



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT



African Water Facility
Facilité africaine de l'eau

Mobilising Resources for Water in Africa
Mobiliser des ressources pour l'eau en Afrique

*Citywide
Inclusive Sanitation*

Africa Urban Sanitation Investment Initiative

Sanitation Investment Window: African Water Facility

20 March, 2023

'Business as usual' is not delivering safe sanitation in African cities

55% of the urban population in Sub-Saharan Africa (some 200 million people) do not have adequate sanitation, or do not have sanitation at all. The explosive growth of cities in Africa means the number of people without sanitation is growing by more than 10 million each year. This is having devastating impacts on people's health, their quality of life, and economic performance. WHO and UNICEF estimate the economic cost of poor sanitation in sub-Saharan Africa at 40 to 50 billion US dollars per year.

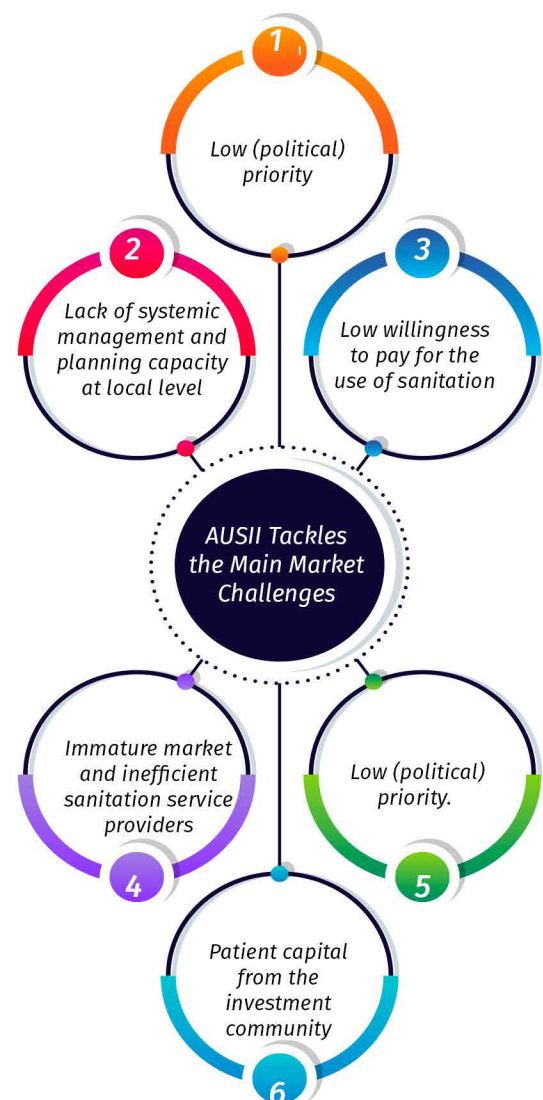
The high density and different levels of development of cities and towns require sanitation approaches with tailored service and infrastructure solutions that address the range of community types, complex settlements patterns and local conditions across the entire urban area. These also require the City-Wide Inclusive Sanitation (CWIS) approach that includes a variety of investment and service approaches ranging from conventional public sector investment projects, through public or privately driven service delivery approaches, to private sector investment projects.

The AUSII Mission

Increasing investment impact in urban sanitation services and service providers in Africa by strengthening the enabling environment, catalyzing CWIS approaches, and providing blended financing options for efficient and sustainable sanitation investments, leveraging development and commercial finance institutions.

Africa Urban Sanitation Investment Initiative (AUSII) is being launched to realize climate-resilient and inclusive sanitation solutions across African urban environment with CWIS approach for the next 20 years and possibly beyond, as a sanitation focused financing window of the African Water Facility (AWF).

The AWF, an initiative led by the African Ministers' Council on Water (AMCOW) became operational in 2006 to address the need for increased investment in the development and management of water resources in Africa.



Financing & Instruments

AUSII is set up to attract resources from bilateral and multilateral donors, as well as other financial institutions, impact investors, and philanthropic foundations. AUSII seeks to catalyze, facilitate and enable co-financing urban sanitation investments through blended financing and other flexible financial instruments ranging from grants to technical assistance and risk-bearing capital.

• Grants

Upstream TA & Project Prep

Local capacity development

Piloting of scalable innovations

TA for Development of Financial Products

• Finance

Risk (sharing) capital & guarantees

Large infrastructure project pipeline generations

• Technical Assistance (TA)

Transaction support, developing PPPs

Investment Proportion of downstream activities

Upstream AUSII will lead CWIS through catalytic investments in upstream and long-term capacity-building activities (new inclusive and climate-resilient sanitation concepts and models, improved policies, institutional strengthening, shared innovations, etc.).

models and the various types of (private) service providers involved.

Downstream AUSII will collaborate with financial institutions to create suitable blended financing instruments for new sanitation models and the various types of (private) service providers involved.

Financial Resources & Sustainability

Initial capital of \$15 million is sought for startup upstream operations of AUSII and building a robust project pipeline.

Accordingly, AUSII is seeking donors, partners, and investors for the capitalization of the financing window, to enable the execution of its envisioned strategy. This could be a combination of grant funding/donations, with regular replenishments for its grant funding and technical assistance focused programs from DFIs,

In addition, AUSII is seeking soft and long-term orientated capital for its financing activities, which will yield a concessionary return. AUSII targets to grow its investment capital to \$320 million over 10 years and to be fully operationalized with approximately 40% revolving funds.

Market Positioning

A central reason for setting up AUSII is that there is a long lead time and upstream investment needed to prepare CWIS approaches and good quality climate-resilient urban sanitation projects, and to develop the environment that will enable them to succeed. With a wide and flexible range of tools in its toolbox, AUSII will catalyze, initiate, and support this market development. AUSII will not be restricted to its own financing toolkit alone but will seek other sources of

Operation and Administration

finance and support through alliances with partners to make projects happen. AUSII will seek to cooperate with other sanitation and climate investors.

Investment Approach

AUSII engagement in a country will be triggered by government request, leading to an exploratory assessment of the appropriate type and level of assistance. Support will be tailored to the level of development of the sanitation sector and the commitment shown, with progressive incentives for moving to the next stages. Once AUSII has engaged with a government, sessions will be held with the main country stakeholders to review progress and plan AUSII assistance over the forthcoming years. An AUSII program leader will be placed in countries with a significant level of engagement, to interact with all stakeholders and guide the program in establishing the enabling environment for CWIS and delivering climate-resilient sanitation projects and solutions.

Partners

AUSII is hosted by the African Development Bank (AfDB) and managed by the AWF. AUSII is positioned on one hand as a bridge between governments and sanitation service providers, and on the other hand between commercial and development finance institutions to align CWIS and climate activities with financing options. It aims to enhance the credibility and preparedness of service providers and governments, helping them to deliver investible CWIS projects and investment propositions to financial institutions. AUSII will work with commercial finance institutions to develop financial instruments for various types of sanitation service providers involved in CWIS.

AUSII is managed within the AWF, hosted in the African Development Bank's Water and Sanitation department, leveraging experts and other expertise from the Bank's ecosystem. AUSII will operate under the trusteeship of the Bank with policy and strategic guidance from the AWF Governing Council and its Technical Advisory Committee.

Target Impact

The AUSII target is to assume the role of sector leader in developing the urban sanitation market and delivery models in Africa. The expected impacts of AUSII during its initial 10 years are:

- 1 To support 15 million urban inhabitants with directly improved access to sanitation
- 2 To mobilize \$7 billion in commercial and concessional finance for private and public sector sanitation projects
- 3 To support the preparation of 50 sanitation projects financed directly by AUSII and co-financing by DFIs and other partners
- 4 To provide support to 10 – 20 financial institutions in offering sanitation financing instruments
- 5 To support the capitalization of 500 service providers through AUSII