



5 Myths About the Business of Sanitation

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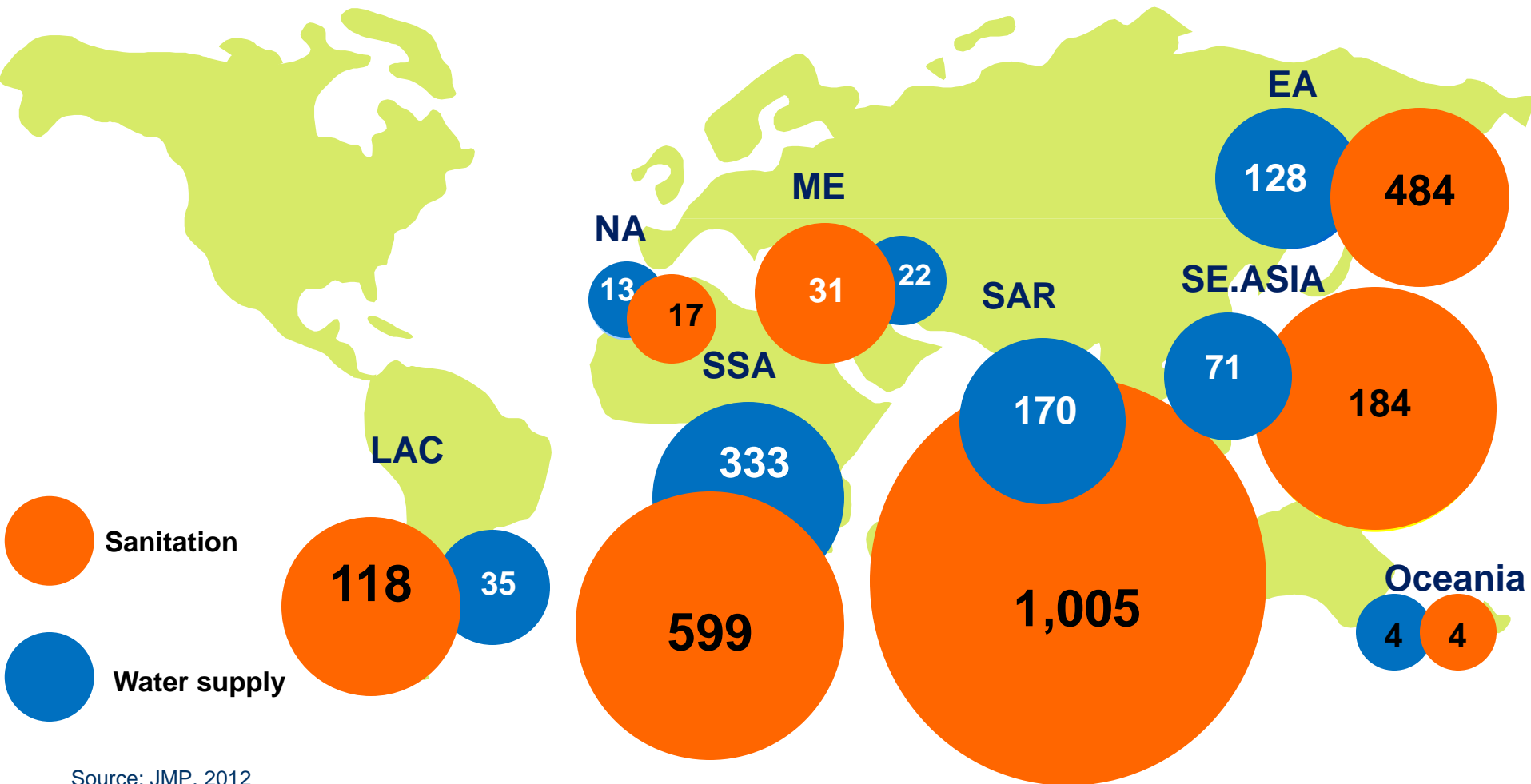
THE WORLD BANK



A Market Out of Exclusion

2.5 billion people lack access to improved sanitation

780 million people lack access to water supply



Source: JMP, 2012



Myth #1 The Sanitation Market is Small

Firms catering to poor households are mostly micro-firms because the market is small

The sanitation market is large potential could double the market

- Market estimate is \$300 m/year
- Potential market: \$2.6 b
 - Rural areas: \$ 1.9 b
 - Market below poverty line: \$700 m



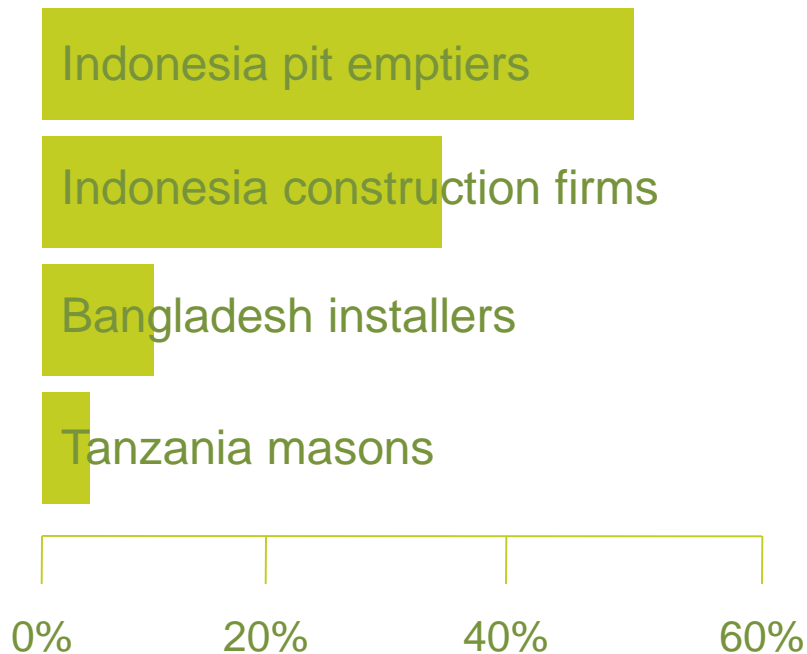


Myth #2 Sanitation is a Low Margin Business

Margins in sanitation are so small, micro-firms find it hard to add value and expand

Margin levels are like in other construction firms are increasing margins with value adding

Typical Unit Margin per Product or Service Delivered



From manufacture & sale of rings and slabs





Myth #3 People Without Sanitation Can't Afford it

Low interest in sanitation is driven by the lack of money

Even when money is not an issue sanitation is a low expenditure priority



65% of those without improved sanitation are non-poor



29% of Indonesians defecating in the open are non-poor



85% of rural non-poor Tanzanians do not have improved sanitation

- Investment in available solutions are only 3-4%* of annual incomes of the poor
- The poor spend as much on mobile phone use a year as it would to purchase improved sanitation

*Except in Peru, where it is 7%



Myth #4 People Want 'Improved' Sanitation

People recognize the benefits of having basic sanitation that meets the standards

The poor will pay for their ideal solution but they do not find anything worth buying

Wanted:
bathroom



PERU

Price Quoted
for Ideal
Solution
\$78

Give me
finance & a
platform.



BANGLADESH

Price Quoted
for Ideal
Solution
\$12

A lid and a
door would
be ideal



TANZANIA

Price Quoted
for Ideal
Solution
\$41

Mmm...septic
tank... but so
expensive!



INDONESIA

Price Quoted
for Ideal
Solution
\$100



Myth #5 Policies Promoting Sanitation Stimulate Private Investments

Policies that promote sanitation motivate the private sector to invest

The impact of current policies is limited neither hindered nor helped private initiative

- Nearly all firms in Bangladesh said they did not know about sanitation standards and rules
- 55% of firms in Peru said rules were not clear
- 50% of firms in Tanzania also said rules were not clear
- Asked about whether promotion programs were well publicized, same types of responses were obtained

Conclusion and Next Steps



Sanitation supply chains are not presently geared to deliver innovations for the poor

Areas where work can be intensified to bring in the right kinds of investment in sanitation

Research and development of products for the poor

Overcoming initial barriers: market intelligence

Reinforcing customer recognition of quality

Mass manufacture, distribution & installation

Partnership models between industry & government to create 'dealflow'

Financing options for the poor

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Tapping the Market

Private sector constraints to investing in water for the poor in Benin, Bangladesh, and Cambodia, 40 million people lack access to clean water, a market worth nearly \$90 million per year, yet private sector entry has been low.

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

TAPPING THE MARKET

Private sector constraints to investing in sanitation for the poor

In Bangladesh (BGD), Indonesia (IND), Peru (PER), and Tanzania (TNZ), 200 million people crave better sanitation products, 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 provision programs, businesses in sanitation do not know where the viable markets are, consistently pay fees to "get things done", and lack access to finance.

Country	Percent of firms who did not know or disagreed that gov't sanitation provision programs were well publicized	Percent of firms who identified corruption as a major or severe barrier to entry	Percent of firms with bank accounts
BGD	90%	22%	48%
IND	60%	39%	78%
PER	40%	48%	78%
TNZ	40%	48%	78%

HITTING THE CUSTOMER SWEET-SPOT

It's not just about if the poor can pay; it's also do they want to pay given competing priorities. Households often aspire to a sanitation solution they cannot afford; when that desired product is not within their reach, they settle do with what they already have.


Country	Cost of operational sanitation facilities as percent of poor households' annual income	Sanitation's rank on a typical poor household's priority list
IND	11%	Indonesia: 8th of 10
TNZ	7%	Tanzania: 10th of 10
PER	6%	Tanzania: 8th of 10

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. Entrepreneurs with the scale to tackle these industry challenges do not see sanitation or the poor as a primary market; businesses that do focus on sanitation have limited reach and differentiation.

Country	Percent of firms that target poor customers
PER	24%
IND	55%
TNZ	76%
BGD	82%

Percent of surveyed firms' revenues from sanitation:
 IND: 92% (Specializing)
 PER: 67% (Specializing)
 BGD: 56% (Specializing)
 IND: 66% (Specializing)
 PER: 49% (Specializing)
 BGD: 61% (Specializing)
 IND: 66% (Specializing)



Tapping the Market

Opportunities for Domestic Investments in Sanitation for the Poor

CONFERENCE EDITION



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water and
sanitation program