Third Party Evaluator's Opinion on
Environmental Infrastructure Support Credit Program (I)

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Efficiency and Effectiveness

The main objective of EISCP was to "effect improvements in the disposal of gas emissions, wastewater and solid waste, and in production processes, by providing credit to support environmental investments through the DBP, thereby contributing to improvements in environmental quality and the efficient use of resources." Indeed, pre-project and post-project indicators for water pollution among three companies surveyed showed emission reductions in BOD, COD, and TSS ranging from 70% to 98%. The Evaluation Report (ER) notes that "the cuts in the BOD loading of industrial effluents by the EISCP equate to 2.8% of the projected throughput for the Metro Manila area in 2000," a significant achievement for a single project.

It is not clear, however, that these substantial reductions, measured in kilograms per day, could all be attributed to the Project. It is possible that part of the reduction in emissions was due to lower production levels of the companies concerned. The low repayment ratio and high non-performing loan (NPL) ratio for 2003 suggest that many borrowers were experiencing financial difficulties and were thus likely to be producing less output (and less pollutants) than before. The equipment financed by the project may be operating properly, but may be underutilized if the firms were operating below capacity.

The indicators for recycling (of oil, water, and plastics) are much more robust measures of environmental improvement, as they measure directly the volume and value of resources saved. However, in the case of the oil recycling facility, recycled oil is the company's main product, while the planned scope of EISCP called for the recycling of byproducts.

For the oil recycling facility, it is also interesting to find out whether, as a result of the complaints by residents interviewed by the post-evaluation team of foul odor coming out of the plant, any follow-up action was done by DBP or JBIC. Inaction on the matter could trigger negative sentiments against EISCP and JBIC, whom the residents may be partly blaming for their poor health.

IESCP supported mostly large companies, which accounted for 91% of the total loan amount, even though, as the ER acknowledges, "at the time of appraisal of the EISCP, it was anticipated that the EISCP would promote investment among SMEs." This is unfortunate because SMEs, with their sheer number, do not get monitored closely by the environmental authorities.

Sustainability

The low repayment ratio of 50% (on principal and interest) and high NPL ratio of 43% for 2003 (way above the DBP portfolio average of 11%) may create the impression among enterprises that investing in pollution control and abatement may not be a financially viable proposition. This is a concern that DBP should look into, especially since EISCP II is ongoing. Indeed, the environmental authorities themselves recognize that many companies find that paying the fines is more cost-effective for them than installing anti-pollution devices. The structure of fines and penalties for polluting the environment needs to be revisited.

EISCP was promoted in collaboration with the Department of the Environment and Natural Resources (DENR). While this partnership enhanced sustainability, an important partner seemed to have been overlooked: the Laguna Lake Development Authority, which has jurisdiction over much of Metro Manila and the CALABARZON area where industrial activity is concentrated.

Despite the specific concerns raised in this review, EISCP on the whole appears to have succeeded in achieving its broad objectives. The sub-projects contributed to a reduction in the volume of pollutants from industrial waste. In particular, EISCP was able to attract borrowers and maintain a high disbursement rate despite a policy environment where it appeared cheaper for an enterprise to pay the meager fines rather than reduce the environmental damage it causes.