



Practical ACTION

ACCESS TO FINANCE

for informal waste and
sanitation workers;
Bangladesh

SUMMARY

Waste and sanitation workers play a vital role in Bangladesh, cleaning drains and streets, removing rubbish, recovering waste for recycling and emptying toilets to keep them useable. The majority of these workers are informal, without official recognition for their work and with fluctuating and irregular incomes. This makes it very difficult for them to access small loans either individually or as groups that could help them improve their business or access equipment that would allow safer worker conditions. This policy brief makes recommendations for changes that would allow these workers to tap into existing sources of loans and grants.

RECOMMENDATIONS

- **Green finance** schemes need to find ways to ensure funds are allocated to solid waste management and recycling, and that a proportion reaches small enterprises.
- **Funds** that target small and micro enterprises need to include waste management and recycling.
- **Inclusion** with finance schemes in other economic sectors should be agreed. For example, waste-to-compost should be specifically promoted in agricultural finance, and waste-to-energy in climate finance.
- **Corporate social responsibility** funds should include support for informal waste and sanitation workers. Larger companies should consider how to support informal waste workers in their value chains with access to capacity building and finance.
- **Banks** should support informal waste and sanitation workers to open no-frills bank accounts, and provided with training in financial literacy as a basis for receiving and managing loans or grants. Simple digital banking apps should be tailored to small enterprises in the waste and recycling sectors.
- **Support** should be provided for informal waste and sanitation workers to form cooperatives through which larger loans and grants can be channelled as well as training schemes and other financial services.

LACK OF ACCESS TO LOANS AND GRANTS

In towns and cities across Bangladesh, a small army of waste and sanitation workers operates every day, making a valuable contribution to a cleaner environment and recycling of a wide range of materials. The informal sector in Dhaka alone was estimated to recycle 475 tonnes of waste per day, or 15 per cent of waste generated (MoEF, 2010). Many waste and sanitation workers are employed as daily labourers by municipalities or recycling companies. Others work independently to offer pit emptying or waste collection services, or to pick and sell recyclables.

The performance of the whole sector and the lives of informal workers could be improved greatly if workers were able to access and use even a basic level of financial services. This includes bank accounts, training and advice, and loans or grants. Our nationwide survey of 396 waste and sanitation workers (Karmojibi Nari and Practical Action, 2019) found that there was an appetite for loans,

with nearly half (49 per cent) having borrowed for their business. The biggest source of lending was NGOs or associations, used by two-thirds of those who borrowed. Some resort to borrowing from local money lenders (5 per cent of all workers), and 4 per cent borrow from the scrap trader where they sell the items they have collected. Both of these types of borrowing are likely to be open to exploitation. There was very limited access to formal banks, with only 3 per cent of all workers borrowing from formal banks, and 7 per cent using banks for savings.

Despite having lower earnings, being less likely to be able to save money, and being excluded from formal banking services, women waste workers were more likely to have borrowed money than men (57 per cent compared to 46 per cent of men). Amounts borrowed tend to be small: often between BDT 5,000 and 10,000 (approx. US\$60–120). Where they spent money on assets, this was often at the very simple end: brooms, spades, or baskets.

CHALLENGES IN ACCESS TO FINANCE

We held a range of consultation meetings with key stakeholders to identify the challenges which prevent informal waste and sanitation workers from accessing the financial services they need. Points that emerged included the following:

- **No or insufficient** documentation of their business activities, makes it very hard for informal workers and small businesses to prove their track record.
- **Income and savings levels** are very low for individual waste workers, limiting the amount they are able to borrow for equipment that might reduce the physical burden of work, or improve safety or efficiency.
- **High interest rates** or high deposit requirements discourage informal workers from accessing sources of finance.
- **As individuals**, it is difficult for coordinated support to be provided. This is especially the case where individual waste pickers or scrap dealers are not registered or recognized by the local authority.
- **Limited** financial literacy is a problem among informal workers. Organizing into co-operatives would make it easier to provide training and financial advice.
- **Financial information** about the sector as a whole is lacking, as is understanding of the financing needs of informal workers.



40%

of banking and non-banking financing institutions had green finance, of which 14% was in waste or recycling.

CLOSE TO ZERO

CSR spending goes to waste management or supporting informal workers.



AVAILABLE SOURCES OF FINANCE

Nationally, the Government of Bangladesh has been keen to promote a greener economy, including by making finance more available for investments in this area. In other initiatives it is aiming to support small enterprises and financial inclusion of the poorest. We assessed these initiatives in terms of their ability to meet the needs of informal waste and sanitation workers.

Green finance: not tailored to small entities and the informal sector

A number of initiatives have been put in place in the last few years to encourage more investment in environmentally friendly actions. In 2011 the Bangladesh Bank (the national central bank) issued two guidance documents: 'Policy Guidelines for Green Banking' and 'Environmental Risk Management'. This second document was further updated to include social dimensions in 2017. A Sustainable Finance Department was also established within the Bangladesh Bank to oversee green banking activities in the country. The bank also issued green financing targets for the country's banks and financial institutions in 2016.

Investments in solid waste management and recycling are specifically mentioned in this guidance, although mostly in relation to investing in facilities.

The result is that 32 out of 59 banks, and 4 out of 33 non-banking financial institutions had green finance as part of their loan portfolio in April–June 2020, amounting to BDT 27.8 m (\$330,000). Of this about 9 per cent was in waste management and 5 per cent in recycling. While borrowing from these formal sources may meet the needs of larger companies or municipalities, it is not tailored to the needs of smaller entities and the informal sector who currently have limited access to formal banking services.

Support for small enterprises: not catering for the waste management sector

To try to channel funds to smaller entities, the government formulated a new small and medium enterprise policy in 2019. An SME and Special Programs Department was established within the Bangladesh Bank to oversee the sector. However, solid waste management and recycling are not specified as sectors for support and do not receive funding through this channel.

More broadly, there have been policy initiatives to boost financial inclusion and help the poorest people access financial services through no-frills accounts at banks, and access to

financial awareness and financial literacy programmes. Of over 22 million accounts in June 2020, 10,000 were with cleaning workers of city corporations (street sweepers). This provision could be broadened to try to reach waste pickers and small scrap dealers. Similarly, new innovations in digital banking could help with greater financial inclusion.

Other potential sources of finance: not covering waste management

Another potential source of funds is from corporate social responsibility (CSR) budgets; support to disasters, environment, and health made up nearly half of CSR expenditure in Bangladesh in 2020. Despite the close relationship with solid waste management, very little CSR money goes to these issues.

Finance available to the agriculture sector could also be used, especially as it relates to the use of municipal organic waste for compost or organic fertilizer. As with other schemes, however, this is not currently explicitly mentioned in, for example, the Bangladesh Bank's Agricultural and Rural Credit Policy.

Another potential, but currently untapped source could be through public sector development initiatives such as the Bangladesh Municipal Development Fund or the Bangladesh NGO Foundation.

ALLOWING WASTE AND SANITATION WORKERS TO ACCESS FINANCE

Much more could be done to help informal waste and sanitation workers access finance. Green finance schemes should find ways to ensure funds are allocated to solid waste management and recycling, and that a proportion reaches small enterprises. This should be better tracked with clear tagging including for waste-to-energy and waste-to-compost schemes. To support this, banks need to be more aware of the needs in the sector, and of the needs and challenges of reaching those in the

informal sector. Targeted credit guarantee schemes would help reduce risks for banks. They need to find ways to overcome the hurdles of documentation and conventional loan assessment criteria that are barriers to the informal sector, including supporting training and capacity building.

Funds that target small and micro enterprises need to include waste management and recycling. The Bangladesh Bank's master circular guiding this lending should specifically mention waste collection and separation as a separate service sector, and recycling businesses as a high priority sector.

The links with other economic sectors should be exploited. For example, Bangladesh Bank should include composting from municipal waste as a

priority area of agricultural finance, and as part of financing areas to address climate change. A certain proportion of CSR expenditure should also be reserved for waste workers. Larger companies in the waste management value chain should consider how to support informal workers in their value chains with access to capacity building and finance.

More broadly, informal waste and sanitation workers should be included in financial inclusion programmes by banks and non-banking financial institutions. No-frills accounts and digital banking should be designed to better meet their needs. Informal waste workers should be supported to form cooperatives or other associations through which larger amounts of finance can be channelled and training for members can be provided.

CONCLUSION

Informal waste and sanitation workers already play a crucial role, but to support their full potential their work needs to be recognized, made safer, and supported to professionalize. This will require a coherent strategic framework involving a wider range of stakeholders from the financial sector, local authorities, NGOs, and civil society organizations.

The informal waste and sanitation sector represents a large market. To tap this potential requires both targeted support and tailored programmes of financial inclusion and capacity building. The benefits would be far-reaching economically, socially, and environmentally.

References

Karmojibi Nari and Practical Action (2019) National Study on Waste and Sanitation Workers' Working Conditions, Occupational Health, Safety, Wages, Livelihood and Exclusion, Practical Action, Dhaka.

MoEF (2010) National 3R Strategy for Waste Management [online], Department of Environment, Ministry of Environment and Forests, Government of Bangladesh <<http://extwprlegs1.fao.org/docs/pdf/bgd190976.pdf>> [accessed 23 December 2020].

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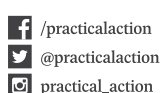
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