About 2.6 billion people worldwide still live without access to safe water or adequate sanitation. In Africa, population growth is further increasing demand for these basic services, while supplies are being threatened by drought and other climatic issues. The challenge is huge. Could the private sector be a greater part of the solution?

**DEVELOPING MARKETS FOR SAFE WATER AND SANITATION**

Traditionally, IFC’s engagement in the water sector has focused on large municipal infrastructure projects. Such projects can often be commercially attractive, but have generally failed to provide access to poorer consumers living outside formal urban centers. So what about the “base-of-the-pyramid” populations that those large utility systems fail to reach – rural communities, and sometimes poorer urban customers living within informal settlements and rapidly growing peri-urban areas?

In 2009, IFC published a study, *Safe Water for All: Harnessing the Private Sector to Reach the Underserved*. The study looked in depth at the barriers holding back greater private sector delivery of water and sanitation products and services. It also identified a number of promising market-based approaches that have attracted private sector participation and market finance into base-of-the-pyramid water and sanitation markets.

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**PUBLIC-PRIVATE PARTNERSHIPS IN URBAN SANITATION**

In a number of Kenyan municipalities, pay-per-use sanitation facilities have emerged as a way to improve public sanitation. In many cases this has also proved to be a viable market opportunity for the private sector. However, the scale up of the model is constrained by the regulatory environment. In response, IFC has begun working with the Water and Sanitation Program (WSP) of the World Bank and a selection of Kenyan municipalities to explore options for developing a clear public-private partnership framework for urban sanitation facilities.

**SUPPORTING MARKET-BASED APPROACHES**

Building upon these findings, IFC has developed the Sanitation and Safe Water for All Program to support market-based approaches with the potential to expand access to safe water and sanitation products and services for underserved consumers.

The program will begin work in Kenya, where chronic water scarcity and inadequate infrastructure mean more than half the population cannot access clean and safe water, and more than two thirds are without improved sanitation. Support for public sector service delivery is widespread; IFC will complement these efforts by supporting a range of private sector efforts to develop innovative delivery models to reach the underserved.

**HARNESSING EXISTING APPROACHES**

IFC has identified a number of market-based approaches with the potential for significant development impact (see boxes for examples).
The Sanitation and Safe Water for All program will support increased private sector activity in these areas via targeted support to encourage business entry and to address key barriers to scale. Specific program activities are described below. This design is informed by IFC’s successful experience with base-of-the-pyramid market development programs in other sectors, such as Lighting Africa, a program designed to help bring affordable, off-grid lighting to millions (www.lightingafrica.org).

**PROGRAM ACTIVITIES**

1. **Market Intelligence: What is the market opportunity at the base of the pyramid?**
   The Sanitation and Safe Water for All program will generate water and sanitation market intelligence to encourage businesses to enter and expand their investments in the Kenyan market. This is intended to lower barriers to entry and inform market development strategies for IFC and its partners.

2. **Business Support: What models work, where and how?**
   The program will provide business support services to help firms to develop, test and scale up market-based approaches to water and sanitation service delivery.

3. **Financial Products: How can more private finance be attracted into the sector?**
   The program will support banks to identify and invest in commercially viable opportunities in the water and sanitation sector. This will include support for the financing of sustainable, low cost service delivery via the blending of public subsidies and market financing.

4. **Business Enabling Environment: What interventions are needed, and from whom?**
   This component will help the government and the private sector to develop and test investment climate reform approaches and innovative public-private partnership arrangements in the water and sanitation sector.

5. **Knowledge Management**
   The first four components will generate a rich stock of data, information and lessons, providing the foundation to develop a full program “toolbox” to be completed by 2012. The toolkit will provide the business community with a package of guidelines to support entry into new water and sanitation markets, while also providing a basis for fast-track replication of the program by IFC and its partners.

**ABOUT IFC**

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in developing countries. We create opportunity for people to escape poverty and improve their lives. We do so by providing financing to help businesses employ more people and supply essential services, by mobilizing capital from others, and by delivering advisory services to ensure sustainable development. For more information, visit www.ifc.org.