



SUSTAINABILITY FOCUS

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Human Right to water and sanitation in developing countries: risks and opportunities for the Water Utilities sector

In July 2010, the United Nations (UN) General Assembly adopted Resolution 64/292 that explicitly recognises the human right to water and sanitation and acknowledges that clean drinking water and sanitation are essential to the realisation of all human rights¹. Despite the non-binding character of this resolution, stakeholders appreciated the symbolic value of the adoption, paving the way towards the universal access to water and sanitation.

The 6th World Water Forum that took place in Marseille (France) in March 2012, ended with the endorsement by 130 national representatives of a Ministerial Declaration committing countries to “accelerate the full implementation of the human rights obligations relating to access to safe and clean drinking water and sanitation by all appropriate means”². Stakeholders regretted the absence of signatures on the declaration, as well as the non-binding character of the statement³.

Three years after the adoption of the UN resolution, Vigeo’s sustainability focus intends to present risks and opportunities linked to the impact of this new resolution on companies within the water utility sector, as well as key findings from Vigeo Rating’s research.

Introduction

At the end of 2010, 89% of the world’s population had access to fresh drinking water sources⁴, up from 76% in 1990. These results show that the 7th Millennium Development Goal (MDG), set in 2000, has been reached (target of 88%) five years ahead of the 2015 deadline. However, some parts of the world still lag largely behind schedule. In particular, Sub-Saharan Africa gathers 40% of the world population people without access to drinking water⁵.

The UN stresses the fact that nearly 800 million people in the world still remained without access to safe water in 2010, a figure that is forecasted to amount to 600 million in 2015⁶. On top of that, the United Nations announced that the MDG to improve basic sanitation will not be reached until 2026 instead of 2015⁷.

Although politics remains the first driver for change, this issue is a source of responsibility and opportunity for private water utilities.



Business Risks and Opportunities

The **legal security risk** in relation to ensuring access to water and sanitation in developing countries is no easy task to assess for private water utilities. When considering the UN Guiding Principles on Business and Human Rights, endorsed in 2011 by the UN Human Rights Council, the distribution of responsibilities among actors is shared among two main parties: the State must protect human rights while corporations must respect human rights⁸. In other words, access to water and sanitation must be endorsed by both political and corporate players.

Similarly, the OECD Guidelines updated in 2011 include a new chapter that is consistent with UN Guiding Principles on Business and Human Rights. The updated OECD Guidelines repeat States' duties of protecting human rights and companies' obligations to respect them and recommends that *"enterprises [that] avoid causing or contributing to adverse human rights impacts through their own activities and address such impacts when they occur. 'Activities' can include both actions and omissions."*

Therefore, private water utilities would put themselves at risk by hindering access to water and sanitation when considering it a human right.

Operational risks may take the form of service disruptions or even of end of contracts. In order to avoid this kind of operational barrier, companies can extend their services to marginalised areas, develop innovative tariff schemes to improve affordability of water, or raise awareness of communities on good hygiene practices. All these actions will participate

in securing private utilities' license to operate, that is ensuring the company's acceptability among local communities, NGOs, and governments. When facing operational difficulties that are linked to the right to water, private water utilities' social engineering will be solicited. If successful, private water utilities may be able to gain new contracts by bringing forward their contribution to society.

The position of, the International Federation of Private Water Operators (Aquafed), expressed in July 2010, did not leave any room for doubt: "Private water operators throughout the world celebrate the recognition of the Human Right to Water and Sanitation by the United Nations General Assembly »⁹. This statement, released just one day after the adoption of the first resolution, expressed a set of opportunities rather than obstacles. In other terms, Aquafed considers that the right to water is good for business.

Private water utilities, unlike public water providers, expect to make profit out of their operations, be them taking place in developed, emerging or developing countries. In view of the public good they manage, private providers have to participate in the achievement of the right to water. On top of the local acceptance, private water utilities, may benefit from the improvement of their **reputation** on a global scale.

The UN Resolution recognizing the human right to water and sanitation, although not binding for its member signatories, creates a high level of stakeholder expectation.



Reputation vis-à-vis customers might be rather strong, especially in private utilities' headquarter countries. Individual customers might indeed press local authorities to stop contracting a company that does not fulfill its duty to respect the human right of access to water. Similarly, water-active NGOs active are likely to organise campaigns on the issue. Finally, local authorities and communities themselves might decide not hire a private company if it allegedly hinders populations from developing countries to have access to water and sanitation. Investors might also divest from misconducting companies. Reversely, private water utilities might benefit from a good brand image in cases

where external stakeholders, e.g. customers and NGOs, are aware that private water utilities companies do their best to guarantee access to water.

Regarding the private utilities' own staff and contractors, all social measures taken by a company that would go beyond the legal requirements set by its ordering party can constitute incentives and sources of **motivation and social cohesion** for people at work, be them involved in their traditional missions, in employee volunteering or in skills transfer to local workforce. Human capital can only be reinforced from such socially responsible actions.

Vigeo's findings for the European water sector

In its 2011 SRI review of the European Water Utilities sector, Vigeo assessed water companies' approach towards promoting access to water and sanitation in both developed and developing countries in the sustainability driver 'Societal impacts of the company's products and services' (CIN2.1)¹¹.

Mitigating risks and enhancing opportunities linked to the promotion of access of water and sanitation in developing countries can be achieved by implementing efficient measures in this regard, such as participating in project-funding, competency-sharing, and co-operation with relevant stakeholders. It should be seen as being in the business interests of all water utilities.

Companies in the sector provided Vigeo with an overall reasonable level of assurance on their management of the issue (average score of 54/100). Vigeo however observed behavioural differences between companies operating only in one domestic market and multinational enterprises. The latter being

more proactive on the access to water and sanitation challenge.

Leadership

Half of the European water companies assessed have issued a formalised commitment towards promoting access to drinking water and sanitation in developing countries. Only one of them, Suez Environnement, has implemented a headquarter-based Societal Empowerment Department that directly deals with both issues, and that is in charge of training relevant employees, amongst other missions.

Implementation

All UK-headquartered companies provide financial support to WaterAid, an international NGO dedicated to the provision of safe domestic water, sanitation, and hygiene education in developing countries.



Employees at Pennon and Severn Trent were responsible for raising money and as such those companies also dedicate employee time. Both Suez Environnement and Veolia Environnement have put in place water-dedicated foundations. They notably enable employees to participate in humanitarian actions in developing countries or promote transfer of know-how and stimulate innovation. None of the companies analysed appears to have implemented measures in countries where they do not operate.

Results

Very few allegations are reported. Therefore, the main room for improvement concerns the identification and monitoring of relevant quantitative indicators that would allow to better assess utilities' efforts and progress in terms of providing access to water and sanitation in areas where such access was limited. For instance, Veolia Water states that it had provided 2.6 million more people with access to water and 1.3 million with access to sanitation over the 2008–2010 period.

Best practices

In 2008, Suez Environnement founded the Water for all foundation that is designed to promote knowledge and know how (specific training programmes), the stimulation of innovation (support to pilot projects and R&D programmes), uphold dialogue, accompany humanitarian or urgent operations carried out by NGOs or other agencies (projects' financing, technical assistance).

In 2010, Veolia Water, in association with

the Grameen Bank in Bangladesh, founded the Grameen Veolia Water LTD in order to supply poor rural populations in Bangladesh with drinking water at prices levels adapted to customers' contributory capacities. Veolia works with local authorities in countries where it operates to develop new modes of access to water, collective and secure, for those who cannot get individual connection.

Controversies

Veolia Environnement is the only company identified that faced an NGO campaign with regard to its approach towards access to water and sanitation in developing countries. In a report issued in April 2011, NGO Food & Water Europe reports that Veolia allegedly avoids countries with the greatest water access needs and as such is in conflict with the human right to water. Indeed, in 2010 Veolia Environnement reportedly told Wall Street credit analysts

that it had prioritised "financially sound clients", which Food & Water Europe believes are not vulnerable customers from countries where water scarcity is critical, and also allegedly added that "Africa is not a priority". With regard to this allegation, Veolia Environnement informed Vigeo that it strongly denounced this report but also that as all private operators do, Veolia is looking for financially sound clients.



Notes and Sources

- 1) Resolution A/RES/64/292. United Nations General Assembly, July 2010.
- 2) 6th World Water Forum website, The Ministerial Declaration of the 6th World Water Forum.
- 3) World Water Forum declaration falls short on human rights, claim experts, Guardian, March 2012.
- 4) Millennium Development Goal on safe drinking water reaches target early, The Guardian, 6 March 2012.
- 5) Millennium Development Goals, 2012 Report, p.52.
- 6) Millennium Development Goals, 2012 Report, p.3
- 7) UN website, Water For Life Decade, Sanitation
- 8) Interpretative Guide of the UN Guiding Principles on Business and Human Rights, p. 6
- 9) Aquafed, « Private Water Operators celebrate the recognition of the Human Right to water and sanitation by the United Nations General Assembly », July 2010
- 10) Sector composition: Northumbrian Water GRP (UK); Pennon GRP (UK); Severn Trent (UK); Suez Environnement (FR); United Utilities PLC (UK); Veolia Environnement (FR)
- 11) Last review of the Waste & Water Utilities sector: 2011/09

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