

Economics of Sanitation Initiative

What are the economic costs of poor sanitation and hygiene?

The Economics of Sanitation Initiative (ESI) launched in 2007 with a WSP study from East Asia,¹ which found that the economic costs of poor sanitation and hygiene amounted to over US\$9.2 billion a year (2005 prices) in Cambodia, Indonesia, Lao PDR, the Philippines, and Vietnam, with a total population of more than 400 million.

The groundbreaking study was the first of its kind to attribute dollar amounts to a country's losses from poor sanitation. The report sparked public awareness and Government action in several countries.

The ESI studies conduct quantitative and qualitative assessments of the impacts of poor sanitation on

health, water, tourism, and other welfare impacts. The impacts stem from well-established links between sanitation and disease incidence, water pollution—which also affects the productivity of water resources by way of lower fisheries output, productivity in work and school, and a country's attractiveness as a tourist destination.

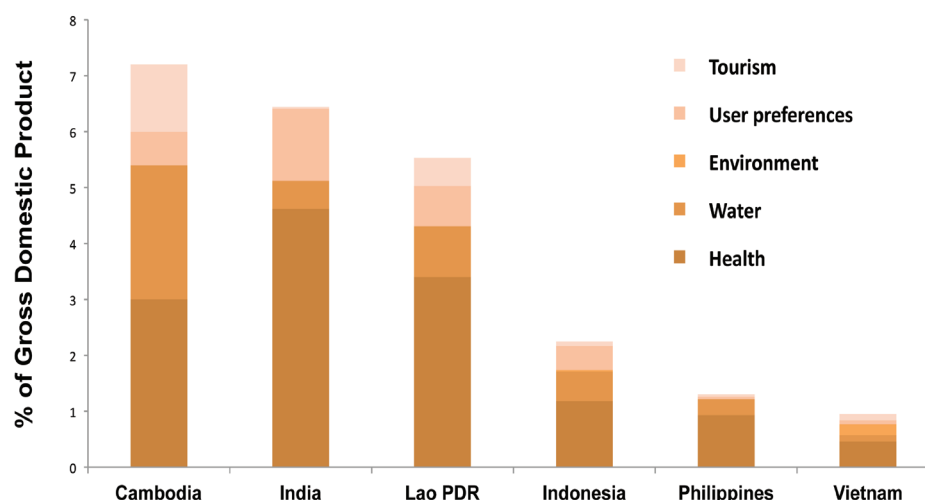
Health and water resources contributed most to the overall economic losses estimated in the study. Poor sanitation, including hygiene, caused at least 180 million disease episodes and 100,000 premature deaths annually. The resulting economic impact totaled more than US\$4.8 billion a year.



COUNTRY	ECONOMIC IMPACTS OF POOR SANITATION
INDIA	The impact of inadequate sanitation in India is US\$53.8 billion, equivalent to 6.4% of the GDP (2006).
CAMBODIA	Poor sanitation costs Cambodia US\$448 million per year, equal to 7.2% of GDP (2005).
INDONESIA	In 2006, Indonesia lost an estimated US\$6.3 billion due to poor sanitation and hygiene, a sum equivalent to 2.3% of GDP (2005).
LAO PDR	Lao PDR loses an estimated US\$193 million per year due to poor sanitation and hygiene, equal to 5.6% of GDP (2006).
PHILIPPINES	The study estimated that poor sanitation in the Philippines led to economic costs of US\$1.4 billion, or 1.5% of GDP (2005).
VIETNAM	Economic losses in Vietnam from poor sanitation are equal to roughly 1.3% (US\$780 million) of GDP (2005).

¹ Reports available at www.wsp.org. Results from the study for India were released December 2010. ESI studies are in progress for Bangladesh and Pakistan, with others also planned for countries in Africa and Latin America and the Caribbean. The second phase of ESI in East Asia analyzes the cost-benefit of alternative sanitation interventions and will enable decisions on how to more efficiently spend funds allocated to sanitation.

Economic Impact of Inadequate Sanitation



Improved sanitation yields economic gains. The report indicates the universal implementation of improved sanitation and hygiene interventions (use of toilets, hygiene promotion, improved access to safe water, and proper waste management) would significantly mitigate all of the attributed economic impacts, leading to a possible annual gain of US\$6.3 billion across the original five study countries.

Poor Sanitation Costs in India. Inadequate sanitation causes India considerable economic

losses, equivalent to US\$53.8 billion, or 6.4 percent of its GDP in 2006. The study indicates that premature mortality and other health-related impacts of inadequate sanitation were the most costly at US\$38.5 billion, or 71.6 percent of total impacts. More than three-fourths of the premature mortality-related economic losses are due to deaths and diseases in children younger than five. Diarrhea among these children accounts for over 47 percent (US\$18 billion) of the total health-related economic impacts.

As seen in the previous country studies, comprehensive sanitation and hygiene interventions could result in significant gains for India: an estimated US\$32.6 billion or US\$29 *per capita*.

In addition, increasing public and household investments in sanitation can generate considerable economy

activity—the sanitation “market” is estimated at about US\$152 billion for infrastructure creation and operations and maintenance services, over the period 2007-2020.

Next steps. As the first regional study to compile economic evidence on a range of impacts of poor sanitation, the results are a wake-up call to governments and the development community. Poor sanitation affects everyone, but especially the poor and vulnerable: children, the disabled, seniors, and women.

The considerable socioeconomic importance of sanitation shown in the ESI studies, along with the key links improved sanitation has with other development goals, such as poverty and hunger reduction, gender equality, child health, access to safe drinking water, and the quality of life of slum-dwellers, demonstrates that sanitation should receive far greater attention from governments and other development partners interested in equitable and sustainable socioeconomic development.

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