

# **MSEs in Urban Environmental Improvement: Panacea, Strategy or Transition Stage**

*Occasional Paper*

Anne Scheinberg  
Arnold van de Klundert  
Victoria Rudin

May 2000



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## CHAPTER 1 INTRODUCTION

MSEs in Urban Environmental Improvement: Panacea, Strategy or

At the current historical moment, the push to decentralise government responsibilities and to shift municipal tasks to the private sector has the status of a panacea for all urban management problems. The reasons given for this include expectations of reduced costs, more accountability (since the private sector presumably responds more to public pressure), and more innovation and flexibility. But in fact, many of the privatisation experiments in developing country cities have failed, in part because the public sector simply abdicated its responsibilities and interest, rather than being the strong, managing partner in a public-private partnership.

In sharp contrast, there have been a surprising number of longer-term successes with non-traditional privatisation, which challenge many of the ideas about decentralisation and privatisation. The central actors in these experiments, most of which have been relatively small-scale, are Micro- and Small enterprises (MSEs), NGOs, community-based organisations, individual entrepreneurs, and the like. These smaller private entities are in fact part of the present privatisation process, although they tend to be often reviled rather than respected, frequently ignored, and all too often it is a side goal of modernisation processes to “get those people off the streets.”

But the efforts of these small-scale actors are critical, if we wish to downsize the public sector and to make the administration and execution of urban environmental services more effective. In cities from Dar es Salaam to Lima to Hyderabad, MSEs and CBO-NGO groups have taken on a long-term commitment to execute tasks which had traditionally been assigned to the state, but which are not functioning, do not exist or which (like recovery and recycling) have been outside the purview of local government. These mini-businesses have a range of goals and strategies for their involvement. Some are simply interested in a long-term, secure livelihood. Others want to support themselves for a short time and move on to higher status employment at the earliest opportunity. Still others see that they have a long-term ideological or political function in their communities, and make a value-based choice to remain involved in urban waste and cleaning. In Latin America this phenomenon has been named ‘social privatisation’ due to the high degree of social interest in these activities. Different from simply substituting government activities, social privatisation does not in any sense absolve the government of its responsibilities to safeguard the public interest.

Along with the development of these enterprises, a parallel group of interests has grown up and come to maturity – those of us in this room, and our colleagues, who have worked with governments, donors, and institutions to recognise and legitimise the activities of these small enterprises, to assist them in organising themselves, and to make a safe space for a sustainable future.

But now our support and the ability of these enterprises is enjoying a new challenge: the challenge of going to scale. In other words, we are at the point of testing the soundness, durability, effectiveness, and sustainability of these arrangements as larger-scale strategies in urban service development and urban upgrading. And in order to take our small successes to scale, we have to understand better what we are doing, what the structures are with which we work, and what questions remain unanswered. This paper attempts to do this, and to provide additional thinking among colleagues that will allow us to go the next steps.

## 1.1 Some Background

In Latin America lack of formal employment in the 1980s and 1990s coincided with substantial growth of the informal sector. For example in some countries the under-employment varies from 20% to 70%. But these figures are deceiving, since they do not include the work of the informal sector, which provides total or supplemental livelihoods. For example, the 15 million jobs created between 1990 and 1994 in this region of which more than 80% in the informal sector. In the same period the economic growth of in Latin American countries rose from 0.3 to 3.7% while formal urban unemployment also rose to about 6%. What is going on in these statistics?

Urban poverty is not merely a question of lack of work and income. It also includes the lack of access to housing, infrastructure, education, health care, transport, and, more important for our interests, in basic services such as the collection, treatment and safe disposal of waste. The lack of an adequate sewerage system affects more than one third of the urban population in Latin America.

Traditional privatisation, where contracts, concessions, or franchises go largely to large and medium scale enterprises has tended to benefit the wealthier sectors of society, and is characterised by a high and rapidly increasing cost of services suitable for these communities. It is not so much that the private sector ignores the low-income sectors, but that they cannot afford to serve them and still survive and profit. This type of privatisation has been called “cherry-picking” (Ashok Rao, WEDC email discussion, 1999), in that the private sector picks and serves those clients who can pay, and pay well. The result is frequently “the privatisation of profits and the nationalisation of losses.” (Ibid.)

The experience we have had and observed in Latin America in particular, as well as in Africa and Asia, shows that MSEs and CBOs have a major and counteracting effect on securing the access of poor and middle-income people to urban waste services. These are households which have been harmed, rather than helped, by the “boom” in traditional privatisation of urban services in the past 15 years. It is not possible to say whether the cherry-picking form of privatisation has created these new niches, but the effect is clear. MSEs of several types, CBOs, and NGOs have been filling the gaps, and offering the services where they were not offered before. This paper discusses some major types of MSEs, with an emphasis on understanding their differences as well as their commonalities.

In one municipality in Costa Rica, a traditional privatisation gave a large formal-sector enterprise the waste management collection contract with the local government. When the residents could not pay the new price of the service that the private company was asking, they decided to contract a local micro-enterprise to do the job. With ACEPESA’s support they started, three years ago, collecting waste in the entire municipality.

The goals of the service provided by the micro-enterprise: Providing a service that is satisfying the clients, job-creation in the community (5 workers). The enterprise has the support from the local government and has shown initiatives in recycling materials. Every year the tariffs of the services are readjusted, according to the level of the costs of the service. This micro-enterprise has survived the competition of the large enterprise during these years and now has been able to establish itself in this area.

We hope that we can hereby come to understand better the role they play – and can play -- in urban waste management and the conditions that should be met to make their operation in more effective and efficient. These insights will be the basis of the efforts in the next few years to take the successes to scale and to really be able to say – as I think that you will agree that we cannot at the present – that urban waste systems function well in at least a few places.

## CHAPTER 2 THREE FUNDAMENTALLY DIFFERENT TYPES OF MSEs IN URBAN WASTE ACTIVITIES

We tend to treat all MSEs involved in waste services as more or less the same type of entity. As we look closer, though, we begin to understand that the world of MSEs consists of three fundamentally different types of enterprises, service-based, commodity-based and value-based MSEs. Although as MSEs there are some common features, we are finding that these three types operate differently, have quite different characteristics, and require different types of interventions to support or promote their activities. Also, the three types differ significantly in their role in creating work, whether by “work” we mean jobs, livelihood and family businesses, or subsistence activities.

We define the three types of MSEs:

1. Service-based MSEs: enterprises that get their income from performing a service; paid by clients, beneficiaries, or a combination of these. Examples: waste collection, street sweeping and industrial cleaning.
2. Commodities-based MSEs: enterprises which get their income by selling at a profit materials or products which they have salvaged, produced, or bought.
3. Value-based MSEs: entities or enterprises, which serve a social, religious, environmental, or cultural purpose, whose primary goal is some form of social or cultural change or strengthening or environmental protection and who see involvement in urban waste management as either an economic activity to support their promotion of values or as a means to raise awareness and consciousness in their chosen areas of focus.

Because these are essential to understanding the role of MSEs in the labour market the following distinctions are made:

*Common features of Service-Based, Commodities-Based and Value-based MSEs:*

- ◆ Livelihood businesses, with owners/operators the same as or close to workers
- ◆ Reliance on family labour, community labour, volunteer labour, or other forms of unpaid assistance
- ◆ Personal and family networks subsidise operations in hidden or implicit ways
- ◆ Poor ability to analyse own cost factors and performance, in part due to the entanglement of personal, social, and economic functions
- ◆ Vulnerable - limited margin for error or delay
- ◆ Allow for relatively high degree of personal autonomy and independence
- ◆ Innovative and flexible
- ◆ Personal relationship to clients

### 2.1 Features of Service based MSEs

Definition: *enterprises, which get their income from performing a service; paid by clients, beneficiaries, or a combination.*

- ◆ Unit of payment is: by the hour, day, month; by the district or street; by the quantity of waste.
- ◆ Examples: waste collection; park maintenance; street sweeping; industrial or commercial cleaning; latrine emptying.

In Bamako, Mali, tens of MSEs (called GIEs) run small businesses to clean drainages from waste, collect household garbage door to door and run nurseries in which they grow trees on compost derived from the household waste. Hundreds of similar types of ventures, cooperatives and waste collecting MSEs are active with or without cooperation of the municipal (public) or bigger private services. In Asia and in Latin America e.g. Peru, Bolivia and Guatemala, MSEs and cooperatives play an important role in the collection of waste. (Moreno et al).

### **Financial Characteristics**

- ◆ Prices are often fixed within price range and externally negotiated
- ◆ Limited ability to mobilise capital
- ◆ Rely on contracts with formal sector entities – formal private or public sector
- ◆ Stable relationship between effort and income
- ◆ Relatively reliable income stream
- ◆ Income tied directly to work done or time expended
- ◆ Extremely low profit margins, which are only possible if a great many costs are not included.

### **Labour Creation Characteristics**

- ◆ Provide work for the owners, and some family members, and in several cases for outside paid collectors
- ◆ Do not usually provide (formal) wage employment for large numbers of employees
- ◆ Economy of scale is small
- ◆ Work is relatively reliable
- ◆ Pay is at the lowest end of the scale
- ◆ Social status is low and image of the work is very negative
- ◆ Workers (different from owners) usually see work as transitional and get out of it as quickly as possible
- ◆ Exception may be women, who see it as steady work in a labour market where their options are more limited than those of men
- ◆ Work itself does not promote mobility or access to more education or services

### **Political and Social Characteristics**

- ◆ Ability to sustain themselves as long as the political situation does not change
- ◆ Integrated into the community and responsive to local signals
- ◆ Personal relationship to clients in the community
- ◆ Relatively little political power (when not organised)

### **Risk Profile**

- ◆ Dependent on local circumstances, especially politics
- ◆ Limited ability to survive traditional modernisation programmes
- ◆ Carry a cash flow risk of late payment
- ◆ Not financially risky

### **Job creation potential**

- ◆ Yes, if they are providing a new service, which has not been provided before.
- ◆ Sometimes but not usually if they are privatising an existing service, more so if the existing service has been irregular and inadequate.
- ◆ Yes, if they are adding a dimension (such as recycling) to an existing service.
- ◆ Yes, if they change the labour-capital ratio of the services they are replacing, that is, if they substitute labour for mechanical energy by using a lower level of technology.
- ◆ No, if they are more efficient than the public sector operations they are replacing, in this case they are likely to displace.
- ◆ Yes, if they operate a service, which is not feasible for a big private firm due to the characteristics of the area (less densely populated or very densely populated in sloppy areas)

### **Is the Work Sustainable and Well-paying**

- ◆ Yes, if they are providing a new service which has not been provided before, and which the clients are willing to pay for.
- ◆ Maybe if they are privatising an existing service, more so if the privatisation has the effect of improving an existing service has been irregular and inadequate.
- ◆ ONLY if there is a strong commitment from the municipal government to pay the public share.
- ◆ In this sense, the work could be considered conditionally sustainable, where the conditions relate to the adequate partnership of the public sector.
- ◆ Yes, if there are arrangements made which protect the operation and existence of the MSE (e.g. conditions in contracts, an operation that allows for cross-subsidising from the municipality or from clients in higher income areas, their mode of operation such as donkey carts are allowed in more profitable areas)

#### 2.1.1 Job creation strategy

Can a focus on Service-Based MSEs in urban waste management be a Large-scale Job Creation Strategy?

The most obvious answer is only if and when the urban waste services are not already being provided well enough to satisfy the clients. In practice, this “if and when” can be described by five conditions:

The five conditions that must be met there for to be some opportunity to create jobs or work in urban waste.

There are only “jobs” in urban waste services if there is a demand for urban waste services. A demand is different from a need: a demand means that there is

1. a need, that is, waste to be removed and disposed;
2. that need has a value, or the situation of unfulfilled need creates a negative externality;
3. (a) individuals, groups, organisations or businesses will pay for that need to be filled, and  
(b) enough of them will reliably pay to make it worth someone’s while to begin;
4. the amount that they are willing and able to pay can realistically cover that part of the service that they pay for. In the case of MSEs, there is also
5. the municipal government is willing to provide support in the form of secondary collection and disposal (for waste collection), allows for registration and/or a contract to assure the economy of scale.

### Creating vs. Substituting Work

The traditional process of privatisation can actually have a negative effect on work or the labour situation when the private jobs are substituting for the lost public ones. In this case, the private sector will seek more efficiency (and sometimes more automation or mechanisation) and actually have fewer workplaces.

### Creating what type of (quality) work

If the jobs that are being created are of a low quality e.g. dirty or dangerous waste picking, sorting, long working hours, distance to be covered, physical efforts, one may wonder if such jobs should be created at all. Besides there is a limit to the efficiency of the work produced; one could employ hundreds of people walking their waste loaded tricycle or other carts a long way to the dump site (quality and the economy of scale).

### Cooperation of local government

When the local government is reluctant or indifferent to assist or recognise the MSE in offering the waste collection service, the economic and social sustainability of the MSE mainly depends on the support of the local community. Their satisfaction for the quality of the service provided.

Many MSEs encounter the same situation as mentioned above, examples can be found in Guatemala, El Salvador, Costa Rica. Some of these MSEs have been able to survive these problems, and have shown excellent skills by maintaining their services for five years or even more. They are working very close with the community-based organisations and institutions concerned with health and education, in the specific region.

In Guatemala City MSEs had offered their services for forty years or more, without legal recognition. In 1997 the local government invited only large enterprises to a tender for waste collection services. The MSEs however, put forward a claim with the local government that they had the right to offer the services on the basis of an ancient right (antigüedad). The government agreed to invite the MSEs too under the condition that they organised themselves in the form of one association (they have now 286 partners), improved their equipment, reorganised the collection routes, and provided the employees with working uniforms.

## **2.2 Features of Commodities-Based MSEs**

*Definition: enterprises which get their income by selling at a profit materials or products which they have salvaged, produced, or bought*

- ◆ Unit of payment is by weight, volume, or item: kilos of paper, cubic meters of compost; a lamp made from a tin can.
- ◆ Examples: recyclers, junk shops, tire rethreaders, small-scale manufacturers, compost businesses

### **Financial Characteristics**

- ◆ Prices are variable and set by the global commodities marketplace, by the dealers and middle men, or by bigger companies on whom e.g. Waste pickers and recycling/re-use mses are depending: these mses often lack storage/capital, they have to sell quickly
- ◆ Relatively good ability to mobilise capital, usually in the form of loans from buyers (middle men/dealers)
- ◆ Rely on spot buying and contracts in a highly speculative marketplace

- ◆ Highly variable relationship between effort and income, largely beyond personal control
- ◆ Highly variable income stream
- ◆ Financial return on work changes frequently
- ◆ Potential both for heavy losses and high profits

### **Labour Creation Characteristics**

- ◆ Provide work for the owners, some family members, and also provide “spin-off” work to smaller collectors, end-users, and manufacturers;
- ◆ Often provide piece-work payments for large numbers of related businesses
- ◆ Do not usually provide wage employment for anyone, including owners depending on size of the mse and the place they are in the waste stream
- ◆ Economy of scale is variable, from very small to larger than the mse classification
- ◆ Work is extremely unreliable, depending on the market
- ◆ Pay is extremely variable and tied to market swings: economy of scale has a big influence, since slightly larger groupings can leverage much better prices
- ◆ Image of the work is very negative, but it has the potential to catapult people out of poverty
- ◆ Workers usually see work as transitional and get out of it as quickly as possible, but owners may stay in it for a much longer period
- ◆ Exception may be women, who see it as steady work in a labour market where their options are more limited than those of men
- ◆ Work may promote mobility or access to more education or services

### **Political and Social Characteristics**

- ◆ More dependent on global commodities marketplace than on local circumstances
- ◆ Not very vulnerable to political situations
- ◆ May have good political access, based on businesses which have grown, which may be open to dependency relations and small corruption
- ◆ Has the potential to transform entrepreneurs to middle class or even to wealthy classes
- ◆ Not much relationship to the community

### **Risk Profile**

- ◆ Very risky in both directions:
- ◆ High upside potential for profit (and movement out of poverty)
- ◆ Serious downside risk
- ◆ Not very vulnerable to local circumstances, especially politics
- ◆ Potential to profit from modernisation schemes
- ◆ Vulnerable to world economic situation

### **Do Commodities Based MSEs Create Jobs Work?**

- ◆ Yes, if they are recovering a material which has not been recovered before, or if they are adding extra value to a material and thus creating the opportunity to sell it at a higher price.
- ◆ Yes, if they combine forces of many small recyclers into a larger entity (like the case of the ANR in Colombia and the many cooperatives) and add new dimensions to the work that they are doing.

- ◆ Yes, if they are creating a new waste-based product which has not been in the market before, in particular if an extra step (value) to the production process can be added e.g. in plastic recycling: producing sorted pellets
- ◆ Yes, if source separation is introduced, in which case there is the possibility to recover a higher percentage of non-contaminated materials which support more workplaces.
- ◆ Yes, if the recycled materials can find new markets or substitute for virgin materials whose exploitation is less labour-intensive.
- ◆ Yes, if the work is on communication or PR, and results again in capturing more materials that can be recovered and sold.

### **Is the Work Sustainable and Well-paying**

- ◆ Yes, if they are focused on extracting, processing and marketing a new commodity for which there is a strong market with long-term perspective.
- ◆ Yes, if there is a high cost of waste collection and disposal, and the public sector or the formal private sector collector is willing to calculate the savings and pay these to the recyclers in a formal and regular way.
- ◆ Yes, if there are good markets for the materials, or if there is a policy initiative and public sector action to stimulate markets.
- ◆ Yes, if the new activities result in improved marketing and transportation infrastructure and/or market access.
- ◆ In this sense, the work in commodities can be considered to be more autonomously sustainable, since there is less dependence on partnership with the public sector. At the same time, commodities-based enterprises are much more dependent on the world market than service-based ones, which gives them both strength (especially when local government is a weak or absent partner) and vulnerability (since the market forces are beyond their control).
- ◆ Yes, if they can innovate step by step: since the processes are simple they may face competition of a growing number of their fellow entrepreneurs who will start similar businesses
- ◆ Yes, if the local market receives from national level some kind of protection against cheap products (e.g. from China) or against the importation of dump-priced waste materials from the North (waste paper and plastic imported in India)

#### 2.2.1 Job Creation Strategy

In this case, the answer is also “a conditional yes” and there are also conditions, which relate to demand, which must be met. But in this case the demand is in the world marketplace, not in the communities.

The five conditions that must be met for there to be some opportunity to create jobs or work in urban recycling.

There are only “jobs” in the secondary commodities business if there is a demand for the recovered materials. A demand is different from a need: a demand means that there is

1. A need, that is, someone somewhere wants the material;
2. That material has a positive value or negative value;
3. (a) Businesses will pay for that material, or in the case of negative value, will pay to get rid of it (hazardous or medical waste is a good example), and  
(b) The quantity available in the waste stream is enough to make it worth while to collect and handle the material;

4. The amount that the market offers for the material can realistically cover extraction, processing, storage, transport, and marketing. In the case of mses, there is also
5. Where there is no market or a weak market, the public sector will accept to intervene either (a) to create a market, as in the case of compost, or (b) to close off options for free or illegal disposal, as in the case of hazardous or health care waste.

#### New Markets vs. Substitution of Secondary Materials

There is not the same danger of substitution with commodities-based businesses as there is with service-based, simply because recovery of secondary commodities from disposal or source separation is inherently a labour-intensive process. Most of the virgin material extraction processes which recycling ideally replaces are capital- energy- and technology-intensive processes which use far less labour per unit of material produced

### **2.3 Features of Values-Based MSEs**

*Definition: entities or enterprises which serve a social, religious, environmental, or cultural purpose, whose primary goal is some form of social or cultural change or strengthening or environmental protection, and who see involvement in urban waste management as either an economic activity to support their promotion of values, or as a means to raise awareness and consciousness in their chosen areas of focus.*

#### **Financial Characteristics**

- ◆ There is usually a subsidy from outside for start-up, which covers equipment but not operations
- ◆ Some ability to mobilise capital, little ability to mobilise operating or maintenance expenses
- ◆ Rely on outside impetus
- ◆ Not enough attention is paid to the income stream
- ◆ Often little business orientation and/or capacities
- ◆ Income stream can usually not cover replacement/depreciation of equipment
- ◆ Cost recovery is secondary to social goals; thus fee-setting often arbitrary and unrelated to the real costs
- ◆ Negative profit margins by design – any income goes to support social goals

#### **Labour creation characteristics**

- ◆ Provide work for special social groups which are targets of values of the founding entities: youth, women, disabled persons, immigrants, street people.
- ◆ Often the work is not provided based on ability, but on status, so quality is uneven
- ◆ More likely to provide stipend or part-time positions than full-time jobs
- ◆ Do not usually provide formal wage employment for large numbers of employees
- ◆ Economy of scale is small
- ◆ Work is relatively reliable for a fixed period of time
- ◆ Pay is low
- ◆ Social status depends on the status of the organisation and its target groups
- ◆ Work is often designed to be transitional and to equip the workers to do other things
- ◆ Work is designed to promote mobility and to facilitate or recruit workers to situations where they have better access to health care, education or services

### Political and social characteristics

- ◆ Highly idealistic – political power depends on whether they are with or against the ideas in power
- ◆ Local NGOs-based programmes are integrated into the community and responsive to local signals;
- ◆ INGO-based programmes may be responding to national and international events, more than to local signals
- ◆ Personal relationship to clients in the community depends on the organisation
- ◆ Network within the community provides clients, work, income

### Risk profile

- ◆ Usually not risky in the short term, since programmes are based on 1- or 2-year programme budgets
- ◆ Limited ability to survive traditional modernisation programmes, since they are seen as transitional, not “serious”
- ◆ Type of business sometimes not market oriented and products are sold in odd markets like tourism
- ◆ Carry a cash flow risk of late payment
- ◆ Financially risky in the long term, as they are dependent on outside funding, not on their own efforts

### Job creation potential

- ◆ Yes, if short- or medium-term jobs are counted: in the long run very doubtful however
- ◆ Yes, if they are providing a new service which has not been provided before.
- ◆ Sometimes, but not usually if they are privatising an existing service, more so if the existing service has been irregular and inadequate.
- ◆ Yes, if they are adding a dimension (such as recycling) to an existing service.
- ◆ Yes, if they change the labour-capital ratio of the services they are replacing, that is, if they substitute labour for mechanical energy by using a lower level of technology.
- ◆ Yes, if they operate a service which is not feasible for a big private firm due to the characteristics of the area (less densely populated or very densely populated in sloppy areas)
- ◆ Yes, if they develop their social service in time to a business oriented approach

### Is the Work Sustainable and Well-paying ?

- ◆ Not usually in the case of values-based MSEs, because the organisations will want to “skim off any profits to support their social, rather than commercial goals.
- ◆ In some cases if there is a specific plan to “spin off” the operation as its own business, and to let the workers become its owners.
- ◆ In this sense, the work could be considered **conditionally sustainable**, where the conditions relate to the adequate partnership of the public sector.
- ◆ Sometimes if there are arrangements made which protect the operation and existence of the MSE (e.g. conditions in contracts, an operation that allows for cross-subsidising from the municipality or from clients in higher income areas, their mode of operation such as donkey carts are allowed in profitable areas)

In Dar es Salaam, the Mabibo group (founded by women) aims to clean up their Ward (mixed population) environment by collecting household garbage and dispose it in the Ward's transfer point. They provide wage labour for poor (wo)men from their Ward, developed a collection system, having a growing number of customers. The first year, however, they depended on loans and gifts from husbands and relatives; the enterprise was running at a loss, they had no idea of financial management of an enterprise. The labourers and the CBO-committee were working over-time to get the garbage cleared, to collect fees from clients and to convince clients of the importance of their service. They were worried, but not unduly so, since their main aim was: achieve a clean environment. They are registered as a CBO. Nobody considers them an enterprise. There are other similar CBOs in several other wards of Dar es Salaam and elsewhere

## CHAPTER 3 CONCLUSION

Experience shows that a comprehensive MSE privatisation approach is more likely than traditional privatisation to maintain or even create workplaces because:

- ◆ The level of mechanisation is less
- ◆ The economies of scale are smaller
- ◆ There is less emphasis on profit
- ◆ There is more room for “side” operations like recycling
- ◆ There is a tendency to extend services to difficult zones, whereas traditional privatisation tends to exclude difficult zones because they are more expensive and less profitable to serve
- ◆ There is an extensive market for cheap(er) products and in providing services and commodities to low-income groups in the expanding urban low-income areas

Thus, MSE privatisation is more likely to have a favourable effect on workplaces, even though these may not be “jobs” in the strict legal sense, but rather, livelihood businesses.

MSE Urban Waste Strategies – Useful if Done Carefully, but No Panacea

### **MSE-based Urban Waste Strategies can:**

provide some sustainable work if the municipality cooperates  
serve some but not all of the goals of sustainability  
in the commodities area, provide a real exit from poverty for some individuals  
offer an alternative route to privatisation which is more likely to preserve workplaces  
create and maintain community feedback systems  
improve urban living conditions in some circumstances

### **MSE-based Urban Waste Strategies can not:**

create a large number of high-paying jobs  
substitute for or succeed without municipal commitment  
survive without active municipal promotion and cooperation  
completely pay for themselves  
substitute for the lack of infrastructure in poor and marginal communities

## CHAPTER 4 “WHY MICRO-ENTERPRISES” QUESTION

Why are we promoting and supporting MSE involvement, and where is our support going? We have seen and participated in some successes in the last years, and now we need to really see what we are doing if we will succeed in “going to scale”. So do we promote the MSE sector as a goal in and of itself, or is it a strategy to achieve some other goal? Or is it merely a transitional stage in the development of a stable and sustainable approach to urban services? In the next few minutes, I will suggest some answers that in turn provoke more questions.

### *1 Do we support MSEs because we have an ideological commitment to “Small is Beautiful”?*

Is the interest in MSEs an ideological commitment to small enterprise? That is, is it a goal in itself and if so, WHY do we want to commit to small enterprise? Is the involvement of MSEs at its core nothing more than a way to create extra employment (e.g. like what happened in the North during the thirties: creating forest by hand, shovel and wheelbarrow). If so, based on what we have seen in the preceding discussion, it is not a very good strategy, since the numbers of positions are not great, and in service-based MSEs, they are also low-paying and constantly under pressure.

To answer this, we want to explore the ways in which small enterprise differs from middle and large and very large enterprises, given the ways in which MSEs in waste management differ among themselves.

#### **Discussion:**

- ◆ Are these characteristics making us support MSEs?
- ◆ Is there a difference between the desirability of service- or commodities-based MSEs? Are values-based MSEs a serious alternative in this area?
- ◆ Which are more desirable or sustainable?
- ◆ In what circumstances is it better to think about MSEs than other forms of privatisation?

### *2 Do we believe that supporting MSEs in urban waste management is a strategy to achieve some other goal for sustainable urban development?*

#### **Discussion:**

- ◆ Is supporting MSEs a strategy to achieve some other goal for sustainable urban development?
- ◆ If so, what is that other goal, and how does supporting MSE participation actually result in progress towards that other goal?
- ◆ What are the goals of urban waste management, and what, in particular, is the social dimension of those goals?

Drawing from ideas about transparency, decentralisation, sustainability, environmental soundness, and good governance, we might hypothesise the following goals:

- Overall goal: a clean and healthy urban environment, for all, equity, a human right
- Performance goal: well-functioning, affordable urban services
- Institutional and social goal 1: public satisfaction with the service and compliance with its rules.

- Institutional and social goal 2: public involvement and feedback mechanisms that allow citizens to have a role in determining the types of urban services they prefer, and provide a two-way channel of communication with the service provider;
- Policy goal: responsible and accountable service providers, whether in the public or private sector;
- Economic goal 1: a fair and safe livelihood for waste workers, whether in the formal and informal sector;
- Economic goal 2: urban waste services which pay their own way through a mix of cost recovery strategies and internalising external costs of waste generation and disposal;
- Environmental goal: maximum diversion from disposal to beneficial reuses such as composting, recycling, reuse, and repair, and safe disposal whenever diversion is not possible.

### **3 *Is the involvement of MSEs seen simply as a (necessary or helpful) stage in development of urban systems?***

#### **Discussion:**

- ◆ Is the involvement of MSEs a stage in the development of a country's urban infrastructure?
- ◆ If it is (only) a stage, what do we imagine it is a transition towards?
- ◆ Do we see the future as consisting only of compactor trucks rolling down well-paved streets collecting OECD-quantities of waste per capita and taking it to a landfill or an energy producing incinerator?

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