Project Summary

Project Background
Industrial production in Indonesia has been accompanied by worsening pollution. Especially SMEs with outdated production technologies are unable to meet environmental standards and this threatens the marketability of their products, especially those for export. Modernisation of SME production, however, is severely hampered by the lack of credit to invest in Cleaner Production and/or End of the Pipe technologies, incl. the consultancy for modernisation and management. The IEPC programme has successfully addressed this set of problems by providing special loans to the SME sector through the banking system. Additional EUR 9 Mio. have been made available under IEPC II as a revolving fund, channelled through two apex banks and public and private handling banks.

Project Objectives
The IECP pursued two objectives:
• to reduce the industrial pollution and to promote the use of natural resources, and
• to establish long term financing instruments specialized in pollution control investment of SMEs.

Project Activities
The program consisted of two components:
A) Providing funds to address financing requirements of SME for environmental investments amounting to EUR 9 million (loan facility):
• establishing an efficient revolving fund, incl. systems for technical/environmental assessments;
• strengthening the capacities of apex and handling banks to provide financing of environmentally oriented investments;
• setting up disbursement procedures for fund management.
B) Providing consulting services for Ministry of Environment, Apex Banks, Handling Banks and SMEs:
• revising technical appraisal and monitoring guidelines;
• assistance in appraising the environmental feasibility of projects;
• assistance in technical and economic appraisal of projects;
• assistance to SMEs in developing technically viable, bankable proposals and selecting the most appropriate technology for industrial efficiency and pollution control.

Implementation Features
The funds under IEPC II were channelled to two apex banks, Bank Negara Indonesia (BNI) and Bank Eksport Indonesia (BEI). BNI and BEI established a revolving fund out of which funds for refinancing of environmental oriented investments were provided to the selected Handling Banks (private and state owned). The Ministry of Environment was the Executing Agency of the Programme.

Services Provided
- Guidelines and procedures for a revolving fund specialising in SME loans for investments in cleaner production and End of the Pipe projects
- Training needs assessment
- Training manuals for environment control project appraisal
- Consultancy and training for participating banks in appraisal, loan processing, disbursement and monitoring
- Consultancy to SMEs in planning viable projects, selecting technologies and formulating bankable project proposals