annual **human caused greenhouse gas emissions**³.

On a daily basis, **Sri Lanka produces about 938 MT** of plastic waste, of which roughly **30% is collected but only around 4%, is recycled**¹. This mismanagement leads to **severe environmental pollution** and **substantial health risks.**



The Sri Lankan economy largely follows a linear 'take-make-dispose' model, creating systemic challenges for sustainable growth. The country relies heavily on imported raw materials, fossil fuels, and agrochemicals. This coupled with low material productivity places significant pressure on foreign exchange reserves.

Despite employing over a quarter of the Sri Lankan workforce, the food and agriculture sector contribution to national GDP remains disproportionately low⁵. High import dependency for agricultural inputs and processing materials makes the food system highly vulnerable to global disruptions. These weaknesses were starkly evident with supply chain breakdowns and record high food inflation that followed the COVID-19 pandemic and the 2022 economic crisis, which undermined household food security across the country.

The food system also suffers from profound inefficiencies. Significant annual food wastage, especially of fruits and vegetables, occurs alongside widespread food insecurity, an estimated 28% of Sri Lankans facing moderate acute food insecurity⁶.

Parallel to food waste, the widespread use of SUP linked to the food industry is a primary driver of environmental degradation. As a result, composite waste streams contain food mixed with plastics, making recovery and recycling nearly impossible and increasing landfill pressure. An estimated 638 metric tons of plastic waste goes uncollected daily, leading to severe environmental consequences. This unmanaged waste, to which food packaging is a dominant contributor, contaminates land and water systems, threatens coastal livelihoods, and causes substantial air pollution through illegal open-air burning¹. This reliance on SUP also adds another layer of import dependency on raw plastic resins and

finished packaging materials. This not only drains foreign exchange but also undercuts efforts to build local innovation for sustainable materials and waste management.

In this context, a transition to a CE, an economic model that keeps resources in use for as long as possible is a socio-economic necessity. In the food sector, adopting circular practices such as regenerative farming, composting organic waste, and creating value from by-products offers a strategic path to reduce costs while improving supply chain resilience and enhancing nutritional outcomes.

According to the Ellen MacArthur Foundation, the CE is an economic system based on three principles: eliminate waste and pollution, keep products and materials in use, and regenerate nature. It is a fundamental shift away from the traditional linear model, focusing instead on business models built around reusing, repairing, regenerating, and recycling⁷.

In Sri Lanka, stakeholder consultations have revealed a common misconception that the CE is solely about recycling. While recycling is an important component, it is just one part of a much broader and more transformative approach to creating a sustainable and profitable economy.

Collectively, the implementation of these models provides a powerful pathway for the food sector to make a significant contribution towards achieving at least 10 of the Sustainable Development Goals (SDGs).

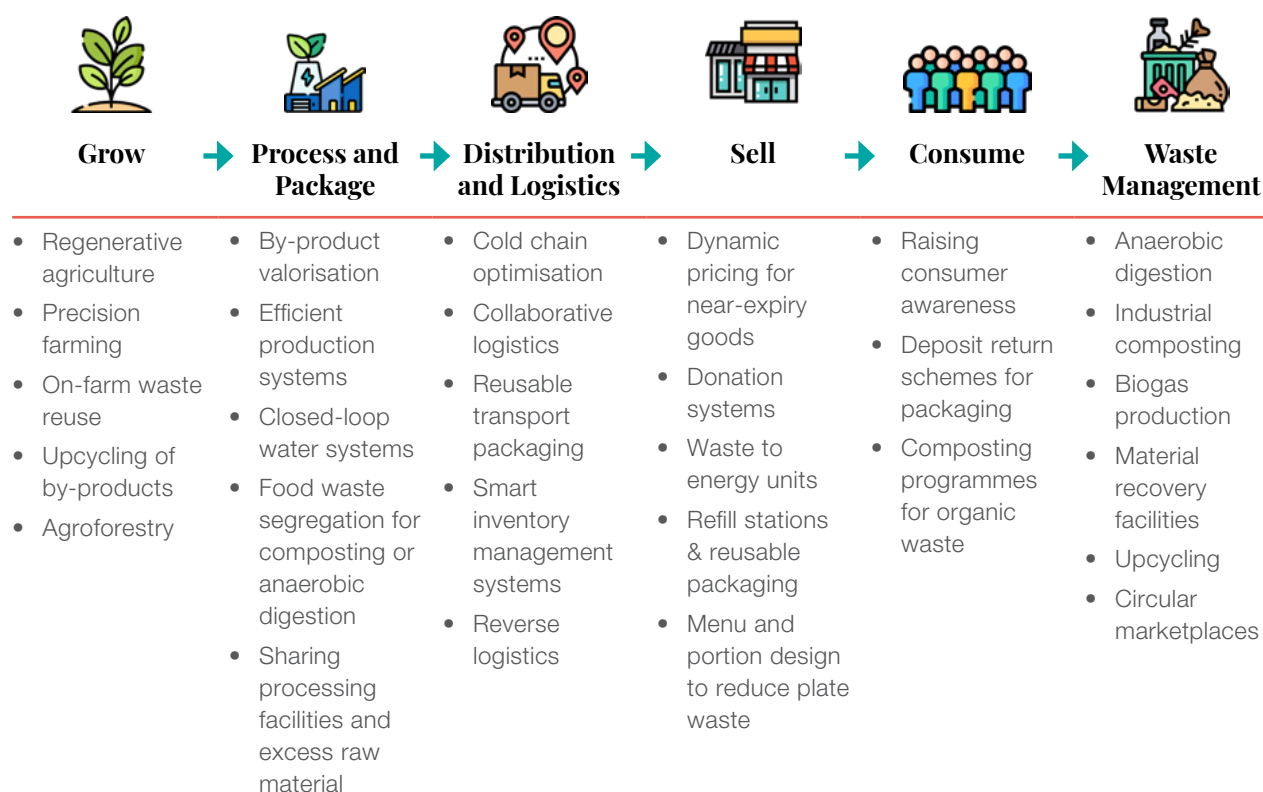
Figure 1: Circular Economy contribution to SDGs



Source: United Nations⁸

A circular approach can be applied across the entire food value chain, from farm to fork and beyond (Figure 2).

Figure 2: Circular Economy business models can be embedded throughout the value chain



This begins at the production stage with practices like regenerative agriculture and precision irrigation to use fewer natural resources, moves through the processing stage with the valorisation of by products and continues into distribution with efficient cold chain logistics and reusable transport packaging to minimise waste. Finally, it reshapes the behaviour patterns of consumption and disposal with innovative models.

It is important to note that the Sri Lankan food culture has long reflected circular principles, even if it has not been explicitly defined so. Traditional cuisine has made ingenious use of by-products, from incorporating coconut remnants into sambols and sweets while agricultural residues have routinely been diverted into animal feed or compost. According to UNIDO and other value chain assessments, domestic coconut use capturing only part of the nut, results in up to 50% of potential economic value being lost. For generations, the coconut industry has demonstrated how every part of the nut can be put to use, with husks, shells,

and fibre transformed into coir and for producing bio-charcoal and activated carbon.

Building on this legacy, a growing number of Sri Lankan food businesses are already formalising and scaling such practices, demonstrating that circular innovation is deeply embedded in food systems, even if it is only now being framed within the language of the circular economy. Formalising the shift towards circular models generates new opportunities for industries and entrepreneurs to innovate and develop solutions for the creation of a dynamic ecosystem. Global examples show how businesses can rethink product design, logistics, and consumption patterns to be more circular, opportunities that remain largely untapped in Sri Lanka. A few examples on other circular business models that can be applied in the food sector are identified below (Table 1).

Table 1: Global CEBMs in the Food sector and potential application in Sri Lanka

Business Model	Description	International Example	Potential Application in Sri Lanka
Circular Inputs	Using renewable, recyclable, or biodegradable materials in products and processes	• Carrefour (France) sources from regenerative farms • EcoTensil (USA) makes compostable cutlery	Promote regenerative agriculture and compostable inputs; support local compost and organic fertiliser startups
Product Use/ Life Extension	Creating product designs to extend the lifespan of products through repair, maintenance, refurbishment, remanufacturing and recyclability for all components	• Too Good To Go (Europe, US) connects consumers with discounted surplus meals from restaurants and stores • Olio (UK) has a peer-to-peer food sharing app	Launch leftover networks to donate near-expiry or excess food. Partner with RobinHood army and Soup Bowl to distribute consumable food
Resource Recovery/ Waste as value	Capture and reuse materials, components, or energy from waste streams. Use by-products or waste from one process or business to become inputs for another	• Bio-bean (UK) converts coffee waste into fuel • Kompogas (Switzerland) turns food waste into biogas • Rubies in the Rubble (UK) makes condiments from surplus produce	Convert market, hotel, or fisheries waste into compost, animal feed, or biogas through community digesters
Product as a Service	Customers pay for using a product rather than owning it. Encouraging the product's continued maintenance, durability, upgrades, and proper disposal after its use	• Recup (Germany) provides reusable coffee cups as a service • Loop (global) delivers groceries in returnable containers	Introduce reusable lunch box programmes for universities, office canteens, and railways with cleaning and redistribution service
Sharing Economy	Increase utilisation of underused assets through shared access	• MachineryLink (USA) leases farm equipment • J Farm Services (India) enables sharing of tractors among farmers	Increase renting and sharing of processing equipment, cold storage or transport services among businesses

Source: World Economic Forum⁸, Carrefour, Too Good To Go, Olio, Bio-bean. Kompogas, Rubies in the Rubble, Recup, Loop, MachineryLink and J Farm Services



The business case for adopting circular principles is driven by powerful "pull" and "push" factors.

Pull factor: Business case – Economic resilience and competitiveness

Food loss and waste are not just sustainability issues; they represent a major financial drain and a missed opportunity for value creation. A 2015 audit by the National Audit Office found that 30% to 40% of vegetables and fruits are lost post-harvest, even before reaching the end consumer. These post-harvest losses have been estimated at around 270,000 MT annually, valued at roughly LKR 20 billion¹⁰.

Table 2: Losses and waste generated in the food value chain

Type of waste	Loss at production	Loss in handling and storage	Loss at processing	Loss in distribution and consumption
Food waste	• Low quality • Water loss and decay • Crop damage	• Post-harvest losses • Bruising • Spillage • Water loss	• Trimming residues • Peels and cuttings • Colour loss • Moisture loss • Packaging waste	• Organic waste • Best-before waste • Appearance issues • Excess stock • Spoilage • Leftovers • Food spills • Plate waste
SUP waste			• Plastic bottles • Plastic sachets • Plastic films • Polystyrene • Foam nets	• Plastic cups • Plastic cutlery • Plastics bags • Plastic straws • Plastic films

Source: Adapted from FAO Food loss and waste database and national level studies by the Sri Lankan department of Agriculture and IWMI

Reducing these losses delivers a clear financial return. Evidence from targeted food waste reduction initiatives in 2020 conducted by FAO and IWMI with a Colombo hotel demonstrated it can be highly profitable (Appendix 2). With an investment of LKR 1.68 million (USD 8,984) for regular waste audits, staff training and food upcycling, the savings and additional revenue totaled LKR 6.97 million (USD 37,273) in a year. A 315% return on investment¹¹.

Beyond operational efficiency, value creation is driven by market access and traceability. Agri-tech provider SenzAgro notes that financial incentives for productivity improvements are strongest when traceability can be monetised, particularly for high value crops and premium market channels.

Push factor: Business case – Consumer and market demand

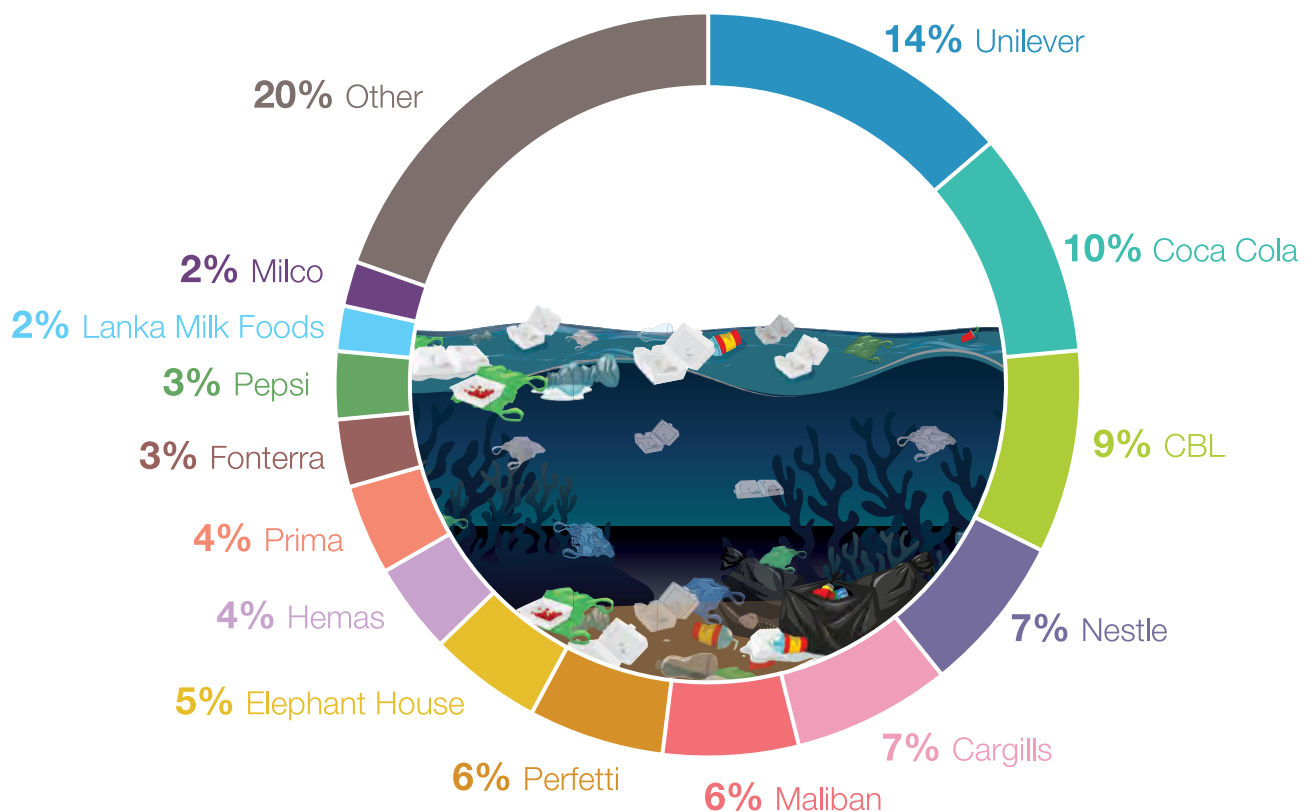
In terms of SUP waste, the main risk is the loss of business to eco conscious segments that increasingly demand sustainable and transparent business practices. A 2025 Greenpeace South Asia survey of over 1,300 Colombo residents found that 93% demand stronger accountability from FMCG companies for their role in plastic pollution, and 87% are more likely to support brands that actively reduce their use of SUPs¹².

A brand audit carried out by the Pearl Protectors across 16 coastal locations in the Western, Southern, and Eastern provinces identified the leading marine polluting brands in the country as above¹³. Majority of the brands identified belong to the food sector. These businesses face increasing risks of losing market share as local and global demand shifts toward circular processes. In contrast, early adopters will be better positioned to retain market access.

The Packaging and Packaging Waste Regulation (PPWR), effective from 11th February 2025, mandates that all packaging on the EU market be recyclable in an economically viable way by 2030.

It also sets targets to reduce packaging waste by 5% by 2030, 10% by 2035, and 15% by 2040, and requires a minimum amount of recycled content in plastic packaging (see Appendix 3).

Figure 3: Top Marine Polluting brands in Sri Lanka



Source: Pearl Protectors¹³

Push factor: Business case – Regulatory and Policy Alignment

The Central Environment Authority of Sri Lanka announced plans in 2024 to introduce Extended Producer Responsibility (EPR) laws, mandating companies using plastic packaging and bottles to be responsible for collecting them after use, aiming to create a closed loop system for plastic waste management. Other Government regulations and legislation related to CE for the Food Sector are summarised below.

Table 3: Government policies and initiatives related to food loss, waste and SUP waste

Policy/ Initiative	Area	Key Objectives
National Action Plan on Plastic Waste Management (2021–2030) ¹	SUP Waste	10-year plan, developed by the Ministry of Environment, targets an 80% reduction in marine plastic pollution by 2030 through: • Implementing the 3Rs: Reduce, Reuse, Recycle • Banning specific single-use plastic products, including polythene bags ≤20 microns and expanded polystyrene food containers • Promoting Extended Producer Responsibility (EPR) schemes • Encouraging the development of eco-industrial zones to support a circular economy
Nationally Determined Contributions (NDCs) – 2021 Update ¹⁵	Food loss Food waste SUP waste	Targets a 14.5% reduction in greenhouse gas emissions from sectors including waste and agriculture by 2030. Waste sector strategies encompass: • Reduction of municipal solid waste • Enhanced segregation, recycling, and composting • Waste-to-energy initiatives and public-private partnerships for waste management financing Agriculture sector strategies: • Improving post-harvest management • Adopting sustainable agricultural practices to reduce food loss
National Policy on Sustainable Consumption and Production ¹⁶	Food loss Food waste SUP waste	Policy goals: • Adequate nutritional status of all segments of society ensured through the affordability, accessibility and availability of nutritious food • Use of synthetic pesticides and fertilizer is minimised through the promotion of Integrated plant nutrients and pest management with new technologies and use of bio-organic resources • Food losses reduced in the supply chain (pre/post-harvest) by 10% by 2022 and another 20% by 2030 • Food waste reduced by 10% by 2022 and another 20% by 2030 • Eco-labelling policies and legislative framework developed before 2020 and implemented by 2025

Green Finance Taxonomy ¹⁷	Waste management	Identifies the following as potential green investments for the financial sector: • Plastic recycling, remanufacturing and repurpose • Replacement of synthetic fertilisers, including organic or green manures (use of vegetable mulches) • Recycling and treatment of packaging waste
Sustainable Finance Roadmap 2.0 ¹⁸	Food security	Outlines sustainable finance instruments that fall within the mandate of financial regulators to encourage their adoption by local financial institutions. This includes sustainable loans, deposits and leasing, labelled bonds, debt-for-nature swaps, de-risking instruments and sustainable insurance.

It is important to note that while these policies to reduce food and SUP waste are being implemented in Sri Lanka, several other existing legal and regulatory constraints significantly limit their impact:

- Food Act No. 26 of 1980 prohibits the distribution or sale of food that is unfit for human consumption, decayed, adulterated or in unhygienic conditions. Bars, hotels and restaurants often cite this stringent requirement, combined with a lack of legal protection for the donor, as a reason that prevents them from redistributing perfectly edible surplus food, even if it is still safe to consume¹⁹.
- Sri Lanka's Food (Packaging Materials and Articles) Regulations 2010 requires that all packaging be made from certified food-grade materials, clearly labeled for food use, and include the manufacturer's identification. The regulation strictly prohibits the use of recycled plastics in food packaging²⁰.

Business case for financial sector to invest in CE – Mitigating risks while promoting sustainability

Upfront costs of investing in CE are significant barriers for the food sector to adopt CE practices. Globally, financial institutions are increasingly recognising circularity as both a risk mitigation strategy and an investment opportunity. Asset managers, private equity firms, investment and commercial banks, endowments, and insurers are aligning their portfolios with sustainable finance trends by shifting capital toward circular business models.

Many investors are reducing their exposure to industries that heavily degrade natural ecosystems by divesting from assets that are classified as high-risk due to sustainability and environmental considerations, and diversifying into ESG aligned investments. Sustainable financing mechanisms, such as green bonds, sustainability linked loans, and impact investments, are enabling banks and institutional investors to support circular food systems.

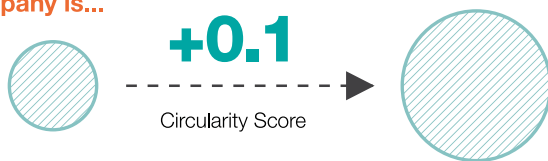
Beyond risk management, pioneering financial institutions are viewing circularity as a major growth market, identifying food system innovation as profitable investment opportunities.

As other sectors increasingly embrace CE principles, financial institutions are well positioned to leverage this transition to drive both economic returns and environmental benefits.

Research from Bocconi University, supported by the Ellen MacArthur Foundation, shows that adopting CE principles can make a company financially stronger and improve its performance⁷. A study of selected European companies found a direct link between circularity and credit risk. An increase of just 0.1 points in a firm's 'Circularity Score' was associated with an 8.63% lower probability of defaulting on its debts within one year. Over a 5-year period, the risk reduction was 4.93%. This is because circular businesses often have more stable costs and a more sustainable long-term outlook, which in turn makes them more creditworthy to lenders.

Figure 4: Circularity in relation to risk-adjusted returns

The more circular a company is...



...the higher the risk-adjusted returns of its stock



Source: Ellen MacArthur Foundation⁷

The financial sector in Sri Lanka has a significant opportunity to support the food and agriculture industry by embracing CE principles. Under the Central Bank's Sustainable Finance Roadmap, domestic banks are encouraged to allocate a portion of their lending towards sustainability initiatives, with some having set specific targets for their green funding portfolio. However, despite agriculture being identified as a priority sector, lending is often held back by high perceived climate risks and a lack of awareness of innovative, sustainable models.

This is where CE practices can help. By building more resilient businesses, they offer a clear pathway to reduce default risk and improve the performance of these loans.

By developing specialised credit assessment tools and sustainable finance instruments, the Sri Lankan financial sector can position themselves as enablers of the transition to a more sustainable, circular food system. The financial sector also benefits as this enables them to diversify and safeguard their agri-finance portfolio while reducing exposure to climate and commodity risks.





CHAPTER

2

Circular Economy financing ecosystem for the food sector

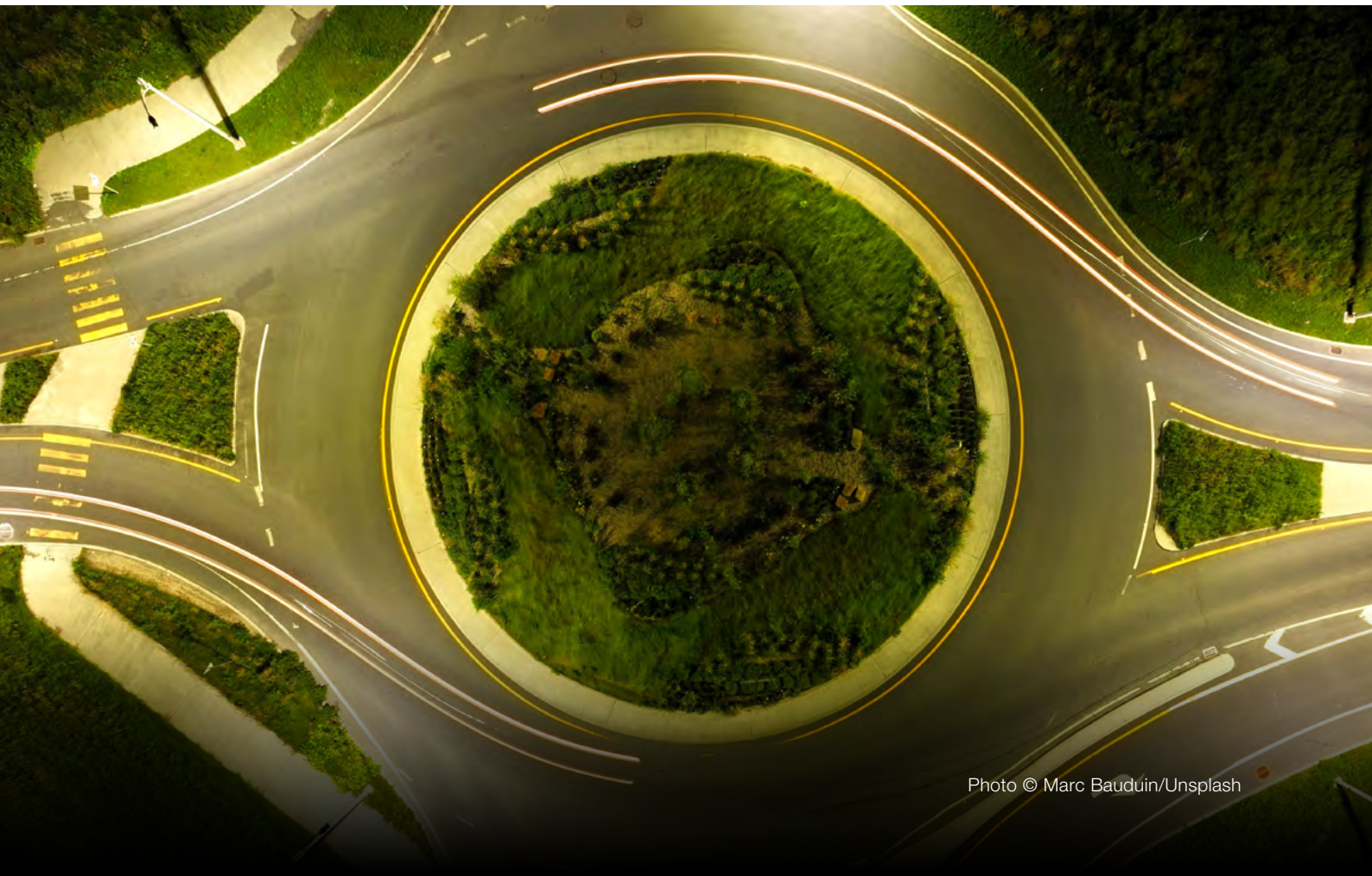


Photo © Marc Bauduin/Unsplash



Mapping the CE financing ecosystem in Sri Lanka reveals a fragmented yet evolving landscape with distinct stakeholder roles and responsibilities, each playing a critical role in enabling sustainable financial flows.

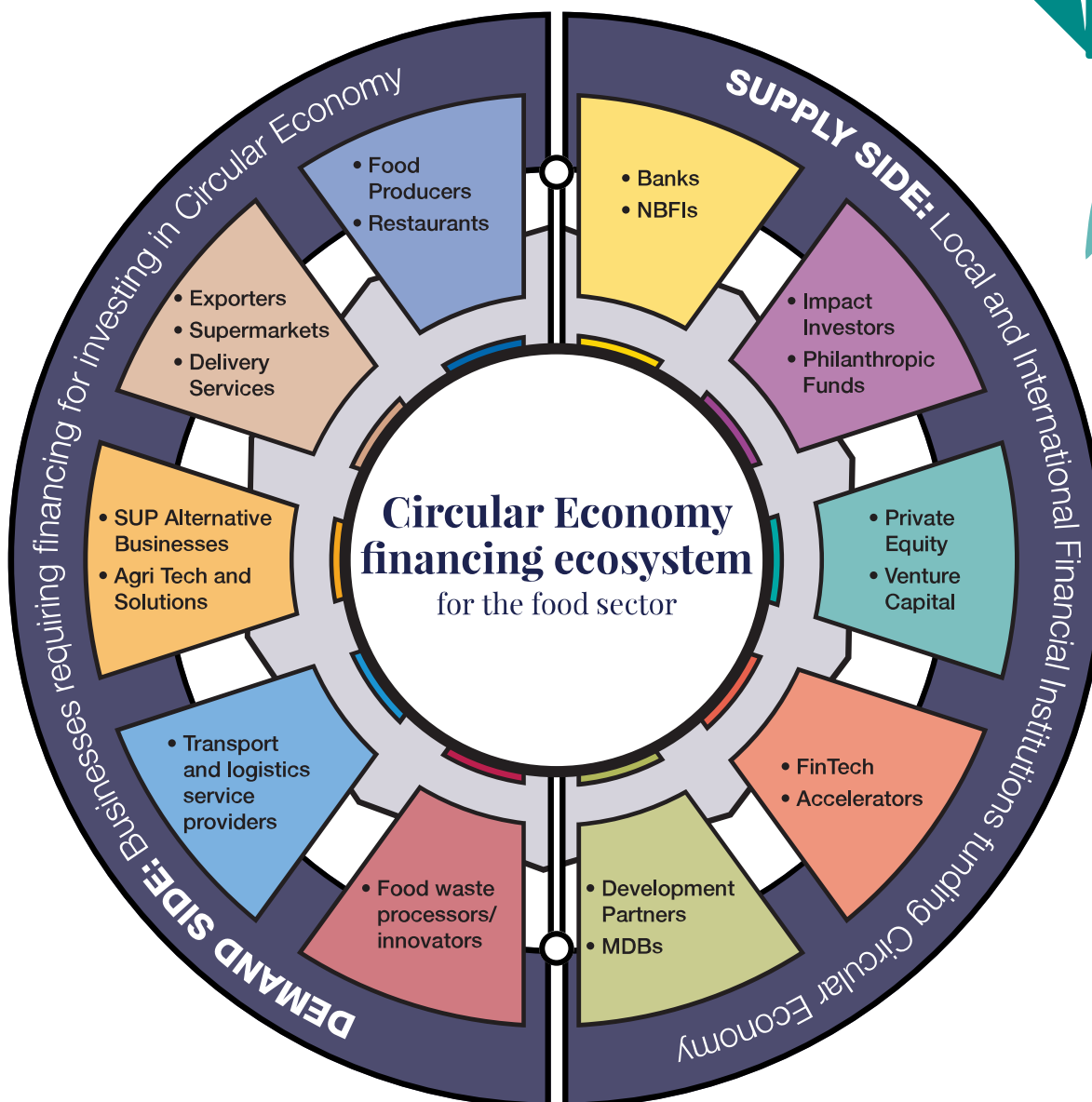
On the **demand side**, businesses in the food sector such as producers, exporters, restaurants, supermarkets, and delivery services demand financing for investing in CE. Additionally, service providers that develop innovations in SUP alternatives, agri-tech, transport, logistics, and waste processing are key actors requiring financing for development.

On the **supply side**, local actors include banks, NBFIs, impact investors, Fintech companies, and MDBs. At the international level, key players include DFIs, philanthropic funds, private equity, carbon credit funds and venture capital. These players have potential in playing a larger role in facilitating capital flows for supporting circular initiatives.

The **enabling ecosystem** for these financial flows include stakeholders such as accounting firms, certification bodies, insurance and impact evaluators who can de-risk circular investments through third-party verification. Meanwhile, regulators like the Central Bank and the Securities and Exchange Commission are creating the top-down drivers for change by developing national sustainable finance frameworks, such as the Sustainable Finance Roadmap 2.0. This is supported by academia and development partners, who are focused on building capacity and generating data to support CE.

Ultimately, creating a resilient circular financing ecosystem requires stronger, facilitated coordination between all these actors. The central challenge lies in leveraging targeted technical assistance to build confidence on the business case for CE, while developing a pipeline of de-risked bankable projects and unlocking capital by introducing innovative financial instruments to bridge any remaining gaps.

Figure 5: Circular Economy Financing Ecosystem



ENABLERS: Support System				
- Academia/ Universities/ Researchers - Development Partners and Business Associations	- Regulators: Central Bank, CSE, SEC, EU - Food Safety, Health and Marketing Experts	- Accountants/ Accounting Bodies - Insurance	- Certification Bodies - Law Firms	- Circular Experts - Impact measurement and reporting

Source: Expertise France CIRCULAR project based on consultations with key stakeholders



Demand side – Circular Economy financing





Demand side – Challenges faced by food businesses when investing in Circular Economy



Significant upfront investment costs are a major barrier to adopting circular practices, particularly in areas such as sustainable packaging alternatives and post-harvest management, which have long payback periods.



Access to affordable, long-term finance remains limited, with most green finance directed towards renewable energy rather than food systems.



The local food market is highly price sensitive, meaning even small price increases to cover circular innovations can substantially reduce sales volumes.



Many businesses have limited technical knowledge of profitable and practical circular models. Circularity is often narrowly understood as recycling, which overlooks a broader range of viable business models.



Businesses also face considerable risks in adopting untested circular alternatives, including potential regulatory penalties or consumer complaints if food safety, taste, or shelf life are compromised.

Expertise France as part of the Access to Finance component defines Growth and expansion stage companies as businesses that are scaling their circular operations and market presence in the food sector. These companies typically have a validated business model with a strong financial track record and efficient operational systems in place. They are expected to require external funding of over USD 500,000 to USD 5 million for CE investments across new markets or product lines.

The funding requirements for these companies cover infrastructure, technology upgrades, workforce training and expansion, and working capital to meet increasing demand and compliance with CE standards.

With tourism rebounding, large hotel chains and restaurant groups are major contributors to both food and SUP waste, which in turn generates significant demand for viable B2B markets for circular solutions. At the same time, export oriented value chains in seafood, spices, fruits, vegetables and other processed goods are under increasing scrutiny from global buyers over packaging sustainability and traceability.

Businesses in the Growth and expansion stage responding to these pressures while investing in their circular capabilities can generate the economies of scale needed to establish profitable business lines for CE solutions. Enabling access to finance for these businesses helps build the circular service models that can solve challenges in the ecosystem systemically.

Insights from the Growth and expansion stage businesses in the food sector

During the diagnostic consultations it became evident that while some food businesses have invested in efficiency and waste reduction, these efforts have often relied heavily on development aid in forms of technical assistance or grant financing. These investments have targeted specific points in the value chain, representing isolated improvements rather than a holistic CE approach across the value chain.

To identify the broader financing needs and opportunities required for a more systemic transition, this analysis also draws on the Sri Lanka SDG Investor Map. The expected rate of returns from the below investments further supports the business case for food businesses and investors to actively invest in reducing food loss and waste.

Table 4: CE investments for food sector identified under the Sri Lanka SDG Investor platform

Name of Business	Type of Circular Economy Business model	Description of Requirement	Impact Expected	Funding required – Average Ticket Size	Expected Rate of Return
Tess Cold Chain Facilities	Sharing economy: Solar-powered cold container	Invest in or provide project financing to develop and operate cold storage facilities and refrigerated transportation systems for perishable foods	Reducing the post-harvest losses (30-40% depending on the crop)	USD 500,000	25%
Finlays Colombo Limited					
Cargo Hub					
Biomass Terminals	Waste to value: Renewable Resources and Alternative Energy	Invest in or project financing for solid biofuel processing terminals/ depots to produce quality assured biomass fuel by utilising fuelwood, wood residues and waste agricultural biomass	The relatively low cost raw materials (fuelwood) and demand for processed biofuels for thermal energy applications allow the businesses to afford higher profit margins.	USD 8 million	20-25%

Agrithmics (Private) Limited	Circular inputs: Input side digital platforms to serve farmers	Invest in or provide project financing towards farm digitisation and mechanization related to supporting supply chain activities from the farm level to the market.	Support farmers by providing digitization and mechanization based solutions to improve productivity and induce climate resilient farming practices	USD 500,000 - USD 1 million	5-10%
Dialog Axiata PLC					
Hayleys PLC					
SGS Lanka (Pvt) Limited	Circular inputs: Smart Information Systems To Improve Quality Of Food Products	Invest in or provide project financing to: Develop a smart information system to improve information availability of key conformity assessment services focused on agriculture in Sri Lanka	Improving the accessibility to laboratories to improve quality of food products for domestic and export purposes	USD 500,000	25%
Sri Lanka Standards institute (SLSI)					

Source: SDG Investor Platform²¹

While there are several global CE examples, Expertise France recognises the benefits of showcasing profitability and feasibility of locally implemented circular practices that other businesses can relate and replicate. This could build confidence in investing in CE among the financial sector as well.

For instance, the essential oil exporter HDEES operates on a waste to value model, using by-products like cinnamon bark and spice leaves to create essential oils for global markets. Similarly, Jetwing Hotels integrates sustainability into its core value proposition recognising the long-term risks of unsustainable practices on tourism. The hotel chain uses locally sourced ingredients and refillable toiletries to minimise its environmental footprint.

However, for many businesses targeting the Sri Lankan mass market, sustainability is often seen as a compliance requirement rather than a strategic opportunity. Most initiatives are therefore driven by external pressures rather than being a core part of their business strategy.

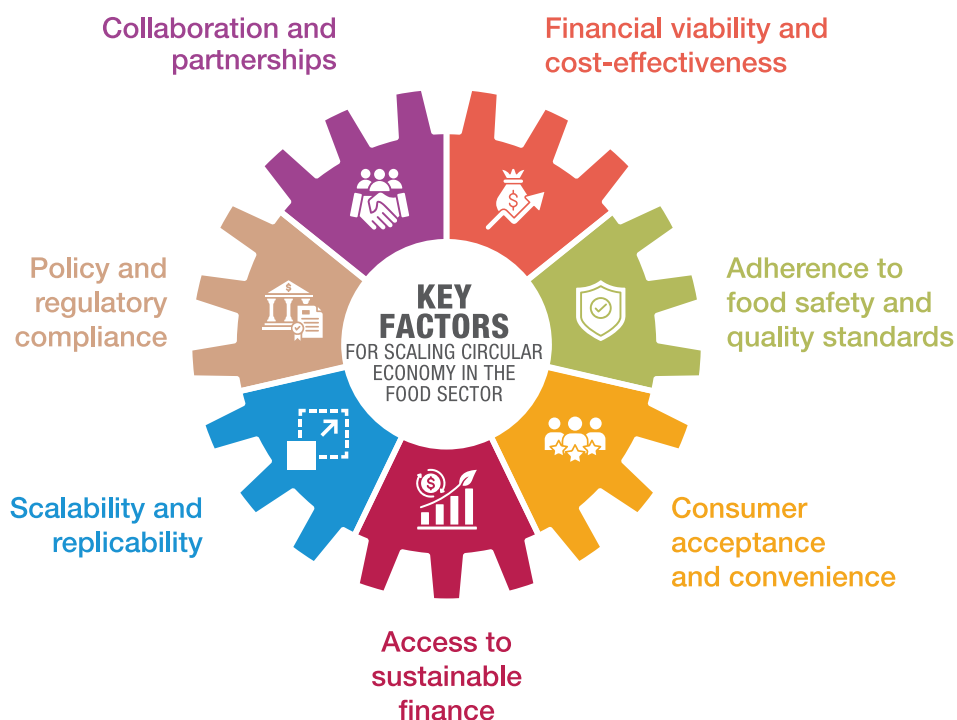
It is important to note that most CEBMs, particularly those related to the food sector, are not straight forward in Sri Lanka. This is especially true for packaging. One leading food business highlighted, SUP packaging continues to be the most practical and economical way to ensure food safety because of excessive humidity (averaging around 75–90% year-round) and challenges with pest control. Discussions conducted for the diagnostic study revealed that food manufacturers in Sri Lanka often use single-use packaging such as metalised polyethylene composites, which are either non-recyclable or require costly or highly sophisticated methods to recycle. This choice helps them address the dual challenge of keeping products fresh in a hot, humid climate while also controlling production costs.

These are serious concerns since the financial and reputational costs of implementing untested alternatives are considerable if food safety is compromised. Furthermore, the market is very price sensitive, with national data indicating that food would account for more than 42% of family expenditures in 2023. This economic reality means

that long term sustainable innovations are more suitable for premium products.

Acknowledging these challenges, Expertise France will identify and support the adoption of circular models that can increase long term profitability, making sustainability a viable broader strategy for food security.

Figure 6: Key factors for scaling Circular Economy in the Food sector



Source: Expertise France CIRCULAR project based on consultations with key stakeholders

Transport and logistic service providers

From a CE standpoint, improved cold chain and logistic systems maintain optimal temperatures and extend the lifecycle of products, minimising food waste along the chain.

Several Sri Lankan companies are already offering integrated cold chain logistics solutions. For instance, Aitken Spence Logistics and EFL 3PL have invested in temperature-controlled storage and transport, and digital fleet monitoring systems.

Eureka Technology Partners are also offering IoT and sensor-based tracking platforms to digitise logistics data and to improve forecasting and demand driven supply chain planning.

Moreover, renewable energy integration such as solar powered cold storage in rural areas can help reduce emissions and improve commercial viability in off grid zones. Sharing economy models enabled by the businesses for agri producers such as cooperative cold storage facilities and last mile delivery can further democratise access to high-cost infrastructure. DIMO's Moveflex has been actively investing in shared transport and warehousing services based on client requests.

Private sector players providing these services are also listed as viable investments in the Sri Lanka SDG Roadmap (Table 4).

Technologies and innovation service providers

A vibrant Agritech sector is emerging in Sri Lanka, driven by a growing pool of local IT talent and increasing access to finance. Local companies are developing innovative, data driven solutions for both smallholder farmers and large plantations, often with business models that require low initial capital expenditure. Leading firms in this space include SenzAgro, Hyperglade, SpectrifyAI, Agrithmics, and AiGrow.

These technologies are key enablers of CE. From a commercial perspective, adopting this technology is most profitable in value chains with high rates of productivity losses, for high-value crops or those serving premium markets. The investor confidence in this sector is growing as well. Tracxn estimates that Agrithmics and Spectrify AI have collectively raised over USD 2.5 million through seed funding²².

SUP alternative manufacturers

Manufacturers of sustainable alternatives to SUP play a critical role in the CE transition. This market comprises of a diverse range of businesses, from established plastic producers diversifying into sustainable packaging to innovative small and mid-scale entrepreneurs. Local businesses such as ModernPack, ECO360, Shells Ceylon, EcoLanka, BioPack and EcoPack are already bringing sustainable and edible packaging solutions to the market.

These innovators face a significant challenge as the food sector requires packaging that is not only reliable, convenient, and cost effective, but one that also adheres to strict food safety regulations. Sri Lanka's Food (Packaging Materials and Articles) Regulations, 2010, for instance, mandate that all packaging must be made from certified food grade materials, be clearly labelled for food use and include the identification of the manufacturer²⁰.

These regulations also strictly prohibit the use of recycled plastics in food grade packaging, which creates a major barrier for a key circularity pathway. This regulatory hurdle is compounded by a significant cost barrier. It was revealed during the diagnostic study that sustainable alternatives are often far more expensive, with one local supplier noting a price difference of up to 2.5 times that of conventional plastic, largely due to underdeveloped local manufacturing capabilities to achieve economies of scale.

The study further revealed that while sustainable and biodegradable packaging alternatives often come with direct costs that are 15–30% higher than SUPs, brands relying on SUPs face indirect costs, including recycling challenges and the inability to meet the expectations of environmentally conscious consumers. In many cases, current alternatives such as paper packaging coated with plastic or wax are not truly recyclable. As a result, plastic-based packaging remains the most practical and, in certain segments like meat processing, the only viable option due to hygiene and extension of shelf life.

The incentive for businesses to innovate and engage in this transition is strong and growing. Under the PPWR regulation (see Appendix 3) several packaging formats for the food sector will be required to be compostable by the first quarter of 2028 to be allowed on the EU market, with the European Commission set to adopt detailed design criteria by 1st January 2028. Local companies listed on the Colombo Stock Exchange (CSE) can now use metrics related to food and packaging waste for sustainability standards reporting (see Appendix 4).

Sustainable packaging businesses are well positioned to capitalise on the increased demand driven caused by these regulatory developments. The EPR system further helps to level the playing field by requiring large manufacturers to pay for the true end of life cost of packaging. Making sustainable alternatives from smaller innovators more cost competitive and driving the entire market towards circularity.

Recommendations from the demand side in building circular economy financing

A key challenge in financing the CE is that while many food businesses express an interest in the topic, their willingness to invest is often not deep rooted. Consultations revealed that their focus is typically limited to known issues like post-harvest management, rather than a wider range of profitable circular business models. Therefore, a crucial first step is to help these businesses conduct a thorough value chain study to identify untapped opportunities where financial benefits and practical feasibility overlap.

Once these opportunities are identified, two interventions are critical to making them bankable. First, building local, evidence-based examples on the profitability of existing circular models is essential to showcase what is possible and encourage others to replicate.

Second, for businesses seeking significant funding (USD 500,000 or above), mentoring with a CE lens will be highly effective. This support is best delivered through trusted partners such as auditing or certification firms, or through guidance provided by credible circular experts as well as international consultants. The outcome is a third party verified investment proposal that gives financiers greater confidence.

For a circular initiative to succeed, marketers and product developers must also be able to translate market insights and sustainability goals into compelling, commercially viable use cases that can justify research and development funding.



CHAPTER

4

Supply side – Circular Economy financing



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Supply side – Challenges faced by financial institutions to invest in Circular Economy



Sustainable Financing is growing in Sri Lanka. However, there is a significant knowledge gap on CE financing within the local financial sector.



Credible data and models to demonstrate the financial benefits and impacts of the CE are limited, which reduces confidence among financiers.



Financial institutions perceive CE projects in the agriculture sector as particularly risky, with more uncertain paybacks compared to other green investments such as renewable energy.



Traditional finance structures are not well suited to CEBMs. These often require third party verification due to the absence of appropriate credit and risk assessment tools.



Broader economic risks further constrain the ability to access international financing available for sustainable and CE investments.

Despite growing interest, CE financing remains nascent. According to Chatham House (2021), global investment in CE initiatives is estimated at around 3% of total annual investment²³. This figure is based on comparisons of spending in key sectors and highlights the limited scale of circular financing relative to the dominant linear economy.

Consultations with the financial sector suggest that only 1% of total financing can be currently classified as sustainable. This figure is likely underestimated due to limited reporting and classification practices. Most banks spoken to had targets to increase climate and sustainability related financing to 2–5% by 2030. Within the broader sustainability landscape, renewable energy and energy efficiency are seen as the most attractive sectors for green investment, due to their clearer financial returns. In contrast, CE projects are generally perceived as high risk with uncertain payback and Sri Lankan financial institutions remain largely focused on recycling rather than broader circular activities.

In 2017, the Central Bank of Sri Lanka (CBSL) issued a directive requesting banks to expand their agriculture lending to reach 10% of their lending portfolios²⁴. Despite this, banks remain largely risk averse, citing climate-related uncertainties and insufficient data for credit assessments. Limited record keeping and informal business practices among farmers prevent accurate loss quantification and undermine incentives for investing in measures that reduce food loss and waste.

Financing the growth and expansion businesses provides an opportunity for the financial sector. These businesses have a strong credit history and large presence with investment requirements substantial enough for attracting financing. These businesses also maintain strong supplier relationships and can invest in and influence more sustainable value chain measures, while mitigating risks associated with direct engagement with smallholder farmers and middlemen.

Table 5: Market actors involved in the financing ecosystem in Sri Lanka

Local Financing Ecosystem	External Financing Ecosystem
Licensed Banks (11 local and 13 International)	IFIs: ADB, IFC, IMF, World Bank
NBFIs (25 registered)	DFIs: AgriFi, CDC Group, DFC, FMO, Proparco, Norfund
Development Banks: Sanasa, RDB	Impact Investing funds: Avishkaar, Triple Jump, Leap Frog, Mirova, ResponsAbility, BRAC Osiris Impact Ventures
Impact investing funds: BOV Capital, IronWood Capital partners, Lankan Angel Network, Lanka Social Ventures, Lanka Impact Investment Fund	International Funds: Green Climate Fund, Climate Vulnerable Forum, International Carbon Market, Green Climate Fund, Global Environment Facility, Adaptation Fund
Fintechs: Helios P2P, iLoan, Dialog Finance, Rukula	Development Funds: Coca-Cola Foundation, Gates Foundation
Accelerators/Incubators: GIZ, Hatch, GLX, Spiralation	

Source: Desk research, stakeholder consultations

Local financing ecosystem in Sri Lanka

The local financing ecosystem in Sri Lanka is made of state-owned banks, private commercial banks, Non-Bank Financial Institutions (NBFIs) and CBSL serving as the key regulator and lender of last resort. Beyond these institutions, the local financial ecosystem includes microfinance institutions, insurance companies, pension and provident funds (such as the EPF and the ETF) and Fintech platforms.

Bank of Ceylon (BOC), People's Bank, and Commercial Bank of Ceylon dominate in terms of assets, deposits and lending capacity. In contrast, NBFIs account for only about 7% of total financial sector assets, yet according to sources their client base represents over 30% of the country lending portfolio. Their reach into rural and underserved markets positions them as crucial providers of consumer credit and microfinance, filling gaps left by traditional banks.

The primary source of funding for banks and NBFIs is customer deposit mobilisation, which accounts for over 80% of funding for major banks. These deposits are largely short term and comprise both savings and current accounts, with a significant share in low-cost deposits (CASA). In times of stress or policy easing, banks also draw on borrowings from CBSL to maintain liquidity.

Liquidity and risk appetite vary across these institutions. Commercial banks exhibit strong liquidity positions, with Liquidity Coverage Ratios well above regulatory requirements, ensuring resilience to short-term shocks. Capital adequacy ratios are also strong, providing buffers against credit and market risks. While larger banks maintain conservative risk profiles, NBFIs tend to have higher exposure to consumer and SME segments, implying relatively higher credit risk and greater sensitivity to economic cycles.

The local impact investing ecosystem is also slowly taking precedent. Regulatory bodies such as the CBSL and the Securities and Exchange Commission (SEC) are beginning to introduce frameworks to support impact investment, but progress has been slow.

NBFIs have more space for flexibility and risk taking than the banking sector in general, being more inclusive and having a more geographical spread. This flexibility has positioned them to pioneer innovations, such as Alliance Finance's issuance of Sri Lanka's first green bond in March 2025. The LKR 1 billion bond, listed on the Luxembourg Stock Exchange, is channeled into renewable energy and energy efficiency investments.

External financing ecosystem for Sri Lanka

The external financing ecosystem for Sri Lanka is shaped by a mix of multilateral, bilateral, and private sector flows, playing a critical part in the country’s economic recovery, debt restructuring, and transition toward sustainable growth.

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Domestic funding is complemented by international credit lines and bilateral financing arrangements, particularly in areas such as trade finance and development projects. International Financial Institutions (IFIs) and foreign governments play a significant role here. While they operate as external financiers, their strong in country presence allows them to directly shape the financial landscape, providing concessional financing, technical assistance, and risk mitigation tools that bridge global capital with domestic markets and sustainable development priorities.

Private sector finance, often supported by development agencies, operates at the intersection of development impact and investment returns. Key actors include venture capitalists, impact investors, green funds, and private equity. Development finance institutions (DFIs) bridge the gap between public development priorities and private investment opportunities. By providing patient capital, guarantees, and concessional financing, DFIs reduce risk and crowd in private sector participation in markets that are often underserved. Philanthropic foundations are financial resources provided by individuals, foundations, or corporations with the primary aim of advancing social, environmental, or humanitarian goals rather than generating financial returns. These funds typically complement public and private capital by taking on higher risk to unlock broader investment.

In addition to these financial products these external financiers offer technical expertise enabling profitable ventures to access finance for adopting global best practices and to scale sustainable business models.

In the CE space, the financing ecosystem includes a wide range of market actors. Some have an exclusive focus on CE, while others integrate it more implicitly. The Prevent Waste Alliance has identified the following funders (Table 7) who are involved in CE financing globally, with the majority financing Europe and some extending to other countries.

Table 6: Recent concessionary financing schemes by Multilateral Development Banks

Financing Mechanism	Amount disbursed	Key Institutions	Focus Areas	Timeline
ADB Re-energiser	USD 50 million	ADB, Commercial Banks	Underserved SMEs in the export, tourism, technology, agriculture, and manufacturing sectors	Announced in April 2024
Integrated Rurban Development and Climate Resilience Project	USD 100 million	World Bank	Helping farmers and agribusinesses adopt new technologies, access markets, and attract private capital	Announced in May 2025
Credit Guarantee for MSMEs	USD 50 million	ADB, National Credit Guarantee Limited, Commercial Banks	Partial credit guarantees are issued to incentivise banks and financial institutions to lend to SMEs, especially those lacking sufficient collateral	Launched in July 2025

Source: ADB²⁵, World Bank²⁶, Department of Development Finance²⁷

Table 7: Financiers for circular economy in Europe

Exclusively CE focused	Venture Capital: Circulate Capital, Regeneration.VC, Closed Loop Partners Accelerators: Think Beyond Plastic, Plug and Play End Plastic Waste, The Circulars Philanthropic Foundations: Ellen MacArthur Foundation Banks: Intesa Sanpaolo, Rabobank
CE as one of several focus areas/ CE covered implicitly but not core	Development agencies and government funders: EU's Horizon Venture capital: Bestseller Foundation, Seaya, Sofina Group, Avaana Capital, Novo Holdings DFIs and Multilateral Development Banks (MDBs): Norfund, IFU, Nordic Investment Bank, ADB, IFC, Finnfund, Proparco Banks: HSBC, Barclays Philanthropic foundations: Laudes Foundation, Coca-Cola Foundation, Bloomberg Philanthropies, Oak Foundation Europe PE: Decarbonization Partners, Swen Capital

Source: Prevent Waste Alliance²⁸

For Sri Lankan businesses investing in the CE, the most effective external financing partners are those with prior history of financing in the country. These investors are already familiar with local banks, regulatory processes, and the rigorous due diligence and political risk assessments required to enter the market—steps that can otherwise be lengthy and complex. Table 5 highlights such investors, many of whom are actively engaged in agriculture and climate financing. Another avenue is regional players with Sri Lanka in their portfolios but limited deal flow, such as Common Fund for Commodities, Rabo Foundation, Proparco, Norfund, and Eurazeo, all of whom are actively supporting CE initiatives across South Asia.

Challenges in accessing external financing

Discussions with certain DFIs indicate that despite having both the mandate and strategic interest to engage with Sri Lanka, prevailing macroeconomic conditions have deterred potential investments. The compounded effects of the COVID-19 pandemic and the subsequent economic crisis have significantly deteriorated sovereign credit ratings. This has a dual impact. Firstly, it diminishes the risk appetite of DFIs to establish or expand operations within the country. Secondly, it influences the pricing of capital, resulting in elevated lending rates for Sri Lanka.

Table 8: Sovereign risk ratings issued by Rating agencies for Sri Lanka

Rating Agency	Rating	Last Update	Action
Fitch Ratings	CCC+	01 Oct 2025	Affirmed
Moody's Ratings	Caa1	26 Dec 2024	Rating upgrade
S&P Global Ratings	CCC	19 Sept 2025	Rating upgrade

Source: Fitch Ratings, Moody's Rating and S&P Global Ratings

A DFI clarified that given Sri Lanka's CCC+ sovereign credit rating, indicative lending rates to Sri Lankan financial institutions could start at the Secured Overnight Financing Rate (SOFR) + 8%. A representative from the banking sector confirmed that this rate is then combined with their interest margins, typically 4–5%. This makes DFI funding rates higher than prevailing local market rates while also exposing borrowers to significant foreign exchange volatility. DFIs also typically require large minimum investment ticket sizes.

DFIs can apply a case-by-case approach and consider direct financing to businesses, allowing for more favourable terms contingent on the borrower's historical financial performance and FX exposure, even in the context of high country risk.

Both DFIs and local financial institutions shared that they prefer blended finance mechanisms such as IFI guarantees (Table 6) that reduce risks and provide concessionary interest rates, which increases affordability for target segments. DFIs also noted that IFI guarantees increase their confidence level of working with the Sri Lankan market.

These structural challenges are acknowledged by Expertise France and through the EU funded Circular project and the EU Green Recovery Facility, we are actively exploring ways to increase access to sustainable financing for SMEs.

Financial products and innovations

The Green Bond Principles of the International Capital Market Association include “CE adapted products, production technologies and processes and or certified eco-efficient products” as one of eight eligible project categories that green bond proceeds can finance. While Sri Lankan financial institutions have issued many bonds thus far, a majority of the proceeds of the issuances have been utilised for renewable energy and energy efficiency.

In March 2025, the EU funded Green Recovery Facility implemented by Expertise France facilitated a workshop focused on unlocking the potential of green corporate bonds with CSE. During the session, representatives in the banking sector highlighted the lack of a bankable pipeline of projects for issuing more bonds. Discussions with the CSE and several local banks indicate that many banks are currently in the process of issuing social and sustainability bonds.

Food businesses investing in CE can create opportunities for fixed income investors who focus on thematic or environmental and social objectives through future bond issuances. A critical factor for including CE projects in such bond issuances is alignment with the Green Finance Taxonomy (GFT). However, current definitions (Table 3) limit the use of bond proceeds for broader adoption of CEBMs in the food sector, despite food security being recognised under sustainable bond categories in the Sustainable Finance Roadmap 2.0. During consultations with the Central Bank, Expertise France underscored the importance of refining the definition of CE within the GFT. The Central Bank acknowledged this need and, as it plans to expand the scope to include the social dimension of sustainability, invited the CIRCULAR project to contribute inputs to strengthen provisions for CE financing in the forthcoming review of the GFT. Expertise France will continue collaborating with the Central Bank and financial institutions for the integration of CE considerations in future bond issuances.

Table 9: Bonds issued in Sri Lanka

Issuer	Type of Bond	Issued on	Amount (Approx.)	Use of issuance
Pan Asia Bank in partnership with Swiss based Symbiotics	Green	June 2020	LKR 1.42 Bn	Sustainable agriculture, renewable energy, energy efficiency
Seylan Bank in partnership with Swiss based Symbiotics	Green	July 2021	USD 15.1 Mn	Mini-hydro, solar, and wind energy projects
DFCC Bank (CSE & LuxSE listed)	Green	Sept 2024	LKR 2.5 Bn	Onshore solar photovoltaic projects
Alliance Finance Company	Green	Feb 2025	LKR 1 Bn	Renewable energy, clean transport, energy efficiency, climate resilience
Vidullanka PLC	Green	June 2025	LKR 500 Mn	Renewable energy
Sarvodaya Development Bank	Sustainable	July 2025	LKR 2 Bn	Areas of spending unknown
Commercial Bank of Ceylon	Green	August 2025	LKR 15 Bn	Renewable Energy
Alliance Finance Company	Social	August 2025	LKR 2 Bn	Areas of spending unknown
DFCC Bank	Blue	September 2025	LKR 3 Bn	Sustaining maritime resources

Source: Websites and press releases of above mentioned Financial institutions

Alternative forms of financing beyond traditional capital

Beyond traditional financing, there is considerable scope to unlock innovative financing instruments for the Sri Lankan circular financing ecosystem. Several of the below models, already tested in adjacent sectors, can be adapted to CE projects.

Debt Securitisation: Securitisation involves bundling future cash flows from long-term contracts (such as power purchase agreements) into tradeable securities. This gives investors predictable returns while enabling developers to recycle capital for expansion. Ceylex Renewables successfully raised LKR 6.5 billion through securitised debt for its Mannar wind power project, Windscape Mannar in early 2025. Sri Lankan policies have shown adaptability in supporting these structures. Extending securitisation to CE projects (waste to energy plants or large-scale composting ventures) could attract institutional investors seeking steady yield instruments.

Carbon Credits: Carbon credits allow businesses to monetise verified reductions in greenhouse gas emissions by selling them in international markets. This creates an additional revenue stream while incentivising sustainable practices.

Elpitiya Plantations claimed USD 1319 carbon credits for the reporting year 2023/24 through carbon sequestration, by utilising biochar in their estates. The tea and coconut sectors hold similar potential given their scale and export orientation, with several leading Sri Lankan food businesses already exploring opportunities to issue and trade carbon credits. However, the absence of a national Monitoring, Reporting, Verification (MRV) framework means Sri Lankan credits are relatively undervalued. Development of a comprehensive carbon market framework has been identified as a priority action in the National Climate Finance Strategy of Sri Lanka 2025-2030.

Plastic Credits: Plastic credits function by quantifying and monetising reductions in plastic usage or waste recovery, enabling companies to offset their plastic footprint.

Eswaran Brothers Exports used plastic credits to achieve a plastic neutral tea product line in 2020, offsetting its tea packaging footprint through verified recovery programmes. This model creates marketing advantages in premium export markets where sustainability credentials drive consumer demand. Yet, the high cost of verification and certification makes participation feasible mainly for large businesses, while SMEs find entry barriers prohibitive.

Tokenisation and FinTech: Tokenisation leverages blockchain to represent real world assets as digital tokens, enabling traceability and opening doors to new financing models. Within the CE, tokens could track material flows, incentivise recycling, or reward consumers for sustainable behaviour. Sri Lankan startup HyperGlade is already experimenting with smart asset platforms for supply chain financing, offering a glimpse into how such tools could be adapted to circular practices in the food sector.

Equally promising is algorithmic credit scoring, which uses alternative data such as farm yields, transaction histories, or IoT sensor inputs to assess creditworthiness. This approach could lower perceived risks and unlock working capital for smaller agribusinesses that lack collateral, in the sector.

However, regulatory gaps remain a barrier. Unclear rules on data privacy and digital assets further deter investors and entrepreneurs, limiting the pace of adoption.

Recommendations from the supply side in building circular economy financing

The Sri Lankan financial sector is fundamentally risk averse with a clear prioritisation of financial performance over environmental or social impacts, leading to low innovation in financial products. However, the Central Bank Sustainable Finance Roadmap 2.0 and the mandatory adoption of IFRS S1 & S2 sustainability reporting standards, are creating a more conducive environment for interventions that enable CE finance.

One key recommendation for de-risking CE investments is the need for credible third-party verification, a point raised by financial institutions like HSBC and validated by numerous other stakeholders. This crucial role can be fulfilled by the existing certification bodies, accounting firms, and auditing professionals. By providing independent assurance on the credibility, traceability, and performance of a circular business, these verifiers help to bridge the critical transparency gap. This, in turn, provides the solid foundation of trust that risk-averse financial institutions require to extend capital to new and innovative business models.

A significant barrier for the Sri Lankan financial sector is the absence of local, proven profitability metrics and track records for CE businesses. To address this, demonstration of local CEBMs and their financial and environmental impact could be used as a means to build confidence among the financial sector. Another key strategy would be to enable knowledge transfer between European FIs that have successfully integrated CE financing into their portfolios (Table 7) and Sri Lankan FIs.

Furthermore, the extensive work by the Ellen MacArthur Foundation with other European banks provides another valuable avenue for peer to peer learning. Based on these established international best practices, it is recommended that Sri Lankan banks benchmark global guidelines for developing their own circular financing journey:

- Harmonized Circular Economy Finance Guidelines published by IFC, The Circulate Initiative, Intesa SanPaola, Circle Economy and Intesa SanPaolo Innovation Center
- Financing Circularity Part 1 Bridging the Gap between Finance Demand and Supply. Published by Prevent Waste Alliance and commissioned by GLZ
- Financing Circularity Part 2 Guidance to Unlock Finance for Circular Economy Actors. Published by Prevent Waste Alliance and commissioned by GLZ
- An Investor's guide to the Circular Economy published by ISS ESG with contributions from ING Bank and Ellen McArthur Foundation
- A practical guide to the Circular Risk Scorecard published by the Kopgroep Circulair Financien

Several financial sector players expressed willingness in building their capacity on effectively embedding risk models in relation to linear business models. Stakeholders emphasised that capacity building efforts of Expertise France should not be confined only to sustainability teams or top management but should also include frontline banking officers who engage directly with clients and conduct credit assessments.





CHAPTER 5

Enabling ecosystem for Circular Economy financing



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Enabling ecosystem – support to Circular Economy

Chapter 2 divides the market actors in the circular financing ecosystem into three categories: demand side, supply side and the enabling ecosystem. Chapters 3 and 4 examined the challenges encountered in the demand and supply sides of circular financing. This takes us to Chapter 5, to discuss the critical role that the enabling ecosystem will play in building confidence and bridging the demand-supply gap in order to enhance funding flows for CE.

The enabling ecosystem is made up of market actors that have close working relationships with both the demand and supply sides and profit financially as CE investments grow. These actors are commercially incentivised to strengthen CE financing and contribute technical expertise, research, data, and independent verification. They also play a key role in preparing businesses for investment readiness. The market actors can be classified as:

- Certification bodies
- Academia
- Circular experts and consultants
- Accounting bodies and auditing firms
- Development partners
- Business associations
- Food safety and health experts
- Insurers
- Law firms and lawyers
- Marketing experts
- Impact measurement and M&E experts

Recognising their critical role, Expertise France underscores the need to take a multi-disciplinary approach with these actors to accelerate the Sri Lankan food sector transition towards CE.

Certification bodies

The Sri Lankan food sector has several leading certification and inspection bodies playing a long-standing role in the provision of locally and internationally recognised certifications required for food safety and quality assurance.

These certifications are an essential prerequisite for Sri Lankan food businesses to comply with the stringent standards required to access and retain export markets. As a result, these organisations have established extensive client networks across multiple high-value agricultural value chains, making them trusted and influential partners.

Beyond this traditional function, these certification bodies are now actively expanding their services to meet the growing demand for sustainability and CE verification, developing new advisory roles and specialised certification support to guide businesses.

The introduction of the ISO 59000 series, a comprehensive framework for the CE, now presents a major opportunity to expand this certification ecosystem beyond safety into sustainability. The standard is built upon six core principles for integrating circular practices:

- Systemic thinking - Evaluating the full environmental, social, and economic impacts of operations.
- Value creation - Generating value through resource efficient processes.
- Equitable value distribution - Ensuring value is shared fairly.
- Long-term resource security - Securing the availability of resources for the future.
- Traceability - Tracking resources throughout the entire value chain.
- Regeneration - Restoring and preserving ecosystems and biodiversity.

This diagnostic highlights the need for validated, third-party verified CE projects and to de-risk investments for financiers. European certification bodies such as Bureau Veritas, Control Union, SGS Global, and Pearson Solutions maintain a strong presence in Sri Lanka, with some already noting interest in circular certification from sectors like rubber. In response to this emerging demand,

these bodies are looking to expand their role beyond traditional audits, offering specialised CE advisory services—with or without formal certification.

Expertise France can leverage the established client networks of International and local certification

agencies to help operationalise and validate circular practices in Sri Lanka. Such advisory services, whether linked to certification or not, would serve as a powerful market enabler by providing businesses with credible sustainability credentials and the confidence needed to secure preferential access to global buyers.

Figure 7: ISO certification for Circular Economy



Source: Bureau Veritas

Role of Management accounting in Circular Economy financing

Transitioning from a linear to a circular business model requires a systematic transformation of core business processes, particularly in accounting¹². Accounting and auditing firms as well as internal finance teams are positioned well to drive this change. Beyond ensuring compliance with sustainability reporting, they can advise clients on how to embed circular principles across their value chain. A critical challenge, however, is the lack of knowledge regarding CE among many conventional finance professionals.

Research conducted by the University of Sri Jayewardenepura highlights the critical role that management accounting can play in a company's transition to a circular economy²⁹.

This includes four key functions:

- **Improving resource efficiency** by embedding Key Performance Indicators (KPIs) focused on effective resource use and waste minimisation.
- **Assisting in decision-making** through the application of specific management accounting tools and approaches.
- **Ensuring compliance** with relevant environmental and reporting standards.
- **Supporting external reporting** on sustainability and circularity performance.

By leveraging these tools, management accountants can accurately estimate the true costs and long-term profitability of circular initiatives, effectively translating sustainability goals into financial imperatives. This financial translation is essential for building the credible investment cases that resonate with both internal decision makers and external financiers.

Integrating these management accounting approaches into business support programmes is therefore a key strategy for de-risking circular investments and scaling adoption.

Table 8: Management accounting tools for CEBM by sector

Focus of the tools	Specific accounting tools	Industry		
		Tea Manufacturing	Newspaper Printing	Food and Beverages
Supportive tools	Identification and classification of environmental costs			
	Allocation of environmental costs to the operations/products			
	Creation and use of environmental cost accounts and centres			
Measurement and decision-making tools	Material flow cost accounting/Accounting for materials			
	Environmental cost accounting			
	Environmental capital budgeting			
	Energy accounting			
	Carbon accounting			
	Waste accounting			
	Life cycle analysis			
	Control and stewardship tools	Eco-control		
Environmental information systems				
Environmental KPIs				
Sustainability/environmental reporting				
Eco benchmarking				

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Source: Advancing the Circular Economy in Sri Lanka's Manufacturing Sector: The role of management accounting³⁰

Academia support

Sri Lankan universities are also actively advancing CE through education, research, and international collaboration. The University of Sri Jayewardenepura offers a Master of Science in Waste Management and Circular Economy, a two-year programme developed under the EU-funded Erasmus+ project, Techno-Economic-Societal Sustainable Development Training in Sri Lanka (TESS). The TESS project, co-funded by EU, involves multiple Sri Lankan institutions, including University of Sri Jayewardenepura, the University of Jaffna, and the University of Moratuwa. Academia can also support the CE ecosystem by generating research and case studies on CEBMs that can better quantify environmental and economic benefits, and identifying scalable, profitable opportunities.

Insurance for circular business models

The insurance industry, long experienced in assessing and pricing risks are able to view risks of linear business models as opportunities. For large-scale businesses, insurers can play a pivotal role in de-risking investments and bridging the gap between financiers and businesses. Existing products such as crop index insurance, heat stress coverage, and post-harvest loss insurance already illustrate this potential. The transition to circularity however calls for entirely new forms of insurance that can support business models built on reuse, repair, and shared ownership. In a shared economy, where assets are used collectively and value chains are reconfigured, insurers have significant scope to design innovative policies that not only safeguard businesses but also enable circular innovation to scale.

Marketing for CE

The alignment of marketing professionals with the CE transition is equally critical, given their role in translating consumer insights into actionable strategies. Beyond driving awareness, marketers can help build consumer acceptance of changes in product design and behaviour related to food loss and waste. They also play a vital role in embedding circularity into product development and value chain strategies, ensuring that sustainable practices are not only communicated effectively but also integrated into the core of business operations.

Recommendations from the enabling ecosystem in building circular economy financing

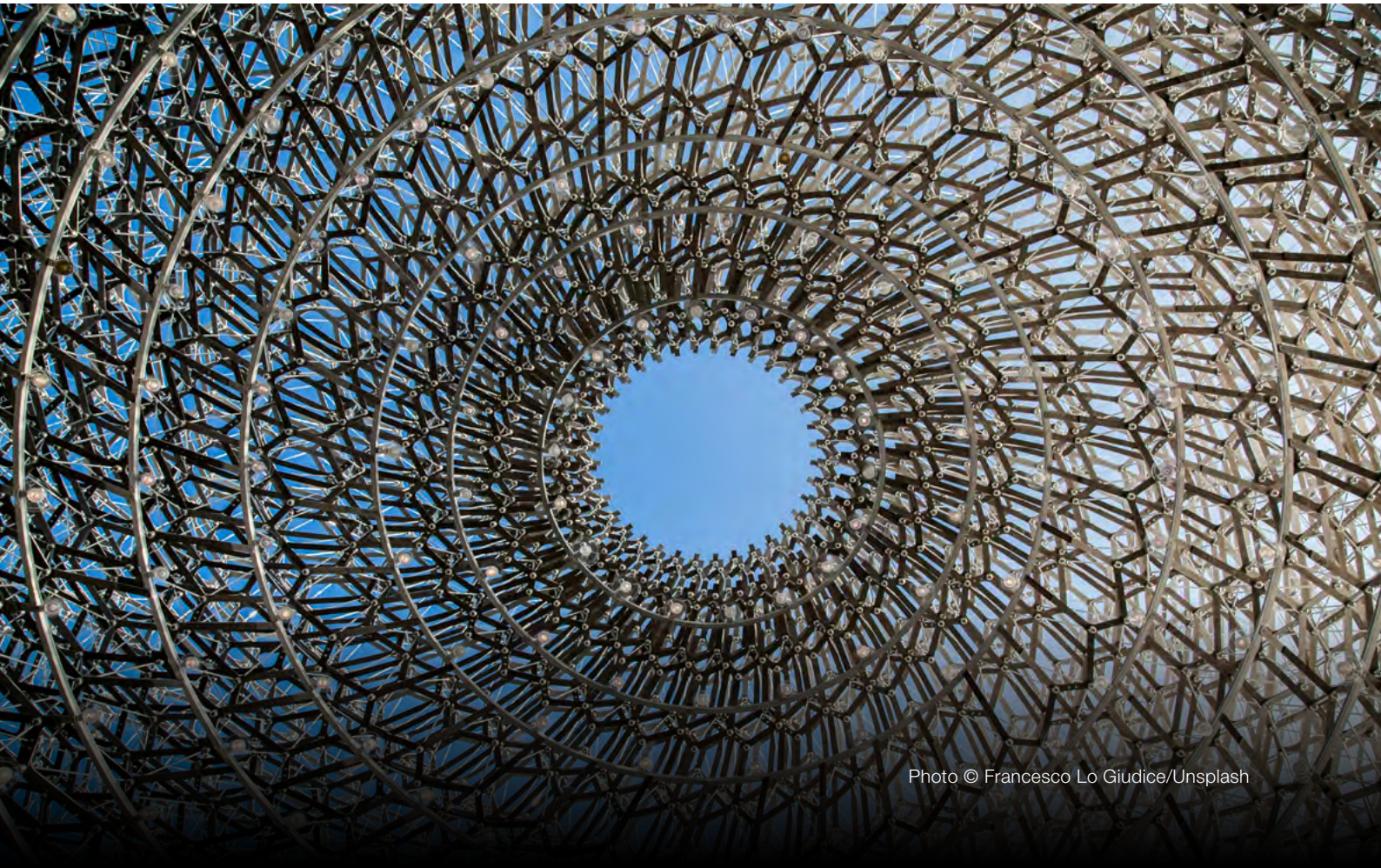
The enabling ecosystem has the institutional capacity, resources, and networks to accelerate CE financing. Given their established relationships with both the food sector and the financial industry, early engagement and collaboration will be key to mobilising their expertise and influence under the CIRCULAR project.

Expertise France will engage these actors from project inception, to inform of activities and to share knowledge products to ensure long-term retention. Where possible avenues to build their technical capacity on CE should be explored in partnership with other development actors. As mentors, trainers, and service providers in circular clinics and other capacity building initiatives, they can directly strengthen the pipeline of bankable CE projects.

Furthermore, by integrating CE promotion into their sustainability portfolios and demonstrating the value of certification, insurance, marketing, and accounting in circular transitions, these actors can drive wider adoption across the sector. Partnerships with them will not only enable systemic change but also generate mutual financial and operational benefits.



Access to Finance Strategy for Circular Economy financing





Build evidence and demonstrate business case for circular economy

Compile real examples of food businesses in Sri Lanka that have profited from adopting CEBMs into a “Circular Economy Handbook for the Food Sector.” The handbook will cover CE models across the food value chain, problems addressed and solutions applied, lessons learned, scalability potential, cost considerations and impact metrics (environmental, economic, and social). The handbook will be disseminated to establish the business case for CE and build confidence among food businesses and financial institutions, encouraging investment in circular practices.



Support business capacity on CE through mentoring and circular clinics (demand side)

Partner with CE consultants and certification bodies to provide mentoring for selected growth and expansion stage food businesses. This will include conducting a complete waste and resource assessment across the food value chain and identifying profitable circular business models that can be embedded without compromising food safety or consumer perception.

Organise events that bring together accounting bodies, insurance companies, certification bodies, and other experts to assist businesses in becoming circular and investment ready. These clinics aim to bridge gaps between business needs and investor expectations. Additionally, the circular clinic will provide practical guidance on implementing circular practices and preparing for investment. These initiatives will ensure businesses are equipped with actionable strategies and ready for financial engagement.



Improve capacity on circular economy financing of Sri Lankan financial actors (supply side)

Introduce CE concepts and financing practices to the supply side of financing identified. Conduct trainings and knowledge transfer sessions between European and Sri Lankan financial institutions which will provide risk assessment tools and technical guidance for developing CE financial products. These activities will strengthen confidence of financial actors, enabling them to assess risks and invest in circular initiatives effectively.



Strengthen partnerships with circularity enabling market actors

Collaborate with key market actors to improve the CE financing ecosystem, including international financial institutions, circular innovators and technology providers, certification bodies, audit firms, insurance providers and others identified in Figure 5. Actions include spreading awareness of proposed initiatives, connecting businesses and investors. These partnerships will create a supportive ecosystem for CE adoption in the food sector.



Facilitate investor matchmaking

Once businesses are investment ready, guide them to connect with financial institutions (both local and international) and access alternative financing sources such as carbon credits and plastic credits. This step ensures a direct pathway from capacity building to securing investments, completing the cycle from demonstration to funding.

Based on the findings from the Diagnostic on the CE Financing ecosystem, Expertise France has identified several key intervention areas that will be fully funded or partially funded in partnership with stakeholders. These include technical assistance, capacity building, policy support, and investor matchmaking. These measures are essential to help

financial institutions and businesses adopt, invest in, and scale CEBMs to reduce food loss, food waste, and SUP waste. These activities are expected to be implemented from September 2025 until August 2027. These strategic actions were proposed and strengthened through consultations with the relevant stakeholders.

Table 9: Expertise France support to market actors in advancing circular economy

Market Actor	Activity	Description of Action
Academia, consultants, accounting bodies or M&E specialists	Build case studies on the financial benefits of CE in the food sector and the innovations and technologies available in Sri Lanka	- Identify and profile CEBMs in the food sector including Agri technologies, innovations and alternatives to Single Use Plastics - Support the calculation of CE related Key Performance Indicators (e.g., Return On Investment (ROI) on waste reduction, payback period on innovations, increased revenue through premium markets) - Disseminate information to illustrate the financial returns of circularity among businesses and the financial sector
	Spread Awareness on CE in Food sector and Expertise France's offering for businesses	- Introductory Workshops tailored to Sri Lanka's food sector: - Demonstrate feasible, low-cost CEBMs and success models from similar value chains - Disseminate information on changing European Union regulations and advise businesses on how they can comply - Share information and resources on finding suitable funding partners both locally and internationally
Growth and Expansion stage food businesses	Identify and screen businesses that are willing to invest in their CE and embed a gender focus lens	Mobilise individual mentoring for selected businesses that comprises of a value chain assessment by CE experts to identify feasible CE transitions
	Support embedding of CEBMs in the value chain	Business to Business (B2B) matchmaking with agri tech companies, SUP alternative businesses, certification bodies for the food businesses to identify most suitable service providers based on requirements

Market Actor	Activity	Description of Action
	- Assess total financing requirements of businesses to invest in CE - Support investment readiness among selected businesses	- Launch a Circular Clinic for Investor Readiness that includes: - Personalised sessions for management accountants to assess CE costs and returns - Pre-screen funder eligibility - CE experts support businesses to embed circular metrics - Legal advisory on necessary adjustments to contracts and supplier agreements - Advice on insurance policies and service providers for CE risk insuring - Hands on support to prepare a business proposal and to prepare documentations
	Facilitate investor matchmaking	Facilitate Investor Match making with Local and International Financial Institutions
SUP Alternative Businesses, Agri tech companies and other service providers	Identify innovations and technologies that assist businesses to transition to CE	Map the relevant solutions for businesses to adopt CEBMs and include examples of these solutions in case studies that Expertise France is building on
	Identify funding requirements	Create visibility of the available solutions through Business to Business matchmaking to promote financial feasibility
	Facilitate investor matchmaking	Facilitate Investor Matchmaking for selected businesses
Certification bodies, Auditing and Accounting bodies and Insurance service providers	Identify incentives for the respective stakeholders in supporting the CE ecosystem	Initiate conversations with key stakeholders to assess business opportunities for improving CE financing ecosystem
	Share requirements in technical assistance required by the selected businesses	- Partner with service providers to help quantify cost savings and improved market access from circular certification and audit practices - Facilitate Business to Business matchmaking with growth and expansion businesses for consultations, certifications and other specialised CE services
Financial Institutions: International	Identify International Financial Institutions that are interested to invest in the Sri Lankan market	Initiate conversations with Financial Institutions to present on the CIRCULAR project
	Advocate for Financial Institutions to develop CE aligned financing instruments and embed circularity into their risk scoring criteria	- By collaborating with the Prevent Waste Alliance advocate for European Development Financial Institutions (Including Proparco and AFD) and others to embed circularity criteria in selection of investments - Collaborate with the Sri Lanka SDG Investor map and the Prevent Waste Alliance to access International platforms for sustainable financing
	Facilitate investor matchmaking	Coordinate with the Financial Institutions to share information on pipeline of circular investments and to inform on planned investor matchmaking sessions

Market Actor	Activity	Description of Action
Financial Institutions: Local	• Conduct a comprehensive workshop series to build institutional understanding of CE investments and CE risk modeling	• Workshops tailored to Sri Lanka's Financial sector on: ○ Introduction to CE principles and global circular finance trends ○ Case studies from European Banks (BNP Paribas, Rabobank, etc.) on integrating CE into risk assessment and lending portfolios ○ Demonstrating case studies on business case for financing including local examples from climate-smart agriculture, waste-to-value food enterprises, and reusable packaging solutions ○ CE risks and returns, how to evaluate them, role of third-party verification, and designing financial products for CE ○ Innovations in CE linked green and social bonds—global practices and local feasibility ○ Gender responsive circular financing to improve women's access to CE finance
	• Facilitate knowledge transfer and technical collaboration between European and Sri Lankan Banks	• Facilitate knowledge transfer between selected European Banks and Sri Lankan Banks on CE financing
	• Pilot CE financing product with a local financial institution	• Make all training modules related to CE available on e-learning platforms accessible by the wider banking audience • Partner with interested financial institutions to design, launch, and market a dedicated circular finance product. Provide technical assistance in product structuring, development of risk assessment tools for circular investments, and support training of trainers within the bank
	• Provide support to develop a Circular Bond framework	• Collaborate with CSE and a pilot bank to develop a framework for a circular bond, potentially linked to agriculture, food loss, and packaging innovation. Draw from EU experiences in green and social bond issuances
	• Facilitate investor matchmaking	• Coordinate with the Financial Institutions to share information on pipeline of circular investments and to inform on planned investor matchmaking sessions

Market Actor	Activity	Description of Action
Regulators (Central Bank and SEC)	Capacity building and knowledge exchange on CE financing	Organise learning exchanges between Sri Lankan regulators and European counterparts (e.g., Banque de France, EU Technical Expert Group on Sustainable Finance).
	Develop Circular Financing regulations	- Facilitate regulator level workshops to enhance understanding of CEBMs, emerging financing tools (e.g., green and circular bonds), and risk-adjusted return frameworks. - Build regulator capacity to assess CE risks and impacts within environmental and social risk management systems. - Work with Securities and Exchange Commission (SEC) to encourage the issuance of CE linked bonds, and to develop guidelines and disclosure standards that provide assurance to investors on the use of proceeds, impact measurement, and third-party certification. Collaborate with Expertise France's EU Green Recovery Facility on this.

Gender and Social Inclusion Strategy

Growth and expansion stage businesses in the food sector often have extended and complex value chains, where women play crucial roles as smallholder farmers, aggregators, service providers, workers, and entrepreneurs across agriculture, food processing, transport and logistics, hospitality, and waste management. Despite their significant engagement, women owned businesses remain substantially underfinanced within the Sri Lankan green economy.

This pattern is reflected globally. Women receive a disproportionately small share of green finance. According to the Women Entrepreneurs Finance Initiative (We-Fi, 2024), only 2.4% of climate related donor assistance is directed toward initiatives supporting women entrepreneurs³¹.

Building gender inclusive financing ecosystems is essential to accelerating CE outcomes. Women owned enterprises are often deeply embedded in communities and are positioned to scale sustainable practices, yet they face barriers in access to credit, visibility, and technical support.

In order to mainstream gender and social inclusion this Access to Finance strategy must go beyond just targeting women entrepreneurs. They must build the confidence of investors, create supportive ecosystems for gender-lens investing, and equip women with the tools, networks, and knowledge to drive sustainability from within their sectors.

Recommendations for Gender and Social inclusion for the Access to Finance strategy are:

- Document and promote case studies of profitable, women led CE businesses in Sri Lanka. Demonstrate risk-adjusted returns and community level impact to increase investor confidence.
- Collaborate with partners such as ADB's We Code or the IIX Orange Bond initiative, which mobilise capital specifically for women owned sustainable businesses.
- Encourage financial institutions to develop tailored products and de-risking tools for women entrepreneurs in circular sectors.

- Ensure gender-balanced representation in financial literacy, sustainability, and CE workshops.
- Identify and mentor women leaders in finance and circular businesses to become visible advocates and knowledge multipliers.
- Require supported businesses to track and report gender-disaggregated impact data.
- Encourage use of gender-inclusive tools for impact measurement aligned with international standards.
- Support businesses in designing incentive structures for suppliers and employees, particularly women, to adopt CE practices and reduce food and SUP waste.
- Facilitate better communication flows between sustainability teams, suppliers, and top management, integrating a gender lens into behavioural change strategies.
- As part of CE clinics or mentoring initiatives, offer specialised advisory services for women-owned businesses to adopt circular practices, access finance, and strengthen their financial documentation and bankability.

By embedding gender and social inclusion in both the design and delivery of Access to Finance activities, Expertise France can ensure that CE investments are not only more equitable but also more effective and resilient. Empowering women across the value chain contributes directly to environmental, social, and economic outcomes and strengthens the long-term viability of the circular transition.

Monitoring and Evaluation Framework

Given that a core component of Expertise France's intervention is capacity building, technical assistance, and knowledge transfer, the Monitoring and Evaluation (M&E) framework must focus on capturing both individual and institutional transformation. The objective is not only to build awareness but to measure the long-term impact of CE financing activities on systems and behaviours.

To ensure meaningful uptake of learnings, partnering FIs, businesses, and service providers will be asked to nominate CE financing champions. These champions are expected to demonstrate how they apply the acquired knowledge within their organisations post trainings. A useful model to emulate is a Return to work plan, which requires the champions to articulate how they will implement their learning, train others, and influence policies or operations within their institutions.

For effective tracking, the M&E system will rely on a combination of pre-assessment diagnostics, post-training feedback, institutional tracking, and stakeholder engagement logs.

Key M&E Tools and Activities

1. Return to Work Plans - Organisations nominate participants that will be supported by the management in implementing a structured action plan to apply knowledge, develop or adapt financial products, influence internal policy, operations, or capacity-building and train colleagues and share knowledge institutionally.
2. Baseline and Impact assessments - Before and After Comparison (BACO) will be used to evaluate uptake of CE concepts by conducting pre and post training surveys.
3. Capturing of changes in CE financing ecosystem - A log will be maintained to capture announcements of new CE aligned financial products developed, changes in internal policy or credit assessment processes among the Financial sector and where possible volume of CE finance mobilised post-intervention.
4. Gender and Social Inclusion Metrics - M&E tools will collect gender disaggregated data to assess participation and access. Feedback forms and Return to Work Plans will assess the extent to which gender and inclusion considerations are integrated into CE financing approaches.

Table 10: Summary of Indicators and tools

Indicator	Tool	Frequency
Change in CE financing knowledge	Pre/Post Training Survey	Before and immediately after training
Application of knowledge	Return to Work Plan	After training - follow-up in 3-6 months
New financial instruments developed	Innovation Tracker	Ongoing
Volume of CE finance mobilised	Financial Reporting Template	Quarterly
Stakeholder engagement and policy change	Meeting Records	Ongoing
Gender inclusion in access to finance	Gender Metrics Tracker	Ongoing



Appendixes

APPENDIX 1:

Representatives from the following stakeholder groups convened to contribute to this diagnostic process

Stakeholder type	Name of organisation/ individual	
Banks and Financial Institutions	• Alliance Finance PLC • Amana Bank PLC • Cargills Bank PLC • Commercial Bank of Ceylon PLC • DFCC Bank PLC • Hatton National Bank PLC • HSBC	• National Credit Guarantee Institution • People's Leasing and Finance PLC • Sampath Bank PLC • Seylan Bank PLC • Sri Lanka Banks' Association • Union Bank PLC
Development Partners and International Organisations	• Acted • Business France • Climate Vulnerable Forum • DevPro (Guarantee) Limited • European Chamber of Commerce SL • Expertise France EU Green Recovery Facility • FAO • GIZ	• IFC • Prevent Waste Alliance • Stenum Asia • Sustainable Development Council • The Circle Economy • UN Global Compact • UNIDO • WUSC
Certification, Audit and Insurance Bodies	• Bureau Veritas Lanka • CA Sri Lanka • Control Union • Deloitte Sri Lanka and Maldives • Peterson Solutions	• Ernst and Young • KPMG • SGS • HNB General Insurance • Commercial Insurance Brokers
Businesses and Industry Players	• Anvarta • Cargills • CBL • CleanTech • CodeGen • DIMO • Dilmah • ECO360 • HDEES	• Jetwing Hotels • Keells • LankaPack • Ma's Foods • ModernPack • Pickmyload • Senz Agro • Silvermill Group • Waffle Boy • Shells Company
Foundations, DFIs and Impact Investors	• AFD • AgriFi • Elea Foundation	• Lanka Impact Investment Fund (LIIN) • Proparco
Academia and Civil Society	• Biodiversity • Professor Ajith De Alwis • Nuwan Gunarathne	• Savera Weerasinghe • University of Sri Jayewardenepura • Zero Plastic Movement
Government and Municipal Bodies	• Central Bank of Sri Lanka • Ministry of Environment	• Colombo Municipal Council

APPENDIX 2:

Extract from FAO and IWMI's report on Food waste measurement as a tool for prevention and reduction: A case study from a hotel in Colombo, Sri Lanka

Return on investments (ROI)

COSTS

The hotel had to allocate additional resources to implement the FW prevention and reduction strategies. Some of the costs (e.g., awareness creation and capacity building, etc.) are expected to decline in subsequent years with a steady stream of financial benefits over time.

Awareness program for top management and all the staff (1 hour/month)	LKR 60,000 (USD 321)
Streamlining and executing food waste reduction strategies (1 hour/week)	LKR 60,000 (USD 321)
Conduct FW quantification (3 employees – total 6 hours/day)	LKR 360,000 (USD 1,925)
Hiring a research intern for data recording and analysis	LKR 360,000 (USD 1,925)
Assessing the weekly progress at the departmental level (1 hour/week)	LKR 60,000 (USD 321)
Cost of preparing dishes/items from unused food (LKR 35,000/month)	LKR 420,000 (USD 2,246)
Additional cost of purchasing graded ingredients (LKR 30,000 /month)	LKR 360,000 (USD 1,925)
Total annual costs in the first year	LKR 1.68 million (USD 8,984)

BENEFITS/RETURN

The major benefits are the financial return due to reduced FW generation and additional revenue earned from the sale of alternative food/dishes prepared using unsold/unused food. There were no savings in terms of waste management fees as FW, in Colombo, is usually collected for free by pig farmers.

Saving due to FW reduction (per capita waste reduction from 565 g to 200 g per day)	LKR 6.78 million (USD 36,257)
Additional income/saving from sale/use of value-added products (Average LKR 16,250 [USD 87] per month)	LKR 195,000 (USD 1,043)
Total return	LKR 6.97 million (USD 37,273)

Annual Return on Investment (ROI)

$$\text{ROI} = \frac{\text{Net return}}{\text{Cost}} \times 100 = \frac{(6.97 - 1.68)}{1.68} \times 100 = 315\%$$

USD 1 = LKR 187 in August 2020³²

Source: IWMI and FAO¹¹

APPENDIX 3:

Extract from EU's Packaging and Packaging Waste Regulation (PPWR)

- **From 1st January 2030** all packaging shall be recyclable, in line with the design for recycling criteria to be established in delegated acts by 1st January 2028
- **From 1st January 2035** packaging will also have to be recycled at scale, a concept defined in Article 3 of PPWR, in line with conditions to be detailed in implementing acts by 1st January 2030
- **By 1st January 2030**, packaging will not be allowed on the EU market unless recyclable within grades A, B or C
- **By 1st January 2038**, packaging shall not be placed on the EU market if failing in Grade C

Packaging restrictions

Packaging format	Restricted use	Illustrative example
Single-use plastic grouped packaging	Plastic packaging used at the point of sale to group goods sold in bottles, cans, tins, pots, tubs, and packets designed as convenience packaging to enable or encourage consumers to purchase more than one product. This excludes grouped packaging necessary to facilitate handling.	Collation films, shrink wrap
Single use plastic packaging for unprocessed fresh fruit and vegetables	Single use plastic packaging for less than 1.5 kg pre-packed fresh fruit and vegetables. Member States may set up exemptions to this restriction if there is a demonstrated need to avoid water loss, or turgidity loss, microbiological hazards or physical shocks, oxidation, or if there is no other possibility to avoid commingling of organic fruits and vegetables with non-organic fruits and vegetables in compliance with requirements in Regulation EU 2018/848, on organic production and labelling of organic products, on certification or labelling, without entailing disproportionate economic and administrative costs.	Nets, bags, trays, containers
Single use plastic packaging	Single use plastic packaging for less than 1.5 kg pre-packed fresh fruit and vegetables. Member States may set up exemptions to this restriction if there is a demonstrated need to avoid water loss, or turgidity loss, microbiological hazards or physical shocks, oxidation, or if there is no other possibility to avoid commingling of organic fruits and vegetables with non-organic fruits and vegetables in compliance with requirements in Regulation EU 2018/848, on organic production and labelling of organic products, on certification or labelling, without entailing disproportionate economic and administrative costs.	Trays, disposable plates and cups, bags, boxes
Single use plastic packaging for condiments, preserves, sauces, coffee creamer, sugar, and seasoning in HORECA sector	Single use plastic packaging in the HORECA sector, containing individual portions or servings, used for condiments, preserves, sauces, coffee creamer, sugar and seasoning, except in the following cases: A. such packaging is provided together with take-away ready-prepared food intended for immediate consumption without the need of any further preparation; B. such packaging is required to ensure safety and hygiene in establishments where there is a medical requirement for individualised care, such as hospitals, clinics, nursing homes.	Sachets, tubs, trays, boxes

Single use accommodation sector packaging intended for an individual booking	Single use packaging for cosmetics, hygiene and toiletry products for the use in the accommodation sector, as described in NACE Rev. 2 – Statistical classification of economic activities, intended for an individual booking only and intended to be discarded before the next guest arrives.	Shampoo bottles, hand and body lotion bottles, sachets around bar soap
Very lightweight plastic carrier bags	Very lightweight plastic carrier bags, except for very lightweight plastic carrier bags required for hygiene reasons or provided as sales packaging for loose food when this helps to prevent food wastage.	Very thin bags provided for bulk groceries

Source: EU's Packaging and Packaging Waste Regulation (PPWR)³³

APPENDIX 4:

Sustainability standards reporting for businesses

Under IFRS S1 – General requirements for disclosure of sustainability related financial information, companies are required to refer to and consider the applicability of the SASB Standards when identifying sustainability related risks and opportunities relevant to their industry. This approach ensures that disclosures are industry specific and relevant to investors. Simultaneously, IFRS S2 – Climate related Disclosures incorporates industry specific metrics derived from the SASB Standards to guide companies in disclosing climate related information. Sri Lanka has localised IFRS sustainability standards as SLFRS S1 and SLFRS S2, which came to effect on 1st January 2025. The top 100 listed companies on the Colombo Stock Exchange (CSE), based on market capitalisation as of that date, were mandated to comply with these standards. A phased approach is planned for other entities³⁴:

- By 2026, all listed entities on the main board of the CSE are expected to comply
- Companies with annual turnovers exceeding LKR 10 billion will be included by 2028, with the threshold reducing to LKR 5 billion by 2029
- All other non-listed entities subject to SLAASMB oversight are required to apply SLFRS for annual reporting periods starting on or after 1st January 2030

Extracts of metrics linked to food and packaging waste are included below:

F&B sector	Disclosure topics	Metrics
Alcoholic and Non-Alcoholic beverages	Packaging lifecycle management	• Total weight of packaging • Percentage made from recycled or renewable materials • Percentage that is recyclable, reusable, or compostable
Food retailers and distributors	Food waste management	• Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle • Amount of food waste generated • Percentage diverted from the waste stream
Meat, Poultry and dairy	Animal and feed sourcing	• Percentage of animal feed sourced from regions with high or extremely high baseline water stress • Percentage of contracts with producers located in regions with high or extremely high baseline water stress • Discussion of strategy to manage opportunities and risks to feed sourcing and livestock supply presented by climate change
Processed foods	Packaging lifecycle management	• Total weight of packaging • Percentage made from recycled or renewable materials • Percentage that is recyclable, reusable, or compostable • Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle
Restaurants	Food and packaging waste management	• Total amount of waste • Percentage food waste • Percentage diverted • Total weight of packaging • Percentage made from recycled or renewable materials • Percentage that is recyclable, reusable, or compostable

Source: SASB | Navigator³⁵

APPENDIX 5:

Financial landscape in Sri Lanka

Type of Financial Institution	Name of Financial Institution		
Banks (Local)	• Amana Bank • Bank of Ceylon • Bank of China • Cargills Bank • Commercial Bank • DFCC Bank	• Hatton National Bank • MCB Bank • National Development Bank • Nations Trust Bank • Pan Asia Bank	• People's Bank • Public Bank Berhad • Sampath Bank • Seylan Bank • Union Bank of Colombo
Banks (International)	• Citibank • Deutsche Bank • Habib Bank • HSBC	• Indian Bank • Indian Overseas Bank • Standard Chartered • State Bank of India	
NBFIs	• Abans Finance • Alliance Finance • AMW Capital Leasing and Finance • Asia Asset Finance • Assetline Finance • Associated Motor Insurance • CBC Finance • Central Finance • Citizens Development Business Finance • Commercial Credit & Finance	• Dialog Finance • Fintrex Finance • HNB Finance • Lanka Credit and Business Finance • L B Finance • LOLC Finance • Mahindra Ideal Finance • Mercantile Investments & Finance • Merchant Bank of Sri Lanka & Finance • Nation Lanka Finance • Janashakthi Finance	• People's Leasing & Finance • PMF Finance • Richard Pieris Finance • Sarvodaya Development Finance • Senkadagala Finance • Singer Finance • Siyapatha Finance • SMB Finance • Softlogic Finance • UB Finance • Vallibel Finance

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