TAPPING THE MARKET

Domestic private sector constraints to investing in water for the poor

46 million people in Benin, Bangladesh, and Cambodia lack access to clean water - a market worth $90 million per year; yet, private sector entry has been low.

What are the major barriers to private sector entry into this large market?

DEMAND

Hitting the customer sweet-spot

Demand is not well understood. Firms see the poor as tough customers who are not willing or able to pay, in part due to available alternate sources of water.

Percent of firms that see customer demand as a severe obstacle

- Bangladesh: 7%
- Cambodia: 14%
- Benin: 60%

SUPPLY

Finding the right business model

Achieving profit in the water sector is difficult. Private firms are small, under-resourced, and wary of future investments.

Profit Challenges

Water sold/resident (m$^3$/year)

- Bangladesh: 42
- Cambodia: 17
- Benin: 1

Margin per m$^3$ water sold (cents)

- Bangladesh: 1
- Cambodia: 35
- Benin: 46

* All funds are in US$

INVESTMENT CLIMATE

Creating a vibrant investment climate

Private water firms face a variety of public policy and institutional issues including access to finance, dense bureaucracy, and an unreliable, costly energy supply.

Percent of firms who see access to finance as an obstacle

- Bangladesh: 30%
- Cambodia: 75%
- Benin: 32%

Informal transaction costs for acquiring a water tender license in Cambodia

- max: $5,000
- average: $2,100
- min: $1,000

+ Renewal cost: $500 every three years

* All funds are in US$

Percent of operational costs related to electricity

- Bangladesh: 39%
- Cambodia: 65%
- Benin: 39%

Sources of water for poor households with piped water access

- Bangladesh: Tubewell only: 36%, Piped Only: 46%, Piped and Tubewell: 22%
- Benin: Seasonal rain/river water: 42%, Well: 22%, Handpump/tubewell: 42%, Surface water: 21%

Percent of firms with fewer than 5 employees

- Bangladesh: 79%
- Cambodia: 70%
- Benin: 68%

Percent of firms with intentions to invest in additional water networks

- Bangladesh: 48%
- Cambodia: 53%
- Benin: 30%

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 piped water to the poor are highlighted below

**BENIN**
- 6.1M people not connected to state water utilities
- 30% of designed production capacity utilized
- $96 amount per year a household pays for water

**BANGLADESH**
- 135.6M people not connected to state water utilities
- 18% of designed production capacity utilized
- $16 amount per year a household pays for water

**CAMBODIA**
- 13M people not connected to state water utilities
- 46% of designed production capacity utilized
- $46 amount per year a household pays for water