

# INSIGHTS

## InM Newsletter

■ Volume: 07 ■ Issue: 01 ■ April 2022

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# Real Life Ethos in Climate Change: Interplay of Morality and Economics

Since the beginning of modern economic thinking, economics and morality always have a troubled relationship. While morality is synonymous with 'goodness' or 'rightness', economics is about translating individual 'selfishness' into general wealth. Nonetheless, moral and ethical issues connect intimately with economic issues. For instance, COP26 global concerns relating to environmental values and policies are relevant in explaining the complex interplay of ethical and economic aspects. Environmental debates are about two categories of human action: resource use and waste disposal. For example, whether we are cutting our forests and drilling fossil fuels are issues of resource use; and whether toxic chemicals are poisoning water sources and greenhouse gases (GHGs) are causing global warming are issues of waste disposal.

Some issues, such as recycling of wastes, are concerns for both resource use and waste disposal. For example, the motivation for recycling may partly come from the belief that the world's natural resources are being depleted too fast. In addition, this may partly come from economic considerations, such as recycling can increase the available stock of natural resources. But recycling also has its costs; and whether the benefits of recycling outweigh the costs depends on the actual numbers.

How we should approach the above issues is governed by ethical values. We may think egoistically and see the environment as a set of resources for humans to use for deriving

benefits. In that case, the egoistic goal will be to preserve, change, or use the environment in ways that increase human wealth, health, and aesthetic value. On the other hand, strong forms of altruism applied to environmental issues may bring out different priorities. Altruism with respect to the environment requires that humans subordinate or sacrifice their interests to the needs of other species or to the environment. The environment is something to be preserved rather than used by humans. Human self-interested values are of lower priority than the well-being of other species or the environment as a whole.

In these circumstances, the results of economic analysis lead directly to moral issues. The point for economic analysis which deals with understanding and predicting the consequences of various actions is that the relevance of economic analysis to policymaking depends, at least in part, on what one believes is the final source of value standards. For example, one question is: who should be the beneficiaries of the good action? A common assumption of economic analysis is that individuals are rational and self-interested. The question focuses on self-interest. Is self-interest moral, amoral, or immoral? Is morality a matter of individuals taking responsibility for their lives and working to achieve happiness? Or is morality a matter of individuals accepting responsibility for others and being willing to forgo or sacrifice for them? This is the debate between egoism and altruism.

Economic modeling can be used to map the distributive effects of climate change actions, and thus to identify vulnerable individuals and socioeconomic groups in advance, allowing a society to intervene. For example, carbon taxes may be effective, but they may be unfair because they have a big impact on the purchasing power of the poor. Thus carbon tax sacrifices the interests of the poor to achieve our climate change goals. The critical issue for economists is to identify ways to compensate the poor, so that we can have our cake and eat it too.

Sometimes bad behaviour may have good consequences. For example, Professor Kaushik Basu (as chief economist to the Indian Government) proposed legalising paying bribes (when officials demand money for doing their job, such as issuing identity cards or school certificates). People have little choice about paying these although they do not like to pay these. If they could get what they needed and then report the crime, many of them might do so; but knowing that this would raise the cost of bribes, they refrain from doing so. Thus, legalising the paying of bribes may reduce the level of corruption (amount of bribe).

At this point, we may refer to Peter Singer's famous moral parable of the shallow pond. The argument is: You are walking by a pond and see a child drowning. What do you do? Jump in and save him, of course! Ending global poverty is like that. Is global poverty really that simple to solve? If only we had known that the only problem was our lack of motivation and collective action. But, the economist would ask for more information and logistical analysis before jumping into Singer's shallow pond of good intentions. For taking such an approach, economists are often called boring, cynical, and even cold-hearted; but it is a more consistent utilitarian position. Utilitarians, after all, are to maximise the good they actually achieve, not the goodness of their intentions. For utilitarians, inefficiency is a vice. To be a good efficient utilitarian, you need to understand and employ the best logistical techniques; and the place to get them is economics.

The most important bridge between morality and economics is the pragmatism that drives the deductions of economics. Economics is concerned about proportion; and looks at the issues as part of the complex global system. A central question of economics is: how much does it matter? Useful conclusions need sense and sensibility; as well as proportion and perspective. It is well recognised that socioeconomic inequalities are corrosive to any society so are the climate change concerns to humanity. These make poverty reduction difficult, hurt sustainable progress and development, and drives social conflicts and violence. Reducing inequalities and climate change concerns presents a great challenge; and there could be multiple ways of reducing inequalities and climate change harms.

However, as with global warming, the biggest challenge is that rising inequalities becomes increasingly self-reinforcing; as economic power begets political power, which feeds into further rising of economic advantage. The threat is real in all countries including Bangladesh. Ernst Schumacher explores the most pressing issues of modern life at the intersection of economics, ethics, and environmental awareness and observes: "In the excitement over the unfolding of his scientific and technical powers, modern man has built a system of production that ravishes nature and a type of society that mutilates man. If only there were more and more wealth, everything else, it is thought, would fall into place. Money is considered to be all-powerful; if it could not actually buy non-material values, such as justice, harmony, beauty or even health, it could circumvent the need for them or compensate for their loss."

Economists are often considered as humans who value economic theory above humanitarian values. Obviously, we need a new economics that works to improve the lives of all humans, not just those already well off, as Schumacher in his 'Small Is Beautiful. A Study of Economics As If People Mattered' (1973) says, humanity needs an economics that creates wealth for all people, just not money for privileged people and corporations. Economics should take into account ethics and the environment, and treat

its claims less like rigid truths.

Economists and moralists share common interests in rationality and in evaluating social outcomes and policies. It is true that the beginnings of economics and morality differ, but both have a lot of common ground. Moralists can learn from economists, since they have developed conceptual and analytical tools; and analysed the consequences of alternative policies in real world situations. Similarly, economists also cannot ignore morality.

## Research & KnM Highlights

### Baseline Study on Piloting WaterCredit Adoption (WCAD) Programme

InM is currently implementing the pilot phase of the WaterCredit Adoption (WCAD) Programme with support from Water.org that aims to create the scope of providing the poor households with access to small loans as a solution to affordable financing including access to expert resources to make household water and toilet solutions a reality. The piloting has been undertaken by InM in partnership with ten WCAD partner MFIs for the customers at the bottom-of-the-pyramid (BOP). The phase covers a period of 12 months; and, at the end of the pilot, around 100,000 water supply and sanitation (WSS) loans are expected to be disbursed to reach about 400,000 people with improved water and/or sanitation along with increased capital mobilisation.

Under the programme, InM is conducting a baseline survey which will be used to assess the initial conditions; in addition, this will serve as a benchmark to measure changes at the end of the pilot. The target households are the potential borrowers of the WCAD partner MFIs who are the prospective borrowers of the WCAD Programme. InM has completed the household survey and currently in the process of preparing the report.

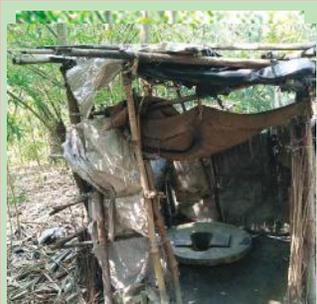
### Field visit under WCAD programme

Under the field visit and monitoring component of the WCAD programme, two different areas were selected for recent visits. An InM team visited the Southern part of Bangladesh in the last week of February and during March 2022. The team visited branches of four WCAD partners in Barishal, Patuakhali, Khulna and Narail districts. The team visited Taltoli and Shaheberhat branches of CODEC; Barishal Kalapara and Kuakata branches of PMUK, Patuakhali. The team also visited khalishpur and Afligate branches of Shakti Foundation in Khulna and Narail and Lohagara branch of SDC at Narail.

During the field visit, the team attended courtyard sessions, visited households to observe the WCAD programme implementation process and attended discussion sessions with branch staff. During the meeting sessions with branch staff, programme targets and achievement, training facilities, challenges in implementing the WCAD programme, adopted strategies to overcome the challenges, threats and opportunities, programme monitoring process at field level and other field level issues were discussed. In addition, the InM team also monitored the borrower demand creation process as well as the WCAD

product demand in the Southern part of the country. The visit helped the partner staff to motivate and make them aware of WCAD programme goals and targets.

## Glimpses from Field



Household used this toilet before WCAD loan



After using WCAD loan and new product

Borrower household who received sanitation loan under WCAD programme.



Training session for SDCs branch staff of Lohagara branch at Narail.



Courtyard meeting with PMUK members at Kalapara branch, Patuakhali on 20 February 2022.



Discussion meeting with CODEC branch staffs at Taltoli branch office, Barishal on 19 February 2022.

## Training Highlights

### Consultation meeting and WCAD model implementation training for WCAD partner organisations

InM organised a one-day long half yearly consultation meeting and WCAD model implementation training for its WCAD partner organisations. The programme was held in Dhaka on 24 February 2022. A total of 23 participants from the WCAD partners, Water.org, and InM joined the programme. Major contents of the programme included experience sharing on WCAD programme implementation, loan size adjustments to meet customer needs, planned target review and achievements, monitoring issues in WCAD programme at organisation's different management levels, effective programme reporting system, and similar field level issues.



Day long half yearly meeting session with all WCAD partners organised by InM and Water.org on 24 February 2022



Focal person and Head of Microfinance from Partner MFIs in the day long half yearly meeting session

## WCAD training for BEES

A one-day training session titled "WCAD model implementation" was organised by InM for its WCAD partner, BEES. The session was held at BEES headquarters in Dhaka on 9 March 2022 which was attended by 40 participants, including directors, assistant directors, and zonal and area managers. The topics covered the concept and characteristics of the WCAD model, linkages between SDGs and WCAD model, products under the WCAD model at the field level, demand creation techniques for WCAD products, and monitoring and reporting system of WCAD implementation at the field level.



## Relocation of InM Office

We are glad to inform that the office of the Institute for Inclusive Finance and Development (InM) has been relocated at the following address with effect from 27 March 2022:

House #50, Road #8, Block-D, Niketon, Dhaka 1212, Bangladesh

## 58th InM Governing Body Meeting

The 58th meeting of the InM Governing Body was held on 30 January 2022 at 3.00 pm. Due to the Covid-19 pandemic, the meeting was held virtually. The Chairman of the InM Governing Body, Dr. Qazi Kholiquzzaman Ahmad presided over the meeting. Members of the Governing Body – Dr Nomita Halder ndc, Managing Director, PKSF; Dr. Jahangir Alam Khan, Vice-Chancellor, University of Global Village (UGV); Dr. Nilufar Banu, Executive Director, Bangladesh Unnayan Parishad (BUP); and Dr. Mustafa K Mujeri, Executive Director, InM attended the meeting.



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