

Private Sector Engagement for WASH – The case of Mongolia: Corporate WASH Responsibility

U. Bulgamaa ⁽¹⁾

⁽¹⁾ PhD candidate, Institute for World Economy,
International Relations Multidisciplinary Doctoral School, Corvinus University of Budapest
+36-20-356-8467, urangoo.corvinus@gmail.com.

Abstract – According to the UN statistics, Mongolia is the least covered country in East Asia, in terms of coverage for water supply, sanitation, and hygiene (WASH). Lacking access to improved water and sanitation facilities accounted for roughly 40% of the total Mongolian population by 2015. This is a fundamental condition that challenges human well-being. Therefore, this paper aims to capture the current WASH situation of Mongolia and bringing the private sector into development discussion as an alternative solution under the idea of corporate social responsibility. The paper suggests that society needs support while private companies have the resources to devote to their corporate social responsibility. These two demands should meet. The private sector engagement for the WASH could serve as one of the possible solutions while it does not fundamentally require political engagement.

Keywords: CSR, WASH, development, Mongolia

1. Introduction

Although access to water and sanitation is being considered as a human-basic right, it cannot be equitably distributed to the entire world, especially in the global south. In fact, lacking the provision of safe and affordable water supply and sanitation threat public health, environmental sustainability, and human dignity. Such underdevelopment is caused by multiple serious problems including governance failure and less political will. International community leads number of initiatives calling actions in the different levels. Even though the United Nations implemented Millennium Development Goals (MDGs) for global development, it did not consider enough the marginalized groups in society. Therefore, as a further complementary of MDGs, The United Nations launched Sustainable Development Goals 2030 (SDGs) with the motto "leave no one behind" for addressing global sustainable development according to Philips, N. in the book of Global Political Economy (Ravenhill, 2014). Within this framework, one of the most pressing global security challenges is ensuring access to safe and affordable water supply and sanitation for all (World Health Organization, 2015).

Prior to departing for SDGs, the Joint Monitoring Program conducted by UN-WHO in 2015. The statistics related to WASH showed that globally 2.4 billion people having no access to improved sanitation facilities while 663 million suffer from using unimproved water sources. This case shows very poor level in Mongolia as 40 percent out of the total population, meaning 1.2 million Mongolians have no access to improved sanitation, and 36 percent or roughly 1 million are lacking access to improved water resources. Its impact, unhygienic practice in everyday life goes to public health, particularly dangers infants and children aged under 5 due to an infection of diarrheal disease (Diarrhoea is usually a symptom of an infection in the intestinal tract, which can be caused by a variety of bacterial, viral and parasitic organisms. Infection is spread through contaminated food or drinking-water or from person-to-person as a result of poor hygiene (WHO, 2013)). This is the second leading cause of infant mortality age under 5 (Wardlaw, Salama, Brocklehurst, Chopra, & Mason, 2010).

In 2013, Mongolia's children under age 5 are 12 percent, and the national rate of mortality under age 5 is 24.5 per 1000 live births while this case in Ulaanbaatar shows 10.6 (National Statistical Office 2014). Apparently, the situation is severe in Mongolia, but why this is the case? What are the reasons that generate this result? What can be the possible solutions?

The literature review suggested that persistent socio-economic challenges brought nomads moving to the capital with economic and social motives including working and studying. However, Ulaanbaatar has neither fiscal nor infrastructural capacity to either accommodate those newcomers in the modern housing or provide access to water supply and sanitation infrastructure sufficiently and equally. Since there are such

problems, I remain interested in looking for solutions not from the central authorities only, but from the good collaboration of private companies, citizens, and the government. Furthermore, I approach the problem from the perspective of the funding gap. The paper argues that society needs support, while private companies have the resources to devote to their social responsibility. These two demands should meet. The private sector engagement for the WASH could serve as one of the possible solutions while it does not fundamentally require political engagements.

The paper structure is the following. First, I will introduce a conceptual background, second, analysis of the case study. At finally, the paper will be concluded.

2. Conceptual background and methodology

The research aims to capture the current WASH situation of Mongolia and bringing the private sector into development discussion as an alternative funding solution. For this reason, cross-sector collaboration framework is applied to the case study. The study addresses both the current situation as a macro level, and financial aspects of the problem as a micro level through the lenses of multiple perspectives of human development, development finance, and corporate social responsibility. The study was conducted by the qualitative approach on an empirical basis. Data was collected based on the interviews conducted with representatives of government, academy, and private sector together with an examination of white papers. The research questions are formulated following. What is the current situation of WASH in Mongolia? To what extent domestic private companies can be involved in corporate WASH responsibility action?

The basis of the paper is built on the idea of the human development approach, which considers that a focus of development is human-being, not the economies or the states. According to Amartya Sen, ...freedom approach, which is being understood as a process of expanding real freedom that people enjoy written by Philips, N. in chapter 3 (Ravenhill 2014: 352). However, the current global phenomenon, particularly the situations in the global south is growing challenge where many people are facing a lack of affordable safe water supply and sanitation services.

On the other hand, urban literature says there are persistent issues and challenges due to growing urban population that leads to sub-challenges such as urban growth, increasing number of residency in slums and informal settlements and incapability in providing proper urban services (Ooi & Phua, 2007, Kamata, Reichert, Tsevegmid, Kim, & Sedgewick, 2010). Therefore, the trend of urbanization and slum formation will be analyzed as a factor that affects the main problem. The presumption is that economic (working) and social (studying) opportunity seeking migration greatly increased the demand of urban WASH services, while weak fiscal capacity and less political will do not allow the WASH sector to meet the growing demand.

To ensuring equitable access to water supply and sanitation, development finance is coming to one of the most central challenges due to a lack of available funds in developing countries. It is often described as a need of bulk investments to build development infrastructures, while underdeveloped countries often face fiscal vulnerability which leads to incapability to cover such investments. Therefore, it is important to recognize alternative financing which can be developed on the basis of collaborations involving multiple stakeholders such as firms. Particularly, this paper aims to discover local financing potential to contribute for WASH development, but not looking for international sources due to my preference given to avoiding an excessive engagement of local political actors as such decisions are anyway conflicted and highly politicized.

Therefore, corporate WASH responsibility is a great idea, that is suggested to build up a WASH-fund dedicated to solving persistent problems to end the lack of water supply and sanitation services. The term expresses a company's contribution to the WASH problems. The theories of corporate social responsibility suggest that it is utmost importance for today's business leaders in every country due to the connection between CSR and firm's competitive advantage (Porter & Kramer, 2006). Furthermore, a study suggested that positive image of corporate has a positive connection to the firm's financial performance (McGuire, Sundgren, & Schneeweis, 1988). Therefore, the presumption is that the Mongolian companies have CSR funds to engage the social actions.

3. Results of the analysis

- a. Current situation of WASH:

The study investigates the current situation of WASH through two perspectives including "impact of migration" and "fiscal budget and government policy".

The capital (Ulaanbaatar) is the most attractive place for rural to urban migrants who are mostly seeking economic and educational opportunities. This phenomenon becomes a push effect for both an expansion of the city and its population increase. The migration severely causes a massive expansion of unplanned urban settlements so called the peri-urban ger area where there is no piped water supply, sewage disposal system, and safe sanitation facilities. In fact, more than 70 percent of rural migrants settle down in the peri-urban area, according to the statistics prepared by the Mayor's office in 2012 (Ulaanbaatar Mayor's office 2016). As a result of this migration, more than 90% of Ulaanbaatar area is covered by the unplanned ger settlements so-called peri-urban ger area.

The reason why is that people migrated from the rural areas are more likely economically disadvantaged thereby they cannot afford to pay high housing prices in Ulaanbaatar, while their traditional accommodation so-called ger (yurt) is possible to move from one to another location easily. Thereby, those migrants simply settle down in the yurt at the somewhere unplanned open areas. Later they can apply for land ownership which is allowed at the constitutional level in Mongolia. This whole process invisibly contributes to urban slum formation. According to the World Bank statistics, the population living in slums as a percentage of the urban population of Mongolia is 42.7 % in 2014 (World Bank 2014). This is the serious persistent challenge for urban water and sanitation service delivery, and further WASH coverage scaling up progress. Response to the problem, Mongolian government initiated "housing programs", "mortgage with discounted rate" to promote housing with proper urban services, while "Decree of Mayor of Ulaanbaatar" to limit migration inflow to Ulaanbaatar. However, housing-related programs cannot solve equity issues as a big number of families living in poverty, while Mayor's decree did not change anything so far as an efficient monitoring and sanctioning system, on the other hand, incentives to stay in the rural area are largely missing.

Turning into the fiscal budget, it was very difficult to find data on the government spending related to water sector because water supply, sanitation, and hygiene promotion were fragmented into the different authorities including National Water Committee, Ministry of Environment and Green Development, Ministry of Construction and Urban Development, and Ministry of Health. Furthermore, investments made for wastewater and water infrastructure were substantially decreased by 71% and 76% simultaneously, in 2015 compared to 2014 (UNICEF 2016).

Furthermore, Mongolia's fiscal capacity is vulnerable due to government debt. As of 2016, central government debt reached 93.3 % of GDP. This sudden increase of government debt was caused by bulk lending (compared to the total size of the economy) of Chinggis and Samurai bonds in 2014. Allocation of the bond was not for WASH-related investments. This impact resulted in a fiscal gap which does not allow immediate increases in government spending for WASH-related investments.

- b. To what extent, can domestic private companies be involved in corporate WASH responsibility actions?

The session investigated the problem in two extents including overall trend that private companies to be engaged in CSR activities, and fund creation based on the reported investments.

Findings: Leading businesses tend to engage in CSR activities, although some of them have no CSR policy. If they have CSR policy, they tend to implement its policy, therefore, highly encourages the companies to have CSR-WASH policies.

Tendency: Most of the top companies practically engaged to the CSR - social or environmental initiatives. There is a possibility to attract the private sector to engage in WASH-CSR initiatives.

Evidence: it is tested by 5 indicators within the range of "Selective 21". Result shows:

1. CSR policy creation-57%
2. CSR activity engagement (at least 1 time)-81% (does not matter about policy)
3. CSR policy implementation-75%
4. CSR activity engagement for WASH (monetary term)-5% [Mobicom-₮1.5B]
5. CSR activity engagement for Water (non-monetary term)-19% [Water efficiency tech, Tuul river embankment cleaning]

All in all, even though CSR activity engagement for WASH was only 5%, the overall CSR engagement was high as 81%. Therefore, it is concluded that top companies have positive interest to engage in socially responsible actions, furthermore, the CSR investment level increased to ₮114 (2016) billion from ₮50 billion (2007), therefore, there is a possibility to mobilize the resources for WASH services' scaling up through the financial tools including blended finance.

4. Conclusion

This paper aims to analyse two problems including, first, the current situation for water supply, sanitation, and hygiene in Mongolia through the case analysis of Ulaanbaatar, second, assessment of domestic companies' involvement for WASH sector under the corporate social responsibility.

The current situation can be summarized that most of the population in Ulaanbaatar remain lacking access to WASH. The problem is getting more challenging due to migration inflow that increased demand while fiscal incapacity that basically cannot provide more supply. Thereby, a majority of citizens will remain living in inequality in WASH as economically stronger people live in modern housing, thereby having better and cheaper access to quality services, while economically disadvantaged people live in traditional housing, having less to no access to improved water supply and sanitation services. The government implemented a housing program together with Mayor's restriction to migration, while keep running the discounted mortgage program. However, neither of them solved both inequality in the provision and increasing demand for WASH services.

To scaling-up infrastructure, we need funds to devote. It can be raised under the concept of blended finance for development. The sources include corporate social responsibility funds. Therefore, the study was interested in the question: To what extent can domestic private companies be involved in corporate WASH responsibility actions? The results showed very positive that Mongolian top companies have funds and spending for corporate social responsibility at somewhat level, thereby, this background could serve as soil for raising corporate WASH responsibility fund, in case if investors understand the significance of the problem.

4. Acknowledgement

The present publication is the outcome of the project „From Talent to Young Researcher project aimed at activities supporting the research career model in higher education”, identifier EFOP-3.6.3-VEKOP-16-2017-00007 co-supported by the European Union, Hungary and the European Social Fund.

5. Bibliography

Articles:

- [1] Cheng Beiting, I. I. (2014). Corporate social responsibility and access to finance *Strategic Management Journal*, 35(1), 1-23. <https://doi.org/10.1002/smj.2131>
- [2] Cohen, B. (2006). Urbanization in developing countries: Current trends, future projections, and key challenges for sustainability *Technology in Society*, 28(1-2), 63-80. <https://doi.org/10.1016/j.techsoc.2005.10.005>
- [3] Geoffrey B. Sprinkle, L. (2010). The benefits and costs of corporate social responsibility. *Business Horizons*, 53(5), 445-453. <https://doi.org/10.1016/j.bushor.2010.05.006>
- [4] Giok Linj Ooi, K. H. (2007). Urbanization and Slum Formation. *Journal of Urban Health*, 84(1), 27-34. <https://doi.org/10.1007/s11524-007-9167-5>
- [5] Kamata, T., Reichert, J. A., Tsevegmid, T., Kim, Y., & Sedgewick, B. (2010). Managing Urban Expansion in Mongolia. <https://doi.org/10.1596/978-0-8213-8314-8>
- [5] Kevin Lompo, J.-F. T. (2013). Does Corporate Social Responsibility Contribute to Human Development in Developing Countries? Evidence from Nigeria. *Journal of Human Development and Capabilities*, 14(2), 241-265. <https://doi.org/10.1080/19452829.2013.784727>
- [6] Kumudini Abeyesuriya, C. M. (2007). Can corporate social responsibility resolve the sanitation question in developing Asian countries? *Ecological Economics*, 62(1), 174-183. <https://doi.org/10.1016/j.ecolecon.2006.06.003>
- [7] May A. Massoud, A. T. (2008). Decentralized approaches to wastewater treatment and management: Applicability in developing countries, *Journal of Environmental Management*, 90(1), 652-659. <https://doi.org/10.1016/j.jenvman.2008.07.001>

- [8] McGuire, J. B., Sundgren, A., & Schneeweis, T. (1988). Corporate Social Responsibility and Firm Financial Performance. *Academy of Management Journal*, Vol. 31, pp. 854–872. <https://doi.org/10.5465/256342>
- [9] Ooi, G. L., & Phua, K. H. (2007). Urbanization and slum formation. *Journal of Urban Health: Bulletin of the New York Academy of Medicine*, 84(3 Suppl), i27–i34. <https://doi.org/10.1007/s11524-007-9167-5>
- [10] Porter, M. E., & Kramer, M. R. (2006). Strategy and society: the link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84(12), 78–92, 163. <https://doi.org/10.1108/sd.2007.05623ead.006>
- [11] Sayed Mohammad Nazim Uddin, A. T.-P. (2016). Exploring alternative sources of funding for deploying sustainable sanitation technologies and services in Mongolia. *International Journal of Water Resources Development*, 32(6), 881-894. <https://doi.org/10.1016/j.jclepro.2015.07.149>
- [12] Sayed Mohammad Nazim Uddin, Z. L.-P.-B. (2016). Feasibility of a 'greenhouse system' for household greywater treatment in nomadic-cultured communities in peri-urban Ger areas of Ulaanbaatar, Mongolia: an approach to reduce greywater-borne hazards and vulnerability. *Journal of Cleaner Production*, 114, 431-442. <https://doi.org/10.1080/07900627.2015.1121137>
- [13] Troy, S. (2010). Unravelling Mongolia's Extreme Winter Disaster of 2010. *Nomadic peoples*, 14(1), 72-86. <https://doi.org/10.3167/np.2010.140105>
- [14] Wardlaw, T., Salama, P., Brocklehurst, C., Chopra, M., & Mason, E. (2010). Diarrhoea: why children are still dying and what can be done. *The Lancet*, Vol. 375, pp. 870–872. [https://doi.org/10.1016/s0140-6736\(09\)61798-0](https://doi.org/10.1016/s0140-6736(09)61798-0)

Book:

- [15] Ravenhill, J. (2014). *Global Political Economy*. Oxford University Press.

Reports:

- [16] ADB (2016): Ensuring Availability and Sustainable Management of Water and Sanitation for All. ADB. Retrieved from <https://www.adb.org/sites/default/files/publication/189411/awdo-2016.pdf>
- [17] ADB, Arthur C. McIntosh (2014): Urban Water Supply and Sanitation in Southeast Asia, A guide to Good Practice, ADB. Retrieved from http://www.pseau.org/outils/ouvrages/adb_urban_water_supply_and_sanitation_in_southeast_asia_a_guide_to_good_practice_2014.pdf
- [18] National Statistical Office. (2014). Social Indicator Sample Survey 2013, Key Findings. Ulaanbaatar, Mongolia: National Statistical Office.
- [19] ODI (2015): Private sector and water, sanitation and hygiene, retrieved from https://www.viawater.nl/files/private_sector_and_water_supply_sanitation_and_hygiene_0.pdf
- [20] Samhita, India Sanitation Coalition (2016): CSR in WASH, What Indian top companies do?. Retrieved from <http://ficci.in/spdocument/20736/CSR-in-WASH.pdf>
- [21] UN habitat (2016): The World Cities Report, Urbanization and Development: Emerging Futures. Retrieved from <https://www.unhabitat.org/wp-content/uploads/2014/03/WCR-%20Full-Report-2016.pdf>
- [22] UNICEF (2013): Multiple Indicator Cluster Survey in Mongolia, Online retrieved from <http://mics.unicef.org/surveys>
- [23] UNICEF, WHO (2009): Diarrhoea: Why children are still dying and what can be done. Retrieved from <https://www.unicef.org/media>
- [24] UNICEF, WHO (2015): Joint Monitoring Programme in Mongolia, WHO press. Online retrieved from https://www.wssinfo.org/documents/?tx_displaycontroller%5Btype%5D=country_files&tx_displaycontroller%5Bsearch_word%5D=Mongolia
- [25] National Statistical Office of Mongolia (2013): Social Indicator Sample Survey -2013,
- [26] Multiple Indicator Cluster Survey, NSO, Ulaanbaatar, Mongolia, Online retrieved from https://micsurveysprod.s3.amazonaws.com/MICS5/East%20Asia%20and%20the%20Pacific/Mongolia/2013-2014/Final/Mongolia%202013-14%20MICS-SISS_English.pdf
- [27] WHO, UNICEF (2015): 25 years' progress on sanitation and drinking water, Joint Monitoring Program, Update and MDG assessment, pp.4-5. Online retrieved from https://www.unicef.org/publications/index_82419.html
- [28] World Bank (2010): MONGOLIA Enhancing Policies and Practices for Ger Area Development in Ulaanbaatar, retrieved from <http://documents.worldbank.org/curated/en/288141468061498905/Mongolia-Enhancing-policies-and-practices-for-ger-area-development-in-Ulaanbaatar>
- World Health Organization. (2015). Progress on Sanitation and Drinking Water: 2015 Update and MDG Assessment. World Health Organization. Online retrieved from https://www.unicef.org/publications/index_82419.html

News & Online sources:

- [29] An initiative of the UN Council for International Business for 2030 (2015): Addis Ababa Action Declaration. Retrieved from: <http://www.businessfor2030.org/2030explained-1-1#ffd-anchor-link-2>
- [30] An initiative of the UN Council for International Business for 2030 (2015): Business+SDGs, Goal 6-Ensure water and sanitation. Retrieved from: <http://www.businessfor2030.org/goal-6-ensure-water-sanitation>
- [31] State Owned Housing Corporation (2014): Performance of Housing Program for 100'000 households as of 2013. Retrieved from <http://tosk.gov.mn/page/53?hutulbur-angilal>
- [32] Central Bank of Mongolia (2016): Formal news about mortgage availability for housing program. Online retrieved from <https://www.mongolbank.mn/news.aspx?id=1318>
- [33] Forum Parliament E-discussion (2013): Ger Area Development Agency, "Re-planning Ger Area Project" Plan. Retrieved from <http://forum.parliament.mn/medias/f90e816f-240d-4bf2-b3e5-4eb091ad98c0.pdf>
- [34] Flishman Hillard (2017): Company's position statement, retrieved from <http://fleishmanhillard.com/2016/07/public-affairs/cross-sector-collaboration-key-sustainable-development/>
- [35] Katja Sigel (2012): Urban water supply and sanitation in Mongolia: A description of the political, legal, and institutional framework, Helmholtz-Zentrum für Umweltforschung GmbH - UFZ, <https://ideas.repec.org/p/zbw/ufzdps/012012.html>
- [36] Legal info (2017): Mongolian Government Bill No-200, Master Plan – Housing for 40'000 Households - 2006. Retrieved from <http://www.legalinfo.mn/annex/details/2134?lawid=3217>
- [37] Legal info (2017): Mongolian Government Bill No-341, Master Plan – Housing for 100'000 Households - 2011. Retrieved from <http://www.legalinfo.mn/law/details/9161>
- [38] Ministry of Environment and Green Development (2013): IWRM plan Mongolia
- National Statistics Office of Mongolia (2017): Population Statistics 2016, Retrieved from www.nso.mn
- [39] UB Stat (2012): Report: Population and Economic Activity of Ulaanbaatar, retrieved from <http://www.ubstat.mn/>
- [40] UB Stat (2016): Report: Population of capital, Ulaanbaatar, retrieved from <http://www.ubstat.mn/>
- [41] UB Stat (2016): The author's calculation based on the statistics <http://www.ubstat.mn/>
- [42] UB Statistics Office (2012): Ulaanbaatar city population and economic activity. Retrieved from <http://ubstat.mn/News=89587c3f-e779-11e1-bcbd-001fc60e81da>
- [43] UB Statistics Office (2016): Report of Ulaanbaatar Demographic Statistics - 2016. Retrieved from www.ubstat.mn
- [44] Ulaanbaatar Mayor's office (2016): UB statistics, retrieved from www.ubstat.mn
- [45] UN focus areas (2017): IWRM, online source, retrieved from <http://www.un.org/waterforlifedecade/iwrn.shtml>
- [46] UNDP (2015): Sustainable Development Goals - Target 6. Retrieved from <https://sustainabledevelopment.un.org/sdg6>
- [47] UN-SDGs6 (2015), online retrieved <https://sustainabledevelopment.un.org/sdg6>
- [48] UN Water (2013) : UN Water - Mongolia Report 2013. Retrieved from <https://www.unwater.org/publications/un-water-country-briefs-mongolia/>
- [49] WHO (2011): eLENA, retrieved from http://www.who.int/elena/titles/bbc/wsh_diarrhoea/en/
- [50] World Bank (2014): Population living in slums, (% of urban population), Mongolia, 2014, Retrieved from <http://data.worldbank.org/indicator/EN.POP.SLUM.UR.ZS>
- [51] WWTP, 2013: Strong need for new wastewater treatment plant. Retrieved from <http://www.news.mn/r/145625>