

Private Public Partnerships and Corporate Responsibility

Wed 6 May, Ramallah
Niclas Ihrén, strategic advisor

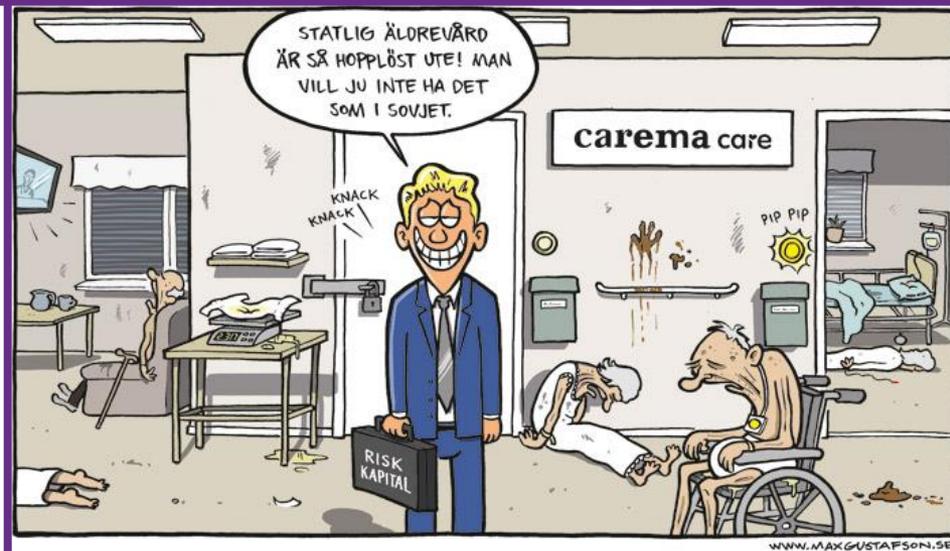


Engaging the private sector in the water sector is attractive but challenging

- Translating multi-faceted public goals into corporate requirements and tendering
- Handing over some control and planning power to private enterprise
- Requires maturity, transparency and responsibility from the corporate sector
- Risks:
 - Corruption
 - Lack of transparency
 - Miss-use of public funds

What is required in terms of responsible behaviour from the corporate sector?

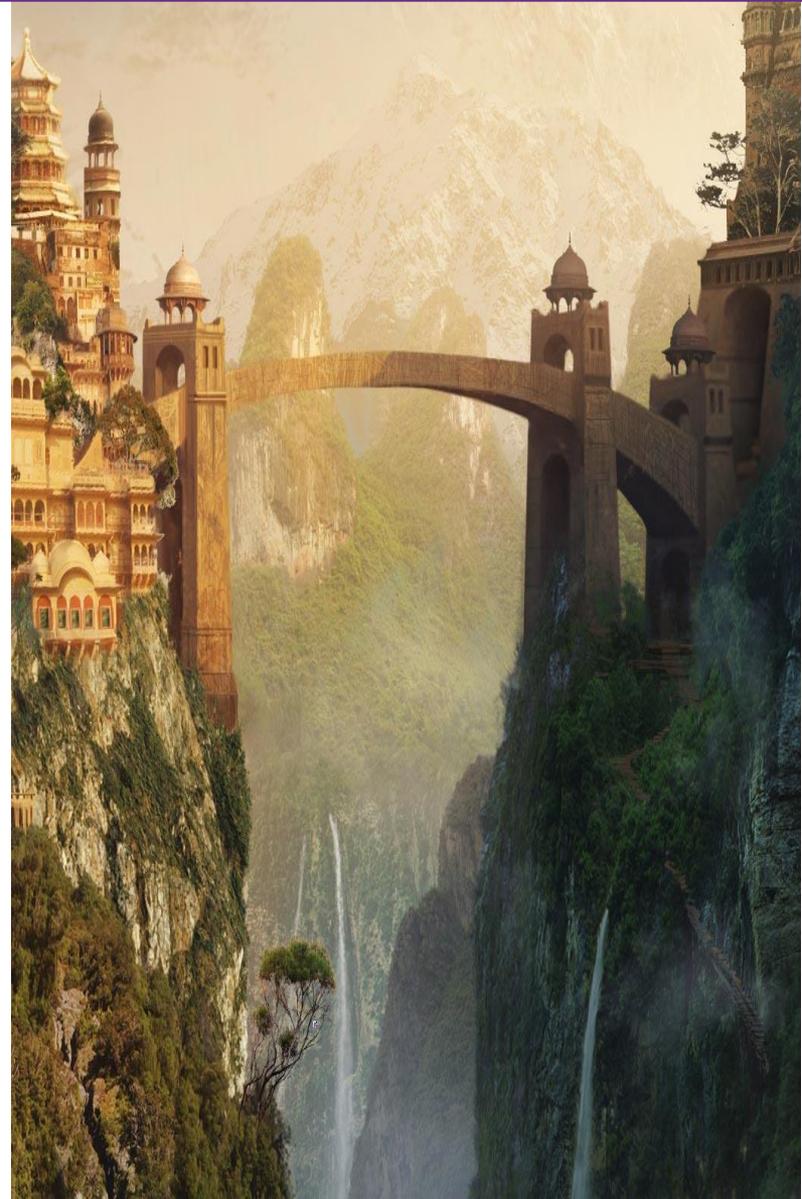
Critique of quality in "free schools"



Swedish healthcare scandal 2011

Private-sector participation can be very valuable, but it is not the Shangri-La

- The main value comes from **efficiency** and **quality gains** as the sector becomes more competitive.
- The private sector **adds resources**, but it also **draws resources** in the form of profits and through a more complex tendering and control structure.
- The private sector will be **no less corrupt** or act as better citizens than its public counterparts.



A step-change in the perspective on CSR

Creating shared value



"What is good for society is good for business"
– Michael Porter, 2011

Responsibility without limits



"Corporate Social Responsibility is the responsibility of enterprises for their impacts on society"
- EU Commission, 2011

"CSR is not about how you spend your money; it's about how you earn your money in the first place."

CSR is *equally* about doing things right and about doing the right thing

Doing things right

Compliance regarding:

- Worker's rights
- Anti-corruption
- Transparency
- Supply chain
- Environmental issues

Doing the right thing

Engaging in the issues that are most material:

- Water issues
- Climate change
- Education
- Peace keeping
- etc

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Principles of social responsibility

Accountability

An organisation is responsible for its impacts on society, the economy, and the environment

Transparency

An organisation shall be transparent regarding decisions and activities that have an impact on society and the environment.

Ethical Behaviour

An organisation shall behave ethically.

Respect for stakeholder interests

An organisation shall respect, observe and meet the interests of its stakeholders.

Respect for the rule of law

An organisation shall accept that the rule of law is without exception.

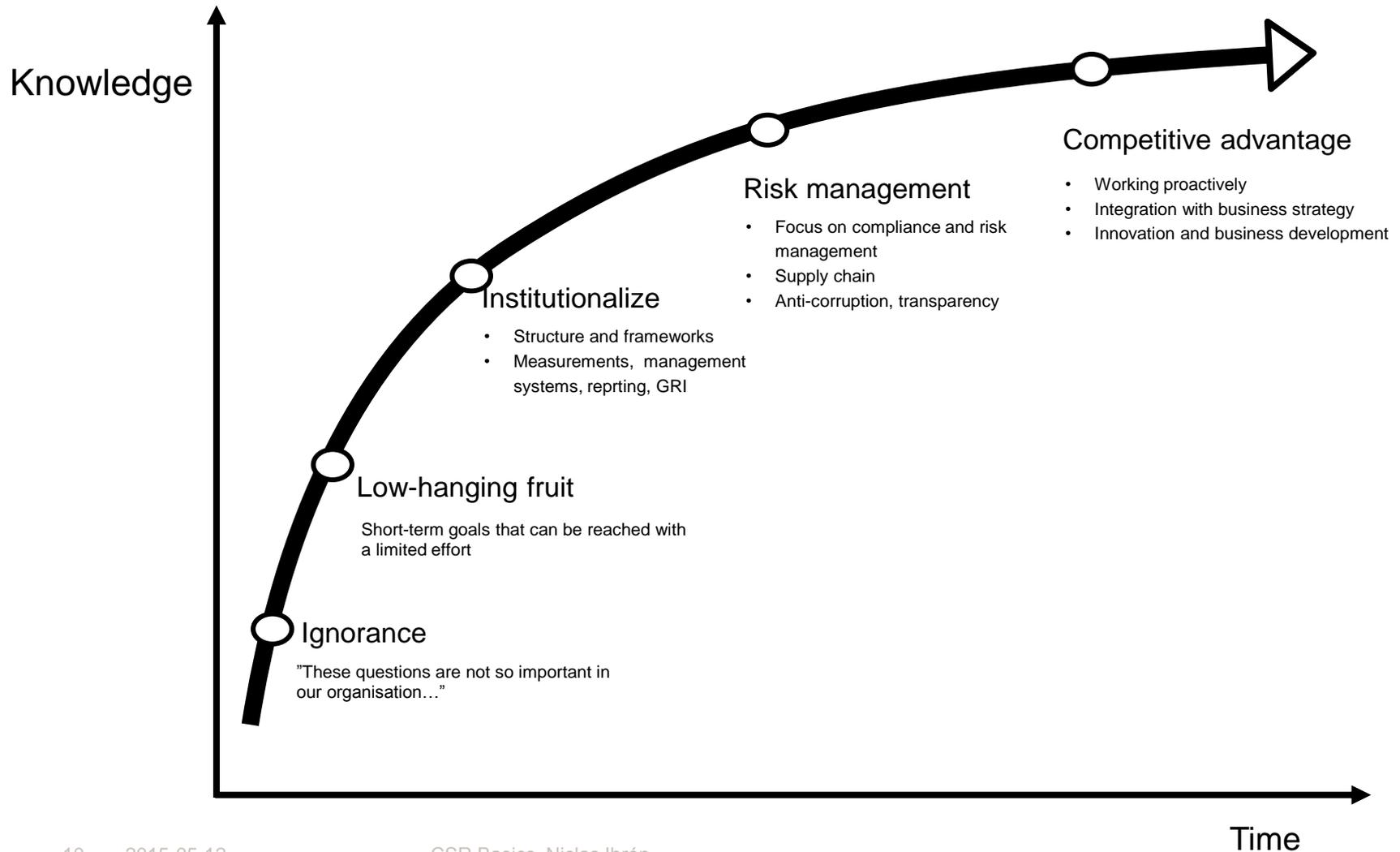
Respect for international norms of behaviour

An organisation shall respect international norms of behaviour, while obeying the rule of law.

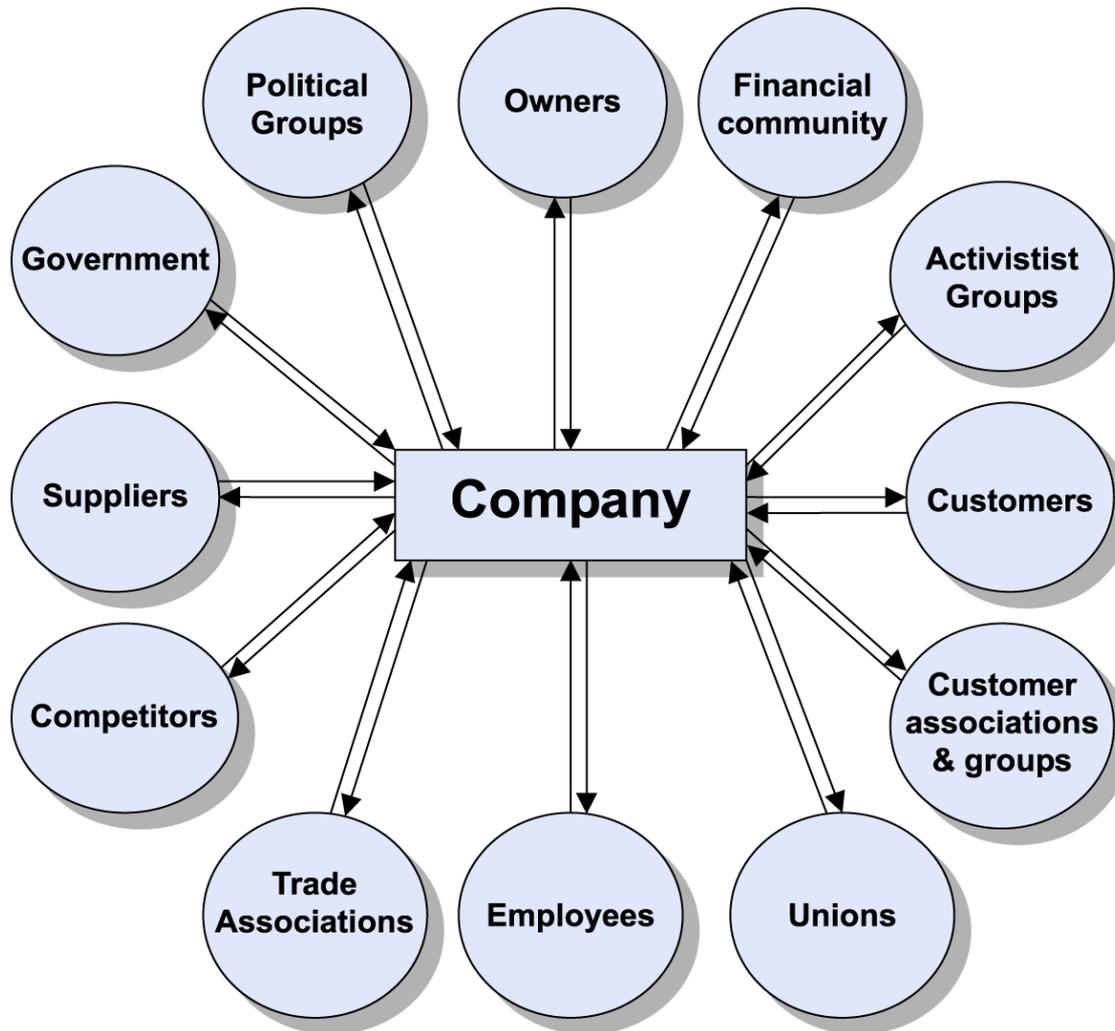
Respect for human rights

An organisation shall respect human rights and subscribe to their importance and their universal applicability.

A long corporate path towards sustainability/CSR



Corporate responsibility means working in dialogue with stakeholders



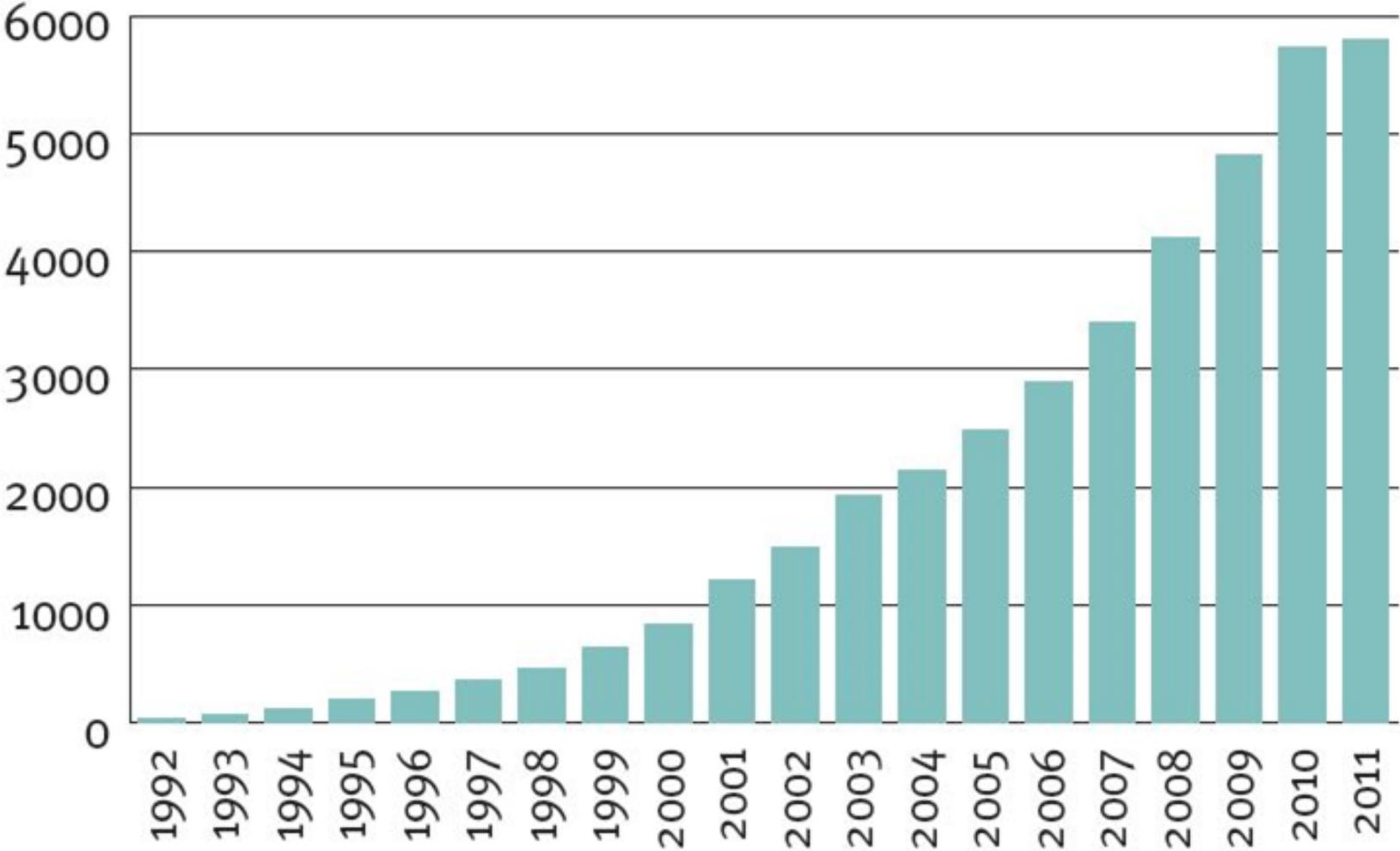
Local legislation can stimulate corporate responsibility

- France
 - 2001 Listed companies with traded securities to report on CSR
 - 2009, 2010 Grenelle Laws regarding CSR
- Sweden
 - 2007 GRI reporting for state-owned companies
- Denmark
 - 2008, 2013 Large companies to report on CSR, human rights and climate impact
- UK
 - Anti-bribery Act 2010
- India
 - 2014 *India* is the first country to mandate a minimum spend on *corporate social responsibility* initiatives (2%)
- EU
 - 2014 Directive on disclosure of non-financial and diversity information by certain large companies

International codes and charters are important for setting the bar for good corporate citizenship

- OECD Guidelines for Multinational Enterprises (1976, ,2011)
- Global compact (2000)
- Equator Principles (2003)
- UN Principles for Responsible Investment (UNPRI, 2006)
- ISO 26000 (2010)
- UN Guiding Principles on Business and Human Rights (2011)

Sustainability reporting is increasing



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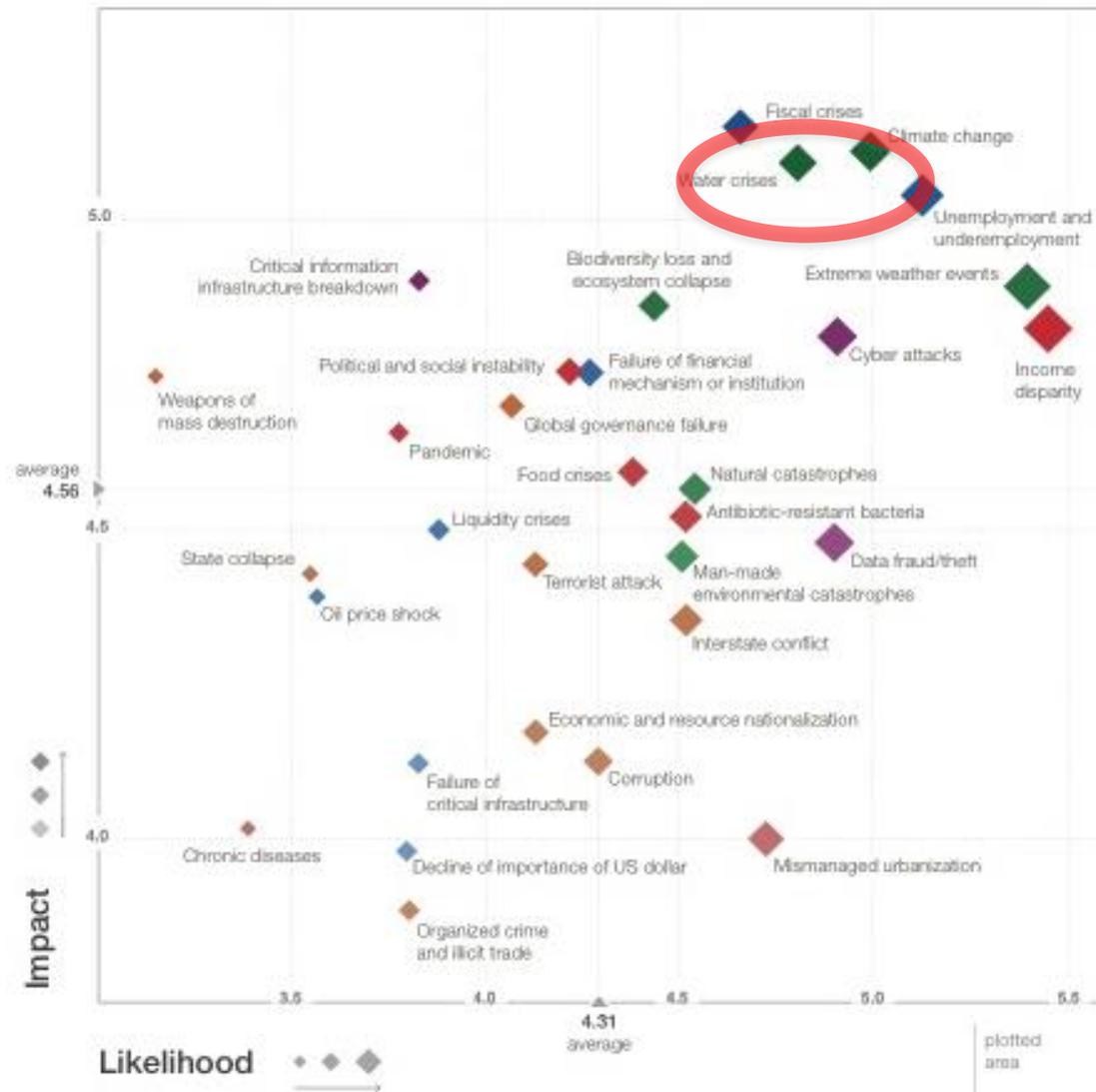
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WATER

Global Risk Landscape: Water scarcity as a global top issue

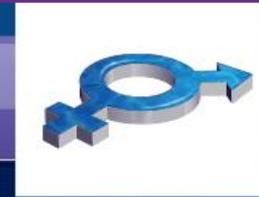


Water management in society is complex, and affects most cross-cutting issues

Cross-cutting issues

- Poverty
- Human rights
- Equity
- Gender

CSR is a strategy for corporate engagement in cross-cutting issues



WATER AND GENDER

IN AFRICA, **90%**
OF THE WORK
OF GATHERING WATER
AND WOOD IS DONE
BY WOMEN



Women and girls
often spend
up to **6 HOURS**
every day
fetching water



Reducing the distance
to a water source
from 30 to 15 min
**increased girls' school
attendance by 12%**
according to a study
in Tanzania

With the same access
to productive resources
as men, including water,
women could increase
yields on their farms by
20-30% and lift **150 million**
people out of hunger



Involving women
can **increase**
the effectiveness
water projects
6 to 7 times



Water issues are being upgraded as a CSR issue

Moving beyond business as usual

A need for a step change in water risk management
CDP Global Water Report 2013

Written on behalf of 530 investors with US\$57 trillion in assets



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Rationale for business of addressing water scarcity

Direct cost-benefit

- Scarce water cost more, and even temporary interruption of supply could damage many industries which are dependent on clean water, directly or in their supply chain.

Reputation

- Unsustainable water use could damage a company's image through negative publicity and increased public scrutiny.

Risk of increased legislation

- Voluntary corporate action may avert harsher restrictions which raise costs. The study suggests that regulatory pressures are one of most successful means of generating voluntary environmental management approaches

Risk of requirement to invest in water supply

- There is a growing expectation for corporate investment in water management; currently, to relieve public funds that now account for 95 per cent of investment.

Water risks are increasing and stewardship activities are lacking

CDP Conclusions, Water Disclosure Project:

- **Water risks are increasing**
 - 70% see water as substantive risk
 - 64% expect risk to impact within 5 years
 - 16% increase in risks as reported by companies, year over year
- **Water stewardship activities are lacking, exposing companies to risks that could be mitigated.**
 - 63% set targets for direct operations
 - Risks overlooked
 - Opportunities missed
- **Investors must encourage companies to address water-related risks and associated impacts to financial performance.**
 - Promote water stewardship as forward-looking strategy

Global Compact / Accenture Global CEO study September 2013

accenture



By the numbers

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Our surve
business l

32%

32% of
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83% of CEOs believe that government policymaking and regulation will be critical to progress

Summary: PPP and Corporate responsibility

1. PPP requires responsible businesses
2. We have a strong trend towards more responsible business / CSR
3. It requires culture change and increasing maturity over a long time
4. The private sector will not be better than public counterparts
5. Legislation and international codes stimulate adoption
6. Water is a complex CSR issue with generally low maturity among private sector
7. Private sector asks for (an even) regulatory framework to support



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Thank you!



Sida



Niclas Ihrén, Strategic advisor

niclas.ihren@gmail.com

+46704911499