

REPORT FOR THE ONLINE CONSULTATION ON
PRIVATE SECTOR PARTICIPATION AND THE
HUMAN RIGHTS TO SAFE DRINKING WATER AND
SANITATION

Organized by the UN Special Rapporteur on the
human rights to safe drinking water and
sanitation, Mr. Léo Heller

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SHORT PRESENTATION OF AEAS

AEAS, is the Spanish Association of Water Supply and Sanitation, founded more than 45 years ago.

We are the leading technical and professional association of water service providers and other stakeholders of the whole urban water cycle (approx. 300 members), who provide operation, maintenance and management of urban water services, which include water supply and sanitation, whether they are public, private or mixed. Our members provide service to approximately the 80% of the Spanish population.

We have established Technical Commissions and Working Groups that provide support, develop studies, reports and proposals on the different areas of the urban water cycle (abstraction and water treatment engineering; quality and water treatment; distribution networks; urban drainage and sewerage; waste water treatment; management and commercial relations; economics and statistics; RDI; CSR), becoming one of the main agents for cooperation, transference and dissemination of practical knowledge and experience, know-how and information of the urban water sector in Spain

Besides, we participate actively in relevant international organizations on issues related to the water cycle, such as EurEau (European Federation of National Associations of Water Services), IWA (International Water Association), and OECD (Organisation for Economic Co-operation and Development; being member of the Steering Committee of the OECD Water Governance Initiative).

We would like to highlight the fact that we represent all water service providers in Spain, public private and mixed, defending and promoting effectiveness, efficiency and sustainability in water services, independently of the management model they may have.

SESSION 1. SCOPE OF REPORT

2. Which other elements should the report take into consideration?

What we have found in the background paper, is that it's focused only on one possible reality of the participation of the private operators in the provision of the water services.

On one hand, it only mentions risks, and on the other, it mainly shows pitfalls in developing countries.

But there is another reality of the private's sector participation in the provision of water services. As AEAS has both private and public operators amongst its members, we don't to talk about advantages or disadvantages related to any of the management models, but we can definitely talk about good practices implemented by the operators, and in the case of this report, by private operators.

Given the three objectives of the report, mentioned in the background paper, and understanding this is not a comparative between private and public operators (approach that we follow ourselves due to the diverse nature of our members), we believe that a more realistic and comprehensive approach to private operators' participation is needed.

We very much welcome the intention of providing guidance or recommendations to private operators to improve the inclusion of human rights into their activities, but it can be a paramount constraint launching a report that only considers the possible risks of private operators providing water services and not including good practices already in place (it's also worth highlighting the fact that these risks are not exclusive at all of the provision of water services by private operators).

SESSION 2. TYPOLOGY OF PRIVATE SECTOR PARTICIPATION AND TRENDS

1. What are the trends with regards to private sector participation in the water and sanitation sector?

To answer this issue, we would like to introduce the Spanish urban water sector.

SPANISH WATER SERVICES

We think it is relevant showing how the urban water services work in Spain, as we are a quite unique model.

The urban water sector is a complex one. When we talk about water services, as mentioned before, we are talking about water supply and sanitation, and sanitation means both sewerage and waste water treatment.

We would like to highlight some issues regarding our sector.

The most important thing to highlight is that **water is a public good of public ownership by law**, regulated by public administrations, and that **urban water supply is the highest priority** among other uses of water, as established in our Water Act.

Another basic issue is that **water services are of municipal competency**, although some other authorities, principally at the regional level, also have some competencies in certain phases of the urban water cycle.

The regulation model could be defined as a classical decentralised model, with **fragmented competencies**:

- The allocation of water resources to different users (domestic, agricultural and industrial) is responsibility of the River Basin Authority.
- Water supply and sanitation fall within the competency of the city councils.
- Drinking water quality is controlled by the Ministry of Health.
- waste water treatment usually falls under the responsibility of Bodies/agencies created by regional governments
- And tariff structure and prices are set by the city councils, excluding waste water treatment fees, which are usually set by the regional government.

Spain has 8.131 municipalities (last official figure of the Spanish Institute of Statistics), of which 95% have less than 20.000 inhabitants, but which in terms of population mass only represent the 30% of the almost 46.800.000 inhabitants. If we look into smaller municipalities, 72% of them have less than 2.000 inhabitants, but they scarcely represent the 6% of the total population.

The consequence is that urban water management is distributed in more than 2.000 independent services, each acting as a regulator of the services, which means each of them is responsible for the establishment of water prices, the efficiency of the services, transparency, accountability and public participation.

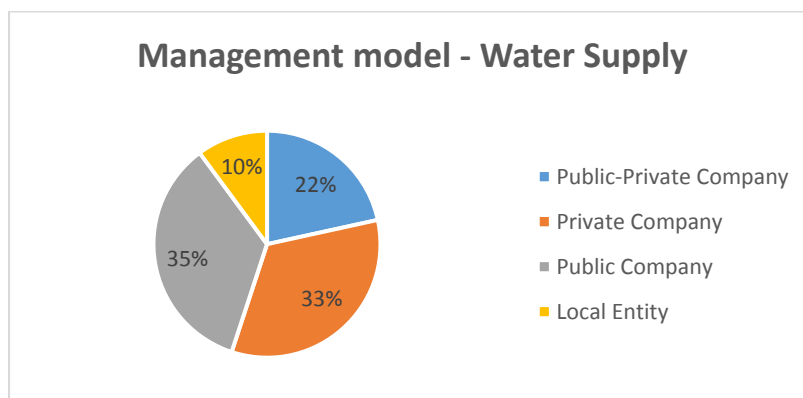
Municipalities are also responsible for choosing the management model of water services, and we have 4 management models of water services:

- Direct management, by the municipality
- Delegated management, which can be by means of public companies, Public- private companies or private companies

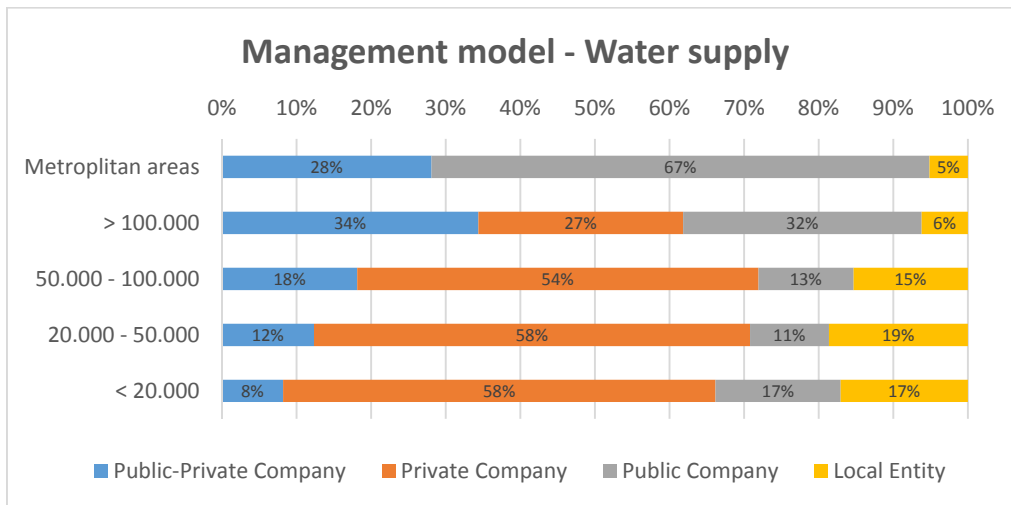
We believe we have a healthy equilibrium in Spain, between public and private actors in the provision of water services, where public companies try to be more innovative and efficient and private companies, more social and customer service oriented.

This equilibrium has been in place for more than 150 years. The “sprout” of what today is Aguas de Barcelona (company providing water services to the Metropolitan Area of Barcelona), was created in 1867 (www.agbar.es). Global Omnium (now providing water services to the Region of Valencia) was created in 1894 to provide water supply to the city of Valencia (www.globalomnium.com). Aguas de Alicante, providing water services to Alicante, is a mixed company since 1953 (50% city town hall, 50% Sociedad Mercantil Aguas de Alicante, S.A.), but was first a private company hired by the city town hall to provide water supply to Alicante in 1871 (www.aguasdealicante.es).

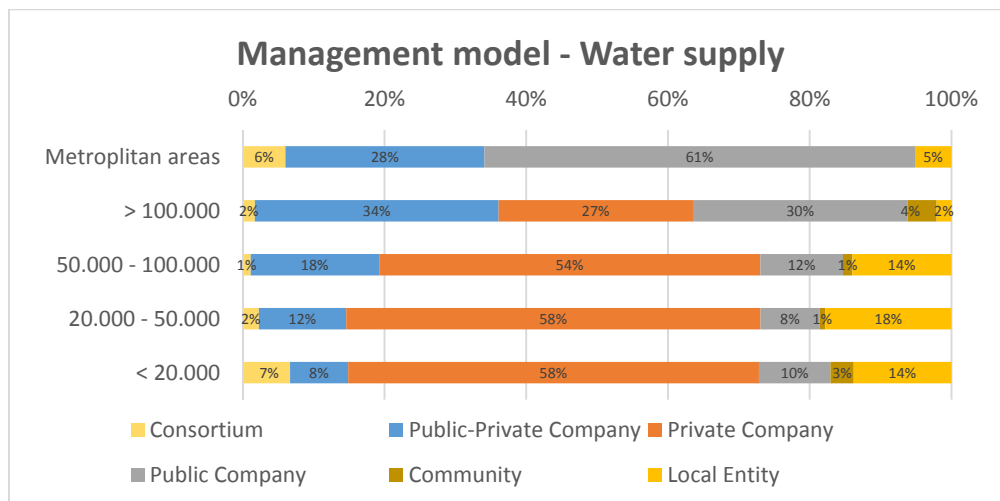
Looking into the figures of the distribution of the management models, regarding water supply, 33% of the population receives the service provided by private companies, 35% by public companies, 22% by public-private companies and 10% by local entities.



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

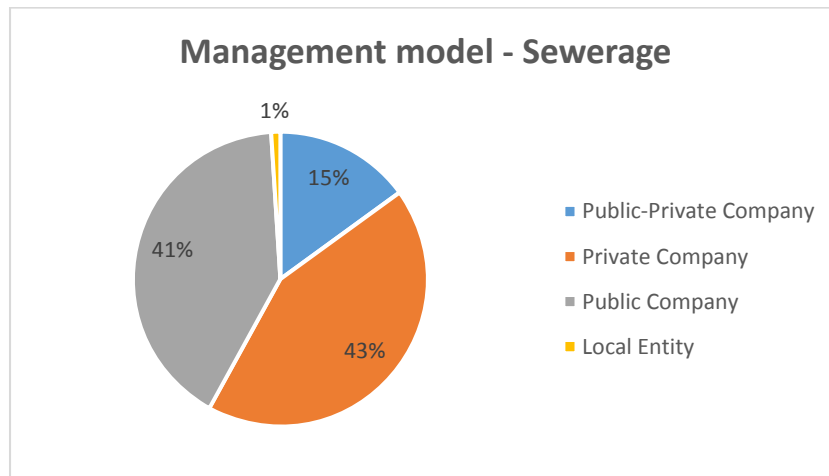


Source: AEAS XV National Study on Water Supply and Sanitation (2018)



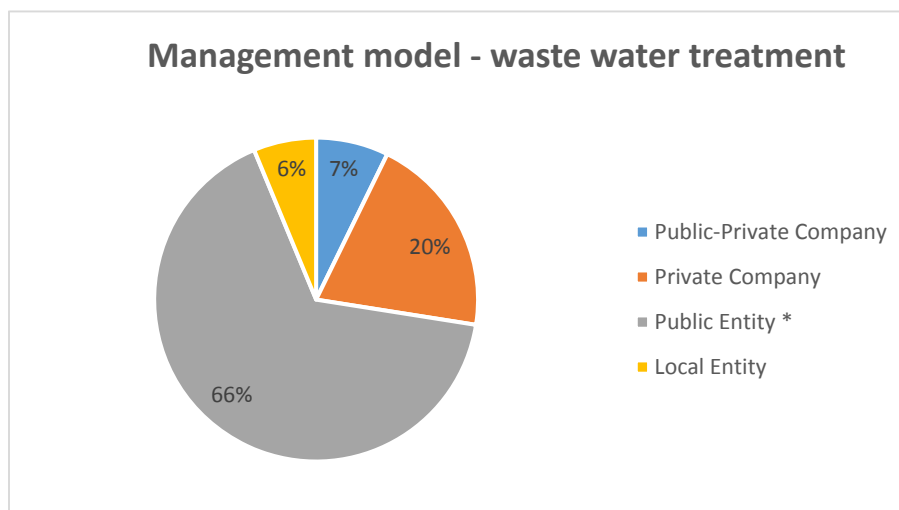
Source: AEAS XV National Study on Water Supply and Sanitation (2018)

Regarding sewerage, 43% of the population receives the service provided by private companies, 41% by public companies, 15% by public-private companies and 1% is managed directly by local entities.



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

As for wastewater treatment, although the vast majority of the management of this part of urban water cycle is of public management (mainly public companies and supra-municipal consortia) the operation of the plants is usually awarded through contracts to private companies. Therefore, it can be ensured that in Spain, the operation, understood as a set of related plant maintenance and proper operation activities, are carried out by private entities, while supervision of these activities rests mostly in public institutions.



* Public entities, generally of regional level, manage and control regional systems, contracting the operation and maintenance to private companies

Source: AEAS XV National Study on Water Supply and Sanitation (2018)

Another very important and special issue in the Spanish urban water sector are **water tariffs**. We can say we have as many water tariffs as water services. In general, they are binomial, having a fixed part, which depends on the size of the connection, and a variable one, which is

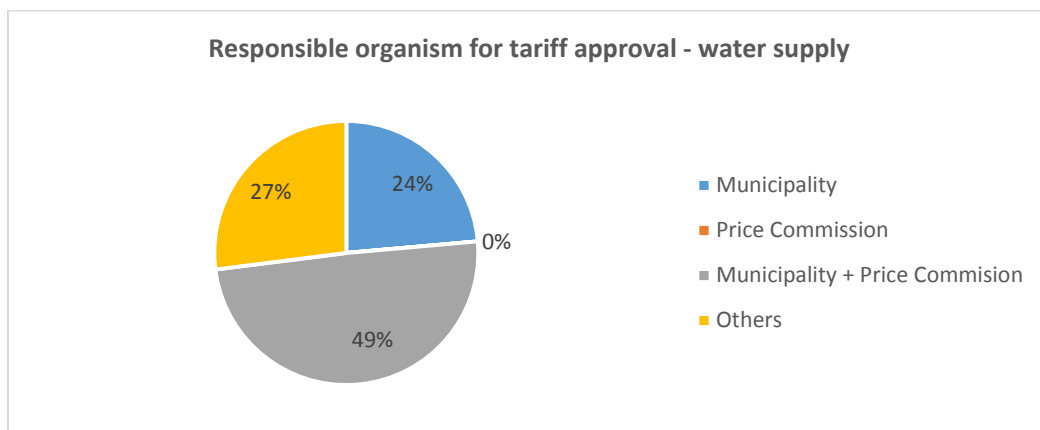
proportional to the consumption, and apart from binomial they are progressive, with different blocks of increasing prices based on consumption.

Water tariffs are very heterogeneous, both in structure and in the prices. These differences among areas are due to availability of water, quality of the resource in origin, distance to resources, treatment costs of purification and waste water treatment, different regional taxes and also due to cost recovery, but we cannot identify differences in the tariffs due to the management model.

Regardless the management model, **tariffs must be approved by public administrations**. The most common forms of tariff approval are:

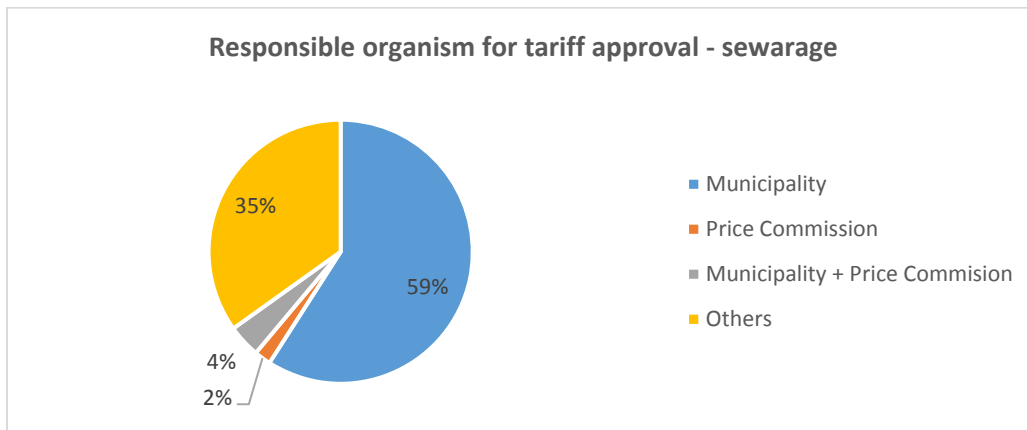
- joint action by municipalities and Price Commissions, which are dependent of the respective regions, and where the first ones approve tariffs and the second ones authorize price revisions, and
- regional public bodies or regional governments.

If we look into water supply, the most common way of tariff approval is by means of the joint participation of municipalities and the price commissions.



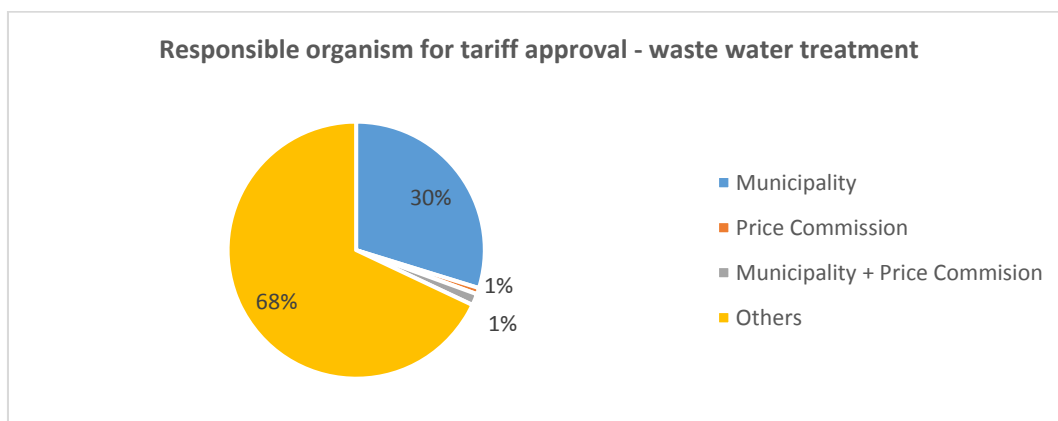
Source: AEAS XV National Study on Water Supply and Sanitation (2018)

Regarding sewerage, in almost 60% of the cases, it's the municipality who approves the tariffs.



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

Regarding waste water treatment, the main tariff approval process is by a regional public entity or regional government, which happens in almost 70% of the cases.



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

Apart from the profusion of services, different management models and water tariffs, we also have to add a very extensive water **legislative framework**. We have legislation at the EU level which has to be transposed into the national legislative framework, national laws which include certain topics related to water services, a very wide number of regional legislation for water services, which introduce even more heterogeneity. And, of course, the national law that assigns the competency and responsibility of water services to local authorities. But what we do not have is a common law for the integral urban water cycle, which could bring some harmonisation to the sector.

Challenges in the urban Spanish water sector

Although Spain has currently very satisfactory urban water services, we are facing certain challenges that should be addressed to ensure their sustainability, ensuring the human right to water and sanitation and meeting social demands of citizens.

1. Renewal of water assets

One of the matters that right now is of bigger concern for the sector is the state and ageing of water infrastructures. Due to the ageing and lack of investments of the last years, because of the economic crisis, we are in risk of not being able to maintain the current quality of water services. We need to renew and increase our infrastructures and for this, we will have to work further on cost recovery and on the development of mechanisms for public-private alliances to achieve these goals.

2. Advance in the 'cost recovery principle' in urban water services

According to the provisions of the Water Framework Directive (WFD), and in order to cooperate in realising the abovementioned objective, a significant progress is needed in the 'recovery of costs'. It becomes more effective and socially fair relying the cost recovery on sustainable pricing policies and mechanisms, to ensure a better distribution of economic efforts of citizens as well as a responsible consumption of water.

As indicated by the WFD, cost recovery must include not just operation costs but also maintenance and renewal. But maintenance and renewal of water assets must be done in a sustainable, efficient and effective way, to ensure long term sustainability of water services. In this sense we need a new systemic and structured approach, based on assets' management.

3. Establishment of a 'Regulator'

To meet the abovementioned requirements, it would be very positive for the sector to have a regulator to endorse the required regulatory framework, whose goal should be to harmonize the levels of service delivery and tariff structures, as well as enhancing transparency and citizens' involvement and participation.

In addition, the regulator should always seek efficiency in the performance of these public services and its orientation, strategy and actions will respond to the objectives, criteria and social sensitivities.

5. What is the relationship between SDGs and private sector participation? Do the SDGs really encourage more privatization in the water sector?

6. Has there been any increase in private sector engagement following the introduction of the SDGs?

We will try to answer to both questions by showing examples of some of our private members working towards the achievement of the SDGs (here we are only showing 4 of the many private operators we have in Spain). We can say that many of our private members are taking actions to work on the achievement of the SDGs, probably also because they have to prove in a larger extent what is taken for granted for public operators.

Regarding question 5 “What is the relationship between SDGs and private sector participation?”, for the case of Spain, we see no difference between private or public operators. Water service providers in Spain, both public and private, have a deep feeling and understanding of the fact they are providers of a service to the public, with a big role to play to help in the achievement of the SDGs.

Related to the question “Do the SDGs really encourage more privatization in the water sector?” the answer is clearly no, because what SDGs promote is alliance between all actors to achieve the SDGs, through SDG 17, and this means participation of the private sector.

Here I would like to raise the need of using words accurately. According to the definition of privatization given in the Oxford Dictionary, it means “the transfer of a business, industry or service from public to private ownership and control”. There are cases of real privatization of the water services (such as in the UK, Chile, some states of Australia,...) but more frequently, what is found is the delegation of the management of the water services from the public authorities to the private operators, remaining the ownership and the control in the hands of the public authorities. So, in this case, we can talk about private sectors’ participation but not about privatization. Therefore, we kindly ask to review the use of the word privatization in order to being more accurate and avoiding misunderstandings. That’s why it is also more accurate saying that SDG promote the participation of the private sector through alliances (SDG17) but not privatization.

Regarding question 6, the SDGs have set the framework that establishes the paths to follow in order to achieve sustainable development. But, in general, water service providers have been always very aware of the economic, social and environmental impacts (positive and negative) and have worked in this sense. SDGs have provided the organised outline to be followed to attain sustainable development.

Water services are vital, basic public services that contribute to:

- Reducing poverty (SDG 1) and ensuring good health and wellbeing (SDG 3),

- Providing accessible, affordable and safe water (SDG 6), which also contributes to the empowerment of women and girls (SDG 5) and to reducing gender inequality in education (SDG 4), thereby fostering inclusive societies (SDG 16) and reducing inequality (SDG 10).
- Wastewater treatment is improving the quality of water sources, which protects aquatic and marine ecosystems (SDG 14 and 15).
- Similarly, there would be no sustainable cities or human settlements (SDG 11) without water services.
- The water sector is implementing solutions based on climate change adaptation and mitigation measures (SDG 13).
- It is also seeking to reduce its environmental impacts and promote efficient use of natural resources (SDG 12), including energy.
- The sector is achieving increasingly better energy efficiency and producing renewable energy (SDG 7).
- The water sector is promoting resilient infrastructures and innovation (SDG 9) and contributing to the economy (SDG 8) (as an example, it has contributed to the provision of direct jobs to 476,000 people in Europe).
- The water sector has been working by means public-private partnerships and also establishes alliances with many other stakeholders involved in the water cycle, such as civil groups, academic organisations and other companies for projects that contribute to achieving SDGs (SDG 17).

Now we'll show specific examples of the contribution of some of our private members to the achievement of SDGs.

AQUALIA¹

Aqualia establishes priority commitments due to its activity in the water sector that contribute to the achievement of several, such as:

- **SDG 3**: by assuring access for citizens to quality drinking water and sanitation networks and also by applying healthy lifestyle measures among employees
- **SDG 6**: through strict analytics on supplied water, Infrastructure investments, Social investments directly in the community, Responsible consumption awareness measures and campaigns
- **SDG9**: by means of developing innovation projects to improve infrastructures and service; building and improving in countries that lack water infrastructures or have water access problems.
- **SDG11**: through the provision of a public service from the perspective of efficiency and innovation; by assuring access for citizens to quality drinking water and sanitation networks

¹ <https://www.aqualia.com/en/web/aqualia-en/responsabilidad-social/memorias-rsc-en>

- **SDG12:** by means of managing the entire water cycle and applying the best techniques conceived during innovation projects focused on sustainable production; maintaining and improving sanitation networks with a view to reducing leaks and uncontrolled use; establishing measures and conducting responsible consumption awareness raising measures and campaigns; publishing annual sustainability reports.
- **SDG17:** through the creation of public-private partnerships with civil groups, the public sector, academic organisations and other companies for projects that contribute to achieving SDGs

But Aqualia also contributes to other SDGs through their corporate commitments: SDG 1, 4, 5, 7, 8, 13.

We would like to emphasise Aqualia's contribution to SDG 17. Since 2016, and as a result of Aqualia's collaboration with the PPPs Centre for Cities² (a UN initiative through its UNECE Regional Commission and the International Centre of Excellence on PPPs (ICoE) programme), case studies have been published that include good practices for the development of public-private partnership (PPP) initiatives to transform cities into sustainable and smart environments.

Aqualia Impact: Projects in collaboration with the PPP Centre for Cities*

With regard to the 17 Goals that the United Nations approved for the period 2015-2030, Goals 1, 3 and 6 are those that are directly related to water management. And Goal 17 relates to the promotion of different forms of collaboration (including public-private partnerships or PPPs) as an essential tool for achieving these objectives.

The right to water is a Human Right and public-private collaboration is a necessary element to guarantee the population's access to water services. Aqualia has extensive experience in the development of public-private projects in this field.

In 2017, the United Nations accepted the case study, prepared by IESE together with Aqualia, on the socioeconomic and environmental impact of the New Cairo WWTP in the Egyptian capital. This treatment plant was the first public-private water collaboration project to be carried out in Egypt, where Aqualia manages the plant that supplies one million inhabitants.

This case study arose from the partnership maintained by Aqualia since 2016 with PPPs Centre for Cities, a UN initiative through its UNECE Regional Commission and the International Centre of Excellence on PPPs (ICoE) programme, which is spearheaded in Spain by the IESE Business School.

The United Nations, through one of its five regional commissions (UNECE) created the "International Centre of Excellence on PPPs" with the objective of being an international leader and standard-setter in the preparation of good practices and standards in PPPs and in assisting governments in their implementation. This centre relies on the work of six Specialised Centres (SC) located in different parts of the world. The "PPP for Cities" Centre, located in Madrid, Paris and Moscow, are the only ones in Europe.

* PPP for cities is a centre for research, innovation and consultancy that aims to provide public administrations worldwide with support in the organisation, management and development of projects involving public-private collaboration in the field of smart cities.

The task of PPP for Cities is to help all cities to become smart and sustainable cities (SSC) by adopting the United Nations (UN) Sustainable Development Goals (SDGs).

Therefore, PPP for Cities will focus its efforts, in particular, on addressing goal 11, "Make cities and human settlements inclusive, safe, resilient and sustainable" by using Public-Private Partnerships as one of the most successful mechanisms.

² <https://www.unece.org/icoeppp.html>

ACCIONA³

ACCIONA⁴ contributes to each SDG through the impacts generated by its projects in countries in which improvements are needed in relation to those SDGs.

The company offers solutions to present and future challenges such as water shortage and sanitation, the decarbonisation of the energy system, resilient infrastructures and innovation, the new and growing needs of populations concentrated in cities, and mitigating climate change.

- **SDG 6 - Availability and sustainable management of water and sanitation using advanced technologies.**
 - Contribution to water service access through complete management of the water service in Boca del Río (Mexico) and construction of the North Shore wastewater treatment plant (Canada).
 - Middle East and North Africa: Contribution to available water resources through desalination of 204 hm³.

- **SDG 7 - Access to affordable, reliable, sustainable and efficient energy.**
 - North America: Contribution to reducing GHG emissions with 5,125 GWh of renewable energy (SDG 7), thus avoiding 3.2 million t CO₂ (SDG 13)
 - Australia: Contribution to decarbonising the electricity mix with 1,077 GWh of renewable energy.

- **SDG 9 - Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.**
 - North America: Contribution to improving the technological capacity of industry in Mexico with an innovation figure of EUR 33.3 million.
 - Contribution to improving infrastructure quality by executing the Rodoanel highway (Brazil), Bello and Cañaveralejo wastewater treatment plants (Colombia), and the Quito Metro (Ecuador).
 - South America: Contribution to improving the technological capacity of industry with an innovation figure of EUR 41.6 million.
 - Europe: Contribution to improving the technological capacity of industrial sectors with an innovation figure of EUR 41.1 million.
 - Middle East and North Africa: Contribution to improving the technological capacity of industry with an innovation figure of EUR 17.3 million.

³ <https://www.acciona.com/sustainability/>

⁴ <https://www.acciona.com/sustainability/sustainable-development-goals/>

- **SDG 11 - Services that aid in the development of inclusive, safe, resilient and sustainable cities.**
 - North America: Contribution to decarbonisation and improving air quality.
 - Europe: Contribution to new transportation needs in cities through the ACCIONA Mobility electric motorbikes mobility service.

- **SDG 13 - Development of comprehensive solutions to combat climate change and its impacts.**
 - South America: Contribution to improving air quality by generating emissions-free renewable energy, avoiding 0.4 million t CO₂ per year.
 - Europe: Contribution to reducing emissions, avoiding 9 million t CO₂ through renewable energy generation.
 - Australia: Contribution to reducing per capita emissions, avoiding 1 million t CO₂.

It's important to mention the engagement of ACCIONA regarding **climate change**⁵. ACCIONA has been a carbon neutral company since 2016 and in 2018 it avoided the emission to the atmosphere of 14.7 million tonnes of CO₂ thanks to generating energy solely from renewable sources.

ACCIONA assumes the mitigation of climate change as a strategic objective and considers that fighting against the effects of global warming is a strategic priority, and therefore its activities are based on a portfolio of low-carbon businesses, that reduce or lessen the negative effects of climate change, reduce Greenhouse Gas (GHG) emissions, promote energy efficiency, answer the world demand for renewable energy, sustainable infrastructures, water and services, as well as developing and promoting innovating programs in its Businesses.

Acciona has developed a climate change policy based on the following principles: Renewable energy, Energy efficiency, Carbon neutrality, Clean development mechanisms, Market mechanisms, Managing risks and opportunities associated with climate change, Collaboration, Awareness, Transparency

SUEZ SPAIN⁶

SUEZ Spain assumes the commitment with the SDGs from three approaches.

⁵ <https://www.acciona.com/sustainability/climate-change/>

⁶ <https://www.suez.es/es-es/quienes-somos/un-grupo-comprometido/informe--de-desarrollo-sostenible--2018>

Sustainable Development Report 2018 (only in Spanish) will be attached in the e-mail where this report is sent

<http://desarrollosostenible.suezspain.es/es/que-hacemos>

- The first is aimed at strengthening alliances and promoting philanthropic actions. In this sense, SUEZ Spain fosters dialogue and carries out initiatives to improve the social and environmental conditions of the environments in which it operates.
- The second line of work - more focused on its field of activity - focuses on the development of innovative products and services that contribute to achieving the objectives set for the SDGs, while generating new business opportunities.
- Finally, the third approach addresses SUEZ Spain contribution to the SDGs based on the contribution it makes in its operations and the strengthening of those that are beneficial to its relationship groups.

SUEZ Spain has integrated the SDGs into its strategy and it addresses the 2030 Agenda through its sustainable development strategic plan, REwater Global Plan (2017-2021)⁷, which reflects its commitment to the fight against climate change, preservation and access to water, the transformation to the circular economy, the protection of biodiversity and social advances in access to water, awareness, equity and health, as well as innovation and alliances as transversal commitments. In this way, the REwater Global Plan contributes to the SUEZ Road Map.

If we look into specific examples, we can see the contribution to different SDGs:

- **SDG 13 - Fight against climate change**
 - In 2018, SUEZ Spain had a 68.7% electrical energy consumed from green energy sources and achieved a 48.3% reduction in total emissions.
 - RESCCUE Project, on urban resilience to climate change
 - Objective 2021: Achieve a 90% reduction in CO2 emissions from our electricity consumption - Energy self-consumption, energy efficiency, Purchase of green energy
 - SUEZ Spain has a roadmap to 2030 with two main indicators: Reduce emissions by 30% and promote the use of alternative water resources by multiplying by 3 the alternative water supply.
 - Sustainable mobility is a fundamental element in the fight against climate change: SUEZ Spain has a mobility strategy that guarantees the transition to a sustainable fleet. Since 2016, all vehicles of the tourism type that have been incorporated into the fleet are hybrid and electric (also contributing to sustainable cities)
- **SDG 6 - Clean water and sanitation**: With projects such as REGiREU, for water reclamation, SUEZ Spain contributes to water preservation.
- **SDG 11 - Sustainable cities and communities**: SUEZ Spain promotes the change of a linear model to a circular one, to reduce energy consumption and raw materials, reaching

⁷ <https://www.suez.es/es-es/quienes-somos/un-grupo-comprometido/nuestra-hoja-de-ruta-2017-2021>

energy self-sufficiency in water treatment (100% circular facilities such as the bio-factories of South Granada).

- **SDG 15 - Life of terrestrial ecosystems**: With initiatives such as the project “From water treatment plants to biodiversity reserves”, contributing to biodiversity protection.
- **SDG 1 and 6 - access to water**: Social action mechanisms (solidarity funds, social bonds, debt forgiveness ...) contribute to achieving end of poverty through universal access to water and sanitation.
- **SDG 12 - Responsible production and consumption**: With educational programs such as Aqualogy or EduCassa, SUEZ Spain provides information and knowledge for sustainable development and a responsible lifestyle, contributing to responsible production and consumption.
- **SDG 17 - Partnerships to achieve the objectives**: with the commitment to evaluate 100% of strategic suppliers based on sustainable development criteria, SUEZ Spain establishes partnerships as drivers for the achievement of SDGs.

SESSION 3. HUMAN RIGHT RISKS AND CONCERNS RELATING TO PRIVATE SECTOR PARTICIPATION ON THE HUMAN RIGHTS TO WATER AND SANITATION

- 1. What human rights risks from private provision of services potentially have a direct impact on the enjoyment of the human rights to water and sanitation? What human rights risks indirectly impact?**
- 2. What human rights risks are specific to the water and sanitation sector and service provision when private actors are heavily involved?**

In this case, we'll change the approach of the question, showing specific actions taken by private operators providing water services to tackle and resolve the risks related to the human right to water and sanitation.

This can also be linked to questions 6 and 7 of session 4.

HUMAN RIGHTS RISKS IDENTIFIED IN THE REPORT RELATED TO THE PARTICIPATION OF PRIVATE OPERATORS IN THE PROVISION OF WATER SERVICES

1. Affordability of services

Before going into the topic of affordability of the water services, we believe it's important to draft some notes on the financing of the water services, due the content of the background paper prepared for the expert consultation on private sector participation, especially subchapter 4.1.

Financing of the water services

Drinking water and waste water service providers have a common goal: to provide safe, reliable and sustainable water supplies and waste water services. Delivering this vision in the future will require operators to meet new challenges, including scarcity, affordability and environmental challenges such as climate change. These factors, among others, will require water professionals to make even better use of limited financial resources, in order to ensure that the necessary funding and investment is secured for a sustainable water supply for present and future generations. Considering these new challenges on water and water services, Integrated Water Resources Management policies need to be implemented, including water demand policies.

Among this possible water demand measures, water tariffs play an important role in water policy and governance if being clear and transparent to users, as they can achieve different objectives, such as providing income to recover costs of water services, promote efficient and sustainable water use and facilitate universal and equitable access to water and sanitation.

Calculating a price that reflects the true value of water and, therefore, contributes to the long-term sustainable management of water resources is critical, both for effectiveness and the integrity of water pricing systems.

In terms of regulatory principles, Article 9 of the Water Framework Directive (WFD) establishes that:

- Member States shall take account of the principle of cost recovery of water services, including environmental and resource costs, having regard to the economic analysis conducted according to Annex III of WFD, and in accordance with the polluter pays principle.
- Water-pricing policies must provide adequate incentives for users to use water resources efficiently, contributing to the environmental objectives of the Directive.
- An adequate contribution of the different water uses (disaggregated, at least, into industry, households and agriculture) to the recovery of the costs of water services must be ensured.

The total water bill usually includes all water supply (taking into account the items charged to the collection, treatment and distribution of water) and sanitation (in which the concepts of sewage and waste water treatment are considered, including regional fees for waste water treatment - for the management of wastewater itself or financing waste water treatment plants) service-related costs.

In Europe, tariffs paid by users do not cover the costs of urban water services. Current tariffs tend to cover the operating costs of the service but do not cover, in general, the amortization of existing infrastructure or its renewal, nor the impact of new measures on improvement of performance or quality of service and, hence, of water.

According to the EEA Technical Report No 16/2013 “Assessment of cost recovery through water pricing”, a water pricing system that meets WFD requirements, as well as other social objectives, should consider, among others, the following features:

- The water tariff has fixed and variable parts and uses increasing block rates.
- Rates must be high enough to enable investment in efficient and environmentally sound improvements, innovation and expansion of water service.
- Rates should be determined in a transparent and accountable way.

The 3Ts framework developed by the OECD represents a tool to describe and categorise the sources of the funds which underpin the sustainability of water services. The 3Ts acknowledges that Tariff, Taxes and Transfers are the ultimate sources of funding for water services. The current mix between those terms, and its future evolution, should result from an explicit choice at local level from the responsible authorities, depending on the socio-economic conditions.

In the coming years, countries at all stages of development will need to raise significant amounts of finance to develop, modernize, maintain and operate their water supply and sanitation systems to comply with new legislation.

The 3Ts framework addresses only one facet of the economic equilibrium of water services; it deals with funding and not with costs. Understanding the appropriate balance and relationship between the 3Ts for funding purposes is a significant step towards developing a financially sustainable basis for the future of the water and sanitation sector.

It is important to note that use of the 3Ts approach does not infer that the sustainable method of establishing full cost recovery should be based on tariffs alone. Such an approach might, for example, place unreasonable burdens on the poorest consumers and who might need to receive a subsidy in order for their supply to be sustainable.

Yet, as indicated by the OECD in its report “Pricing Water Resources and Water and Sanitation Services”, cost recovery through tariffs is considered a significant driver of the financial sustainability of water operators because other financing instruments (taxes and transfers) are volatile and beyond the reach of the water community.

In Spain, the urban water sector is financed by the 3T model. This means Taxes, imposed by the local, regional and national authorities; Transfers, mainly, allocated by the European Union (which will be nor be available any more) and Tariffs, determined by the municipalities.

We tend to forget that the high level of development and populations’ concentration require technological tools that need to be maintained, improved and adapted to the increasing goals regarding quality, safety and resilience, environmental protection and economic efficiency.

That means investing in renovation, new equipment and contribute to its operation and routine maintenance. In this sense, we detect a tremendous gap between the value we give to water and the economic effort we are personally willing to make to ensure the sustainability of urban services.

Maintaining water tariffs low would lead to underfunded services, inadequate investment and ageing infrastructures, which would have as consequence the depletion of water resources, decrease of quality of water services and future users not being able to enjoy the same level of quality at a similar degree of affordability, as there would be a heavy burden of investment for future generations. The users of water services must be charged the cost of the service, thus allowing the costs to be recovered and let water bills financing investments in water infrastructure.

But maintenance and renew of assets in water services needs to be developed in an effective, efficient and sustainable way, to ensure the long-term sustainability of water utilities. In this sense, a new systemic and structured approach is needed, which allows for maintenance and

renewal of assets at a manageable pace, while maintaining an adequate level of performance for those assets.

This approach is the asset management, in which management of water utilities can assist in making better decisions on caring for the aging assets, consisting of a set of procedures to manage assets through their life cycles, based on principles of life cycle costing.

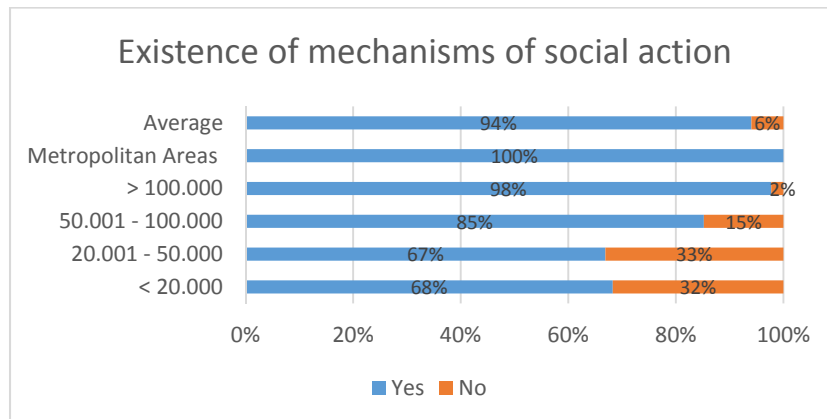
In conclusion, as our water services assets are ageing, a sustained investing effort is needed to maintain and renew the great heritage of infrastructures and equipment. We cannot rely any longer on subsidies of public administrations (EU, National or Regional), so significant progress needs to be made in order to advance in the cost recovery of water services, as established in the WFD. Service providers have to develop asset management plans to ensure the long-term sustainability of water utilities and its cost should be defrayed via tariff. Transparency and awareness towards citizens regarding water tariffs, and the need of covering costs of water services by means of water tariff are a challenge to be addressed immediately.

Affordability – mechanisms of social action

Being aware of the difficult economic situation that some people have been through due to the economic crisis that began in Spain in 2008, and knowing that we are providers of an essential public service, service providers are working on the development of **mechanisms of social action** to ensure water affordability and avoid that any user who cannot pay the bill due to economic reasons, has an interruption of the supply.

The mechanisms of social action are processes or administrative tools which allow offering special conditions, more favourable, to certain groups or households, to try to solve situations of poverty, inequality or social exclusion. Mechanisms of social action are within the competency of municipalities. Therefore, access criteria, as well as the amount of the assistance and the method of applying them, are established according to the criteria of each municipality.

Social action mechanisms are being practically applied by all medium and large operators, being only the operators serving municipalities with less than 50,000 inhabitants the ones with a percentage of application that does not exceed 70%. The current average, stands at 94% (2018).



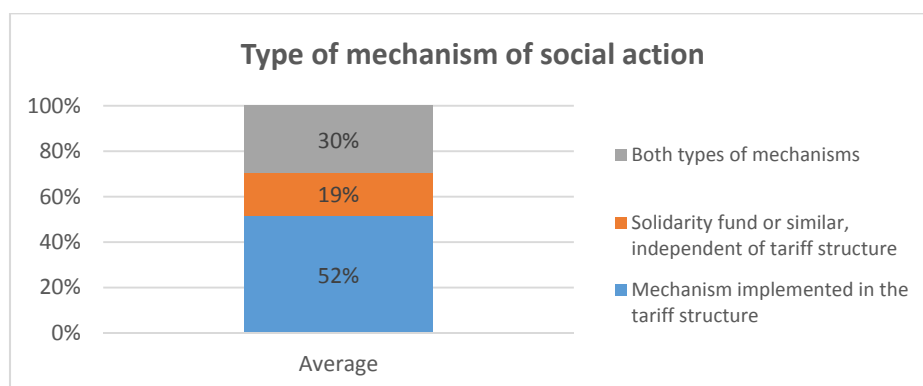
Source: AEAS XV National Study on Water Supply and Sanitation (2018)

Types of mechanisms of social action

Mechanisms of social action to help access urban water services have existed for years. In the past, they consisted of discounts or bonuses targeted mainly to specific groups (retired people, large families or similar). Although these mechanisms also cover aid for reasons of economic income, as a result of the economic crisis in recent years, aid based on economic income has increased.

It should be noted that any discounts to large families or households cannot be considered as mechanisms of social action in themselves, of the type that offers discounts in the tariff structure; rather, this is done according to a fairness criterion in comparison with users that consume an average volume.

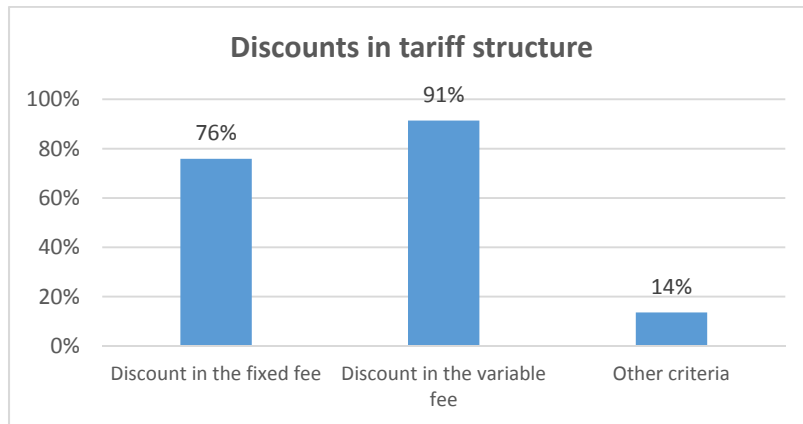
The mechanisms of social action can be divided in two different types:



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

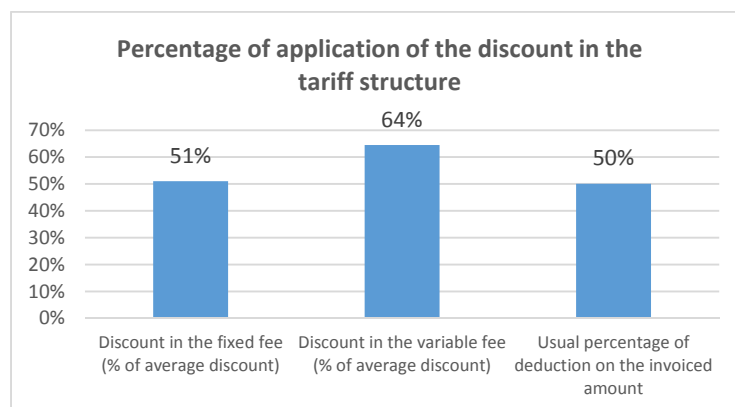
1. Traditional mechanism, with **discounts contemplated in the tariff structure**, which are applied in the price of the water set by in municipal by-laws or legal regulations.

76% of service providers who have discounts in the tariff structure, apply these to the fixed fee, while 91% have discounts which apply to the variable fee.



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

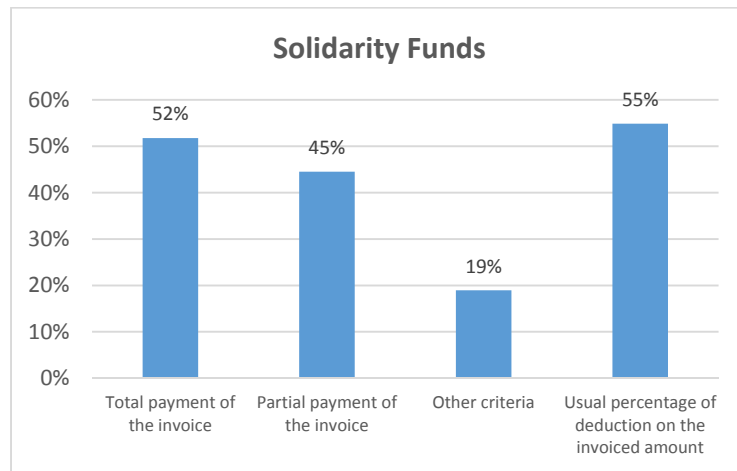
In general terms, the percentage of deduction on the invoiced amount is 50%.



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

2. **Solidarity funds**, which are not dependent on the tariff structure and are based essentially on income criteria, coming from different budgetary sources. They can be implemented by themselves or as a complement to the traditional discounts contemplated in the tariff structure.

The solidarity funds are applied to the total payment of the invoice (52%) or to the partial payment of it (45%). The usual percentage of deduction on the invoiced amount is 55% of the total invoice.

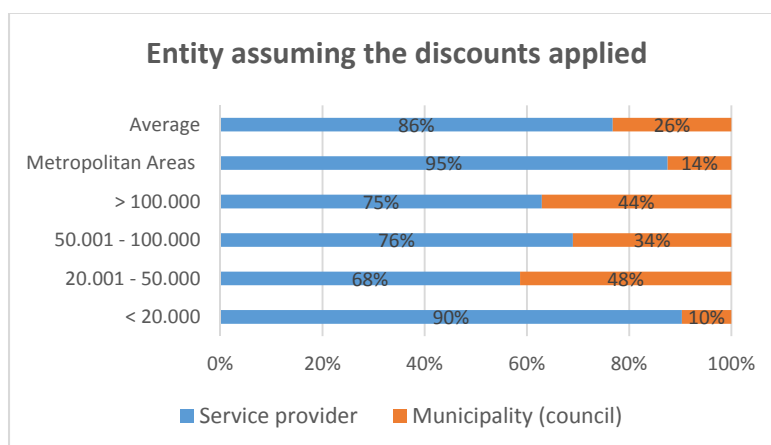


Source: AEAS XV National Study on Water Supply and Sanitation (2018)

Customers who benefit from mechanisms of social action

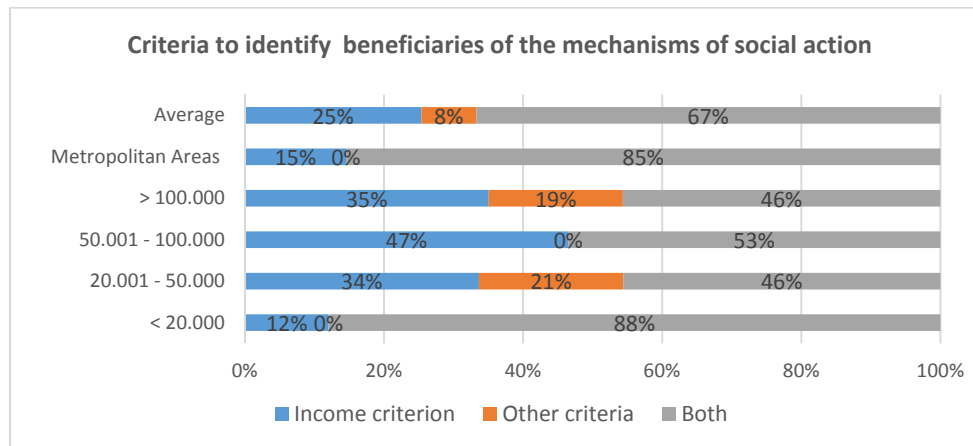
The definition of the criteria to determine who can benefit from the mechanisms of social action is responsibility of **public authorities**, namely the municipalities through their social services departments (89% of the time). This position is consistent with the specialization of these services to assist people in need, and which water supply and sanitation service providers lack. Thus, the public administration (municipalities or regional governments) are responsible for defining which users will benefit from these mechanisms.

The application of these measures fall on the service providers in an 86% of the cases, while in the rest it's the municipality (council) who assumes them.



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

For the determination of the customers who can benefit from these mechanism, the main criterion to take into account is the income (67%), followed by other criteria of social character (among them it stands out if it is a large family, the vulnerability and the age).



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

According to our study data, 5.2% of customers are beneficiaries of mechanisms of social action, whether through discounts in tariffs (1.5%), solidarity funds (0.8%), or the application of both types of mechanisms (2.8%).

In 2014 a collaboration agreement was signed between the Spanish Association of Water Supply and Sanitation (AEAS), the Spanish Association of Management Companies of Urban Water Services (AGA) and the Foundation Ecology and Development (ECODES) with the main objective of developing a report including the analysis of the situation of the water sector regarding social assistance actions, and proposing recommendations that can serve as a guide for municipalities and competent authorities.

This proposal was born from the sectors' effort to improve and deepen the sensitivity of the operating entities of urban water services with the most disadvantaged groups, and aims to strike a balance between the sustainability of the service, through an appropriate cost recovery, and ensuring universal access to water, offering, thus, solutions to families and households in difficult economic conditions, without lowering the quality of service and preserving the environment.

AEAS and AGA analysed the document of recommendations prepared by ECODES, and concluded in their report the following issues:

- Water is a human right of which no household should be deprived due to duly justified inability to pay. However, this human right to water implies the need of contributing to the maintenance of services by paying an affordable price.
- The broad coverage of the mechanisms of social action confirms the sensitivity of those responsible for urban water services with disadvantaged groups.
- The economic situation of recent years and the increase of families struggling to cover the payment of water rates, advises improving and standardizing social policies on water.

- The mechanisms of social action should primarily consider criteria of income for the sole purpose of ensuring affordability of service. However, all mechanisms of social action have advantages and disadvantages, so their choice, design and implementation should be based on socio-economic analyses that consider the specificities of each municipality or management area.
- Although social services and agencies are responsible for determining the beneficiaries of social aid regarding urban water, it would be advisable for operating entities to maintain and increase cooperation in finding solutions for users in poverty.
- Operating entities should continue to enhance transparency, effectiveness of communication and availability of information.
- The cut-off or disruption of water supply is basically a tool to secure the payment of users who can afford paying for water but don't do it.
- Operating entities, social services, social institutions and competent authorities should optimize cooperation to further improve the implementation, adaptation and accessibility to the mechanisms of social action.
- Harmonization of criteria in urban water sector in Spain is considered necessary. To achieve this, it would help to create an independent regulatory body with authority to set a range of criteria in the tariff structure and in mechanisms of social action.
- It would be advisable to develop a guidance of good practices for the design, management and implementation of the mechanisms of social action in urban water sector.

Finally, AEAS and AGA encouraged the Spanish Federation of Municipalities and Provinces (FEMP), the Regional Governments and the Ministry of Health, Social Services and Equality to work with the operating entities and the various social organizations in the development of a guidance of good practices.

FEMP and AEAS signed a framework collaboration agreement in 2017 for the development of joint actions aimed at improving training and updating programs in the integral water cycle among the Spanish local governments.

As a result of this agreement, the “Guide for the application of social action mechanisms in the urban water sector” was launched in 2019. The document is intended as a support tool aimed primarily at operators and local administrations who want to implement social action mechanisms for the first time, but also for those who already have these mechanisms implemented, in order to improve their application and degree of efficiency.

It aims to be a guiding instrument that, respecting decision making, allows local entities and urban water services providers to have information about the options that exist to ensure the right to water and sanitation for all citizens, thus addressing the problems of affordability that

the most vulnerable people suffer, through the application of the mechanism (or mechanisms) of social action that best adapt to the particularities of their territory and population.

Examples of implementation of mechanisms of social action by private operators

AQUALIA⁸

Aqualia works to guarantee the water supply and sanitation of 22.5 million people, in 22 countries around the world, in 1,100 municipalities, working in all of them with the objective of ensuring excellence in water supply and sanitation services, under the premise of triple sustainability - social, financial and environmental.

Within the social sphere, Aqualia collaborates with NGOs in very diverse projects that aim to favour initiatives linked to the territories where the company provides services in favour of these communities, so that no one is left behind in the use and enjoyment of water.

Since 2015, 16,573 citizens have taken part in the project "No citizen without water" that is being developed together with Cáritas. Through this initiative Aqualia donates annually to this NGO the equivalent to the amount of consumption of all the Caritas centres located in towns where Aqualia provides services (129 centres to date and 16,573 citizens benefited from the collaboration), which has meant that Aqualia has donated about 110,000 euros corresponding to bills from the last three years.

In addition, the company signs specific agreements with the local administrations to create social funds that guarantee water to families without resources, aids that the company often assumes as non-refundable. Only in the last two years (2017 and 2018) the company has postponed receipts worth 7.9 million euros.

Some municipalities in which Aqualia has implemented diverse social aids, in a coordinated manner with municipal social services, are:

- Molins de Rei (Barcelona)
- Denia (Alicante)
- Salamanca
- Jaén
- Jerez (Cádiz)
- Vigo (Pontevedra)
- Badajoz
- Tivissa (Tarragona)
- Sant Andreu de la Barca (Barcelona)

⁸ <https://www.aqualia.com/en/web/aqualia-en/social-responsability/connecting-with-citizens>
<https://www.aqualia.com/en/web/aqualia-en/responsabilidad-social/memorias-rsc-en>

- La Bisbal del Penedés (Tarragona)
- Barbate (Cádiz)

GLOBAL OMNIUM⁹

Global Omnium has social commitment as one of its priorities. Their awareness with the reality of the context in which they work has led them to reach numerous agreements and collaborations with associations and social organizations of regional, national and international level, with the aim of supporting the most disadvantaged people.

In relation to previous annuities, Global Omnium has also remained involved with the social work carried out by Intermón and Novaterra, among many other NGOs, in collaboration with the Charity House of Valencia.

Global Omnium has continued to advance in its commitment and sensitivity to people at risk of social exclusion, formalizing agreements with the different municipalities where it provides its services, to guarantee access to water services, through the evaluation of social services of the City councils, subsidizing consumption, deferring debts, or even (depending on the situation of each family) 100% subsidizing consumptions through the creation of a Social Fund.

During 2018, this aid was channelled through the Aguas de Valencia Foundation with funds contributed by the company of the Group, Aguas de Valencia, S.A.

Global Omnium has implemented several social action mechanisms:

1. **Social Funds:** The composition or creation of the Social Fund is very diverse, depending on the City Council:
 - Social Fund entirely set by the City Council,
 - Social Fund is provided entirely by the Supply Company,
 - mixed cases between the Supply Company and the City Council (for example, Valencia)

Examples of these social funds are:

- Valencia, Mixed social fund (EMIVASA –mixed company made up of the city Council of Valencia and Global Omnium- and Valencia City Council)
- Burjassot, social fund supported by the company
- Quart de Poblet, social fund supported by the public-private mixed company
- Alaquàs, social fund supported by the company

⁹ <https://www.globalomnium.com/Group/Commitment/Sustainability-report/>
<https://www.globalomnium.com/Group/Commitment/Social-Responsibility/>
<https://www.globalomnium.com/Group/Commitment/Social-projects/>

A document of the company is attached in the mail where this report is sent.

2. **Social Tariffs**: discounts on rates or discounts on consumption in vulnerable groups, with different beneficiary groups, compatible with social funds, being available in the majority of populations.
3. **Customized payment plans**
4. **Awareness Plans**
5. **Social Payments**: the municipalities that do not have Social Funds, make payments if convenient: either they deliver the money to the clients so that they are the ones who pay the pending bills, or they make transfers to the supplying company to pay for the unpaid bills.

The criterion to determine the measure to be implemented is always agreed by the City Council. The social services (mainly municipal but also regional) determine who can benefit from these mechanisms.

Global Omnium is committed to maintaining the water supply for all these socially disadvantaged persons during the entire period that the commission responsible for examining the attribution of these aids deems necessary, making sure to propose and present the measures to be implemented for customers with economic difficulties in the terms established in the Bidding Document / Agreement.

If a client goes to the offices of Global Omnium, and poses a temporary economic difficulty, the Group's Social Channel can offer a tailored fractioned payment plan, to allow the customers dealing with their specific situation, without having to go to Social Services and without added cost.

Global Omnium has a very developed smart metering system to detect and notify the existence of internal leaks, with the consequent saving of water and customer satisfaction. However, Global Omnium has taken a further step and in collaboration with the Social Services of the municipalities where it provides water services, it detects and warns of any anomaly in the case of people in situations of vulnerability or living alone. If there is no consumption in a determined period of time, the notice to Social or Family Services is activated. The service, at no cost, is being offered to cities that have "smart" metering such as Valencia, Quart de Poblet or Gandia.

SUEZ¹⁰

SUEZ Spain works to guarantee access to water to all people in vulnerable situations by means different mechanisms of social action, through which they offer more favourable conditions to groups or households to alleviate situations of poverty, inequality or social exclusion.

Both the bonuses contemplated in the social tariffs, which are generated through the different tariff files, and the solidarity funds promoted and/or managed by the different urban water service operators, are coordinated with the social services of the municipalities or other social entities such as Caritas or Red Cross.

Such coordination ensures that no one who cannot pay its bill has no water. In no case is the water supply interrupted to those who cannot afford it and many SUEZ Spain companies maintain, and even increase, the economic endowments intended to cover all or part of the water supply bills of the most disadvantaged people. Thus, SUEZ Spain has contributed with about € 18 million to social funds since 2012

More specific examples can be Aguas de Murcia and Aigües de Barcelona.

- Aguas de Murcia has expanded its allocation to 450,000 euros and has reached 1,065 neighbours (2018).
- Among the good practices of 2018, the social action mechanisms of Aigües de Barcelona stand out, who has condoned the debt accumulated by vulnerable families and whose solidarity fund has provided coverage since 2012 to 24,922 families. The Water Solidarity Fund of the Metropolitan Area of Barcelona has been one of the five nationally distinguished projects with the prize “The Excellents of the Year”, awarded for the first time by the Association for the Excellence of Public Services (AESP) and which rewards the path to the excellence of public services in defense of citizens, service workers and the environment.

The percentage households with access to funds or social rates has been growing in the last years:

- 2016 – 75%
- 2018 – 87%
- 2021 – 100%

SUEZ Spain offers different terms to adapt to the payment possibilities of the clients, among them the possibility of choosing the day of bank remittance, of splitting one or several invoices through payment commitments or of dealing with the annual calculation of the bills to be paid

¹⁰ <https://www.suez.es/es-es/quienes-somos/un-grupo-comprometido/informe--de-desarrollo-sostenible--2018>

Sustainable Development Report 2018 (only in Spanish) will be attached in the e-mail where this report is sent

by means of a "flat rate" month by month. SUEZ Spain continues to carry out the progressive implementation of a model of regulatory protocol between municipalities and its companies to report on social rates and other aid, payment default protocol, occupied housing and communication with social services and municipalities.

Given the fact that citizens do not always know the measures that are established to guarantee supply, SUEZ Spain is constantly reviewing its communication and awareness procedures on customer service lines, especially to serve those who are in a less favourable situation. In this way, SUEZ Spain acts proactively to detect new cases of vulnerability or to prevent a worsening of existing ones.

Mechanisms of social action implemented by Hidralia (a company of Suez Spain)¹¹

Hidralia is present in 52 municipalities, with 12 direct concessions and 6 joint ventures

It has different social funds and bonuses: Bonuses, rates for pensioners/retirees, rates for the unemployed, rates for large families, rates for people with disabilities, gender violence rates, social gardens rates, social associations' rates, minimum vital amount of water. It has contributed with € 243,000 in social funds.

It has also developed other support mechanisms, such as flexibility to face payment, adapting to the client's possibilities, by means of postponements and subdivisions; in 2018 Hidralia postponed debt for a value of almost € 4 million.

Some specific examples are:

Aguas de Huelva:

- 1999: large families bonus applies
- 2014: Social Fund is signed
- 2017: minimum vital guarantee rate (100 l / person / day) is created and social rates for gender violence, large families and disability are incorporated

Emasagra:

- 1997: Start-up of social rates
- 2016: signing of a collaboration agreement with the City of Granada to assist people in a situation of "hydro-vulnerability"

Estepona:

- 2012: bonuses are added to the tariffs (retired Pensioners, Disabled Pensioners, Large Families)
- 2014: Social Fund is signed

¹¹ A document on this regard will be attached in the e-mail where this report is sent

- 2016: Vulnerable Customers protocol signed
- Social innovation: Social fund surpluses are dedicated to modification of indoor facilities (water supply)

2. Poor quality and safety of the water and sanitation provided

This chapter shows who is responsible for the quality and safety of the water and sanitation services provided.

Supervising the **quality of the service to customers** is competency of municipalities (local level). Each municipality has the legal authority to establish the quality of the service.

AEAS has developed 2 reports on recommendations for regulation of water supply and sanitation services, together with the Spanish Federation of Municipalities and Provinces (FEMP).

Customers can address their complaints to service operators (whether they are public, private or public-private) through different channels of customers support, such as telephone support or via web site. As a guarantee for customers, there are official external bodies to settle their claims, such as arbitration boards.

According to the AEAS XV National Study on Water Supply and Sanitation (2018), the percentage of municipalities that have a “client's ombudsman has increased”, and the progress made in having external bodies to settle this customers’ claims is significant.

Service operators are beginning to use commitment letters with customers, in which they offer, on a voluntary basis and as a plus to standard quality, agreements with customers to improve the quality of the service.

59% of municipalities have a letter of commitment to customer with compensation for breaches. Also, another 16% of municipalities have a letter of commitment, although not associated with compensation in case of default. Notably, in the studies developed by AEAS it has been noted that since 2012 the percentage of municipalities that lacked commitment letters has been reducing in each edition.

Consumers’ protection with respect to water quality is responsibility of Health Offices in Regional Governments, which answer to the Ministry of Health.

Directive 98/83/EC, which concerns the quality of water intended for human consumption, and has the objective of protecting human health from the adverse effects of any contamination of water intended for human consumption by ensuring that it is wholesome and clean, was incorporated into Spanish law by Royal Decree 140/2003 (RD 140/2003).

RD 140/2003 establishes health criteria to be met by water, for human consumption and the installations allowing the supply from abstraction to the consumer's tap and control them, ensuring their safety, quality and cleanliness in order to protect the health of the people of the adverse effects resulting from any contamination of water.

In its article 30, RD 140/2003 defines that the Ministry of Health has to establish an information system on supply areas and quality of water for human consumption, named National Information System on Drinking Water (SINAC), coordinated by the Directorate General of Public Health (Ministry of Health), which is a powerful tool to gather information, compile statistics and control water quality.

The use and provision of data in electronic form to SINAC shall be binding on all parties involved in the supply of water for human consumption: the manager, the municipality and the health authority shall ensure that the data generated in self-control, health surveillance or monitoring at the tap of the consumer, are collected in the SINAC.

Regarding **quality of discharges of industrial waste water to urban collecting systems**, which may also have effects or impacts on water quality and, therefore, on customers, it's responsibility of municipalities.

And **discharges of treated waste water into receiving bodies** are responsibility of River Basin Authorities (which are accountable to the Ministry of Agriculture, Food and Environment).

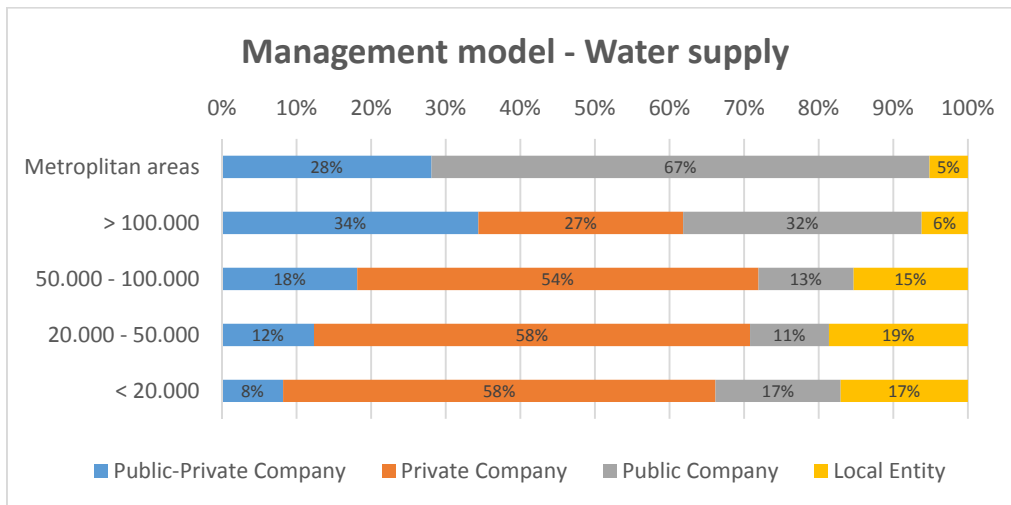
Regulation of environment and protection of water resources is at national level, not at local level as for water services. It is a responsibility of River Basin Authorities.

Of course operators of water services have to comply with national legislation regarding environment and protection of water resources, but this and the setting of environmental standards is responsibility of the Water General Directorate, which is part of the Ministry of Agriculture, Food and Environment.

3. Lack of equality in provision and discrimination against users

As in many places, in Spain the provision of water services in smaller municipalities (which may be related to rural areas) becomes more challenging and less efficient, due to economies of scale issues.

If we look into the graph with the different management models of water supply services, we can see how in smaller municipalities, the participation of private companies in the provision of the services goes up to almost 70%.



Source: AEAS XV National Study on Water Supply and Sanitation (2018)

Effective and efficient water services must be qualified and technified, aspects that become of paramount challenge for smaller municipalities, as they lack human and economic resources to create public companies or address through direct management the provision of water services.

Therefore, in the case of Spain, private service providers become an essential actor to fulfil the right to water and sanitation, by means of public contracts and concessions granted by the public authorities.

4. Lack of sustainability of the water services

As mentioned before, the water assets are ageing. If we also consider the lack of investment suffered during the last years, we are in a serious risk of losing the quality of the water services we have enjoyed until now, and this situation is affecting water services independently of the management model they have.

An intense effort is needed to advance in sustainable water pricing policies, including cost recovery, to reinvest in water services, and this investment has to be implemented by developing asset management, in order to establish priorities for the renewal of water infrastructures.

5. Other elements of human rights risks: corruption, bribery, accountability, transparency, compliance

We will show with specific examples how the private water operators are dealing with these other risks.

AQUALIA¹²

In 2018 a new **Code of Ethics and Conduct** was defined, which establishes the guidelines for the conduct of all people linked to Aqualia, as well as the companies in its supply chain

Apart from this Code, other policies, guidelines, procedures have been developed and established, such as the Anti-Corruption Policy¹³, the Crime Prevention Manual, the Partner Relationship Policy, the Investigation Procedure, the Ethics Channel Procedure and the Compliance Committee Regulations

With regard to the implementation of the system at an international level, an anti-corruption risk matrix was drawn up, based on the minimum requirements of the international FCPA and UK Bribery Act, which has been transferred to a process and control matrix. Besides, IT international activity compliance tool will be implemented

The relevant dimensions that are part of Aqualia's matrix are: Environment, Governance, Labour and Social. In the Governance dimension, issues as Ethics and integrity, Corruption prevention and mitigation systems, Transparency and Risk management are included; while in the social dimension the promotion and Respect for Human Rights, Social action and Local development are integrated (this would answer questions 6 and 7 of Session 4).

In relations with suppliers, partners and contractors, Aqualia understands that practices based on integrity, transparency and mutual trust generate stable relations over time.

Thus, in the contracts signed, the suppliers or contractors undertake to assume, in their relationship with Aqualia, the ten principles of the Global Compact. Therefore, they declare that they know and state that they comply with all their legal obligations in environmental matters and make an anti-corruption commitment.

They are also informed of the Company's Code of Ethics and Conduct, by which they must be guided in their commercial relations with Aqualia.

ACCIONA¹⁴

ACCIONA aims to be a benchmark for integrity and responsible performance in markets where it operates.

¹² <https://www.aqualia.com/en/web/aqualia-en/codigo-etico-y-de-conducta-en>

¹³ <https://www.aqualia.com/documents/976669/2357122/Anti-corruption+Policy.pdf/a23e9105-c5c7-54f6-de2b-956e85224fee>

¹⁴ <https://www.acciona.com/sustainability/corporate-governance/>
<https://www.acciona.com/sustainability/corporate-governance/ethics-and-integrity/>
<https://www.acciona.com/sustainability/corporate-governance/transparency/>

ACCIONA's commitment to good governance, ethics, integrity and transparency aims to achieve that goal.

ACCIONA has defined an integrity and corporate ethics framework, setting corporate standards, formed by a policy book and a code of conduct, which establishes certain policies. The purpose of Corporate Governance is to generate long-term trust and commitment between the Company and its stakeholders.

The Company's Corporate Code of Conduct sets out to lay down the values that guide the behaviour of each and every member of ACCIONA's workforce.

This Code was set up in 2007 and modified later in 2011. It aims at providing orientation for relations among employees; dealings between employees and clients, shareholders, suppliers and external collaborators; relations with public and private institutions, and with society at large. At the same time as the Code was approved, the Code of Conduct Commission and the Ethical Channel were set up.

The ACCIONA Group undertakes to conduct its business with integrity. This means avoiding any form of corruption and fulfilling all the applicable laws and other regulations against bribery and corruption and to follow the recommendations of international organisations such as the OECD and the United Nations. The Group is also a signatory of the United Nations Global Compact, under which we have made a commitment to combat corruption and bribery worldwide.

This commitment on the part of ACCIONA is set out in our Code of Conduct, our Anticorruption Policy, as well as in the Anti-corruption Guidelines approved by the Group Board of Directors. These guidelines provide compliance guidelines to prevent misconduct, being applicable and compulsory for employees and third parties with which ACCIONA works (including agents, brokers, consultants and suppliers).

ACCIONA carries out a sustainability risk analysis, mapping and identifying risks to internal and external threats to achieving the Company's objectives.

GLOBAL OMNIUM¹⁵

Global Omnium has established its commitment to actively manage regulatory compliance, in general, and the prevention of corporate crimes in particular, under the principles of legality, due diligence and risk management.

To carry out this commitment, Global Omnium has adopted an organizational model of compliance, a Regulatory Compliance and Crime Prevention Policy, which scope includes the

¹⁵ <https://www.globalomnium.com/Group/Commitment/Code-of-ethics/>
https://www.globalomnium.com/Sites/20/Docs/Código%20Ético/Código%20Ético%20Global%20Omnium%20CEGO.01_2019_EN.pdf

companies of the Group that develop any activity related to the Integral Water Cycle, with the Audit Committee of the Board of Directors of its parent company as a “Supervisory Body”, of a collegial nature, with autonomous powers of initiative and control, responsible for the supervision of the operation and compliance of the Global Ómnium Crime Prevention Management System (GSPD), and a Compliance Officer who continuously promotes and monitors the implementation and effectiveness of the GSPD.

The company's Code of Ethics was drafted in 2018, and approved in January 2019. The Code of Ethics expresses the values and principles that should serve as a guide for the actions of all employees, managers, administrators, collaborating suppliers and other people physically or legally related to the company in the performance of its professional activity. It also establishes models and guidelines aimed at guaranteeing professional, ethical and responsible behavior of all the people who make up the organization.

To combat corruption, 15 evaluations of operations have been carried out, representing 100% of the activities carried out by people in the organization that have risks related to corruption.

The risks related to corruption and identified through the evaluation are business corruption, passive bribery, active bribery and influence peddling.

SUEZ ¹⁶

Communication, awareness and training allows to spread the ethical business culture at all levels, based on four principles that should guide the company’s behaviour:

- Act in accordance with laws and regulations
- Root the culture of integrity
- Give proof of fairness and honesty
- Respect to others

These principles apply to all areas in which SUEZ Spain operates: in the organization (both for professionals and shareholders); the market (customers, suppliers and partners, competitors) and the environment (the community, the planet).

Likewise, SUEZ promotes responsible behaviour, avoiding at all times practicing discrimination of any kind.

¹⁶ <https://www.suez.es/es-es/quienes-somos/un-grupo-comprometido/etica-y-transparencia>
<https://www.suez.es/es-es/quienes-somos/un-grupo-comprometido/informe--de-desarrollo-sostenible-2018>

Sustainable Development Report 2018 (only in Spanish) will be attached in the e-mail where this report is sent

SUEZ has developed a Code of Ethics, a crime prevention model and a Protocol of good ethical practices in business relationships.

The implementation of the ethics protocol in commercial relations, together with other specific actions in the fight against corruption, has been implemented in application of the French regulation Sapin II (transparency law, fight against corruption and modernization of economic life).

SESSION 4 GAPS IN HUMAN RIGHTS PROTECTION IN THE CONTEXT OF PRIVATE SECTOR PARTICIPATION

6. Are you aware of any innovative policies that have been utilised in order to enforce private water and sanitation companies comply with human rights?

There can be different innovative policies or initiatives aiming at complying with human rights, such as actions looking towards sustainable development (in any of its 3 dimensions – social, economic, environmental, or in all of them) or awareness and education campaigns looking into water.

AQUALIA¹⁷

Aqualia creates value in the community through different actions:

1. Managing public services: Public-private partnerships
2. Facilitating access to water and sanitation for all people: Collaboration with Cáritas; Social funds and social action
3. Carrying out awareness-raising campaigns: Real commitment; Dialogue with opinion leaders and local governments
4. Promoting and financing initiatives and social projects and social awareness: Cultural; Sport; Social; Environmental

Awareness-raising campaigns

Education for the sustainable consumption of water is an essential contribution by the company to society

In 2018 the campaign with the greatest impact was "Aqualiacommitment"¹⁸ which focused on conveying to society the company's contribution to 12 of the Sustainable Development Goals (SDGs) established by the United Nations for the year 2030.

Support to local partners

Social initiatives play a special role in awareness-raising, which, independently of the water supply and management service, arise from public-private collaboration. This collaboration is sometimes carried out with the aim of focusing education and awareness campaigns in a specific region or municipality and, on other occasions, it arises from people's needs.

An example of the first case is the project developed in Cádiz, where Aqualia is a technological partner of the Local Government of El Puerto de Santa Maria, through APEMSA.

¹⁷ <https://www.aqualia.com/en/web/aqualia-en/responsabilidad-social/memorias-rsc-en>

¹⁸ <http://www.compromisoreal.com/>

During the 2017-18 academic year, the Water Classroom was set up there to bring the world of water management closer to schoolchildren through games and experiments. This initiative was part of the municipal educational offer and throughout its first active year received a total of 633 schoolchildren in years 3 and 4 of Primary School.

ACCIONA

Society¹⁹

ACCIONA contributes to the sustainable development of the communities in which it operates by assessing and managing the **social impact** of the Company's projects.

ACCIONA aims to take a leading role in the social development of its environment.

ACCIONA focuses its social programs on the needs and expectations of local development and its business objectives, hoping its progress leads to the progress of the communities around them.

There is a Corporate Volunteer Program that contributes to channel employees' concerns regarding volunteering.

The website acciona.org, previously known as the ACCIONA Microenergy Foundation, will provide developing communities with access to basic services such as energy, water and sanitation.

ACCIONA's Social Action Plan aims to align 100% of the company's social contribution (equivalent to 5% of the company's dividend) with its corporate objectives, through sustainable projects in the medium to long term in locations where ACCIONA is present.

The **Social Action Plan** is structured around the following lines of action:

- Access to basic services, Energy, Water and Infrastructures for disadvantaged communities (preferably in isolated rural communities), in the territories in which ACCIONA operates or intends to operate, in terms of access to basic, first-need services.
- Promoting sustainability - Its aim is to encourage, promote and disseminate sustainable culture to create a more responsible and caring society. This line of action is delivered with the Sustainability Workshop format, educational program aimed at 10 to 16-year-old children and youth, focusing on issues related to sustainability and sustainable development. The program also contributes to the company's strong commitment to spread the message of sustainability in the regions where it operates.

¹⁹ <https://www.acciona.com/sustainability/society/>

- Social investment associated to projects – the aim of the Centro Comunitario Bioclimaticolts is to contribute actively to promote and improve the socioeconomic system of the communities in which ACCIONA operates.

Some figures of the **Social Action Plan 2018** are:

- The Company's social contribution reached over EUR 13.7 million, equivalent to 7.16 % of the dividend for 2018.
- 24.4 % of the social contribution done on the priority SDGs on water access (n.º 6), energy (n.º 7), infrastructure (n.º 9), sustainable cities (n.º 11) and mitigating climate change (n.º 13).
- ACCIONA's social initiatives benefited over 5 million people.
- Access to basic services (SDG 6, 7, 9): 50,100 people benefited; Nº of Luz en Casa Centres: 19; Nº of solar home systems installed: 12,135
- Social investment associated to projects (SDG 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 13, 15, 17): 850,158 people benefited; 584 initiatives carried out; Initiatives in 22 countries. Among others, Mexico, Chile, Brazil, Peru, Ecuador, Colombia, South Africa, India, Australia, Norway, Canada, Costa Rica, Portugal, UAE, Poland and Denmark; 15 organizations collaborating in social initiatives carried out.
- Volunteering programme (SDG 2, 4, 8, 10): 1,536 volunteers in 20 countries; 11,433 volunteers hours dedicated to work in the community; 44 volunteering initiatives carried out.
- Promotion of sustainability (SDG 4): 6,500 girls/boys have participated in the Sustainability Workshop in Mexico (22 talks in schools); 3,745,381 registered users in Sustainability for All website; Over 4.6 million visits to Sustainability for All website. 71 % visits came from priority countries for ACCIONA; Sustainability for All represents 40 % of the total traffic of ACCIONA's sites.
- Sponsorship and patronage (SDG 3, 4): 246,590 people benefited; Pro CNIC Foundation (Spain), Water Aid Foundation (Australia), BEST Foundation (Mexico), Princesa de Girona Foundation (Spain), Princesa de Asturias Foundation (Spain), among others.

Environment - environmental protection as a differentiating element²⁰

ACCIONA, with a preventive approach and with an overall objective of reducing the environmental impact of its activities, focuses its environmental strategy on the fight against climate change, the promotion of the circular economy, the management of environmental risks and the conservation of biodiversity.

²⁰ <https://www.acciona.com/sustainability/environment/>

The Company works to strengthen day by day its position as a leading company in the contribution to the fighting climate change, using renewable technologies, reducing and offsetting its emissions, generating a positive water footprint on the planet and seeking innovative solutions that allow business to be at the forefront of the most advanced environmental standards.

Therefore, in 2017 ACCIONA has been recognized by the main international indexes in environmental transparency and performance.

Specific environmental policies

- DECLARATION OF INTENT: ACCIONA's environmental strategy is structured around its commitment to combating climate change, promoting energy savings, optimising the use and management of water, using resources responsibly, managing waste effectively, preventing pollution and protecting the environment and biodiversity
- ENVIRONMENTAL POLICY: Preserving and respecting the environment is one of the cornerstones underpinning ACCIONA's work and is evident from the company's adherence to best environmental practices throughout all its activities, as it prevents or minimizes any adverse environmental impacts while helping to conserve natural resources.

ACCIONA's environmental strategy is structured around its commitment to combating climate change, promoting energy savings, optimizing the use and management of water, using resources responsibly, managing waste effectively, preventing pollution and protecting the environment and biodiversity.

- BIODIVERSITY POLICY: Conservation of Biodiversity and the responsible use of our natural heritage are, for ACCIONA, as well as an ethical commitment, a necessary condition for global Sustainability. ACCIONA, aware of the fact that Biodiversity is in itself a key natural asset of high value, promotes its improvement and conservation as a necessary measure for economic development and social progress.
- CLIMATE CHANGE POLICY: ACCIONA considers it to be a top priority to lead the transition toward low-carbon business models that reduce or mitigate the adverse effects of climate change. It encourages the adoption of ambitious global objectives to reduce emissions and the implementation of projects, products and services that contribute to decreasing greenhouse gasses (GHG), facilitating access to renewable energy, to water and environmentally sustainable infrastructures and promoting energy savings.
- WATER POLICY: The main objective of ACCIONA's water policy is to contribute to the basic human right of access to drinking water and sanitation, as recognized by the United Nations General Assembly in 2010. ACCIONA recognizes that water is a limited and irreplaceable natural resource and, accordingly, its water management strategy takes account of water availability, quality and ecosystem balance where it operates.

AEAS

AEAS, as the voice of the urban water sector, interacts and collaborates with entities, such as GWOPA, ONGAWA (we are looking into implementing some of the training courses that ONGAWA has regarding the implementation of human right's approach in the activities of water service providers) or the Spanish Agency of Cooperation and Development (AECID) in the implementation of the Water Fund in Latin America.

7. How far do private water and sanitation actors take into account soft law provisions, such as the United Nations Guiding Principles on Business and Human Rights, when designing and implementing their services? What is the due diligence process in the context of water and sanitation provision?

ACCIONA: HUMAN RIGHTS POLICY - Statement of intent²¹

Since 2013, ACCIONA has included a public human rights policy

ACCIONA supports, respects, and contributes to the protection of internationally recognised fundamental human rights, making sure not to be complicit in any form of abuse or violation of those rights with regard to employees, suppliers, contractors, collaborators, partners, competitors, customers, local communities, and society in general. The Company pledges to defend and protect those rights in all its activities and in the geographical areas it works in, as well as promoting the adoption of these principles and values in the companies it participates in, even without a controlling interest, as well as among its suppliers, contractors and collaborators. ACCIONA pledges to respect the human rights and freedoms recognised in the Universal Declaration of Human Rights and its main instruments: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights; the ILO Declaration on Fundamental Principles and Rights at Work; the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; the OECD Guidelines for Multinational Enterprises; and the United Nations Global Compact. ACCIONA supports the United Nations Guiding Principles on Business and Human Rights, taking on the responsibility of respecting human rights and ensuring that its own activities neither cause nor contribute to negative consequences, and tackling any such consequences should they occur. It works to prevent or mitigate negative consequences on human rights directly related to operations, products, or services rendered as part of its commercial relationships, even if it did not have a part in causing them.

SUEZ²²

²¹ <https://www.acciona.com/sustainability/corporate-governance/human-rights/>

²² <https://www.suez.es/es-es/quienes-somos/un-grupo-comprometido/informe--de-desarrollo-sostenible--2018>

SUEZ Spain gives special importance to the respect of the spirit and the text of the Universal Declaration of Human Rights of 1948, in the development of its activities. In this sense, SUEZ Spain professionals must evaluate the impact of their actions and decisions on people, of so that they cannot be harmed, neither in their integrity, nor in their dignity, because of the performance of the company or one of its professionals.