

**Third Party Evaluator's Opinion on
Environmentally Friendly Solutions Fund**

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Criteria – 1 (Relevance)

The project undertaken by the National Development Bank (NDB) and the Central Environmental Authority funded by the BHIC under Japanese ODA loan projects was time opportune due to several reasons. It has been offered at a time the Pollution Control and abatement fund established by the NDB with the financial assistance from Kieditanstalt Fur Wiederaufbal (KFW) being completed in 1998.

The Environment Sector Policy though had minor amendments from time to time has not seen any major shift from its policy laid down in 1980. Decentralization of issue of EPLs to local Governments, however could lead to abuse with most Public Institution becoming highly politicized. EPL enacted in 1990 was issued with conditions to be fulfilled within a limited time. Therefore, the polluters were issued with the EPLs and since enforcement was poor on the part of CEA some industrialists didn't take interest to implement pollution control measures after obtaining the license.

Prior to 1980 in Sri Lanka there had been many industrialists especially rubber, established without considering environmental pollution. Since 1990 these organizations were forced to go for effluent treatment plants. Some of the organizations went for establishing treatment plants with the loan facilities provided. Even though these plants were established they were not maintained properly due to the dearth of trained people to operate these plants. The effects of the projects commenced and carried out will become redundant if not sustained.

Criteria – 2 (Efficiency)

Since construction of effluent treatment plants are costly, the decision taken to increase the loan from 20 m to 50 m can be considered appropriate. Most of the environmental polluting industries are located in Colombo and Gampaha Districts it is also appropriate to allocate 128 loans or 45% for enterprises in those Districts.

TA Loan Part A - Out of available technical assistance loan funds, only 15.9 m or 8.4% used. There could be three reasons for this. Firstly, the equipment suppliers provide TA training free. Secondly, many industrialists are not aware of loan facilities provided under this scheme. Thirdly, PCIs are not encouraged to disburse, as the TA loans were interest free. However, failure to relocate tanning industry in the Southern Province is the reason for not utilizing the Rs. 200 m set a side for relocation.

TA Loan Part B – Funds are not utilized due to 3.5% interest where some of the SME industrialists felt it is too high for their level income. Second reason for this it the insufficient publicity given for the loan scheme.

Utilization of funds within the country could be considered as satisfactory since it has cover 16 districts out of 24 revenue districts except conflicted areas of North and East. Distribution of loans as 197 loans or 70% investments at resolving environmental problems and balance 84 to finance, energy and resource saving and resource recycling is also considered appropriate. Efficiency of utilization of funds would have been increase by arranging awareness seminars for the stakeholders jointly by NDB and CEA.


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