



International Chamber of Commerce

The world business organization



INTERNATIONAL CHAMBER OF COMMERCE

Discussion Paper



Prepared by ICC Commission on
Environment

ICC Views on Water

Highlights

- Importance of water
- Sanitation
- Multiple roles of business
- Political leadership and enabling frameworks
- Water and the Millennium Development Goals
- Conserving and managing water efficiently
- Interconnectivity of water issues
- Role of agriculture
- Financing
- Water and the global economic and financial crisis

ICC views on Water

In the view of the International Chamber of Commerce (ICC), it is critical to raise the **political profile** of water. There are now sufficiently numerous local, national and regional water crises to justify the idea of a global water crisis. Population growth, urbanisation and improving lifestyles, with their attendant demands for water for food and energy are increasingly exacerbated by global economic conditions and climate change. The Fifth World Water Forum is an excellent opportunity to review the scale of water resources that are seriously threatened by population growth, land-use changes, climate change and pollution.

ICC, via the Business Action for Water¹ (BAW), is committed to bringing a diverse range of business voices to the table to discuss water issues and provide solutions. This paper highlights various key aspects that demonstrate both the vital importance of water issues, its interconnectivity with so many other aspects, as well as the need for greater interaction between governments and the private sector. We believe that policy-makers should consider the following key aspects:

- **Importance of water**
- **Sanitation**
- **Multiple roles of business**
- **Political leadership and enabling frameworks**
- **Water and the Millennium Development Goals**
- **Conserving and managing water efficiently**
- **Interconnectivity of water issues**
- **Role of agriculture**
- **Financing**
- **Water and the global economic and financial crisis**

1. Importance of Water

Water is a key priority issue for economic growth, employment, social development, environmental sustainability and political stability. It is a resource that is vital to businesses both for their own survival as well as their contribution to society's needs. **Access to clean water is the foundation of any sustainable community and business.** No society, community or business can operate without water. Most importantly, water is a solveable challenge, with existing technologies and solutions that require integrated, multi-stakeholder approaches to achieve real progress. We should also recall the importance of education for the sustainable use of water as well as for protection of water resources.

2. Sanitation

The importance of sanitation in supporting healthy communities and in reaching the Millennium Development Goals (MDG) is under-recognised and consequently given low priority by too many governments. **Initiatives are needed to raise awareness and overcome social and cultural barriers that impair adequate progress on sanitation in some countries.** There should be a commitment to water health and safety as well as conservation and protection, including treatment, filtration and disinfection of source water, wastewater collection, transport and treatment for the purpose of reclamation, re-use and recovery, and sanitation systems to prevent contamination of water resources. Governments should set water and wastewater quality standards reflecting the levels of performance achievable using best currently available technologies that are cost-effective on a total

¹ BAW is a platform that aims to bring together a comprehensive network of businesses, large and small, from around the world, through the representation of their associations, drawn from many sectors and regions. The overall aim is to profile business and industry as positive agents to achieve the goals, commitments, activities of the 5th World Water Forum

life-cycle basis.

3. Multiple roles of Business

Businesses as users of water resources and services, creators of jobs and products that people need, providers of water related technology, equipment and services, and as a driving force for economic development, have considerable skills and resources to bring to the table. **Businesses are committed to create technological solutions that solve problems and make economic sense.** The private sector conducts research, makes innovations and has tangible expertise regarding best practices, efficiency, water conservation and water and waste management and is keen to share these with policy and decision makers. The engagement of all actors is essential to develop comprehensive, strategic options that address prevailing economic, social and ecosystem conditions with available governance, infrastructure, financial, technical, human and operational resources in different communities around the world.

4. Political Leadership & Enabling Frameworks

Business looks to governments to provide the necessary political leadership and enabling frameworks, because business can only operate effectively in a strong and stable legal, regulatory and economic context. **Governments need to take a more integrated approach to international water policy, strategy, planning and decision-making – incorporating not only water and waste management but also key elements of agricultural, energy and industrial usage.** Moreover, appropriate management strategies need to be developed watershed by watershed rather than country by country. ICC would like to stress the priority need of the poorest populations to have access to safe drinking water, sanitation and other water services. Where stable conditions exist, business will continue to innovate to create adaptable, affordable and effective solutions, working with employees, communities, government, customers and other stakeholders. As climate change and other factors are driving increased scarcity in many regions of the world, governments can promote greater recycling and reuse through one or more of the following: (a) Requiring more recycling and reuse; (b) Providing financial, regulatory or other incentives; (c) Removing regulatory and cost barriers; and (d) Education and outreach.

5. Water and the Millennium Development Goals (MDG)

Some progress, but not enough, has been made in achieving the goals and targets for water, sanitation and human settlements agreed to in the Johannesburg Plan of Implementation (JPOI) and the Millennium Declaration. Business remains fully committed to helping achieve these objectives. **Last year, several CEOs who previously signed the UN Global Compact's CEO Water Mandate wrote to the head of government for G8 countries encouraging them to help meet the MDGs, especially those on water and sanitation access.** Many countries are well short of the 2015 goal to reduce by half those without access to safe water and sanitation. At the 16th Session of the United Nations Commission on Sustainable Development in 2008, business called for more ambition on the part of governments and donors.

6. Conserving and managing water efficiently

During the last decades, business efforts to conserve and manage water wisely have evolved, yielding invaluable lessons in the efficient use of freshwater resources, in improving water quality and ecosystems and in providing safe drinking water and sanitation to people throughout the world. Business is sharing its growing expertise in water conservation and water demand management best practices and in building multi-stakeholder consensus around difficult issues. **Integrated Water Resource Management (IWRM) and the introduction of Integrated Sanitation Management (ISM) mechanisms have a central part to play in building strong and effective governance for water**

and sanitation and in fostering sustainable human settlements. The Forum should advocate implementation of IWRM and ISM by member states and promote the establishment of harmonised data capture and management systems in support. For their part businesses can contribute to IWRM and ISM by analysing how their own activities impact on water throughout the life cycle of their products and processes. They should share their understanding of these impacts and how they can best be managed with local decision-makers.

7. Interconnectivity of Water Issues

As economic growth occurs and populations increase, more demand is placed on water resources. Crucially, **water must therefore be conserved and used efficiently, there must be security of supply (both in terms of quantity and quality), and the interconnectivity of water issues must be understood for there to be sustainable production and consumption of water.** In addition, climate change and variability increases the stresses water is already under. Climate change and variability will largely manifest itself through water (rising sea levels, droughts, floods, intensity of storms, melting ice caps and glaciers).

Water, Energy and Food

Water, energy and food are intimately linked. Treating and transporting water requires substantial amounts of energy and generating energy requires substantial amounts of water. Hydropower is one of the cheapest and most sustainable forms of energy. Water is essential for cooling fossil and nuclear power plants and for many industrial processes. It is also essential for the extraction and processing of fossil fuels. **The water-related and climate change and variability impacts of energy in general and biofuels production in particular could significantly affect economic viability and sustainability.** Regardless whether crops today are being used for food or as feedstock for energy production, they require enormous amounts of water to be grown. **The efficiency of this water use can and should be improved significantly.**

Water impact of bioenergy

Like all sources of energy, bioenergy, as it is deployed at larger scale, presents sustainability challenges from a number of perspectives. These challenges should be assessed and managed by policymakers and decision makers with input from business. They should also be addressed through research and innovation. **Policymakers and decision makers should also bear in mind the particular challenges bioenergy faces concerning land and water use, agriculture and biodiversity.** For example, growing demand for bioenergy has been one of several factors in increasing demand for a number of agricultural commodities which, combined with supply disruptions and domestic policies, have contributed to higher food prices. These considerations could bear direct impacts for the allocation of water to energy and other uses. A rapid increase of land and water used for plants to be transformed into biofuels, for example as in programmes subsidised and supported in many countries across the world, could have a massive impact on freshwater withdrawals as in some estimates to grow one calorie, one litre of water is required.

Climate change and variability (adaptation)

Climate change and variability impacts will affect our operations and the markets in which we participate and the communities where our employees and customers live. The issue of adaptation to climate change and variability, along with ongoing efforts to reduce greenhouse gas emissions, is a critical one for business, both in developed and developing countries. **Vulnerability to the impacts of climate change and variability is increasing and adaptation measures will unfold over decades based on experience with impacts and growing scientific capability to project future changes.** It is clear that even if we start to change on a global scale today, we are still going to have to deal with the impacts of climate change and variability for many decades into the future - a double challenge. This means that ultimately humankind is going to have to adapt to the impacts of climate change and variability. Efforts to build adaptive capacity need to share effort and experience beyond individual countries and regions. Decisions are taken every day in both the public and private sectors related to areas that will be important in building adaptive capacity. These include infrastructure development, technology choices, human settlements, water provision and new industrial installations amongst

others. Many of these will be in use for decades into the future. Adaptation to climate change should be taken into account as part of ongoing business continuity planning, development and investment processes.

8. Water, Agriculture and Business

Water is essential for growing food and other agricultural products. Agricultural inputs are of major importance to many businesses. Some 70% of freshwater withdrawn globally is used for farming activities. Agriculture demands the lion's share of water resources in many countries, particularly in developing countries. **With growing populations, water usage for agriculture is going to face more intense pressure as demand for agricultural products increases. When water shortages occur in major agricultural producing areas, either due to water services problems or periodic droughts, they can significantly contribute to rising prices of agricultural commodities and worse, to shortfalls in food.** In 2003, the then Director General of the International Water Management Institute warned: "If present trends continue ... water scarcity ... (could lead) to annual losses equivalent to the entire grain crops of India and the US combined", i.e. one-third of the global cereal crop. This has knock-on effects on global economic growth as basic living costs become higher. While the OECD-FAO Agricultural Outlook 2007-2018 does not include water shortages as a factor in its cost assumptions, it does state that "the link between production and yield shortfalls, climate change, water availability and quality warrants further analysis, both in terms of trends, variability and risk.

Bearing in mind that agriculture is the greatest user of water resources, **mechanisms should be put in place to provide access to appropriate management strategies and technologies to increase water use efficiency in irrigation and the right incentives should stimulate the move to greater efficiency.** Water may become the limiting factor to sustainable agriculture in many of the hotter parts of the developing world. Making irrigation more efficient, creating rainwater reservoirs, improving the water table through land management and improved access to water resources increase crop yield and labour effectiveness in agriculture. The Food and Agriculture Organisation (FAO) has recently pointed out that a 1% saving in water use in agriculture would make 10% more water available for other uses.

Another contribution to solving the water problem would be the liberalisation of trade in agriculture through increased market access for regions with rain-fed agriculture (e.g., in Sub-Saharan Africa and Latin America). The recently observed bilateralism in state-supported foreign direct investment in the agriculture of water-rich countries, however, will increase the risk of massive turmoil in global food markets due to water shortages.

9. Financing

One of the biggest challenges of achieving the MDGs lies in attracting the levels of finance needed for public and private sector investment in water and sanitation. According to OECD, significant shortfalls in investment in the order of \$ 460 billion per year (more than 40% of the estimated amount actually required) lead to progressive deterioration of many water supply and sanitation infrastructure. **In urban and peri-urban areas, due to scale and complexity, service provision generally is administered through municipal or equivalent local authorities. In these environments, investment needs can only be met when effective cost recovery systems are adopted, based on the use of tariffs, taxes and external transfers that are appropriate for the local social, economic and environmental context.** Particular attention should be paid to the affordability of water and sanitation services for poor populations. Where local authorities are willing and able to implement sustainable economic management, the business sector can explore with them alternative financing, investment and service delivery options tailored to local conditions and capacity to meet capital and operational costs.

There is an internationally recognized need to access private sector funds to meet the needs of small and medium sized cities, but high risk financial environments with uncertain legal systems present a

major barrier. **Conditions and mechanisms should be put in place and strengthened that will encourage the development and implementation of low cost debt financing for water and sanitation projects that will attract funds nationally and internationally.** Governments and donor agencies should create environments favorable to private investment by combating corruption and by providing credit support through grants, loans and/or guarantees. There needs to be coherence between the pricing of water for agriculture, industry, municipal and domestic use. Business believes that a realistic view of the economics of water is necessary, and this involves an equitable (or fair), practical and realistic approach to water pricing. Water is a valuable resource and governments should ensure that the price of water reflects its true economic value. This will promote rational decision-making with respect to water use and provide the economic foundation for appropriate water infrastructure and services. Consideration should be given to the role of business in providing financing for water-related projects.

10. Water and the Global Economic and Financial Crisis

The financial crisis underscores the urgency of sustainable development, emphasizing a mutually reinforcing balance of economic, social and environmental progress. Many companies have brought the concept of sustainable development into their operations, recognizing its clear business and societal benefits. Water should not take a backseat.

Infrastructure and expenditure on water and related activities tends to take a back seat at the best of times. However this unglamorous area provides very good returns on investment because of the huge number of beneficial externalities that give high rates of return. Both public and private investors would do well to consider how to make the most of the current economic crisis and to ensure that vital water infrastructure and services do not slip back.

ICC stands ready to work with government policy-makers and decision makers both at the Fifth World Water Forum and beyond to meet the complex challenges of water and waste related issues. We will continue to provide business insights and views from a global, multi-sectoral perspective.

The International Chamber of Commerce (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rules-setting, dispute resolution and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 130 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.



International Chamber of Commerce

The world business organization

Policy and Business Practices

38 Cours Albert 1er, 75008 Paris, France

Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 28 59

E-mail icc@iccwbo.org Website www.iccwbo.org