Sri Lanka moves to scale climate finance and insurance solution for MSMEs in wake of Cyclone Ditwah | Daily FT

Chrysalis CEO Ashika Gunasena

Chrysalis recently brought together an unprecedented cross-section of Sri Lanka's policy, finance, and development community at the Granbel Hotel, Colombo, for a Dialogue and Reflection Session on 'Inclusive Climate and Disaster Risk Financing and Insurance' (CDRFI) for MSMEs.

Convened under the Multi-Actor Partnership (MAP) approach, supported by CARE Germany and Co-funded by BMZ, the European Union, and Co-Impact Gender Fund, the event placed one question at the centre: how does Sri Lanka turn a proven community finance model into a national institution?

The answer has become urgent. Cyclone Ditwah, which tore through Sri Lanka in November 2025, left an estimated Rs. 50–85 b in damage across the MSME sector - enterprises that collectively account for 52% of the country's GDP. Supply chains stalled. Cash flows dried up. For women-owned enterprises in the worst-affected areas, the impact was even greater, as they already faced credit constraints 32% higher than their male counterparts. Formal banks were unable to respond quickly, while available insurance products did not meet their needs. The gap was clear and immediate.

Into that gap stepped the Climate Resilience Revolving Fund (CRRF). Designed by Chrysalis with consortia governance, climate-event triggers, and repayment terms built around how small businesses actually recover, the CRRF moved recovery loans to affected members within 3 to 10 days of the cyclone - faster than any formal institution. For thousands of small producers, it was the only financial lifeline available.

"Ditwah did not create the vulnerability - it exposed it. Sri Lanka's MSMEs, especially women-led businesses in high-risk areas, have long been underserved by financial systems not built for their realities. The CRRF was designed to fill that gap. This dialogue is about making sure it becomes a permanent part of how this country responds to climate disasters - not a one-off intervention," said Chrysalis Chief Executive Officer Ashika Gunasena.

The dialogue opened with a detailed presentation of the CRRF model, which Chrysalis Programs Director Ahamed Rislan described as structurally distinct from conventional microfinance. Where traditional instruments rely on fixed-asset collateral and slow credit processes, the CRRF is triggered by climate events, governed by the consortia it serves, and engineered to release capital at disaster speed.

"The CRRF is not microfinance with a climate label - it is built differently, and Cyclone Ditwah proved it. The model held. Now the work is to make it permanent and scale it to every MSME that will face the next storm," stated Chrysalis Programs Director Ahamed Rislan.

The session produced strong cross-sector momentum. The Ministry of Industry introduced SME NEXUS -the national framework for MSME growth -and signaled clear intent to embed climate resilience into its operational rollout. The government's position was unambiguous.

"Resilience should not begin after disaster strikes -it must be built into every MSME through policy, financing, and preparedness,"added Industry and Entrepreneurship Development Ministry Additional Secretary Anoja Herath, who was a special guest at the event.

CARE Germany Program and Contract Management Officer Hanna Bartels said that the Multi-Actor Partnership exists to do exactly this - bring every part of the ecosystem into one room so that what works on the ground can be backed by policy and capital. The CRRF has earned that support'.

Two gaps dominated the afternoon's discussion: the absence of parametric climate insurance for MSMEs, and the lack of granular data needed to build such products. Consortia members added a third: the need for faster, more accurate early-warning information from the Government before disasters strike. Their testimony was direct.

"After Ditwah, our supply chain was gone overnight. No bank came. No insurer called. The CRRF reached us in days. We need this to stay - not disappear when the project ends," said Charlot's Apparel Badulla Founder Nirmalie Ranasinghe.

The dialogue closed with stakeholders aligned on a blended-finance architecture: concessional public capital layered with GCF and GEF funding, IFI and development partner windows, commercial bank on-lending, and climate insurance - all delivered through MSME consortia at the last mile. Chrysalis will document the operating model and convene a technical working group within the next quarter to develop a cost national scale-up roadmap.