


Study Reveals Large, Untapped Potential for Water and Sanitation Services for the Worlds Poor

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Many of the poorest, un-served people in developing countries, for whom public water and sanitation services are out of reach, could increasingly rely on service provision through the domestic private sector. A new report today released by the World Banks Water and Sanitation Program (WSP) and the International Finance Corporation (IFC) finds that this will not only improve their livelihoods but is also an enormous market potential which waits to be tapped. Today, 2.5 billion people lack access to sanitation and at least 780 million people lack access to safe drinking water. Global estimates of economic losses from the lack of access to water and sanitation are estimated at US\$260 billion every year. "The public sector alone cannot meet this massive challenge; if we want to end extreme poverty by 2030 and boost shared prosperity for the bottom 40%, we will have to scale up water and sanitation access, said WSP Manager Jae So. "And to do that, both the public and private sector will need to work together. One of the most striking findings of Tapping the Markets: Opportunities for Domestic Investments in Water and Sanitation for the Poor, is the enormous market potential. Focusing only on Bangladesh, Benin, and Cambodia, about 20 million people are projected to obtain their water from rural piped water schemes by 2025. That is 10 times the current number, a market worth at least US\$90 million a year. On the sanitation side, there is a potential US\$700 million Bottom of the Pyramid market in Bangladesh, Indonesia, Peru, and Tanzania. The current total market for improved on-site sanitation services in these four countries is estimated to be worth US\$2.6 billion. "How to meet the growing demand for these services from poor communities through the domestic private sector is not straight forward, said Laurence Carter, Director of IFCs Public Private Partnerships Transaction Advisory Services. "But private firms have an incredible market opportunity to serve the base of the pyramid, which makes up the largest percentage of the population in these countries. This can not only yield significant development impacts, but also potential profits and sustainable businesses. The results of the study offer new solutions to prevent the thousands of daily child deaths and hundreds of billions of dollars in annual economic losses caused by lack of access to water and toilets. It takes a hard look at the challenges faced in tapping the business opportunities in developing countries by private firms willing to make the commitment to reaching the poorest people. Three areas of focus that will strengthen the market for sanitation solutions and small-scale, rural and peri-urban water systems include: delivering value to customers at affordable prices building mutual confidence between the private sector and this market segment developing a favorable investment climate While there is no silver bullet to overcome investment barriers, a number of options are available to address these constraints and build market opportunities. The report outlines a number of possible solutions, ranging from better understanding of consumer preferences to policy reforms to capacity building for smaller firms that can then invest in poor, rural and peri-urban areas. As one example, consumers prefer a turn-key sanitation solution, but individual companies typically work on only one part of the puzzle: latrine components, construction, or pit-emptying. If consumers were offered a "one-stop shop by firms that also had the financial, business and marketing knowledge to grow their business, the use of these services would expand significantly. Referring to the proposition that the base of the economic pyramid represents both a market and development opportunity, So said, "This idea that businesses can be part of the solution is an attractive one. The study takes a hard look at this proposition and asks sobering questions so that we can find answers that could work at scale. WSP is a multi-donor partnership created in 1978 and administered by the World Bank to support poor people in obtaining affordable, safe, and sustainable access to water and sanitation services. WSPs donors include Australia, Austria, Canada, Denmark, Finland, France, the Bill & Melinda Gates Foundation, Ireland, Luxembourg, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States, and the World Bank. For more information, please visit www.wsp.org IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. Working with private enterprises in more than 100 countries, we use our capital, expertise, and influence to help eliminate extreme poverty and promote shared prosperity. In FY13, our investments climbed to an all-time high of nearly \$25 billion, leveraging the power of the private sector to create jobs and tackle the worlds most pressing development challenges. For more information, visit www.ifc.org The report will be presented at World Water Week in Stockholm on September 3, 2013. The World Bank 1818 H Street, NW DC 20433 Washington USA Telefon: (202) 473-1000 Telefax: (202) 477-6391 Mail: investigations_hotline@worldbank.org URL: <http://www.worldbank.org/> 

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