

SRI LANKA: Secure, Affordable, and Sustainable Energy for Sri Lanka Program
Implementation Support Mission
September 22–26, 2025
Aide Memoire

I. INTRODUCTION

1. The World Bank carried out an implementation support mission¹ in Colombo on September 22 – 26, 2025 for the Secure, Affordable, and Sustainable Energy for Sri Lanka Program (“the Program”). The objectives were to: (a) review the implementation progress of Phase 1, which includes P505052 (“the Project”, IDA Credit No. 7820-LK) and P511072 (IDA Guarantees G4530); (b) start the preparation and technical evaluation of Phase 2; and (c) discuss the scope of technical assistance and capacity building activities under the Program.
2. The mission met with key counterparts including the Ceylon Electricity Board (CEB), the Ministry of Energy (MoE), the Ministry of Finance, Planning and Economic Development (MoFPED), Sri Lanka Sustainable Energy Authority (SLSEA), the Public Utilities Commission of Sri Lanka (PUCSL), and the British High Commission (BHC). The detailed list of officials met during the mission is presented in Annex 1.

II. IMPLEMENTATION PROGRESS

3. **Effectiveness of Phase 1 Effectiveness.** The Financing Agreement is being reviewed by the Public Debt Management Office (PDMO) at MoFPED. PDMO is conducting a risk assessment of the CEB, as the implementing entity, and the final recipient of the IDA credit to be on-lent by MoFPED. The Financing Agreement and the assessment will then be submitted as a package for Cabinet approval. This will be the last step before the External Resources Department (ERD) at MoFPED can sign the Financing Agreement on behalf of the Government of Sri Lanka. Additionally, CEB will need to sign the Project Agreement. Once the legal agreements have been signed, a Subsidiary Agreement will need to be prepared and submitted to the World Bank for review. Effectiveness can be only declared after this Subsidiary Agreement has been executed.
4. **Design, supply, and installation of the synchronous condenser (SYNCON).** Component 1 of the Project includes the design, supply, and installation of a SYNCON at the New Habarana grid substation, including the SYNCON bays, transformers, essential control and protection systems, and necessary preparatory works on technical parameters and detailed specifications that meet system requirements and international best practices. Following the request for interest (RFI) issued by CEB, seven suppliers have answered the questionnaire, out of which six have been interviewed and four were fully compliant with the criteria outlined in the RFI, including technical specifications, financial capacity, and prior experience. CEB released the corresponding report on early market engagement on September 26, 2025. The terms of reference and selection process for consulting services to help with technical studies required to finalize the bidding package have

¹ The Bank team included: Amit Jain (Task Team Leader and Sr. Energy Specialist), Prajakta Chitre (Sr. Energy Specialist), Cecile Pot (Energy Specialist), Koji Nishida (Sr. Energy Specialist), Sean Whittaker (Principal Industry Specialist), Christopher Lloyd (Consultant), Margaret Monyeh (Investment Office, IFC), Neena Singh (E&S Manager IFC), and Zeenath Marikar (Program Assistant).

been agreed with CEB, but the necessary clearances have yet to be secured, including from the Department of National Planning and ERD.

5. Procurement requirements. To be able to issue the General Procurement Notice and announce tenders for specific activities, CEB first needs to submit the updated Project Procurement Strategy for Development, and all designated representatives need to complete registration for the Systematic Tracking of Exchanges in Procurement (STEP) tool. Both actions are expected to be completed by October 15, 2025.

6. Environmental and social (E&S) requirements. The negotiated Environmental and Social Commitment Plan (ESCP) requires the Project Implementation Unit (PIU) to hire an E&S specialist within 30 days of Phase 1 effectiveness. The terms of reference (ToRs) for this assignment have already been agreed with CEB, but the internal clearance process is yet to be finalized. The E&S specialist will, among others, prepare the Environmental and Social Management Plan, to be included in the bidding package for the SYNCON. Additionally, as per the ESCP, a Labor Management Plan and a final Stakeholder Engagement Plan must be adopted and disclosed within 30 and 60 days of effectiveness, respectively, and a grievance redress mechanism must be established within 90 days of effectiveness. All ToRs and technical assistance outputs must be completed in accordance with the World Bank's Environmental and Social Framework requirements to ensure the management of downstream E&S risks and impacts.

7. IDA guarantees. The Cabinet approved the fixed tariff and Standardized Power Purchase Agreement for the projects that were selected through the Expressions of Interest process. Several commercial issues are yet to be resolved for the developers to negotiate and agree to the final terms and tariff. Once an agreement has been reached to proceed with signing and financial close, the World Bank Group can start working on preparing the legal agreements—one developer has already requested the guarantee.

8. Preparation of Phase 2. During the preparation of the Program, the following potential investments under Phase 2 were identified: (i) the design, supply and installation of a static synchronous compensator with a capacity of about 100 megavolt amperes reactive on the 220 kV busbar at the Padukka grid substation in order to maintain system stability and prevent voltage collapse under varying operating condition; and (ii) the design, supply and installation of 220/132 kV substation at Vavuniya to enable the deployment of 300 MW of prioritized wind power in Mannar Island and align with the upgraded 220 kV Mannar-Vavuniya transmission line expected to be commissioned by 2027. Technical studies and E&S due diligence will need to be conducted on both sites. In addition, CEB will share with the World Bank the priority list of network investment needs, based on the latest transmission plan.

III. TECHNICAL ASSISTANCE AND CAPACITY BUILDING

9. Activities to be conducted under World Bank executed contracts. The World Bank shared preliminary ideas on a programmatic advisory services and analytics scope, which will be provided by the World Bank to MoE, CEB, and PUCSL. The following areas of interest were discussed: (a) evaluation of additional generation expansion scenarios to ensure proper optimization subject to existing constraints and alignment with evolving technologies and market dynamics; (b) re-evaluation of priority transmissions investments based on detailed load flow analysis considering indicative spatial distribution of new generation identified under (a) and existing constraints on the

transmission system; (c) assessment of the technical and economic viability of storage solutions and identification of suitable business models and financing solutions; (d) support for further strengthening of regulatory and electricity tariff-setting framework; and (e) preliminary E&S screening of potential renewable energy generation and transmission sites to avoid delays with the development of privately financed and operated projects.

IV. STATUS OF POWER SECTOR REFORMS

10. Sector Unbundling. The unbundled companies identified in the Amendments to the Electricity Act 2024 have been formed and the boards and chief executive officers have been appointed. The Secretary, MoE, and the team agreed that the capacity building and technical assistance activities described above would be discussed in a meeting with the respective chairpersons.

11. Integrated System Planning. Coordinated generation and transmission planning is key to developing a project pipeline that not only meets Sri Lanka's generation needs but also ensures grid stability. Technical assistance, including the procurement of Plexos or the upgrade of CEB's existing software was discussed with MoE and CEB. The team agreed to continue the discussion with the chairperson of the National System Operator once appointed.

V. OTHER ACTIVITIES

12. Offshore wind. SLSEA is expected to provide comments and their concurrence to publish the offshore wind pre-feasibility report by October 5, 2025. MoE agreed to publish the report once all stakeholders are satisfied. Discussions on future phases of the work and additional studies were held with CEB and SLSEA. CEB was identified as the appropriate lead for further E&S and bird migration assessments—initial characterization of bird behaviors is required to effectively understand the strategic risk of offshore wind and identify mitigation measures. Meanwhile SEA will undertake further regulatory studies and assessments, which are required to establish the legal, environmental and market frameworks needed to attract private investment while ensuring safety, environmental protection, and alignment with national energy policy and objectives.

VI. Next Steps and Agreed Actions

13. The World Bank and the different key counterparts agreed on the following actions and timeline:

#	Actions	By whom	By when
Effectiveness of Phase 1			
1	Sign the Legal Agreements	MoF/CEB	October 31, 2025
2	Share the Subsidiary Agreement with the World Bank	MoF/CEB	October 15, 2025
3	Execute the Subsidiary Agreement	MoF/CEB	November 15, 2025
4	Establish a PIU	CEB	Within 30 days of effectiveness
Design, supply, and installation of the synchronous condenser			
5	Obtain clearance for consulting services	CEB	October 24, 2025
6	Issue the request for expressions of interest for consulting services	CEB	October 31, 2025
7	Finalize the hiring process	CEB	December 31, 2025
Procurement requirements			
8	Share the updated Project Procurement Strategy for Development	CEB	October 15, 2025
9	Complete STEP registration	CEB	October 15, 2025
Environment and social requirements			
10	Hire an E&S specialist at the PIU	PIU/CEB	Within 30 days of effectiveness
11	Adopt and disclose the Environmental and Social Management Plan	PIU/CEB	Within 30 days of effectiveness
12	Finalize, adopt, and disclose the Stakeholder Engagement Plan	PIU/CEB	Within 60 days of effectiveness
13	Establish a grievance redress mechanism	PIU/CEB	Within 90 days of effectiveness
IDA guarantees			
14	Issue the final Cabinet decision on the tariff and standardized PPA	Cabinet	October 15, 2025
Preparation of Phase 2			
15	Share the latest transmission plan and priority list of network investment needs	CEB	October 15, 2025
Technical assistance and capacity building			
16	Share the priority list of technical assistance and capacity building needs	MoE/CEB	October 31, 2025
Offshore wind			
17	Publish the pre-feasibility report	SLSEA	October 5, 2025

Annex 1. List of officials met during the mission

Name	Position/Affiliation	Entity
Prof. Udayanga Hemapala	Secretary Chairman	Ministry of Energy Ceylon Electricity Board
Mr. K. L. R. C. Wijayasingha	Additional Secretary – Power & Power Reform	Ministry of Energy
Mr. Pubudu Niroshan Hadigalle	Director General	Power Sector Reforms Secretariat
Mr. Dammika Premaratnha	Additional Director General	Department of External Resources
Ms. Himali Bogodagedara	Director	Department of External Resources
Ms. Udeni Udugahapattuwa	Director General	Public Debt Management Office
Mr. Damitha Kumarasinghe	Director General	Public Utilities Commission of Sri Lanka
Mr. T.M.W.J. Bandara	Chairman	Sri Lanka Sustainable Energy Authority
Dr. Wijekoon Banda	Deputy General Manager – Transmission, Generation Planning	Ceylon Electricity Board
Mr. Kushan Marambage	Senior Substation Design Engineer	Ceylon Electricity Board
Ms. Theresa O'Mahony	Deputy High Commissioner	British High Commission