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AquaFed Contribution to the Compilation Document For the Rio+20 conference on green economy in the context of sustainable development and poverty eradication

Executive summary - Key messages

AquaFed represents private companies of all sizes that operate water and sanitation services under the mandate of public authorities in accordance with a wide variety of business models. Its aim is to contribute to solving water issues through participating to the work of the international community.

Good management of water and sanitation services to the population and the economy is a precondition for sustainable development. It contributes to a green economy; it underpins the three pillars of sustainable development and is also essential to poverty eradication. These are compelling reasons to address water and sanitation challenges in UNCSO 2012.

As practitioners of water supply and sanitation services Private Water Operators believe that the global community should use the opportunity of the UNCSO to make progress on water and sanitation management through making decisions on at least three major water and sanitation challenges: (i) access to sanitation & drinking water, (ii) wastewater management and (iii) sustainable economics. This contribution to the UNCSO zero draft focuses on these three pressing issues which, to a greater or lesser extent, impact countries in both the developing and in the developed world. To a large degree they are interrelated so that progress in one will have a significant impact on the others.

Accelerating access to safe drinking water and sanitation. UNCSO should acknowledge the need for accelerating programmes that aim at improving access to drinking water and sanitation both in rural and urban settlements through: i) recognising the needs of the billions of people without satisfactory access to drinking water (using the criteria of the human right to safe drinking water and sanitation more than half of mankind needs to be targeted); ii) recognising the urgency to reverse the deterioration of water and sanitation services in urban settings where these programmes are outpaced by urban growth; iii) deciding to monitor, both globally and nationally, the quality of water used by people to better identify the current water safety gap.

Sharing a common vision and adopting an action plan for wastewater management. Controlling man-made pollution of water and organising successive uses of water are becoming more and more necessary to protect health of individuals against contamination by others and by economic activities, to support economic development, to protect ecosystems from harmful pollution and to mitigate increasing water scarcity. UNCSO should decide to include the management of man-made water pollution in its global agenda. It should target collection and de-pollution of water after use as well as the organisation of successive uses of water. It should propose to country governments to take appropriate steps to adopt a shared vision of urban, industrial and agricultural wastewater management.

Ensuring sustainable water economics to provide services sustainably. UNCSO should promote the adoption of water/sanitation policies that are grounded on the principles of sustainable economics. These include predictable public subsidies and affordable tariffs to ensure the Sustainable Cost-Recovery that is necessary for services to be provided sustainably to all users, thus supporting the long term social, environmental, and economic dimensions of green economy and poverty alleviation.

Introduction

This submission to the zero draft of UNCSD 2012 is made by AquaFed, the International Federation of Private Water Operators. AquaFed is a business-oriented NGO accredited to the UN ECOSOC with consultative status. The Federation represents private companies of all sizes that operate water and sanitation services under the mandate of public authorities in accordance with a wide variety of business models. AquaFed is a membership organisation open to companies from all countries and of all sizes. It currently represents over 300 different companies that provide services to more than 50% of the world's population that is served by private sector operators.

Our aim with this submission is to bring to the attention of the Rio+20 conference some pressing issues concerning the contribution of water and sanitation services to the green economy, a contribution that is essential to Sustainable Development and Poverty Alleviation.

This submission complements the one that we have contributed to Business Action for Sustainable Development (BASD), in which AquaFed is a contributing partner. In that submission, we argue for significant points that affect all sectors of business and industry.

In this submission we focus particularly on the role of water and sanitation services. We have selected three key areas on which we believe the Rio 2012 conference should focus and have not attempted to raise a wide range of subsidiary subjects. In our view all three subjects raised are of pressing importance, irrespective of whether water supply and sanitation services are provided by the public sector, the private sector or informal and philanthropic providers.

The three subjects that we have selected are of pressing importance and, to a greater or lesser extent, impact countries in both the developing and in the developed world. To a large degree they are interrelated so that progress in one will have a significant impact on the others in the context of both Green Growth and Poverty Alleviation. These three areas are:

- the urgent need to recognise the scale of the challenge posed by the deficiency in the provision of water and sanitation to a large part of the world population and to accelerate significantly efforts to overcome it,
- the importance of collecting and treating water after use so that it can be used as a resource to meet successive needs and to ensure the protection of the environment and biodiversity,
- the necessity to ensure that policies for water and sanitation are grounded on the principles of sustainable economics to ensure that services can be provided to support the long term social, environmental, and economic dimensions of Green Growth and Poverty Alleviation.

1. Accelerating access to safe drinking water and sanitation

The challenge

Access to safe drinking water and sanitation is an essential component of sustainable development. The UN have decided to improve this access through the MDG programme. Much is being done in the field with hundreds of millions of people having gained access to safe drinking water or sanitation in the past decade. However, the needs are still very large and the MDG programme is far from addressing all of them. Worse, since the first Rio Summit in 1992, the global landscape has evolved with the emergence of dominating issues such as urbanization, climate change, financial crises or natural disasters that make the challenge of ensuring universal access to safe drinking water and sanitation even more difficult.

Although the safety of the water used by individuals is not yet monitored at the global level, available data show that billions of people need a better access to water supply or to basic sanitation. The situation is critical in the urban half of the world where the programmes that aim at improving access to drinking water and sanitation are being outpaced by the urban growth.

Billions of people are using unsafe water. The current MDG indicator monitors the type of physical access to water sources. According to this indicator significant progress is being made to help people avoid sharing their water sources with animals. The number of individuals having not access to "improved water sources" is now less than 900 million. However, the safety of the water used by people is not yet monitored globally. There are indications that at least 2 billion people use water that is unsafe. It is estimated that more than 3 billion people use water of unknown therefore dubious quality

Even more people have a right to a better access to water. The Human right to safe drinking water requires more than the safety of water. Individuals need water that is also accessible, acceptable, available, and affordable without discrimination. There are no statistics available. However, it is clear that the number of people that should be targeted by the global community exceeds the number of people using unsafe water. Around half of mankind is probably concerned.

Progress of access to sanitation is slow. The global community has a specific MDG goal on basic sanitation, understood as access to private and hygienic toilets. Despite many efforts progress is slow and the 2015 MDG will not be achieved. 2.6 billion people are deprived from private hygienic toilets. In the field of sanitation people need more than toilets. They need their wastewater to be collected and transported safely. They need to be protected from contamination caused by others, etc. The UN General Assembly has called for a 5-drive on sanitation³ to stimulate acceleration of public policies.

The urgency to stop the deterioration of water/sanitation services in the urban half of the world. In the urban half of the world, despite having provided access to water or sanitation services to hundreds of millions of additional people, the current policies have been unable to prevent the situation worsening.

Comparing the latest figures (2008) with 2000, the initial year of the Millennium Development Goals programme, a clear deterioration is observed. The proportion of the urban population that benefits from satisfactory access to drinking water or sanitation is decreasing¹. In cities, and towns of all sizes, over those 8 years there has been an increase of: i) 114 million more people without access to tapwater at home or in the immediate vicinity; ii) 134 million more people without access to private sanitary toilets (basic sanitation). In both cases, this means an increase of 20% in the number of individuals living in cities who lack these accesses².

In the meantime, in urban areas, the number of people without access to “improved water sources” (i.e. more or less the sources that are protected from direct contamination) and the number of people without any other option than open defecation has not decreased.

So, in cities, despite all the efforts, overall the world is not making progress in these domains that are essential to life and to social and economic development. There the world is in regression. A surge is necessary to reverse these trends. Obviously, current efforts in rural areas should continue while efforts in urban and peri-urban areas should be stepped up to prevent worsening the situation further.

More ambitious policies are needed

Access to safe drinking water and sanitation is a challenge that concerns the needs of more than half of mankind. Through their MDG programme, the UN have focused their efforts on part of this challenge. However, the important efforts being made are not sufficient. People need more than what is monitored by the MDG indicators, progress on basic sanitation is too slow, the situation is deteriorating in the urban half of the world and existing monitoring tools are not sufficient to monitor progress. An acceleration of public policies is needed and the UN should revise their common goals to adopt more ambitious targets on access to safe drinking water and sanitation.

Key action message – Acknowledging the needs for more ambitious policies

UNCSD should acknowledge the need to accelerate programmes that aim to improve access to drinking water and sanitation both in rural and urban settlements through: i) recognising the needs of the billions of people without satisfactory access to drinking water (using the criteria of the human right to safe drinking water and sanitation more than half of mankind need to be targeted); ii) recognising the urgency to reverse the trend towards deterioration of water and sanitation services in urban settings where these programmes are outpaced by urban growth; iii) deciding to monitor, both globally and nationally the quality of water used by people to better identify the current water safety gap.

¹ AquaFed statement – Sept 2010

² These numbers have been confirmed by the UN General Secretary in his speech on 2011 World Water Day

2. Sharing a common vision and adopting an action plan for wastewater management

The challenge

Sanitation includes several components: basic sanitation, wastewater management through individual or collective facilities, stormwater management and solid waste management.

Controlling man-made pollution of water and organising successive uses of water are becoming more and more necessary to protect health of individuals against contamination by others and by economic activities, to support economic development, to protect ecosystems from harmful pollution and to mitigate increasing water scarcity.

Management of water after use is an essential sanitation activity that contributes to social and economic development as well as to environmental protection. It contributes to sustainable development, to the green economy and to poverty alleviation.

However, for more than half of mankind, wastewater is not collected safely and 80% of wastewater is not de-polluted before re-use or discharge into nature which leads to an increasing pollution of rivers, lakes, aquifers and seas. Countries have very different wastewater policies.

An initiative on waterborne pollution and water reuse would fit perfectly with the Rio+20 objectives on the green economy in the context of sustainable development and poverty eradication

Management of water after use is an essential sanitation activity that contributes to social and economic development as well as to environmental protection, all three components of sustainable development. This is why it deserves consideration in every global summit on sustainable development.

The Rio+20 Conference will focus on the green economy in the context of sustainable development and poverty eradication. Wastewater management fits perfectly with this goal from the perspective of water uses since controlling man-made pollution of water facilitates economic development by making water reusable, contributes to protecting ecosystems. It prevents individuals from being contaminated by others or by economic activities and thus facilitates their integration into the national economy.

Furthermore, there are many linkages with other green growth activities since wastewater management creates opportunities for using water as:

- a source of energy through burning sludge extracted from wastewater, using calories transported by the wastewater or using wastewater flows to produce hydroelectricity,
- a source of water and also a source nutrients for agriculture that both contribute to solving the food crisis,
- a source of water that contributes to mitigating increasing water scarcity,
- a source of health for individuals and ecosystems,
- a way to control the emission of gases by the biological pollution included in water,
- a way to enhance property values and encourage the development of tourism because polluted water bodies impair these activities.

Recent publications by WHO and OECD have confirmed the high economic rate of return to a national community of investing in wastewater management.

The global strategy on sanitation is incomplete

Up to 2002, sanitation challenges were largely ignored by the international community. In 2002, the Rio+10 Summit in Johannesburg sparked a revolution on sanitation. Governments decided to add a Millennium Development Goal on sanitation. At the time the perceived priority was basic sanitation, i.e. access for individuals to decent toilets and to evacuation of water after use from households. However, for many years sanitation has remained a word added to water in global declarations. Only in 2008 did sanitation gain full respect thanks to the International Year on Sanitation. Although progress on basic sanitation is too slow, the 2002 decision has permitted a complete change in the status of sanitation in the international community. On the 21st of June 2011, the day of his re-election, the UN Secretary General launched a 5-year drive on sustainable sanitation, and in his address to journalists mentioned that eliminating open defecation is part of his job.

The 2000 resolution only did part of the job on sanitation. Sanitation, in all its components, is needed by human beings and the planet. They need more than basic sanitation. They also need man-made pollution of water to be controlled to protect health of individuals against contamination by others and by economic activities, to sustain economic development, to protect ecosystems against excessive pollution and to mitigate increasing water scarcity.

Year after year it has become clearer and clearer that Governments need to harmonise their views and adopt coherent policies on wastewater management. This area is so underestimated that global knowledge of wastewater management is very scarce if not completely absent. There are no global statistics on wastewater collection and reuse. The absence of any global monitoring tool is a good indicator of the absence of shared thinking on the matter.

However, some moves have begun. On 22 March 2009, governments that participated in the Istanbul 5th World Water Forum declared their will to “*strengthen the prevention of pollution from all sectors in surface and groundwater, appropriately applying the polluter pays principle, while further developing and implementing wastewater collection, treatment and reuse*”. On 20 December 2010, the UN General Assembly made a resolution on the follow-up of the International Year of Sanitation, 2008. That resolution “*encouraged all States, as well as the United Nations system and international organizations and other stakeholders, to approach the sanitation issue in a much broader context and encompass all its aspects, including hygiene promotion, provision of basic sanitation services, sewerage, and wastewater treatment and reuse in the context of integrated management of water resources.*”³

The Rio+20 summit could usefully complete the partial resolution on sanitation made in the Johannesburg Rio+10 summit that was limited to basic sanitation. The Rio+20 summit should develop a common vision and adopting an action plan for wastewater management to ensure satisfactory control of man-made pollution of water and successive uses of water.

Key action message – Sharing a common vision and adopting a common action plan for wastewater management

Controlling man-made pollution of water and organising successive uses of water are becoming more and more necessary to protect the health of individuals against contamination by others and by economic activities, to support economic development, to protect ecosystems from harmful pollution and to mitigate increasing water scarcity. UNCSD should decide to include the management of man-made water pollution in its global agenda, targeting collection and de-pollution of water after use as well as the organisation of successive uses of water. It should propose to country governments to take appropriate steps to adopt a shared vision and action plans for urban, industrial and agricultural wastewater management.

³ UNGA - Res 65/153. Follow-up to the International Year of Sanitation, 2008

3. Ensuring sustainable water economics to provide services sustainably

The challenge

The social, environmental and economic benefits of providing water supply and sanitation to people and businesses and of collecting and treating water after use are far more significant than is normally recognised. Water, sanitation and pollution alleviation are often seen as matters that are expensive and politically unattractive. In the case of both Green Growth and Poverty Alleviation this needs to be understood differently. These activities provide very significant direct and indirect benefits, to individuals, economies, and environment. They contribute significantly to national wealth, societal well-being and protection of natural capital. They also eliminate broad areas of avoidable direct and indirect costs, which hold back Green Growth and Poverty Alleviation.

Reliable and efficient water and wastewater services and pollution control systems are a clear indication of a stable and well governed society. These services enable people to enjoy productive and healthy lifestyles, to benefit from education and employment and to live in environments that are attractive and rich in biodiversity.

In order to deliver these benefits, these services have to be established and operated on a sound economic basis. They need sufficient and predictable revenue to ensure that capital investment, operating costs and renewal and maintenance expenditure are covered adequately over the long-term.

Sustainable economics of these public services can only be achieved through the communities that benefit contributing to the costs. This can be done through cash flows based on tariffs charged to users, taxes levied on the community, or some combination of the two. Additional financing from transfers from national or international budgets can be useful to provide temporary injection of funds, but it is not sustainable over the long term. These three mechanisms, tariffs, taxes and transfers (the 3Ts) are the fundamental elements of sustainable cost recovery. When stable and predictable cash flows are established using these tools, additional repayable finance in the form of loans from international financial institutions or commercial banks can be mobilised. These processes combined are often referred to as "sustainable cost recovery (SCR)", which is to be distinguished from "full cost recovery", which may be socially or politically unattainable.

Some of the economic justifications for ensuring adequate financing for the provision of water, and sanitation and de-pollution are as follows:

- Reliable access to satisfactory water and sanitation services eliminates the "coping costs" that are necessary when the services are inadequate or unavailable. Studies show that coping costs can reach 20% of household incomes. Poor households are usually the most seriously affected and burdened by coping costs.
- Water, sanitation and pollution prevention are powerful and effective tools for public hygiene and preventive health. Water-borne diseases are among the most common causes of death and disability and are almost entirely preventable. The WHO estimates that about half the hospital beds in the developing world are taken up by people suffering from water related diseases. The cost of providing and maintaining a hospital per bed is many times that of delivering a water and sanitation service. Water and sanitation investments are therefore very cost effective solutions for public health.
- The loss of educational opportunity related to lack of adequate water and sanitation services is serious handicap in many cases. The costs of this are considerable to both individuals and the economy of a country as a whole.
- Poor education and poor health that result from lack of adequate water, sanitation and pollution removal have serious implications for employment, productivity and purchasing power and therefore directly affect societal wellbeing and economic performance.
- Access to water and sanitation services has a positive impact on property values, while polluted water bodies reduce values.

- Clean water bodies and clean environments are more attractive and have richer biodiversity, which give rise to better human wellbeing and to economic activities, notably leisure and tourism industries.
- The positive benefits of water, sanitation and de-pollution on the economy improve the tax revenue base for the government. The net benefits outweigh the costs by a considerable margin.

Key economic principles resulting from our experience in the field

- The sustainability of all water and sanitation services is dependent on sound economics. This means having sufficient and predictable flows of cash to enable the costs of operation and maintenance to be covered, investments to be planned and their costs to be repaid.
- Assuring the sustainable financing of water and sanitation infrastructure and operations is essential to ensure that all the other benefits and policy objectives delivered by these services can be realised. Sustainable financing must therefore be considered a pre-condition to other policy objectives.
- In the vast majority of cases it is a political responsibility to set the prices or cost recovery mechanisms for water, sanitation and de-pollution services. These cost recovery systems need to be set with a realistic relationship to the real costs incurred in delivering the services, irrespective of the nature of the service supplier (public, private or other).
- Failure to ensure sustainable financing of water, sanitation and de-pollution leads directly to a vicious downward spiral of failing services and increasing costs to consumers, society, the economy and the environment.
- Affordability must be tackled in a structured way identifying, both affordability for individual users, and for the community as a whole (macro-affordability versus micro-affordability). The structured decision making of SCR enables decision-makers to see the risks and benefits of alternative subsidy policies and minimise adverse consequences of subsidy payments.
- Setting water service prices for a whole community on the basis of "ability or willingness to pay" of the least affluent is a trap to be avoided. Prices should be set on the basis of covering the costs to provide services to the average consumer, with special provisions to support those who are truly unable to pay that price.
- Without SCR the newly recognised right to water and sanitation is an empty promise. The misconception that the poor cannot pay leads to their exclusion by default and creates even greater costs for them. Failing to provide them a proper service for which they will pay less is unfair. There is no disconnect between SCR and extension of access to the poor.

National and local policies to drive more sustainable water economics

The UNCSD is an opportunity to take steps towards more sustainable economics of water and sanitation services. Key elements of national and local policies include the following ones:

- a) Water services should be prioritised in public budgets, recognising the extensive benefits they provide to the objectives of Green Growth and Poverty Alleviation.
- b) Water services should be paid for on a sustainable basis by the communities that benefit from them. Decision makers should determine how this is done by applying the principles of Sustainable Cost Recovery (SCR) which combines predictable subsidies and affordable payments by users.
- c) The policies and processes for setting and regulating cost recovery and charging mechanisms for water services should be applied on the same basis for all forms of service operator within the jurisdiction.
- d) Specific provisions for assessment and targeting of support to people who have difficulty to pay should be set up in ways that do not undermine the overall economic viability of the service provision to the whole community.

- e) Specific policies are required to show to all stakeholders the objectives and processes used in deciding on a particular SCR scheme. These should be reviewed and adjusted periodically as conditions evolve.

We believe that these elements are present fully or partly in many national policies. UNCSD should promote their use in all countries to ensure that water economics are sustainable everywhere.

Key action message - Ensuring sustainable water economics to provide services sustainably. UNCSD should promote the adoption of water/sanitation policies that are grounded on the principles of sustainable economics. These include predictable public subsidies and affordable tariffs to ensure the Sustainable Cost-Recovery that is necessary for services to be provided sustainably to all users, thus supporting the long term social, environmental, and economic dimensions of green economy and poverty alleviation.