RESPONSIBLE SOURCING INITIATIVE CASE STUDY



Bridging the credit gap in plastic recycling value chains in Viet Nam

BACKGROUND

Financing barriers in Viet Nam's informal recycling sector

Viet Nam's recycling economy is heavily dependent on the informal sector, similar to other emerging markets, with an intricate network of waste pickers, junk shops, and small aggregators who serve as the primary drivers of material recovery. Yet this sector operates at the margins of the formal financial system, creating a persistent gap between its economic contribution and its ability to access the capital needed to grow. Limited capacity among financial institutions to assess recycling projects, combined with low awareness and readiness among recyclers, further restricts access to funding.[1] Addressing this gap requires tailored financing solutions, simplified processes, and capacity building for both banks and recyclers, including support to meet required compliance standards and improve loan readiness.



For more than a decade, Nguyễn Hoài Bảo has been part of Viet Nam's recycling economy. Based in Tiền Giang, he runs a small junk shop supplying recyclable materials to the Khanh Nga aggregation facility. Together with his wife, Ms. Ngan, he manages daily operations. Like many junk shop owners, Mr. Bảo plays a critical role in material recovery while operating with limited financial security.

The plastic recycling market in Viet Nam is forecast to grow, but limited recycling facilities restrict the availability of recycled plastics.[2] As the demand for recyclable materials increases, Bảo needs capital to expand purchasing volumes and manage cash flow during inventory turnover. Accessing formal finance, however, has proved difficult. Although Asia Commercial Bank had previously approved a loan of VND 22 billion, documentation errors and collateral valuation disagreements led to early repayment. The experience placed significant financial strain on their business and weakened their trust in the formal banking system.

INTERVENTION

Discovering an alternative pathway to finance

Bảo first learned about the Responsible Sourcing Initiative (RSI) and its project in Viet Nam through VECA, one of the project partners, at a gathering held at the Khanh Nga crushing plant. One of the RSI's key interventions in Viet Nam is to improve access to finance for the recycling sector, including informal enterprises and workers. As part of this effort, the RSI introduced a tailored approach to support junk shop owners in accessing low-interest loans. For small aggregators and junk shops, this includes helping businesses become "loan-ready" by supporting the preparation of required documentation and building their understanding of suitable financing options.

Despite past challenges with banks, Bảo and Ngan decided to apply, encouraged by the promise of hands-on support and guidance through the financing process. Alongside seeking finance, the couple actively engaged in other RSI training initiatives, including business compliance and worker rights training, as well as support with facilitating health insurance registration and vaccinations for suppliers and workers at their facilities. This upskilling not only strengthened their business compliance and operational practices but also enhanced their credibility with financial institutions, improving their ability to demonstrate reliability, transparency, and readiness to access formal finance.

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[1] International Finance Corporation (IFC) and World Bank (2021) Market study for Vietnam: Plastics circularity opportunities and barriers [online]. Available from: https://www.ifc.org/content/dam/ifc/doc/mgrt/market-study-for-vietnam-plastics-circularity-opportunities-and-barriers.pdf [Accessed: April 30, 2026].

[2] GMI Research (2025) Vietnam plastic recycling market size, trends, growth and analysis report – opportunities and forecast 2025–2032 [online]. Available from: https://www.gmiresearch.com/report/vietnam-plastic-recycling-market/ [Accessed: April 30, 2026].

> **"The training on tax and business compliance was also useful, as it helped me better understand invoice regulations and tax obligations. This made me feel more confident and assured when conducting transactions. Besides, the assistance in connecting me with banks helped me obtain a better loan to support the expansion of my factory."**
>
> Nguyễn Hoài Bảo

The VECA team worked closely with Bảo to review and correct documentation issues that had previously blocked loan approvals. Financial records and asset documentation were reorganized to better reflect the scale and viability of the business. After evaluating multiple financial institutions, VECA connected Mr. Bảo with the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV), whose appraisal capacity and approval thresholds were better suited to large-value loans in the recycling sector. Throughout the process, VECA coordinated directly with the bank's credit and appraisal teams, closely monitoring progress to reduce delays.

OUTCOMES

Access to finance enables business growth, stability, and livelihood security

The process resulted in a successful loan disbursement of VND 19.8 billion from BIDV, including a medium- to long-term loan of VND 14.8 billion with a preferential interest rate of 6.9% for the first two years, and a short-term business loan of VND 5 billion. The financing helped Mr. Bảo to stabilize cash flow, scale up purchasing, and invest in a second warehouse – strengthening storage capacity and enabling more predictable business growth. By expanding his facility, he will also be able to create additional employment opportunities and support the livelihoods of more workers and their families.

LEARNINGS

Capacity building and strong financial partnerships can unlock bankability and access to finance

Access to affordable formal finance for small-scale businesses in recycling value chains is often constrained by structural barriers related to asset valuation, limited documentation, and institutional risk perceptions. These enterprises are frequently viewed as high-risk due to a lack of formal financial records, standardized processes, and recognized collateral, making access to formal finance particularly challenging.

However, this case shows that these barriers can be addressed through targeted preparation, including improving documentation, strengthening basic business practices, and aligning enterprises with lender requirements. Identifying the right financial partner – one that understands the sector – and providing sustained handholding throughout the process are critical to building confidence on both sides.

Enabling access to formal finance for small-scale businesses not only supports business growth and stability but also strengthens the overall resilience of recycling value chains. It creates pathways for greater formalization, improved compliance, and more responsible sourcing practices, ultimately contributing to more economic opportunities.



Nguy ễn Hoài B ảo (second from left) following training on business compliance.

This initiative is supported under The Circulate Initiative's Responsible Sourcing Initiative (RSI) in Viet Nam within Duy Tan's recycling value chain. The RSI implementation in Viet Nam is carried out with support from UNDP Viet Nam, in collaboration with grassroots partners. The RSI engages with all stakeholders across the recycling value chain to advance responsible sourcing practices that respect human rights and strengthen circularity.