TAPPING THE MARKET

Domestic private sector constraints to investing in sanitation for the poor

In Bangladesh, Indonesia, Peru, and Tanzania, **200 million people** crave better sanitation - a market worth nearly $2.6 billion; yet, private sector entry has been low. What are the major barriers to increasing private sector participation in the sanitation market?

CREATING A VIBRANT INVESTMENT CLIMATE

Current sanitation policies are not focused on lifting entry barriers. Despite the existence of government sanitation promotion programs, businesses in sanitation do not know where the viable markets are, consistently pay bribes to “get things done”, and lack access to finance.

- **Percent of firms who did not know or disagreed that gov’t sanitation promotion programs were well-publicized**
  - Bangladesh: 90%
  - Peru: 60%
  - Tanzania: 40%  

- **Percent of firms who identified corruption as a major or severe barrier to entry**
  - Tanzania: 45%
  - Peru: 33%
  - Bangladesh: 15%
  - Indonesia: 13%  

- **Percent of firms with bank accounts**
  - Indonesia: 22%
  - Tanzania: 39%
  - Bangladesh: 47%
  - Peru: 67%  

- **Percent of firms with loans or lines of credit**
  - Indonesia: 41%
  - Tanzania: 21%
  - Bangladesh: 52%
  - Peru: 56%

STRENGTHENING THE SUPPLY CHAIN

The sanitation industry is highly fragmented and uncoordinated, making it difficult to develop and deliver products consumers are willing and able to buy. Enterprises with the scale to tackle these industry challenges do not see sanitation or the poor as a priority market; businesses that do focus on sanitation have limited reach and differentiation.

- **Percent of surveyed firms’ revenue from sanitation**
  - Indonesia: 92%
  - Peru: 67%
  - Bangladesh: 56%
  - Tanzania: N/A  

- **Percent of firms that target poor customers**
  - Tanzania: 49%
  - Bangladesh: 61%
  - Indonesia: 66%  

- **Percent of firms with <5 employees (i.e. “microfirms”)**
  - Peru: 24%
  - Indonesia: 56%
  - Tanzania: 76%
  - Bangladesh: 85%

HITTING THE CUSTOMER SWEET-SPOT

Households often aspire to a sanitation solution but cannot find a good, affordable product in their local market. As a result, they tend to make do with what they already have and prioritize other expenses.

- **Cost of aspirational sanitation facilities as percent of poor households’ annual income**
  - Indonesia: 11%
  - Tanzania: 7%
  - Peru: 6%  

- **Sanitation’s rank on a typical poor household’s priority list**
  - Indonesia: 8th of 10
  - Bangladesh: 10th of 10
  - Tanzania: 6th of 6  

- **Desired characteristics of sanitation solutions for the poor**

Highlights from an enterprise survey. For more information, see: “Tapping the Market: Opportunities for Domestic Investments in Water for the Poor,” published by the World Bank Water & Sanitation Program (WSP) and International Finance Corporation (IFC), August 2013.
Sustainable Services through Domestic Private Sector Participation (DPSP)

DPSP is a practice area of the World Bank-administered Water & Sanitation Program (WSP) that works with private sector actors and governments to bring water and sanitation services to the base-of-the-pyramid market. Over five years, DPSP seeks to bring sustained access to improved water supply and sanitation services to 2.5 million people, leveraging $100M in investments by donors, governments, and the private sector. Halfway through its implementation, DPSP has reached 1.3 million people and leveraged $140M in investments - $20M of which came directly from small and medium firms.

DPSP currently works in countries located across four continents. Key statistics from countries profiled in DPSP’s Tapping the Market study on private sector provision of sanitation to the poor are highlighted below.

- **BANGLADESH**
  - 4% of country still defecate in the open
  - $416M sales value of facilities needing replacement
  - 3% of annual income needed to purchase a basic toilet

- **TANZANIA**
  - 16% of country still defecate in the open
  - $18M sales value of facilities needing replacement
  - 4% of annual income needed to purchase a basic latrine

- **INDONESIA**
  - 36% of country still defecate in the open
  - $1,466M sales value of facilities needing replacement
  - 4% of annual income needed to purchase a basic toilet