

EXECUTIVE SUMMARY

The objective of the project is to *scope and investigate aspects of shared risk between private and public sector in South Africa and to frame the synergies and opportunities for cooperative engagement or partnership in mitigating these risks in the context of water for growth and development.*

There is an increasing consensus in the international water scientific and development communities that water scarcity will increase dramatically in many parts of the world in the next 20 to 30 years, which will have significant social, political, and economic consequences. In South Africa, these factors increase the challenge of managing South Africa's limited water resources requiring consideration of the nature of water as a development catalyst or possible constraint on sustainable economic growth which is the premise of the Water for Growth and Development (WfGD) strategy and the foundation for other government initiatives such as the Green Economy strategy. This concept explores the way in which the water sector contributes to economic, social, and environmental imperatives often focusing on the relationship between government and the private sector.

As a result of this increasing global risk around water, the private sector has begun to actively engage with water risk and management through local interventions in operations and participation in the international debates in this space. Large global corporates have encountered significant and variable water related risk, which has prompted this engagement motivated by operational crises, supply chain failures, brand management, and broader corporate social responsibility. From these engagements the concept of shared risk has emerged arguing that there are a number of commonalities in government and private sector exposure to water-related risks.

Corporate engagement of water risk has specific characteristics in the South African context due to the nature of institutional framework and infrastructure base for water management as well as challenges associated with redressing historical inequalities. Large corporates, including SASOL, Anglo-American, SAB-Miller, ESKOM, Standard Bank, and Woolworths whose experiences are reflected herein, have each begun to engage water risk beyond their operations in different ways to varying degrees based on the extent of risk, the reputation of the company, the impact on operations, and the corporate resources available.

From these experiences a framework for engagement emerges which is instructive in understanding the ways in which corporates engage the public sector and stakeholders to mitigate their water related risk.

- *Operations and Supply Chain* management is the initial focal point as companies attempt to keep their own "house in order"
- *Local level* engagement focuses on interaction with local government or communities to ensure the security of adequate water supply
- *Basin level* engagement becomes necessary when local engagement is insufficient to address the increasing primary or secondary water scarcity focusing on sustainable availability of supplies and control of waste discharge at a catchment

scale

- *Country level* engagement occurs if the enabling framework constrains or inappropriately incentivises basin or local water management.

This increased engagement in the water sector presents many challenges and opportunities for government. Extensive engagement by corporates in the water sector may result in corporate capture, whereby planning and development processes are coopted by a more resourced and capacitated private sector, and neglect for the needs of the poor, as the primary goal of the private sector is to ensure its operations are profitable and sustainable. Notwithstanding these challenges, there are the following opportunities for corporate engagement with government in a WfGD framework:

- Economic and social development focus of water planning in conjunction with the private sector
- Create stakeholder platforms to understand the potential synergies and challenges that engagement with the private sector presents
- Capitalize on shared risk opportunities through strategic partnerships with the private sector
- Develop a framework to manage corporate engagement within the water sector.