



The Business Case for Investing in WASH

White Paper for Discussion

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Context

Sustainable Development Goal 6 seeks universal access to water and sanitation by 2030. The 2017 WHO/UNICEF Joint Monitoring Programme Report states; “Universal implies all settings, not only to households, but also schools, health care facilities, workplaces and other public spaces”.¹

The private sector has a critical role to play in contributing to this compelling vision through their ability to improve access to water, sanitation and hygiene (WASH) as part of their core business operations. This paper provides working examples on how to make progress in service delivery in and beyond the workplace. Through this process, business can simultaneously also reap the benefits of cost savings, business growth and opportunities for collaboration.

Contributing to Sustainable Development Goals is relevant to your consumers and wider society

- 844 million people are still without basic drinking water, and 2.1 billion without safely managed water at home.²
- 2.3 billion people lack access to basic sanitation, and 5.3 billion without safely managed sanitation at home.³
- Menstrual hygiene has been largely neglected, resulting in millions of women and girls being denied services.⁴
- For every US \$1 invested in water and sanitation, US \$4.30 is generated in economic returns through increased productivity.⁵

The Role of Business in WASH

The impact of business on WASH can be understood as:

- Delivery of services directly to employees;
- Influencing stakeholders to provide access to WASH for workers in supply chains and communities;
- Managing water consumption and discharge of water as a cornerstone of water stewardship through on-site and catchment based action.

“WASH concerns and in particular water quality has an impact on the wellbeing of our employees and thus our operations”
Nestlé, Switzerland (2015)

“Water is a local issue and local communities are an integral part of water related risk assessment.”
Tata Chemicals India (2015)

“The need for clean, safe water is not just an environmental issue, but a human rights issue. We want to help ensure that everyone touched by our business can have this need met. Not only do we rely on water to create our products, but the people who make our clothes must be able to care for themselves and their families, including with access to water, sanitation, and hygiene – if they can’t thrive in the communities where they live, neither can we.” **Gap Inc (2017)**

“With our global reach, portfolio of WASH-related brands and experience in changing behaviour, we are helping to deliver progress on SDG6 and develop market solutions which will transform WASH provision.” **Unilever Plc, UK (2016)**

Electricité de France (EDF) put in place WASH infrastructure and training for its 9000 employees and contractors in a temporary work site for the construction of a dam in Laos and WASH provision for the local community. The initiative was undertaken to implement the WBCSD WASH at the Workplace Pledge and to manage downstream impacts of the construction and to compensate for the livelihood losses triggered.

This paper presents the case for the business value creation and economic benefits associated with positive actions on WASH as well as outlining how business can contribute to Sustainable Development Goal 6.

Three Reasons Your Business Should Invest in Water, Sanitation and Hygiene (WASH)

1. Positive impact on the business model and bottom line

Increasing Productivity & Reducing Absenteeism

Health indices and access to safe WASH are related. An investment into WASH services in the workplace can generate public benefits as well as be valuable to business as it creates opportunities for growth and profitability.

- Lower absenteeism leads to high productivity given a more capable workforce and lower factory error rates. Through the HERproject, **Levis Strauss** provided women at factories with health education and improvement of on-site health services and behaviour. **Absenteeism fell by 55% and staff turnover has dropped from 50% to 12%. One factory calculated a \$4:\$1 return on investment (ROI).**⁶
- In Vietnam, a number of factories created an environmentally comfortable and trusting workplace, including water and bathroom satisfaction. One factory reported a **7.6% increase in profitability**⁷ where workers expressed greater satisfaction with water, air quality, bathrooms, canteens and health services.
- Inclusion of menstrual hygiene management can help women stay in work and ensure gender equality in the workplace. **In Kendougou, Senegal, 96% of the women surveyed said they did not regularly go to work while they were menstruating.**⁸
- Attrition rate can drop which will lead to an increase in employee retention, the general wellbeing of the workplace to increase and higher levels of worker satisfaction.

Reducing Operational Costs and Business Risks

- Given that poor water stewardship management and WASH management could force the closure or relocation of business operations, investing in this area can increase investor confidence and protect the company share price.
- Reduced water treatment costs: lack of sanitation can lead to higher on-site pre-treatment costs in making contaminated water usable for industrial purposes, or worse, water supplies are so polluted that they are unavailable for industrial use.
- Of those companies that publicly responded to the 2016 CDP water questionnaire, **65% believed that they were exposed to water risks that could generate a substantive change in their business, operations, revenue or expenditures**, WaterAid found **only 15% reported WASH-related risks in direct operations and 7% in supply chains.**⁹

- Diarrheal diseases were the 4th largest source of hospital admissions and 10th largest cause of death at Newmont Mining, Ghana. In response to this, investment into their sanitation systems led to a **30 - 40% reduction in the incidence of diarrhoea and the avoidance of \$28,000 in medical costs per year in one mining community.**¹⁰

Developing Supply Chains and Supply Security

- Investment in WASH facilities across the business supply chain provides the opportunity to increase workforce productivity and grows supply security of the product. Cost savings across the supply chain are of benefit to both producers and consumers which will in turn increase economic efficiency.
- Further, an investment into WASH in the supply chain represents an investment into market security and will ultimately provide a more enhanced supply side infrastructure. Through their Water of Life Programme, Diageo has worked to support water supply, sanitation and hygiene projects in 58 communities in Ghana, some of which input to their subsidiary breweries' supply chain. **In addition to the positive social impact generated, Diageo is looking to better understand and capitalise on the potential strategic and sustainable impacts for its business.**¹¹

Strengthening Social Licence to Operate and Addressing Reputational Risk

- The implementation of WASH facilities in the workplace provides further opportunity for the business beyond its walls. As many businesses are often within close range of Low Income Communities, there are significant opportunities to invest in providing better WASH services in the surrounding area. This mechanism strengthens a company's social capital via a stronger connection with the local community.
- This work can lead to enrichment of brand loyalty and goodwill towards the company: **"Being a responsible water user is an opportunity for us – it helps build stronger relationships with local communities and governments and enhances our social license to operate: being responsible makes it easier for us to do business"** Anglo American, UK(2015)
- Good water management, provision of WASH and meeting companies' responsibility to respect the HRWS ensures companies' social license to operate, reduces reputational risk and can strengthen relationships with governments and other key influencers.
- The requirement for businesses to comply with local regulations within the jurisdiction of their operations.

2. Wide ranging economic benefits

Exploring the economic benefits

There is a considerable range of economic benefits that follow from investment in WASH provision. For low income countries, improved WASH and economic growth go hand in hand and contribute to unlocking communities from poverty and support the discovery of economic potential.

- The recovery of lost economic potential is significant. **A World Bank Study** estimates that in 2008, the **economic loss of poor WASH to Indonesia and the Philippines was \$3.3bn and \$1bn**, respectively.¹²
- The reduction of disease and the increase in general health levels brings a stronger and more productive workforce. **Every day, on average, over 800 children under 5 years of age die from diarrhoeal diseases due to poor WASH.**¹³
- Time saved in fetching water, especially for children and women, leads to more opportunities for primary and secondary education which in itself is essential for individuals to have an opportunity to increase their standard of living. “Nestlé repaired the pumps in Bonicro and constructed latrines and water stands for our schools. **With the repairs, women who used to have to walk many kilometres to get water now save a lot of time and can get clean water**”(beneficiary of Nestlé and IFRC intervention in Cote d’Ivoire).¹⁴
- The creation of an efficient, well governed WASH sector is essential to reduce the waste of economic resources that occur when consumers pay inflated prices to illegal vendors for WASH services.
- Investment in household or communal WASH facilities will lead to an improvement in housing conditions and an increase in the value of property. These benefits will primarily be experienced in urban areas and can contribute to the development and prosperity of cities.¹⁵
- Rural areas across a nation can also receive benefit from WASH improvements in urban settings. As workers migrate towards buoyant urban labour markets, they in turn begin to produce a flow of remittances back to family members in rural settings. **In Sub-Saharan Africa and Asia, the volume of internal remittances is consistently greater than international remittances and the majority of beneficiaries of these internal remittances are poor households.**¹⁶
- With the increase in economic production from a healthier and more educated workforce, GDP will rise which will lead to a higher levels of income per capita and economic growth.
- Inward investors will notice the growing opportunities to establish business operations within their country, given the improvements in the WASH infrastructure. Capital inflows are not only positive for employment opportunities, but also positively affect the balance of payments.

Inadequate WASH is associated with global economic losses of USD 260 billion every year, largely due to lost time and productivity. **WHO (2012)**¹⁷

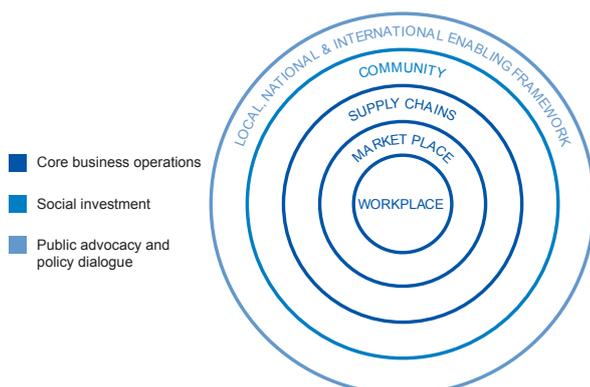
3. Direct contribution to the achievement of the Sustainable Development Goals 2015-2030

SGD6 is pivotal to achieving other goals



Sustainable Development Goal 6: Ensure availability and sustainable management of water and sanitation for all.

How can business best contribute to SDG6¹⁸



Core business operations can be monitored and developed to ensure; safe workplace WASH, efficient water usage/recycling, correct watershed management, training staff in behaviour change and disseminating learning across the supply chains.

Social investment by contributing knowledge capital and finance to support WASH development and access to affordable WASH products in communities local to the business.

Business can use **public advocacy and dialogue** to elevate the priority of WASH in policy formation & implementation, to lobby for better governance in the sector and act as a vehicle to facilitate learning across the sector.

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This Business Case was developed as part of the
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The CEO Water Mandate



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