



## 27 Sri Lanka Environmentally Friendly Solutions Fund

Promoted investment to support environmental measures by private enterprise, and contributed to improve Sri Lanka's environment

**Loan Amount/Disbursed Amount** 2.73 billion yen/2.4 billion yen  
**Loan Agreement** September 1998  
**Terms & Conditions** Interest rate 0.75%, Repayment period 40 year (grace period 10 years), General untied  
**Final Disbursement Date** January 2004  
**Executing Agency** National Development Bank (<http://www.ndbbank.com/index.html>)



### Project Objectives

The project's objective was to promote environment-related capital investment by the industrial enterpriser by providing interest-free loans to cover the cost for training and for hiring consultants who can provide support in technological and environmental issues, and low-interest financing for loans for capital investment in environmental measures to, and thereby contribute to improvement of environment in Sri Lanka through preventing and alleviating environmental pollution.

### Effectiveness & Impact

Rating **a**

In this project, as for the loan of capital investment for environmental protection measures by industrial enterprise, out of 281 loans, 197 loans were for investments in saving or recovering energy, promoting recycling, and so on, in cases in which the acquisition or renewal of environmental protection licenses (EPLs) was sought. Out of these, 131 (66%) resulted in the acquisition or renewal of an EPL, as reported by the participating credit institution. Meanwhile, 84 loans targeted investment that did not involve the renewal or acquisition of an EPL. In the beneficiary survey (52 companies that had received loans were surveyed), 45 (86.5%) of 52 companies reported that the rate of operation of environmental equipment installed through this project was 75% or higher. This suggests that the project has indeed helped to promote the provision of equipment needed for environmental measures. Moreover, the survey found that 26 of the 52 companies achieved 100% savings in costs or energy through introducing the equipment, and four companies found a 75% reduction or greater. Therefore, this project has largely achieved its objectives, and effectiveness is highly satisfactory.

#### Loan distribution by area of application

Area of application	No. of cases	Percentage
Air pollution	10	4
Air pollution, wastewater treatment, resource savings, noise reduction	13	15
Energy recovery*	3	1
Noise countermeasures	5	2
Energy savings*	41	14
Energy savings, wastewater treatment, air pollution, recovery of resources	28	10
Wastewater treatment	67	23
Wastewater treatment, energy savings, air pollution, recovery of resources	11	4
Factory relocation	5	2
Recycling activities*	21	7
Recycling activities, wastewater treatment, noise reduction	3	1
Resource savings*	19	7
Resource savings, energy savings, emission countermeasures, wastewater treatment	55	20
Total	281	100

Note: Project purposes marked with an asterisk were not aimed at the acquisition or renewal of EPLs.

### Relevance

Rating **a**

This project has been highly relevant with Sri Lanka's national policies both at the time of the appraisal and at the time of the ex-post evaluation. This project was planned under the circumstances that following the amendment of the National Environmental Act in 1988, companies were obliged to acquire EPLs, so companies that generated environmental pollutants were required to invest in environmental measures. At the time of the ex-post evaluation, the emphasis on curtailing and eliminating pollution was evidenced by the promulgation of national environmental policies and the fact that the Central Environment Agency had strengthened and revised environmental standards.

### Efficiency

Rating **a**

Both project period and costs were almost as planned, therefore, efficiency of the project is high.

### Sustainability

Rating **a**

No major problem has been observed for capacity of the executing agency or the operation or its maintenance system, therefore, sustainability of this project is high. It was confirmed that the executing agency's ability to appraise sub-projects has improved through training and the guidance by external experts, and participating credit institutions' cash recovery rate was a solid 95–100%.

### Conclusion, Lessons Learned, Recommendation

In light of the above, this project is evaluated to be highly satisfactory. A recommendation from the project was to take measures to achieve further outcomes from the project by considering consistency with the revolving fund schemes of precedent projects.

### Third-Party Opinion

This project was timely as it was implemented in the progress of strengthening environmental regulations. If the educational seminars were held in collaboration with the National Development Bank and Central Environment Bureau, the efficiency in utilizing the fund would have increased.

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