

Multi-Stakeholder Dialogue

Discussion paper contributed by the

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Introduction

Awareness is growing that water is a scarce and precious resource, which must be carefully managed if future water crises are to be avoided. Everyone agrees that water is vital to all life and, therefore, is central to all efforts to eliminate poverty. However, there are still over a billion people living without access to safe water supplies and sanitation is minimal for half the planet. Other challenges exist where surface and groundwater resources are stressed in many places by over abstraction and pollution. Freshwater ecosystems are unhealthy almost all over the world. Poor people, particularly women, spend a very high proportion of their time or income obtaining water to meet their basic needs, and a growing scarcity and competition for water, in quantity and quality, threatens advances in poverty eradication, public health and food production.

Business as usual will not meet the needs of those currently un-served, let alone as many as two billion new individuals expected within the next 25 years. Achieving water security will be difficult unless the commitment is made, the resources are provided, and all stakeholders, including those who are currently powerless, are involved in decision-making over allocation, use and benefit. Meeting the minimum targets of global water security by 2025 is estimated to require a doubling of the present investment in water to some US\$180 billion per year - an impressive but not unrealistic requirement.

The water challenge calls for collaboration across all sectors of national economies as well as across political boundaries. National water action agendas need to be drawn up through active stakeholder participation. In many countries, the challenge is so enormous that governments cannot, and should not, do it alone but should work in partnership with local communities, the private sector, NGOs, and other stakeholders.

Equitable Access and Sustainable Supply of Water for the Poor (services)

Populations without access to water networks are constantly seeking to strike a balance for their own water consumption. They have to reconcile a vital need for water with the household budget. High financial investment is needed to expand access to water and sanitation to all, and in developing countries the necessary financial investment capacity is often out of the reach of local or national governments. The challenge lies not only in the level of investment needed, but also in the sound management of the utilities, including setting appropriate tariffs to cover both capital and operational costs. Another primary challenge is to ensure equitable access to and control over this resource, based on

the needs of all members of a given population, not only the needs of those with the power to speak. The interests of all must be represented at a decision-making level.

This highlights the inadequacy of the current form of managing water and sanitation services, emphasizing the need to develop innovative solutions. These solutions include new institutional models, cost-effective technologies, and appropriate tariff structures within a social context that recognizes the needs and abilities of all stakeholders.

Institutional framework

The private sector, when involved in the management of public utilities, has shown its capacity to provide efficient services. However, private sector involvement in the public sector may require institutional reforms that allow stakeholders to work together for more effective water management. Financial practices must be realigned to support the sustainable use of water resources. Countries should be encouraged to formulate sub-national or national strategies for the water sector. Strategies should meet requirements for integrated water resources management (IWRM) and include adaptation and modernization of institutional, legislative and regulatory frameworks, improvement of knowledge of resources and uses, and training in service management and equipment maintenance. Well-designed concession contracts and appropriate tariff structures are also essential to provide the private company with an adequate basis for investment environment. It is very important to design a well-conceived partnership between public authorities (defining the conditions and level of the service) and the private companies (responsible to provide the services complying with contract norms and country regulations).

Cost-Effective Technologies

The service provided through traditional technologies often turns out to be too expensive for low-income communities. Choice of technology needs to take into account, equity, sustainability, gender equality, and the safeguarding of basic rights and the ecosystem, within a context of water use efficiency. Initial cost alone must not remain the only driving factor in technology choice. Innovative design of water and sanitation networks can allow up to 50% savings in the construction costs, which in turn can be applied to connection fees. For example, ONDEO Services has utilized the "condominium approach" for some projects in order to reduce the cost of access to service. Under this approach, households in a neighbourhood organize and agree to work together, providing their labour for excavation and filling work, as well as maintenance of the system once it is complete. To keep costs down, "condominium" systems might use smaller pipe diameters, and pipes are buried in shallow trenches run through household lots or under sidewalks. The cost of condominium water connections has been shown to be less than 1/3 compared to conventional costs.

Support to Community Development

Future users need to be closely involved in the decision-making process related to the choice of level of service, technology to be used, and payment options. They should also be closely involved through community participation in the construction of the infrastructure and its management. Promoting an environment of cooperation and effective relations between the service operator, the communities involved, and local governments, creates a sense of ownership within the target community, which fosters conditions of security during the execution of work and subsequent maintenance stages, as well as adequate conditions for services payment and effective integration of underprivileged households into the regular system. This activity is usually conducted with the participation of non-governmental organizations or community associations, which act to ensure that lessons learned from a project can be replicated and made part of governmental policies.

Appropriate Tariffs

Charges for water and related services must, in aggregate, reflect the true value of water resources and the infrastructure needed to extract, clean, deliver and take away water after use as well as consider both the current and future cost of service provision. Water should not be wasted, and the waste and/or pollution of water must bear an economic cost. Based on the premise that that water is a free or subsidised good, water tariffs have been kept at an artificially low level in many countries. Consequently, many water utilities have been faced with insufficient financial resources to make the necessary investment in new areas of emerging urban growth, or even to maintain existing infrastructure. This has resulted in a degradation of the service. It is now widely accepted that water is an economic good and that the delivery and sanitation services must be paid for at its real cost in order to provide utilities with enough financial resources to maintain the infrastructure efficiently and to respond to new demands resulting from human growth. Because many households, particularly in poorer countries, cannot afford a large lump-sum payment for first time connection, new tariffs should also seek to incorporate easy payment arrangements, allowing payments in monthly instalments over a time, interest free. In addition, micro-credit programs could be integrated, offering small loans to households so they can pay for new or more efficient plumbing fixtures. Appropriate tariffs are needed whether the service is provided by the public, the private sector or by creative partnerships of the two.

Investment for Expanded Services

Countries should mobilize national and local resources and provide incentives to improve water resources use and protection, pricing and financial, as appropriate. Transparent ways and means to facilitate a gradual transition toward full cost recovery should be explored. The affordability of water and sanitation services is a critical issue. Providing these services at affordable prices should also consider the abilities of poor women and men to purchase these services for their households: Subsidies for specific groups, particularly poor people, may have to be considered in some countries. Governments should facilitate access to credit and encourage micro-credit development, and provide public or private investors with appropriate risk guarantee schemes for the financing of investments. Governments could also set up user-pays pricing systems that cover direct or indirect costs of services with costs billed to all users recognizing that government may need to subsidize those unable to pay. Additionally, external resources should be mobilized: bilateral and multilateral donors should assist countries in formulating and implementing integrated water resources management strategies and target special financial programs to build water infrastructure in low income areas

These principles are currently being applied in various countries in the world and have had a positive impact on poor communities. New forms of partnerships are being developed around the world. The results they have shown to date are very encouraging.

Developing Strategies for the Sustainable and Equitable Management of Water Resources (managing across the uses)

The private sector clearly has a growing role to play in the supply and management of water resources. Within the corporate “fence-line”, many member companies of the World Business Council (www.wbcasd.org) and the International Chamber of Commerce (www.icc.org) are taking innovative initiatives to reduce water use, recycle and reuse water, and minimize any pollution in waters discharged into nature. However, “outside the fence-line,” industry is only one stakeholder in the management of water resources. Companies have recognized that they cannot solve these complex issues alone—progress can only be made in partnership with other stakeholders.

Action must be taken on both the supply and demand side so that water is available across the sectors. In this context, water pricing can be one of the most important drivers. Effective pricing of water as a valued resource sends both a conservation signal and an investment signal. Conservation encourages everyone to use less water, thereby leaving more to meet the needs of nature. At the same time, prices set to recover full costs encourage investment by the private sector in efficient water supply and sanitation services. Water prices should be established in an open and transparent process with the public interest protected by competent regulatory authorities. Local or national governments retain the right to provide the poor with subsidies from public resources.

Business, along with individuals, farmers and natural eco-systems, is one of the four primary users of fresh water. Agriculture remains the largest user of water; in many developing countries, irrigation accounts for 90% of the demand for water. Although business consumptive use of fresh water is decreasing, its operations can dramatically impact water availability by polluting water, therefore making it unavailable for reuse in other sectors unless it is first treated extensively. Therefore, business has a unique opportunity to make a major contribution to fresh water availability both by reducing the amount of water it uses per unit of production and by reducing water pollution from its operations.

In company after company, water use is declining and pollution levels are heading towards zero. When building new plants, many corporations are designing zero discharge plants. They take in water but never discharge anything back into the stream, river or lake since they have maximized recycle and reuse of water. The winner of this year’s Stockholm Water Award, General Motors de Mexico, (www.gm.com.mx) actually takes in saline water from the aquifer and cleans it up to drinking water standards before use. Any water discharged is cleaner than that from the local aquifer. This process works well when business is dynamic and constantly turning over and modernizing its capital stock.

Business has a vested self-interest in conserving water. Such action delays the onset of water scarcity that might require factories to relocate. Further when business is viewed as a good corporate citizen, it is less likely to be cut off from supply whenever future water shortages emerge. Historically business has been able to pay a premium price for water to ensure availability. This is true because the cost of water is normally a relatively small percentage of the cost of production or operation.

Industry has a broader interest in fresh water supply and basic sanitation services wherever it operates. This interest goes well beyond guaranteeing continuous supply and limiting water pollution from its operations, and recognizes that a clean environment and fresh water are key to sustainable development and poverty alleviation.

Increasingly the availability of water may become a determinant as to where business makes future investments. A guaranteed source of supply may be more important than the price of water. Increasingly, business has recognized that it must cooperate with all of the other water users within a river basin or catchment area. Increasingly this has led towards the concept of integrated water resource management (IWRM) advocated by the Global Water Partnership (www.gwpforum.org) and widely accepted by most water experts.

Water investment should be directed toward developing new distribution infrastructure, improving the efficiency and productivity of irrigation services, cleaning up contaminated waters, and protecting surface waters through the treatment of municipal and industrial discharges to watercourses or aquifers. These can facilitate the provision of access to hygienic sanitation facilities and adequate quantities of affordable and safe water.

There is no inherent reason why the public sector cannot deliver services as effectively as can the private sector. However, for a wide range of reasons, the performance of many public sector water utilities has been inadequate. Systems have been allowed to deteriorate because funds were not available for proper O & M. Billing and collection rates have been poor. Worker training has been virtually non-existent. In some cases the number of employees far exceeded benchmark norms for service. As a result some have called for new creative public- private partnerships in the provision of water service.

Whether water service is provided by the private sector, the public sector or some creative partnership arrangements, it is clear that significant new capital investment will be required. Ultimately local consumers must pay for water services. They can pay through taxes but then there is no guarantee that these government revenues will be not be diverted to other "higher priority" public service provisions. Alternatively they can pay through a rate structure that is designed to capture the full cost of the operation including recovery of capital investment. A rate structure can be designed to provide "below cost" rates to the poor for a minimal amount of water. These subsidized rates are then offset by "above cost" rates to affluent and commercial users who use larger quantities of water. These are rising-block rate tariffs. An alternative would be for the local government to pay water bills for the very poor with other users paying the full cost of the service.

All stakeholders should cooperate in the difficult task of awareness-raising. It is abundantly clear that investment in water infrastructure has lagged far behind what is needed even in many affluent countries. In many developing countries the lack of investment in the water sector may be one of the primary reasons for slower than desired development and poverty alleviation. Many in the academic community now argue that access to clean water and basic water sanitation may be a necessary if not sufficient condition for poverty alleviation and sustainable development.