

Importance of environmental regulations in the Small and Medium Enterprise sector of Sri Lanka

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The Small and Medium Enterprise Development Facility (SMEDeF) Project was funded by the World Bank to complement existing credit facilities and capacity building programmes for 460 small and medium enterprises. The World Bank system requires that the beneficiaries comply with environmental regulations and this Audit was carried out to find out the extent of state of compliance.

A sample of thirty-five industries covering various types was selected in order to determine the level of compliance with National Environmental Regulations, World Bank requirements as well as the level of adoption of cleaner production technologies, and health and safety measures.

The major findings were that the levels of compliance of the enterprises with national environmental regulations were satisfactory with some deviations as follows; waste management of rice mills is not up to the required levels, high noise levels inside the factories were an issue in many of the industries although the noise levels outside the industries were within acceptable levels, not using the safety gear by workers although factories have provided them, lack of awareness of toxic nature of the chemicals used in the process leading to inadequate precautions to safeguard workers.

It was also found that the awareness regarding environmental regulatory requirements, cleaner production technologies and environmental management systems is at a low level among these enterprises and training programmes are required to sensitize them to such issues. Generally environmental factors were not taken into consideration more effectively and the possession of a valid Environmental Protection Licence was not a prerequisite for normal loan disbursement. Banks should be encouraged to request above clearances as it will lead to better environmental performance of the industries. Both the banks and Central Environmental Authority (CEA) can involve in this process so that damages to the environment by industries will be minimized. The banks will be able to provide inputs to industries to work towards compliance with environmental regulations, while the CEA could assist the banks by providing information regarding the state of compliance of industries.

Key Words: Waste management, Small and Medium Enterprises, regulations, best practices