



**AFRICAN DEVELOPMENT
BANK GROUP**



**African Water Facility
Facilité africaine de l'eau**

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

AWF Strategy 2017-2025



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About the African Water Facility

The African Water Facility (AWF) is an initiative of the African Ministers' Council on Water (AMCOW), and is hosted and managed by the African Development Bank (AfDB) at the request of AMCOW. Established in 2004, AWF assists African countries to address the increasing investment need for the development and management of water resources in Africa, towards meeting the goals and targets of the Africa Water Vision (AWV) and the Sustainable Development Goals (SDG). The AWF is a demand-driven, African-led project preparation facility that is focused on the funding of investment planning and preparation projects, with the aim of mobilising additional financing to meet Africa's water infrastructure needs.

The AWF is funded by Algeria, Australia, Austria, the Bill and Melinda Gates Foundation, Burkina Faso, Canada, Denmark, the European Commission, France, the Nordic Development Fund, Norway, Senegal, Spain, Sweden, the United Kingdom and the African Development Bank. The AWF is governed by a Governing Council representing its donors, UN-Water Africa, the AU via NEPAD, AMCOW and the AfDB.

For more information, visit: www.africanwaterfacility.org

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LIST OF ACRONYMS

AfDB	African Development Bank
AICD	Africa Infrastructure Country Diagnostic
AMCOW	African Ministers' Council on Water
AUC	African Union Commission
AWF	African Water Facility
AWV	African Water Vision
CAADP	Comprehensive Africa Agriculture Development Programme
CFP	Calls for Proposals
CSO	Community Service Organisation
DFI	Development Finance Institution
GC	Governing Council
GSE	Gender and Social Equity
EA	Executing Agency
FAPA	Fund for African Private Sector Assistance
GIF	Global Infrastructure Fund
GWP	Global Water Partnership
ICA	Infrastructure Consortium for Africa
IUWM	Integrated Urban Water Management
IWMI	International Water Management Institute
IWRM	Integrated Water Resources Management
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MSME	Micro, Small or Medium scale Enterprises
NEPAD	New Partnership for Africa's Development
NGOs	Non-Governmental Organisations
OECD	Organisation for Economic Co-operation and Development
PIDA	Program for Infrastructure Development in Africa
PPF	Project Preparation Facility
PPP	Public Private Partnership
RBOs	Regional Basin Organisations
RECs	Regional Economic Communities
RWSSI	Rural Water Supply and Sanitation Initiative
SDG	Sustainable Development Goal
SSA	Sub-Saharan Africa
SSI	Small Strategic Investment
TA	Technical Assistance
TWRM	Transboundary Water Resource Management
UNFCCC	United Nations Framework Convention on Climate Change
WRD	Water Resources Development
WRM	Water Resource Management
WSP	Water and Sanitation Programme

PREFACE BY AMCOW

Water and its diverse uses - to grow increasing amounts of food, generate renewable energy for industry and domestic use, source of healthy lives of people - is central to societies across Africa and is a key component of our ecosystem. Water for survival is now recognised as a human right with regards to accessibility and affordability. Recognition of the crucial role of water in national and regional development by African stakeholders led to the adoption of the African Water Vision (AWV) and its Framework for Action at the Second World Water Forum in The Hague in 2002.

The African Ministers Council on Water (AMCOW), established in 2003 to take up political leadership in the development of Africa's water sector, spearheaded the establishment of the African Water Facility (AWF) with the aim to mobilise and apply resources to implement the ambitious targets of the AWV. AMCOW envisioned the AWF to serve as an instrument to spur economic growth in Africa using water as the entry point. The African Development Bank emerged as a willing partner to host and administer the Facility.

AMCOW is proud to affirm that its first project, establishment of the AWF, has been successful and that the AWF has lived beyond expectation. The AWF has mobilised significant resources for the development of Africa's water infrastructure assets and has supported enhanced institutional and technical capacity to strengthen national and transboundary water resources management – the solid foundation needed to boost sustainable water development in Africa. Specifically, the AWF has mobilised over €1 billion in committed financing to its follow-on investment projects for water supply, sanitation, irrigation and hydropower. The AWF has supported the establishment and/or the strengthening of key sector institutions, including Pan-African water sector initiatives, transboundary river basin authorities, national institutions and, more recently, is reaching out to private sector institutions.

AMCOW has keenly followed the evolution of the AWF from an unknown Special Fund of the AfDB to an award winning African water sector institution. The AWF has shown remarkable ability to adapt and learn with the times and ploughing back valuable experience garnered into its operations through renewal of its policy and strategic directions. One such endeavour was to focus operations on project preparation as the prime AWF action to mobilise resources for the water sector in Africa. As the AWF now repositions itself midway towards achieving the AWV targets in the present strategy, which has been collaboratively developed, it will address emerging contemporary challenges, such as increasing urbanisation and pollution of water resources, effects of climate change and dwindling ODA in the face of competing demand for resources.

On behalf of AMCOW, I wish to express my gratitude to the African Development Bank for the financial and material support it has provided to the AWF since its establishment. I entreat the Bank to continue its support in the ensuing decade as the AWF embarks on implementing the new long term strategy.

The AWF has established itself as a market leader in water and sanitation infrastructure project development. The present 2017 - 2025 strategy consolidates the previous experience and introduces innovations that will accelerate the attainment of the AWV and the SDGs. AMCOW appeals to all existing and potential development partners of the AWF to provide the requisite funding support for the successful implementation of this new strategy.

AMCOW President

FOREWORD BY AFDB

Financing trends indicate that despite a doubling of Official Development Assistance (ODA) to the water sector over the past 15 years, there is a significant shortfall in the amount required to meet the Africa Water Vision targets and the SDGs. Estimates of the investment required to meet the AWV targets stand at approximately US\$ 64 billion per year. The current financial flows for water sector investment programmes are about US\$ 10.5 billion per year, and ODA to the sector is stalling. The message is clear – the investments to meet Africa’s water infrastructure needs are huge, and this heightens the important role of the AWF to catalyse investments through project preparation and investment promotion activities. The African Development Bank welcomes the adoption of the 2017-25 strategy of the AWF which is essentially aimed at creating a greater impact on the sector by significantly increasing the size and quality of its portfolio and operations across the multiple water uses.

The AWF has demonstrated a distinctive value proposition to African governments and the development community: having leveraged on average €34 for every €1 spent on project preparation, the AWF has attracted committed financing of more than €1 billion to follow-on investment projects. While these achievements are significant, the amounts leveraged are small in comparison to the total sector needs of Africa. The AWF 2017 - 2025 strategy is a response to the contemporary challenges of attracting massive water sector investment in terms of the strategic priorities of the Facility, as well as the implementation approach which includes introducing innovative financing mechanisms.

The timing of the AWF 2017-2025 strategy is opportune as it coincides with the implementation of the Bank’s five overarching development priorities captioned the “High Fives”. The High Fives are all underpinned by water development and comprise: Light up and Power Africa; Feed Africa; Industrialize Africa; Integrate Africa; and Improve the Quality of Life for the People of Africa. The AWF strategy also coincides with the adoption of the Bank’s revised water policy, aligned with the Bank’s 10-year strategy as well as the evolving water sector challenges in Africa. The structural and policy changes taking place in the AfDB reinforce the central role of water in the Bank’s development agenda and the AWF strategy complements the Bank’s overall objectives to transform lives in Africa. The Bank will make the necessary adjustments to the AWF structure, procedures and skills mix required to implement the strategy, in line with the ongoing reforms.

The AfDB has greatly benefitted from the work of the AWF, as the implementation of a significant number of projects prepared by the AWF has been financed by the Bank (about 350 million Euro). Going forward, the AWF will be mandated to act as the Bank’s preferred mechanism for project preparation in the broader water sector. The Bank encourages other development partners to do the same and make greater use of AWF project preparation services.

The AfDB is committed to continue its support to the AWF in the ensuing decade to ensure that AWF attains its objectives of contributing to Africa’s water security and attendant socio-economic development.

Vice President
African Development Bank

EXECUTIVE SUMMARY

As the African water sector's primary instrument aimed at mobilising resources to bridge the huge investment gap, the AWF offers a unique value proposition to African governments and the development community: Since inception in 2006, AWF-funded projects have mobilised more than €1 billion in committed follow-on investments for the broader water sector, including water supply, sanitation, irrigation and hydropower. This represents a leverage ratio of 1:34. AWF's track record, with 70% of projects prepared securing the financing needed for implementation, and governance interventions that have advanced integrated water resources management across the continent, offers an exceptional ability to deliver results and attract much-needed investments for water infrastructure and services. In recognition of its achievements and unique positioning, the AWF won the "Project Preparation Facility of the Year Award" at the 2015 Africa Investor CEO Infrastructure Investment Summit and Infrastructure Investment Awards.

Strategic Priorities

Given the African water sector's immense investment needs, the AWF will continue to build on its achievements during the 2017-2025 strategy period. Over the next nine years, the AWF will focus its activities and operations around three strategic priorities, which together provide a comprehensive approach to preparing sustainable infrastructure projects, whilst strengthening the investment-enabling climate, and facilitating investment financing:

- i. **Project Preparation:** The primary strategic focus for AWF operations will remain the preparation of projects and programmes that optimise multipurpose water resources development and use. The core activity will consist of feasibility studies and designs that validate and develop a project concept to an investment-ready stage, along with project structuring and transactional advisory activities as needed to make a project bankable, ready to secure public and/or private financing. Where needed, support to strengthen the enabling environment for investments will be embedded within preparation projects, and may include (i) the preparation of water resource development plans where this is needed as a precedent to the preparation of specific projects; (ii) institutional support and capacity building to manage and regulate water resources investments; and (iii) developing the water information and knowledge base where the necessary data to support project design is lacking. Projects will be screened for climate change risks and social inclusion potential to ensure all projects prepared provide climate resilient infrastructure and gender-informed services. Project preparation will be allocated 75% of the overall program budget.
- ii. **Catalytic Investments:** AWF will deploy small but catalytic investments, or seed funding, that will enable project owners to implement their projects. As part of co-financing arrangements, support will primarily be provided to projects that (i) replicate or pilot innovative or alternative business models and technologies, whether through the public sector or commercialization; or (ii) mobilise private sector financing but that need some Viability Gap Funding. Projects expected to be financed include basic water and sanitation services, irrigation schemes that benefit smallholder (often women and the youth) farmers, and small-scale hydropower. This strategic focus will be allocated up to 15% of the program budget.
- iii. **Investment Promotion:** A range of investment promotion services will be offered to increase the number of investment opportunities in the water sector and to mobilise higher levels of financing for projects, in particular from the private sector. The main interventions include: (i) the establishment of a networking platform to market investment project opportunities

and connect project sponsors with potential financiers, thereby accelerating potential deal flow; and (ii) the establishment of an insurance / guarantee brokerage function to assist project sponsors in the uptake and use of risk-mitigation instruments. This new strategic focus will be allocated up to 10% of the overall program budget.

Cross-cutting considerations that have an essential impact on the development of the sector will be fully integrated in AWF interventions. In particular, the AWF recognises the different roles, needs and experiences of women and men in accessing and using water, hence its commitment to addressing gender and social equity. Other cross-cutting considerations are climate change, employment creation, private sector participation and fragile states.

The results-based planning incorporated into this strategy anticipates the AWF could achieve the following impacts from its implementation, which represents roughly 3% of the African Water Vision targets by 2025:

- Leveraging €15 billion to finance infrastructure and service provision, of which €3.4 billion for water supply, €3.1 billion for sanitation, €2.9 billion for irrigation, €3.0 billion for hydropower and €2.6 billion for multipurpose water storage.
- Providing 25 million people with increased access to safely managed water, and 19 million with access to safely managed sanitation.
- Increasing the irrigable land area by 670,000 Ha.
- Increasing hydropower capacity by 2,100 MW.
- Increasing volume of multipurpose water storage by 14 billion cubic metres.

Funding Requirements

The total funding required to implement the Strategy and realise the above results amounts to €450 million, or an average of about €50 million per year, of which about €45 million per year is for operations. Programmatically, this translates into about 16 project preparations and 4 catalytic investments approved per year, as well as investment promotion activities expected to result in 6 projects securing financing each year. In addition, €5.3 million per year will be needed to meet administrative expenses. Assuming an overall 45% reduction in grant outlays through cost-recovery and co-financing, the AWF requires about €250 million in contributions to its Special Fund (€28 million/year) to implement the strategy. With the aim of mobilising €15 billion in sector investments, this equates to a leverage factor for the AWF Special Fund of 1:60.

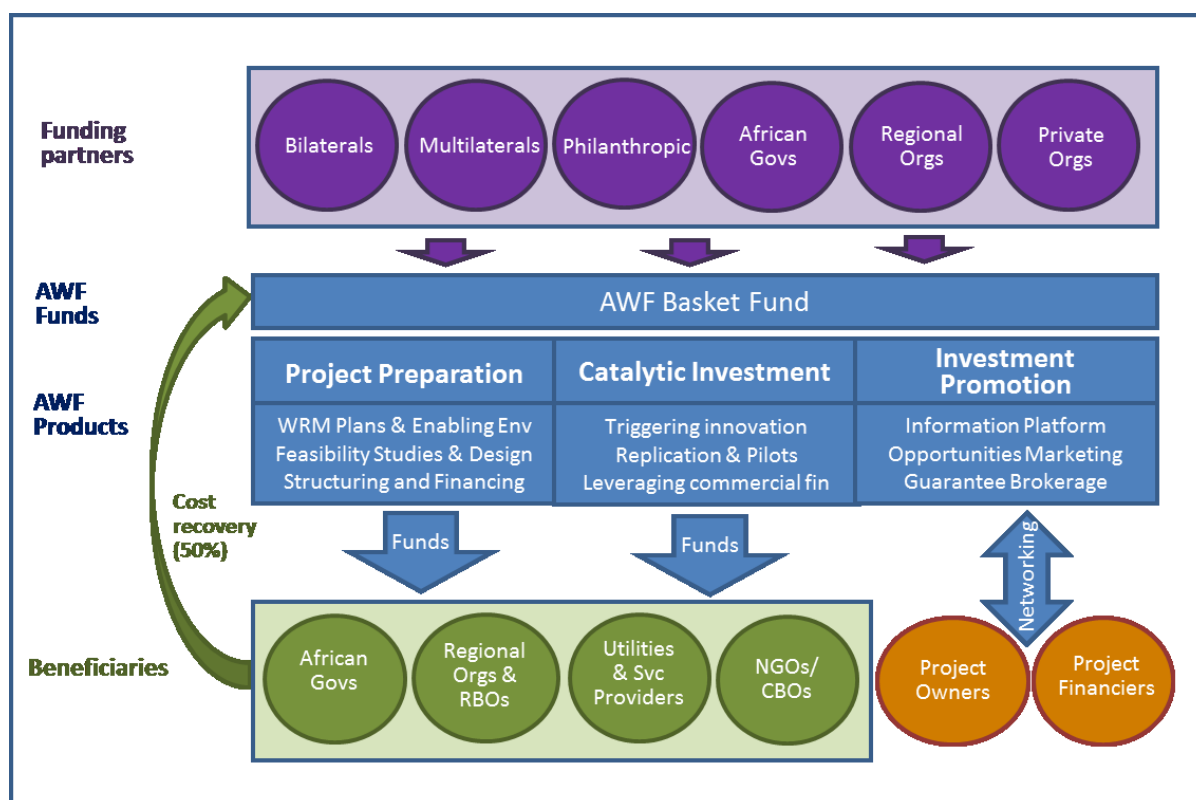
Funding and Implementing the Strategy

In delivering the Strategy, the following approach aims at ensuring continuous improvement of operations and achieving financial sustainability:

- A vigorous resources mobilisation drive and a move from solely non-reimbursable grant-based financing towards use of cost recovery mechanisms and increased co-financing to strengthen financial sustainability.
- Doubling the AWF portfolio (to about 20 projects per year), with funding balanced across water supply, sanitation, irrigation and hydropower projects (in proportion to Africa's needs and the AWF targets) as detailed in the Results Framework (Annex 1).
- An enhanced country or regional programmatic approach to sustain longer-term engagement within basins, to complement demand driven approaches.

- Maintaining quality at entry (whilst doubling annual project approvals), through the use of rapid procurement procedures for specialised consultancy inputs to assist AWF task managers throughout the project preparation cycle, especially during appraisal.
- Improving the rate of project implementation and disbursements through increased TA support to build the capacity of Executing Agencies to procure and manage consultancy services to undertake project preparation studies.
- A simplified results framework to monitor and measure results, with impact indicators aligned with the African Water Vision and the Sustainable Development Goals.
- Revising the AWF organisational structure, directorship, decentralisation and human resource management in the context of the evolving Bank strategy for the water sector, and the roll-out of the Bank’s new structure.
- Strengthening the mutually beneficial relationship between the AWF and AMCOW by (i) reinforcing the special role that AMCOW must play in AWF fund-raising, involving to a greater extent AMCOW representatives at all levels in approaching strategic partners and African countries; and, (ii) the AWF contributing to priority themes of the AMCOW work plan.
- Enhanced AWF communications focused on stronger marketing of the Facility’s laudable achievements and valued role in mobilising resources to meet Africa’s water needs, along with enhanced branding and visibility.
- A transition period of two years to phase in the above improvements, during which financial and human resources will be mobilised and the Instrument of the Facility and the operational procedures will be updated.

AWF 2017-2025 Strategic Framework



1 CONTEXT FOR THE STRATEGY

1.1 NEED FOR AN UPDATED STRATEGY

1.1.1 The African Water Facility (AWF) stands at a key juncture in its development. It has been operational for over a decade now and is at the mid-point towards achieving the goals of the Africa Water Vision, which coincides with the planned sunset date of the AWF in 2025. Since its current strategic plan ends in 2016, the AWF is updating its strategy to cover the remaining years of its planned life-span to 2025. Furthermore, raising greater levels of funding compared to the past decade (approximately €162 million) requires moving beyond business as usual and continuously evolving operations. This strategy therefore presents the Facility's targeted areas of intervention and the framework under which they will be delivered, which entails innovative financing models demonstrating efficiency and results.

1.1.2 The Strategy preparation process consists of three stages: (i) an independent diagnostic and participatory review of AWF performance, along with recommendations for the new strategy, carried out by Hydroconseil Consulting Engineers in 2015. The main outcomes of the Strategic Review are summarised in Box 1; (ii) the Strategy itself (this document); followed by (iii) an implementation plan.

Box 1: Main outcomes of the 2015 Strategic Review

The AWF has found its niche under the broader African water agenda and is now at a stage where there is an effective working model in place which focuses on the preparation of water resource development plans and projects.

AWF's primary goal should be to support Africa to move forward in achieving the African Water Vision and the SDGs. The strategic priority should be to support water infrastructure development needed for long term water security to ensure sustainable provision of water for economic, social and environmental uses. However, the strategy needs to take into account developments in the broader policy and strategic environment for the sector, including the Africa Water Vision, the Sharm el Sheikh and other high level declarations and commitments, and the recent adoption of the Sustainable Development Goals, with SDG goal 6 focusing on water and recognising that water is a critical factor in the achievement of many other SDGs. Furthermore, the strategy needs to be defined in the context of broader trends, including a rapidly increasing population, urbanisation, and rising competition over water resources in the context of climate change.

Going forward, there is a need for the AWF to clearly articulate how it will respond to Africa's many water sector challenges in the context of climate change and sustainable development, and to more fully integrate with the ongoing African-led process to develop and manage its water resources. There is need to increasingly engage with the private sector to mobilise investment financing and improve service delivery. There is also a need to explore opportunities for increased efficiency and sustainable delivery in its operations, whilst remaining committed to addressing cross-cutting issues such as Gender and Social Equity. It is therefore necessary for AWF to formulate a clear vision and strategy that focuses on critical activities going forward; demonstrate greater efficiency and results; and improve financial sustainability.

1.2 OVERVIEW OF AWF ACHIEVEMENTS AND CHALLENGES

1.2.1 Since inception in 2006, AWF has funded 113 projects totalling €147 million, with a strong focus on project preparation. By the end of 2016, 25 project preparations had been completed at a cost of €30 million. 18 of these projects have successfully mobilised just above €1 billion in committed follow-on capital investments, which represents a leverage ratio of 1:34, and a 70% success factor. As a result, about 6.3 million people are expected to benefit from better access to improved sanitation facilities (including surface water drainage); 5.6 million people from access to improved drinking water sources; and about 9,500 rural households are expected to benefit from irrigation and improved water/land management practices. Furthermore, small scale investment projects directly funded by the AWF have reached about 2.1 million people with access to water for multiple uses, over 439,000 people with improved sanitation facilities, and over 165,000 people with access to improved drinking water. The project portfolio also includes a significant number of projects that advance IWRM across the continent, focused on the management of national and transboundary water resources; strengthening water resources information, gender and social equity, monitoring and knowledge management systems; and improved governance in terms of institutional reform and capacity building.

1.2.2 In recognition of its achievements and unique positioning, the AWF won the “Project Preparation Facility of the Year Award 2015” at the 2015 Africa Investor CEO Infrastructure Investment Summit and Infrastructure Investment Awards.

1.2.3 These achievements notwithstanding, the AWF faces some challenges. Notably, its financial sustainability is currently precarious as the Facility has committed almost all contributions to its Special Fund. The current challenge of securing the funding needed to implement this Strategy, and more imminently, to continue operations over the next few years is partly attributable to changes in donor priorities and the Facility’s modest resource mobilisation activities. In this regard, AWF must highlight the complex environment of the African water sector (multiplicity of shared resources, weak institutions, inadequate capacity, poor governance, lack of data), and in its marketing, communicate its achievements in this context to further increase recognition and to galvanise renewed donor funding.

1.3 STRATEGIC POSITIONING OF THE AFRICAN WATER FACILITY

1.3.1 The African water agenda is rooted in the critical importance of water as a strategic resource that underpins sustainable economic and social development, accentuated by the fact that only about 5.5% of annually renewable water resources’ potential is currently utilized under managed conditions. Africa’s development has been held back by lack of water infrastructure necessary to meet the social, economic and environmental needs. The task of developing large-scale infrastructure and ensuring water security in the face impending climate change impact is complicated by a landscape where a substantial portion of the water resources are shared across national borders. The core theme of the African water agenda seeks to integrate water as a key to poverty reduction and socio-economic development and hence mobilize support for building and expanding Africa’s water infrastructure assets. Creating a commitment to mobilizing investment resources; enhancing institutional and technical capacity and strengthening partnerships and cooperation represent the basis for accelerating water resources development in Africa.

MOBILISING FINANCING TO MEET AFRICA'S WATER INFRASTRUCTURE NEEDS

1.3.2 An analysis of financing trends shows that despite a doubling of financial aid to the water sector over the past 15 years, there is still a yawning financial gap to meet the Africa Water Vision targets and the SDGs. While there are differences in estimates between sources, the message is clear – the investments to meet Africa's infrastructure needs are huge. The overall investment requirements to meet the AWW targets are estimated at approximately US\$64 billion per year, quite evenly spread between the different water uses as shown in Table 1.1.

Table 1.1: Annual infrastructure investments to realise the African Water Vision

Infrastructure	Annual increase from 2016 to 2025 to meet AWW targets	Annual investments (\$ billion/year)
Water Supply ¹	Population gaining access to safely managed water supply = 94 million/yr	\$14
Sanitation ¹	Population gaining access to safely managed sanitation = 82 million/yr	\$14
Irrigation ^{2, 3, 5}	Irrigated area = 2.6 million ha/yr	\$12
Hydropower ^{4, 5}	Hydropower utilisation = 8,700 MW/yr	\$14
Multipurpose storage ^{3, 5}	Volume water storage = 48 billion m ³ /yr	\$10
Total		\$64

Sources:

1. Hutton and Varughese 2016. The Cost of Meeting the 2030 SDG Targets on Drinking Water, Sanitation, and Hygiene. WSP, World Bank.
2. You et al., 2010. What Is the Irrigation Potential for Africa? IFPRI
3. AfDB 2009. Financing a sustainable expansion of Africa's deficient water infrastructure.
4. AICD 2010. Africa's infrastructure: a time for transformation. Chap.14, Water Resources. World Bank, AFD.
5. AMCOW 2014. African water and sanitation sector report. AUC.

1.3.3 By contrast, total actual investments in water sector infrastructure in 2014 were estimated by AMCOW at about \$19 billion (almost one-third of requirements), and at \$10 billion by the ICA. Of the commitments noted by the ICA, 54% were made by African national governments, and 46% from development partners. Almost no infrastructure financing was undertaken by the private sector (only \$114 million was identified by the ICA for a water desalination plant in Morocco).

1.3.4 The AWF has played a significant role in facilitating investment to meet the wide funding gap, with 60% of funds devoted to project preparation in its previous Strategic Plan. There are 29 ongoing preparation projects the current AWF portfolio, to be completed over the next few years. Follow-on investments that will be leveraged from these projects could amount to an additional €2.3 billion by 2020. Follow-on funding has come from a variety of public sources with the AfDB and national governments accounting for about one quarter each of the total commitments. Other significant partners include the AFD and other OECD countries; the EC and the EIB; Arab States through the IDB, BADEA and Kuwait Fund; other African regional development banks such as the BDEAC; and the UN system through the World Bank and UNICEF. No private sector financing has been leveraged yet as no project structured for private sector investment has yet been concluded.

1.3.5 While these achievements are significant, the amounts leveraged are small in comparison to the total sector needs. To have a greater impact on the sector, the AWF must significantly increase its operations, and must continue to target low-income fragile and non-fragile states where the need for infrastructure and the potential impact are the greatest.

1.3.6 Public sources are simply not sufficient to bridge the huge financing gap. Effective actions are therefore needed to increase the amounts of financing from the private sector, for infrastructure investments as well as service delivery operations and maintenance. The challenge is formidable and AWF is well positioned to assume a greater role in this regard.

ROLE OF THE AWF IN SUPPORTING THE AFRICAN WATER AGENDA

1.3.7 As the flagship initiative of AMCOW, the AWF Strategy for 2017-25 adheres to and supports the ongoing Africa-led process to meet its water security needs. This includes the 2009 AMCOW Roadmap for Implementing and Reporting Actions (prepared with the assistance of the AfDB and AWF), and the AMCOW Workplan for 2011-2013, which were intended to guide strategic activities in the African water sector, as set out in the high-level political commitments by Heads of State at the Sharm El-Sheikh summit, and Ministerial declarations including eThekweni¹, Tunis², and Sirte³. AMCOW, with the financial support of the AWF, is now preparing annual Water and Sanitation Sector Reports for the African Union on the progress in achieving the AWW and the Sharm El Sheikh commitments.

1.3.8 The Strategy is aligned with other recent commitments and priorities including the AUC Agenda 2063 « The Africa we want », consisting of a shared Strategic Framework for inclusive growth and sustainable development and a strategy to optimize the use of Africa's resources to the benefit of all Africans; the AMCOW Kigali Action Plan for water and sanitation; and AMCOW's Priority Action Program 2016 – 2025 for Water Resources Management in Africa and its 4 focus areas (i) ensure Water Security; (ii) reinforce resilience to climate change and water-related disasters; (iii) reinforce information systems for the monitoring and evaluation of water resources and; (iv) improve environmental integrity through wastewater and water quality management.

1.3.9 The AWF Strategy also responds to its host institution, the African Development Bank's priority goals for Africa's transformation, which are to: (i) Light up and power Africa (i.e., preparing hydro-power projects); (ii) Feed Africa (i.e., preparing irrigation projects); (iii) Industrialise Africa (i.e., preparing projects that provide reliable water supply for industry, and thus lead to employment creation); (iv) Integrate Africa (i.e., preparing transboundary water projects and cooperation protocols for transboundary basins); and (v) Improve the quality of life for the people of Africa (i.e., preparing water supply and sanitation projects with full integration of gender, social equity, employment creation and poverty alleviation).

1.3.10 Africa's water agenda also includes its commitment to the SDGs, and the AWF will follow Africa's lead in this regard (see Annex 2). The compilation of the metadata on the proposed indicators and methods of measurement is still under development by the UN, and Africa has yet to harmonise its M&E indicators and reporting with that of the SDGs. Furthermore, there are still no firm estimates of the investments needed by Africa to meet the SDGs targets related to water. The Facility intends to support African efforts to harmonise with the SDGs and develop estimates of the investments needed.

1.3.11 Africa has committed to various climate change agreements, including the most recent in Paris. Since the impacts of climate changes on the water sector are all encompassing, the AWF aims for all projects it funds to be climate resilient to the extent possible.

¹ The eThekweni Declaration and AfricaSan Action Plan, Durban, South Africa, February 2008.

² Tunis Ministerial Declaration on Accelerating Water Security and Africa's Socio-Economic Development, Tunis, Tunisia, March 2008

³ Declaration of the Ministerial Conference on Water for Agriculture and Energy in Africa: The Challenges of Climate Change. Sirte, Libya. December 2008.

NICHE OF THE AWF IN THE PROJECT PREPARATION FACILITY LANDSCAPE

1.3.12 It is generally recognised that the key problem in water sector financing (particularly in Africa but also elsewhere) is not “a lack of finance”, but rather a “lack of good projects, and particularly a lack of bankable projects”. This is to a large extent due to a general lack of capacity across governments, regional and river basin organisations, and to the inadequate budgets allocated to up-stream preparatory work, with financiers focusing more on down-stream results.

1.3.13 To facilitate project preparation, several Project Preparation Facilities (PPF) have emerged over the last 15 years. These facilities work across the project preparation cycle and while some PPFs are more involved in upstream activities related to the enabling environment for infrastructure project preparation, (such as the Public-Private Infrastructure Advisory Fund (PPIAF)), others such as InfraVenture, InfraCo, DevCo and the Global Infrastructure Fund (GIF) are more transaction oriented. However, none of the identified PPFs focus exclusively on the water sector, and the preparation of water projects represents a very small fraction of their activities on the African continent, and is usually limited to hydropower. When it comes to seeking commercial finance, multi-sector facilities rarely prepare water projects as they are considered cumbersome.

1.3.14 Focusing on Africa, the AfDB, has a number of funds and facilities capable of (but not focused on) project preparatory activities in the water sector. These include the ADF PPF which functions on a cost recovery basis; the Middle Income Country TA fund; the Agriculture Fast Track fund; NEPAD-IPPF (focusing on multinational projects); the Climate Investment Fund (CIF); Sustainable Energy Fund for Africa (SEFA); the Transitional States Fund (TSF), the African Legal Support Facility (ALSF); the Fund for Private Sector Assistance (FAPA); and the Rural Water Supply and Sanitation Initiative (RWSSI). AWF experience is that these funds are valuable partners for co-financing, but seldom act as competition for water sector projects. In fact, NEPAD-IPPF has entered into an agreement with the AWF to prepare all its water related transboundary infrastructure projects on its behalf.

1.3.15 The above confirms that AWF has a truly unique role to play in the area of water sector project preparation, as there are no other PPFs that focus on the water sector.

VALUE PROPOSITION AND RELEVANCE

1.3.16 The mission of the African Water Facility remains as relevant today as when it was created, and arguably even more so with economic growth and climate change increasing pressure on the continent’s water resources. There is no other institution that has the clear and sole mandate to build and promote a pipeline of best practice water projects in Africa. It is evident that in mobilising investments for water security, the AWF is playing a relevant role in responding to Africa’s water challenges. Several of those interviewed as part of the Strategy consultation process stated: “if AWF did not exist, it would have to be created”.

1.3.17 AWF is an innovative regional project preparation and investment promotion mechanism that has been tested and reinforced during the 11 years of its existence. Its comparative advantage is the ability to deliver and attract follow-on investment. AWF offers a cost-effective, proven approach to leveraging resources and to identifying impactful opportunities for investors. Its representative governance structure ensures an Africa-owned and managed initiative that supports the African water agenda and provides a platform for coordinating water sector development on the continent. Its unique characteristics and added value are outlined in Box 2.

Box 2: AWF's value proposition

1. **The only PPF operating in Africa that is totally focused on the water sector.**
2. **Proven ability to leverage financing for water sector infrastructure.**
3. **Support provided to all stages of the project preparation continuum**, from water resources development planning and project identification, through to project structuring and transaction advisory services.
4. **Broad eligibility for assistance** to regional (River Basin Organisations or Regional Economic Communities), national or local governments, parastatals, NGOs and civil society organisations) and private sector entities.
5. **The latitude to prepare projects for all development partners** including governments, development banks, bilaterals and multilaterals, philanthropies, NGOs and the private sector.
6. **Balanced multi-sector focus on water** with a project portfolio covering water supply (24%), sanitation (18%), agricultural water (24%), hydropower (15%) and multi-purpose water storage (19%). Multi-purpose projects are emphasised to address competition between different water uses.
7. **A well-recognised vehicle to address climate change:** Recognized as a successful vehicle to deliver long-term solutions by the High-Level Advisory Group on Climate Change Financing (2010); The AWF-funded Fostering Innovative Sanitation and Hygiene in Monrovia Project, was selected by UNFCCC as an outstanding climate innovations showcased at the 2013 UN Climate Change Conference.
8. **Effective integration of gender, pro-poor and social equity considerations** in its projects to empower women and girls, and to promote job creation and social business models.
9. **Scaling up alternative solutions**, specifically targeting the missing link between small successful pilots that challenge the status quo, and traditional, large-scale investments that have changed little over the past decade.
10. **A range of mechanisms to mobilise private sector investments**, by preparing and promoting bankable projects, co-financing with commercial financiers, and facilitating risk mitigation products.
11. **Transparent and accountable business delivery system** with the full complement of the AfDB's facilities, human resources, operational tools and safeguards.
12. **Effective use of donor funding and reasonable administration costs.**
13. **Representative African governance structure** with a Governing Council bringing together AMCOW, Donors, UN Water Africa, AU/NEPAD and the AfDB; hosted by Africa's premier financing institution, AfDB.

2 STRATEGY 2017-2025

2.1 AWF VISION, MISSION, AND GOAL

2.1.1 **AWF's vision** is aligned with the Africa Water Vision 2025, to support “equitable and sustainable development and management of African water resources for poverty alleviation, socio-economic development, regional cooperation, environment protection and resilience to climate change.”

2.1.2 **AWF's mission** is to be the primary water instrument in Africa that provides support and facilitates resources mobilization to meet the huge investment gap needed for water infrastructure development.

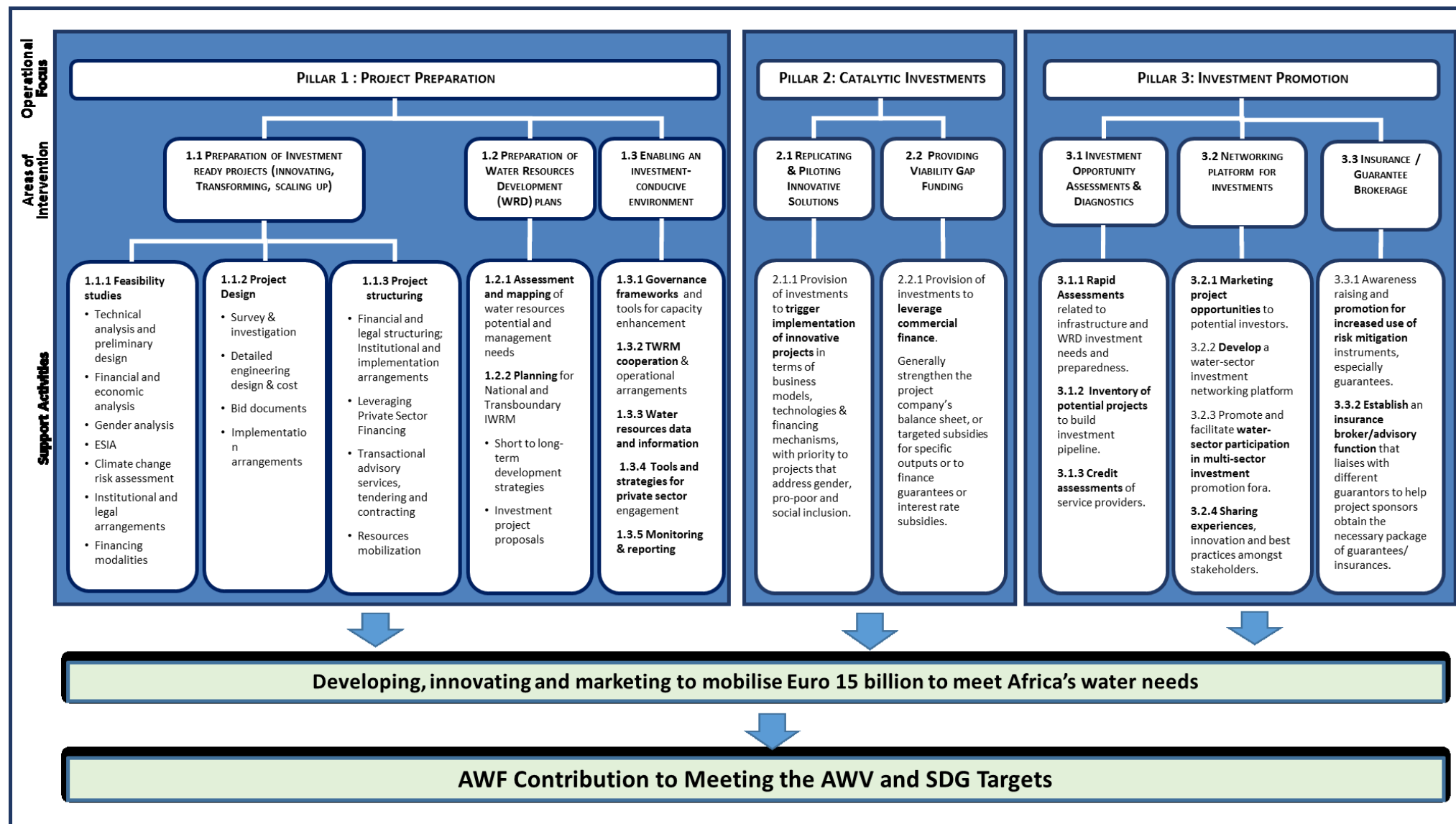
2.1.3 **AWF's goal to 2025** is to mobilise large scale resources to ensure water security in Africa, contributing to meeting the goals and targets established by the Africa Water Vision and the Sustainable Development Goals.

2.2 STRATEGIC PRIORITIES THAT MAXIMISE IMPACT

2.2.1 Over the next decade the AWF will focus its operations on three strategic priorities which together provide a comprehensive approach to maximise resources mobilisation for water and sanitation investments. (See Figure 2.1.)

- i. **Project Preparation:** The primary focus for AWF operations remains the preparation of projects and programmes for sustainable multipurpose water resources development and use. This includes appropriately addressing climate change effects as well as gender and social equity issues in the design of projects. The AWF provides support to all stages of the project preparation cycle, including the key pre-requisites of the enabling environment to financial close. Project preparation will be allocated 75% of the overall program budget.
- ii. **Catalytic Investments:** The AWF will provide small catalytic investments, or seed-funding, that will allow projects to be implemented. As part of co-financing arrangements, different forms of grants or viability gap funding will primarily be provided to projects that adopt innovation and/or mobilise private sector. This strategic focus area will be allocated up to 15% of the program budget.
- iii. **Investment Promotion:** A variety of marketing and investment promotion activities will be undertaken by AWF to achieve greater reach than through the specific projects prepared and Catalytic Investments made under the other two pillars. The aim is to expand the number of investment opportunities and projects financed in the sector, and at the same time contribute to speeding up the process from project identification to financial close. This new strategic focus will be allocated up to 10% of the program budget.

Figure 2.1: Overview of the Strategic Priorities



2.2.2 **The AWF will maintain its broad thematic eligibility and scope** that is well adapted to the African Water Vision and the UN 2030 Agenda for Sustainable Development which fully recognise the multiple uses of water. Consequently, interventions may address all types of investments related to climate resilient and gender sensitive water resources management and development, such as water for agriculture, energy, water supply and sanitation, protection and conservation of vital ecosystems, disaster risk management, water use efficiency, water reuse, groundwater management, river navigation, optimization of existing facilities, etc. In the context of sustainable water security, operations will focus on multipurpose projects that reinforce the water-food-energy-climate change nexus; promote cooperation on the development of shared water resources; respond to the national, regional, river basin and continental plans and priorities respectively; and demonstrate innovation.

2.3 PROJECT PREPARATION

OBJECTIVE

2.3.1 To support the preparation of investment-ready and bankable projects in order to mobilise and secure investments for the implementation of much-needed water-related infrastructure and service provision.

CONTEXT

2.3.2 Project preparation has comprised the bulk of the AWF portfolio in the past 5 years. As a result, the AWF has gained considerable experience and adapted its approach to identifying and preparing projects, and mobilising follow-on investments for their implementation. The budget allocated to this priority has been increased from 60% in the previous strategy to 75%.

2.3.3 This Strategy includes a greater focus on the private sector and the downstream preparation stages leading to financial close. Most water projects in Africa (including those of the AWF) are structured to be financed with public resources (i.e. not truly bankable). However, public means are insufficient to meet the investment gap, and there is a great need to prepare projects to a bankable level to access financing from the private sector. This will be done by scoping out projects or components of projects that may be suitable for PPP arrangements or commercial finance.

2.3.4 In many nations and river basins, sustainable project preparation is hampered by a lack of up to date and comprehensive IWRM based water resource development plans that take into account current developmental challenges, such as climate change, urbanisation, rapidly increasing population, and non-involvement in water resources management of key actors, such as women (the main providers and users of water) and rural farmers. Cooperation on TWRM requires political commitment, confidence building measures and development of cooperative frameworks and tools for benefit sharing among the riparian nations. As a result, the AWF has been undertaking comprehensive WRD planning at basin, national or urban levels based on IWRM principals, prior to engaging in project preparation activities. Of the 43 ongoing or completed AWF project preparations, 22 include a WRD planning component (which includes broad multi-sector planning, as well as water/sanitation master planning and IUWM planning).

2.3.5 In its 2014 call for proposals, the AWF received many proposals for the preparation of groups of small projects at sub-regional/municipality/local level, which could be implemented by a coalition of local partners like NGOs and CSOs. This points to the strong unmet demand for local

grass-roots bottom-up planning that strategically complements larger national (and multinational) water resources catchment planning which focus on medium to larger scale infrastructure. Furthermore, the preparation of a basket of projects provides an opportunity for AWF to support grass-root initiatives that were previously not supported due to their small scale. It also provides the basis for the project stakeholders to coordinate water development planning and to mobilise downstream financing for project implementation.

2.3.6 AWF has funded the implementation of a large number of pilots in water, sanitation, and multiple use, as well as delivery models that prioritize private and non-government entities. The AWF has traditionally financed both the preparation and most of the implementation cost of these projects, with the intent and hope that they will be replicated or scaled up by others. However, the AWF has had mixed success with this model. While a number of worthy pilots have been demonstrated, and a significant number of people have been impacted, this has come at a high transaction cost, and most importantly, the scaling up has been elusive (with only 5 projects demonstrating modest up-scaling and investment financing leverage totalling €15 million). In the new strategy, AWF will shift its focus to preparing projects that scale up successful pilots, rather than preparing the pilot projects themselves.

INTERVENTIONS

2.3.7 The preparation of investment projects and programmes will continue to dominate AWF funding. The entry point (early, mid, or late stage) of a request for project preparation funding will vary depending on the project's level of readiness, and the AWF aims to bring the projects to an investment ready stage (for funding by public sector government and development partners), or to financial closure (for bankable projects). An overview of the project preparation process and typical activities that the AWF will support is provided in Table 2.1, with details below.

Table 2.1: Project preparation processes and typical activities the AWF supports

Phases	Processes	Typical Activities	Outputs and Outcomes
Early stage: Water resource development planning and sector support	Enabling environment	Support and capacity building to alleviate regulatory, institutional and other impediments to investments; promote cooperation; improve the water resource information/knowledge base. Multi-sector planning.	Policy, legal and regulatory reforms; regional cooperative agreements; strengthened capacities; improved information & knowledge management and reporting. High level plans.
	Project Definition	Project identification and prioritisation in national/regional plans, concept development, strategic social and environmental impact assessment, climate change and gender screening, pre-feasibility studies, identification of potential public / private financiers.	Water resource development and investment plans, or project concept notes, that provide a sound basis for and clearly define a proposed project.
Mid to late stage: Preparation of investment-ready and/or bankable projects and programmes	Feasibility Studies and design	Financial, economic, legal, technical, environmental/climate, gender/social analysis and studies. Preliminary/detailed engineering design, risk analysis, Public / private options assessment.	Feasibility studies and designs that validate and develop the project concept to an investment ready stage, ready to accept financing from public sources.
	Project structuring and marketing	Final technical/engineering studies and designs. Detailed financial and legal structuring. Project promotion/marketing, investor conferences.	Documentation that details and validates the project to a bankable stage, presented to government, development partner and/or private sector financing.
	Transaction	Developing and conducting bid processes, drafting contracts, negotiating financial and legal terms.	Bid documentation and signed, negotiated project documentation to bring a project to financial close.

2.3.8 Investment ready preparation involves comprehensive feasibility studies and investigates the financial, economic, legal, technical, environmental, climate change and social viability of the project, along with preliminary or detailed engineering design, and resource mobilisation activities to facilitate commitments to the follow-on investments. The AWF will also routinely identify options for PPP arrangements in the projects prepared, and sensitise governments (or relevant public sector agency) on the process involved to engage the private sector (or vice versa). To provide comfort to potential financiers/investors, all ancillary studies required to meet financiers' fiduciary and safeguard requirements are also supported. This may include ESIA (Environmental and Social Impact Assessments), CCRA (Climate Change Risk Assessments), and Gender Impact Assessment (GIA).

2.3.9 Given the increasing importance of attracting private sector financing, the AWF will make efforts to ensure that where possible, projects are prepared and structured to a bankable level. This may include financing ESIA's, as well as transactional advisory services for financial and legal structuring. Activities will focus on leveraging private finance which oftentimes involves blending concessional and commercial funds. AWF will also seize opportunities to transform/restructure projects that have been prepared for concessional financing to become bankable. This may include unbundling projects (e.g., bulk water transfer, water/wastewater treatment, etc.) to identify components that can be financed with private sector investments. Furthermore, collaboration/co-financing with private sector-oriented project developers will be undertaken as a means to further build the pipeline.

2.3.10 The AWF adds value by introducing innovation and best practice solutions in all projects that it prepares (including lessons from pilot projects funded in the past). In particular, the AWF will support public or private sponsors to **prepare projects that scale-up successful pilot projects** involving innovative approaches or technologies. The scaling-up stage is the elusive link between innovative pilots and changing the way large, mainstream water projects are approached to improve sector performance, and requires a special focus.

2.3.11 Water Resources Development (WRD) plans will be prepared in support of project preparation activities at a national or regional level, wherever such plans are lacking and clearly needed. The WRD plan encompasses a thorough analysis of water resources management needs and the definition of short to long-term development strategies. This normally includes identification and concepts for a long list of potential investment projects. The purpose behind such planning is to provide a firm basis for identifying, prioritising and selecting projects for preparation, and to provide the necessary background information for conducting feasibility studies. The AWF will routinely include preparation of one or more projects as part of any WRD planning exercise. While the overall cost of WRD planning and preparation are high, there are significant efficiencies to be had in preparing a group of projects together, because the WRD planning activities can cover the needs for all projects. As a result, the potential leverage may be greater than preparation of an individual project alone.

2.3.12 AWF support for transboundary water resources cooperation will enable riparian member nations to share the benefits and equitable use of transboundary rivers and aquifer systems. The effort may include the full cycle of resources assessment and mapping, advocacy and promotion of benefit of cooperation; preparation of common visions and strategic action plans; governance framework including legal and organisational mandates; structuring shared benefits across the basins and establishment of inclusive management system.

2.3.13 **At the other end of the scale, AWF will also support project preparation for groups of smaller decentralised water resource development and management projects** at the sub-regional/municipality/local level, which could be implemented by a coalition of partners that may comprise NGOs, CSOs, women's groups, faith-based organisations, networks, alliances, trust funds, micro/small enterprises, etc.

2.3.14 **Support aimed at establishing an investment-conducive environment will be embedded within AWF project preparation activities.** Selected activities will be included to strengthen sector governance and to improve the capacity of local, national, and regional partners to manage the project development cycle and to stimulate investments. This may include (i) elaboration of policies and regulatory frameworks needed for the sustainable management of climate resilient water infrastructure and services, and to stimulate private sector investment and involvement; and, (ii) support for water resources information management to improve hydrological, meteorological and other key data availability and reliability at the watershed level, and to enhance the capacity to monitor and report on development activities and impact.

IMPACTS AND OUTCOMES

2.3.15 The results-based planning built into the strategy anticipates that the AWF could achieve the following impacts from the implementation of the projects prepared from 2017 to 2025:

- Leveraging of €12.6 billion in financing for infrastructure, of which €2.8 billion for water supply, €2.6 billion for sanitation, €2.4 billion for irrigation, €2.6 billion for hydropower and €2.2 billion for multipurpose water storage.
- Providing 21 million people with increased access to safely managed water, and 16 million with access to safely managed sanitation. With access to safe water and sanitation, up to 19 million women will have greater opportunities for productive activities; and school enrolment and retention rates for children, especially girls, will improve.
- Increasing the irrigable land area by 567,000 Ha
- Increasing hydropower capacity by 1,860 MW
- Increasing volume of multipurpose water storage by 12 billion cubic metres

2.3.16 At outcome level, the AWF will target a 1:50 leverage factor of AWF funding vs. financing mobilised on successful projects, and a success rate of 70% of projects mobilising financing, resulting in an overall leverage ratio of 1:35. The AWF will also track the availability of water resources development plans at basin, regional, national or urban level (additional 15 countries / basins by 2025); the number of countries, regions and basins with improved water resources data and information availability (additional 6 countries/regions/basins by 2025); and the number of regions and basins that have put in place TWRM cooperation and operational arrangement (additional 6 regions / basins by 2025).

2.3.17 Since most of the above indicators are monitored by AMCOW, the AWF will be able to track its progress against sector achievements. Details on the indicators and results are shown in the AWF Long Term Strategy Results Framework in Annex 1.

2.4 CATALYTIC INVESTMENTS

OBJECTIVE

2.4.1 To deploy small but catalytic investments, or seed funding, that by their deal-making nature enable projects to be implemented. As part of co-financing arrangements support will be provided to projects that (i) replicate or pilot alternative delivery models and new technologies, whether through the public sector or commercialization; and/or (ii) mobilise private sector financing but that need some Viability Gap Funding for the transaction to take place. The purpose of these interventions is to mobilise additional resources for water sector projects; diffuse innovation; and provide evidence that will encourage the private stakeholders to invest in the water sector.

CONTEXT

2.4.2 It is acknowledged that the sector needs alternative business models and implementation approaches to accelerate access to water related services and to attract additional investment. To this end, the sector has seen numerous successful pilots, but hardly any have been replicated or scaled up. This was confirmed by AWF's experience from its 25 pilot projects that, without the underlying conditions to support scale, resulted in high transaction costs and limited impact on the ground. Yet, the positive pilot results remain an important opportunity to be seized by the sector, if appropriate financing structures can be established and institutional inertia overcome.

2.4.3 Given the high levels of political and commercial risks in the water sector, innovation is constrained and there is a supply gap of market-based finance for projects. There are numerous untapped opportunities and significant interest by the private sector to invest in and operate water-related projects, but most would require some concessional cushioning to make them financially viable, without which the transactions will not materialize. AWF is able to de-risk such investments and support projects that are both economically viable over the long term and commercially viable for investors.

2.4.4 Investments in innovation and private sector entities are aligned with pro-poor considerations. For example, there is potential for innovative sanitation technologies that are more appropriate for low income urban residents than traditional sewers; and private sector participation in water utilities has shown improved efficiency of service provision which helps support sustainable services for all. Even when private funding targets wealthier neighbourhoods, this enables the limited concessional funding to focus on low income areas.

INTERVENTIONS

2.4.5 AWF will focus its Catalytic Investments on projects with the greatest opportunities for impact on the ground in terms of number of beneficiaries and funding leveraged. AWF will invest in projects where its funding provides the critical impetus for the project to happen and/or where the participation of the Facility's concessional funds allows private players to increase their financing to the project. In this context, AWF acknowledges the importance of decentralized and distributed models for basic water and sanitation services that contribute to climate resilience, as well as small-scale hydro and irrigation schemes that benefit the poor and marginalised, women's groups and entrepreneurs, and smallholder farmers.

2.4.6 Through careful selection of projects (including those prepared by the AWF) the AWF will provide small but catalytic investments, that depending on circumstance may be reimbursable, for the following:

- **Replicating and piloting innovative solutions:** Providing investment funding to trigger implementation of projects with innovative and alternative business models, technologies and financing mechanisms.
- **Viability Gap Funding:** Providing grants to de-risk the project sponsor or financiers to leverage commercial finance. This may be through targeted subsidies for specific outputs or financing risk mitigation products such as guarantees or interest rate subsidies, or by more generally strengthening the balance sheet of the project company through co-investments with a clear exit strategy.

2.4.7 Catalytic Investments complement the Project Preparation and Investment Promotion activities by providing limited but strategically utilised investments at the late stage development phases. In order to ensure leverage, AWF will only finance alongside other investors, and will not finance more than 33% of the project cost. The leverage factor (AWF investment compared to total project investment) will be used as a selection criterion.

OUTCOMES & IMPACTS

2.4.8 By using its limited investment co-funding strategically in the late stage project development, AWF aims to bring about quick and direct leverage of 1:3 as an outcome indicator. Results will also be measured by the number of projects facilitated, the amount of investment financing mobilized from public, private sector and non-government sources, as provided in the Results Framework in Annex 1.

2.4.9 The impacts anticipated from the Catalytic Investments from 2017 to 2025 are provided below.

- Leveraging of €180 million in financing for infrastructure, of which €54 million for water supply, €54 million for sanitation, €36 million for irrigation, €36 million for hydropower.
- Providing 397,000 people with increased access to safely managed water, and 340,000 with access to safely managed sanitation.
- Increasing irrigable land area by 8,500 Ha
- Increasing hydropower capacity by 25 MW

2.4.10 In addition, the impacts are expected to go beyond these benefits associated with the specific deals supported, as the deals are expected to have a demonstration and mainstreaming effect that will lead to an increased uptake of alternative approaches in the broader water sector.

2.5 INVESTMENT PROMOTION

OBJECTIVE

2.5.1 The investment promotion priority aims to increase the number of investment projects and amounts of funding for water in Africa, beyond what AWF can achieve through the specific projects it prepares, and at the same time contribute to accelerating the process from project identification to financial close. AWF aims to galvanise interest in sector amongst financiers, and

in particular, make the sector more attractive to private investors and operators.

2.5.2 AWF will assume a broader role as facilitator between project sponsors and financiers through a variety of investment promotion services that aim to address the investment bottlenecks relating to (i) the lack of awareness, primarily by the private sector, of the opportunities in the water sector; and (ii) the lack of familiarity, primarily by the public sector, of risk mitigation measures available to support commercial financing of water-related projects.

CONTEXT

2.5.3 With the huge demand for infrastructure and basic services, the number of African water-related investment plans and concepts is equally huge. At the same time, there is a significant supply of financing available from international and domestic investors to finance such investments. However, the means by which this demand and supply for financing can meet and be structured is lacking, and the opportunity to connect the demand to the supply is not being realized.

2.5.4 Expanding the total pool of funds deployed for water and sanitation services, agriculture, energy, and multiple water uses can to a large extent be achieved through blended arrangements; investment promotion will therefore target both public and private players.

2.5.5 Stimulating private sector engagement in the water sector in Africa has been slow to date. There are a growing number of actors who are interested in financing and participating (such as private funders, private equity funds, foundation, social impact investors and/or operators) but do not always know how to get involved or do not have sufficient resources (on their own) to identify good investments. Similarly, most African governments have stated their intention to increase PPPs and broaden financing modalities used, but whilst other sectors (such as energy or telecommunications) have scaled up private investments, the water sector has shown very high inertia indicating a need for more dynamic support. Investment promotion is therefore particularly important (but not limited) to connecting public and private players.

2.5.6 There is currently no water investment forum to assist both government and private sponsors in raising commercial and concessional financing in Africa, and AWF aims to provide this function in collaboration with interested parties. It has a comparative advantage based on its project preparation experience, and the convening power of its host AfDB with a reach across Africa, and relationships with a broad range of public and private financing institutions globally.

INTERVENTIONS

2.5.7 Activities under the Investment Promotion pillar will be undertaken directly by AWF (as opposed to providing funding to recipients for implementation). Initially, the services will be free of charge. When proven, AWF may experiment with cost-recovery mechanisms such as membership dues, or matchmaking/brokerage fees.

2.5.8 **Investment-related assessments and diagnostics will be conducted** on an on-going basis to support promotion activities. This will initially include a rapid assessment of infrastructure and WRD planning needs and level of preparedness, covering the broader water sector (WSS, hydropower, irrigation) to provide an inventory of projects and opportunities. This will (i) provide a basis around which the investment promotion activities will be elaborated; (ii) help the AWF build its Project Preparation and Catalytic Investment pipelines; and (iii) facilitate marketing of

projects and dialogue with potential financiers. Tools to assist service providers secure funding is envisaged and would include business cases and credit assessments to demonstrate creditworthiness in terms of operations and management and debt service coverage, as this is arguably the number one investment criterion in commercial investors' decision-making.

2.5.9 Networking and marketing investment opportunities form the core of investment promotion: AWF will provide a range of marketing and networking services to advocate for, and promote water sector investment opportunities and at the same time strengthen coordination and information sharing on advances made in water sector financing. Relevant partnerships will be forged with a diverse range of stakeholders, and the following activities will be undertaken:

- **Establishment of a water-sector networking platform:** This activity is intended for public and private financiers looking for deal flow in the water sector, to meet public and private water sector agencies, SMEs and larger operators who are seeking finance. More specifically, AWF aims to play an important matchmaking role through high profile events and meetings to market project opportunities as they move through the project preparation cycle, and solicit interest from serious follow-on investors, thereby accelerating potential deal flow. This may be on the sides of existing sector events or as part of multi-sector investment promotion events. The participation of women and young professionals will be encouraged.
- **Promote water project opportunities** and facilitate water-sector participation in multi-sector investment promotion fora (AfDB's Africa Investment Forum, the ICA platform, Sanitation and Water for All (SWA), etc).
- **Marketing project opportunities** to potential investors, through other channels, including the AWF website, national investment promotion agencies, etc. This includes supporting the development of relevant marketing materials. Social equity investments with significant social impact, conducive to micro and small scale entrepreneurs and aiming at empowering women could be attractive to particular gender-focused investors, pro-poor business financiers and other niche funds, and may benefit from special promotion activities.
- **Sharing experiences, innovation and best practices** amongst stakeholders, especially regarding opportunities to scale up innovative business models, technologies, and associated financing mechanisms.

2.5.10 Insurance/Guarantee brokerage function. AWF intends to provide brokerage or liaison services aimed at addressing the lack of familiarity within the water sector of risk-mitigation instruments. Sufficient risk-mitigation products like guarantees exist in the market, yet they are not extensively used in the sector. A greater use of these products is expected to increase the number of bankable projects. Even though there is some awareness amongst project sponsors, a lack of sophistication, product knowledge, and experience to structure projects and arrange the best product for a specific project is deterring the use of guarantees and risk insurance. It is therefore deemed necessary to go beyond marketing and networking, to provide a more formal service to increase their uptake. It is envisaged that AWF (possibly in partnership with Berne Union members) will establish a specialised insurance broker type of function that liaises with different guarantors to help the project sponsor obtain the necessary package of guarantees/insurances. The request for these services can be initiated by any one of the project transaction parties. This new area of activity would be developed in greater detail during the first year of the strategy. If structured like a private sector brokerage, the function could be revenue generating, after an initial demonstration phase and depending on levels of demand.

OUTCOMES & IMPACTS

2.5.11 By acting as a marketing/facilitator of deals and insurance broker, AWF will expand its proven ability to mobilise investment resources, by supporting successful deals through the project preparation cycle, solidifying its reputation as the leading project preparation facility for water-related deal flow in Africa.

2.5.12 For the networking platform, it is recognized that AWF is only involved in facilitating the matching of project sponsors and financiers. Funding commitments (financial close) may take a few years and will tend to be outside the control of the Facility. Results measurement of deal facilitation focuses on the number and indicative value of projects that have advanced in the project development process as part of the network, e.g., from project feasibility to investment commitment, and a leverage factor of 1:61 is envisaged. Another measure of AWF network building is the expansion of the network itself in terms of participation in events, demonstrating the value sector stakeholders place on the services provided. (See Results Framework in Annex 1).

2.5.13 The following impacts are anticipated from the Investment Promotion activities 2017-25:

- Leveraging of €2 billion in financing for infrastructure, of which €518 million for water supply, €414 million for sanitation, €414 million for irrigation, €311 million for hydropower and €414 million for multipurpose water storage.
- Providing 3.8 million people with increased access to safely managed water, and 2.6 million with access to safely managed sanitation.
- Increasing the irrigable land area by 98,000 Ha
- Increasing hydropower capacity by 216 MW
- Increasing volume of multipurpose water storage by 2.3 billion cubic metres

2.5.14 In addition, the impact of the promotion activities is expected to be greater than the specific transactions supported as it provides demonstration effects that will lead to an increased uptake of commercial financing and risk-mitigation instruments for water-related projects.

2.6 ADDRESSING CROSS-CUTTING ISSUES

CLIMATE CHANGE

2.6.1 Climate change is affecting all regions, but Africa will be particularly hit by extreme weather phenomena associated with climate change such as droughts, floods and cyclones. These are expected to increase the challenges posed to food security and water management on the continent. Africa is characterized by a low adaptive capacity that is reflective of the current state of water management and low level of socio-economic development, with the result that the number of victims from disasters is relatively higher than in other regions. Lack of infrastructure investment and bulk water storage makes the continent highly vulnerable to climate variability. Preparing the water sector to better adapt to and mitigate the effects of climate change is critical to Africa's future food and water security.

2.6.2 The AWF will continue to mainstream climate change considerations in a number of ways including: ensuring that projects are screened and appraised in line with AWF and AFDB policies and procedures on climate change, including application of the Climate Safeguards System;

assessing projects for threshold of failure against different climate parameters; promoting no-regrets infrastructure; and supporting its clients to fully incorporate climate change considerations into the project design. Ensuring more robust communities through increased health, water and food security, stronger institutions and better quality of construction will contribute significantly to climate change resilience. This will help ensure that climate change risks are duly considered in water management and development decision making.

2.6.3 The AWF will support adaptation to climate change by funding projects that propel socio-economic development in Africa through increased water and food security, economic development, improvements in livelihoods, and recognising the different impacts on men and women, and the youth. This will be achieved through sound Integrated Water Resources Management and by designing climate resilient infrastructure. The AWF will also promote climate change adaptation through risk-based design, including analysing the threshold of failure for infrastructure and promoting no-regret infrastructure. (See Box 3.)

Box 3: Building climate resilience across the water sector

Water Resources Management: The AWF funds activities aimed at enabling countries to understand the impact of climate change and variability on water resources management, and supports the development of strategies and action plans to achieve water security. The Facility's projects also support the implementation of concrete actions to adapt to negative impacts of climate change, such as ecosystem-based adaptation and the recharge of natural aquifers. The AWF funds Water Resources Management both at national and transboundary level.

Information Management: Data, information and knowledge is the basis for Water Resources Management and for understanding climate change impacts. AWF supports the enhancement of information management and monitoring systems that provide a foundation for project preparation.

Water for multipurpose uses: Building community resilience to climate change requires a holistic approach to water management and use. Multiple water use approaches can contribute significantly to the socio-economic development of a community and therefore its climate change resilience. The AWF is increasingly funding projects promoting multiple uses of water.

Water Supply and Sanitation: Building resilience of water supply and sanitation to climate change impacts requires more resilient infrastructure as well as climate responsive planning, management and governance of supply options. In urban water and sanitation projects the AWF supports Integrated Urban Water Management, which can contribute significantly to climate change resilience and socio economic development.

Water for Agriculture: Improving agricultural and land management practices to strengthen productivity and resilience to climate change are issues which many AWF projects address, through activities such as improving control and management of on-farm water resources, watershed protection, and piloting of more productive agriculture water technologies such as use of rainwater harvesting for multi-purpose uses. Projects may also be aimed at helping small scale farmers adapt to climate change and ensure sustained agricultural based livelihoods.

GENDER EQUALITY, SOCIAL EQUITY AND EMPLOYMENT CREATION

2.6.4 The AWF is committed to addressing **gender inequality and social equity** in its operations. Throughout the project preparation cycle, AWF ensures that gender considerations, social inequities in access to water resources, and empowerment of women in their use and management, are recognized and incorporated within WRD planning, project preparation and subsequent implementation stages. The AWF support for the provisions of clean water and decent sanitation contributes immensely to overall health and wellbeing, thus reducing the burden of women and girls who are the primary care givers, and greatly enhancing their quality of life. The provision of WASH to schools promotes a better learning environment, increases school enrolment and improves attendance, especially of girls. Inclusive processes are emphasized, implicitly and explicitly, across the AWF portfolio. The AWF applies the IWRM approach with the inclusion of men and women in water resources management, as a cornerstone of successful human settlements and urban development. Many projects are situated in remote and underdeveloped parts of Africa, and present opportunities for equitable development.

2.6.5 To achieve its Gender and Social Equity (GSE) commitment, the AWF will revise its GSE guidelines to support AWF Task Managers and Project Implementing Agencies in the integration of social and gender analysis into project activities. All project proposals will be screened in accordance with these guidelines. A set of tools, checklists and M&E indicators will be developed to mainstream GSE considerations into project preparation TORs and related feasibility studies, and study outputs will be critically examined to ensure that they produce gender informed designs. AWF will accommodate decision-making needs as well as participatory approaches within preparation activities. Under Catalytic Investments, priority will be given to innovative projects that contribute to gender equality, pro-poor and social inclusion. The networking platform offers opportunities for promoting small projects by local entrepreneurs, many of whom are women.

2.6.6 AWF projects have a strong **employment creation** potential through construction of infrastructure and service provision. Water is also vital for production processes and contributes to the economy through agriculture, aquaculture, industry, power generation, mining, and forestry amongst others. According to UNESCO (2016), 78% of the global workforce jobs are dependent on water. Improved water infrastructure is critical for Africa to maintain its impressive economic growth and job creation. Employment creation will therefore be emphasised as a criterion for project selection and highlighted in project preparation. In Catalytic Investments, the focus on innovation involves strengthening services along the value chain, often supporting Small and Medium Enterprises (SMEs) or artisans. Investment Promotion activities make provisions for crowd financing for projects promoted by local entrepreneurs, and for grouped investment vehicles looking to invest in local SMEs, which tend to have a strong job creation potential.

POVERTY ALLEVIATION

2.6.7 Unsustainable management of water resources can severely damage societies, reversing achievements in poverty reduction, employment creation and socio-economic gains. More specific pro-poor interventions are emphasised throughout the Strategy. For example, Terms of Reference for WRD planning and project preparation studies will include appropriate clauses and actions to ensure that poverty alleviation is maximised. In particular, this applies to decentralised planning activities (see 2.3.13) that target community-led plans for the provision of basic services at the local level. Preparation projects aimed at small scale irrigation are also by their nature pro-poor. The delivery of basic water and sanitation services to the poor and marginalised groups will be emphasised through innovation in the Catalytic Investments the AWF will make. As part of its

Investment Promotion activities, the AWF may also support internet-based crowd funding and social impact investment vehicles with a pro-poor focus. In addition to SDG 6 on ensuring availability and sustainably managed water and sanitation for all (people and purposes), the AWF through its initiatives is critical to the achievements of SDG1 on ending all forms of poverty.

IRREGULAR MIGRATION AND DISPLACED PERSONS

2.6.8 AWF interventions promote stability and address the root causes of irregular migration and displaced persons in Africa, by improving living conditions through the provision of basic water services, irrigation, energy and productive uses of water in the context of climate change. Towards this objective, the AWF is open to opportunities to provide funding for preparation studies for water investments and related governance activities that focus on: (i) basic services for local populations such as water and food security (through promoting water for multiple uses – drinking, irrigation, livestock), health (through sanitation and hygiene), energy (micro/small hydro), as well as environmental sustainability in the context of climate change (as part of local level IWRM); (ii) activities that create employment opportunities, especially for young people and women, with a focus on livelihoods (i.e. small scale irrigation and other productive uses of water), the creation of micro and small enterprises (i.e. as water and sanitation service providers), and vocational training (i.e. training of government water and sanitation staff, MSME staff ensuring that women participate, etc.); or (iii) supporting and promoting conflict prevention over access to water.

PRIVATE SECTOR

2.6.9 Mobilising private sector financing for infrastructure and service provision requires a multi-pronged approach. To this effect, concrete actions have been incorporated in all three pillars and include for Pillar I: enhancing the regulatory environment; creating a pipeline of bankable projects, which is currently lacking in the sector, and assisting project sponsors (public and private entities) with project structuring and transaction advisory support; Pillar II: providing Catalytic Investments in projects that bring private sector financing; and Pillar III: engaging more proactively with commercial financiers, sponsors and operators to increase their involvement in the sector through investment promotion services. Collaborating with the private sector requires quick response times, supported by efficiency measures provided in section 3.1.

FRAGILE STATES

2.6.10 Approximately 20% of the continent's population lives in fragile states, where the infrastructure gap is the greatest and the capacity to attract and sustain high levels of investments is the lowest. The AICD 4 study estimated that water supply and sanitation capital expenditure needs of low-income fragile states corresponds to about 8.5% of their GDP, well above the 0.7% of GDP in middle income countries. The AWF intends to dedicate 1/3 of its funding to fragile or transition states. Reaching this target requires AWF to proactively engage with and support these countries in submitting funding requests. Project preparation activities will be aimed at mobilising financing from a complementarity of sources. Given these countries' high levels of poverty, vulnerability and difficult living conditions, a focus of AWF support will be on the provision of basic water and sanitation services and employment creation (2.6.6). The improved living conditions are expected to be one of several factors contributing to easing irregular migration (2.6.8).

⁴ Banerjee and Morella 2011. Africa's Water and Sanitation Infrastructure. Access, Affordability and Alternatives. World Bank.

3 IMPLEMENTING THE STRATEGY

3.1 ENSURING OPERATIONAL EFFICIENCY AND EFFECTIVENESS

3.1.1 Recognising the need for efficient and effective operations, the AWF will explore all viable mechanisms and procedures in this regard. Some of these are described below.

PROJECT IDENTIFICATION AND SELECTION

3.1.2 A flexible mixed approach will be used to build the project pipeline:

- **The on-demand approach** has been the main window for submitting funding requests to the AWF as it is an open and flexible mechanism. Unsolicited proposals received are screened for eligibility, before they are placed in the pipeline. This may be useful for private sector proposals which tend to be more transaction-based.
- **Proactive project identification** whereby the AWF will continue to engage with AMCOW, national governments, RBOs, RECs and development partners to identify high potential projects. The planned rapid assessments of infrastructure needs will be a key tool for this (see 2.5.8).
- **Call for Proposals** can identify a large number of potentially interesting projects for consideration; however, proposals received have often been poorly defined and required considerable due diligence and enhancement by the AWF before being included in the pipeline. Where CFP are used, the AWF will assign a strong team (including consultants) to manage the process and undertake the necessary dialogue.
- **A programmatic approach** will be increasingly used with regard to WRD planning and development for a sustained longer term involvement at basin level. A typical programme would consist of an initial water resources development and investment planning exercise followed by the preparation of one or more projects identified and prioritised by the stakeholders (RBO or government).

3.1.3 The screening and selection of projects to be placed in the pipeline will prioritise projects that have significant developmental impacts in terms of innovation brought to the sector, number of beneficiaries, and contribution to gender equity, social inclusion and other cross-cutting issues.

PROJECT APPRAISAL AND IMPLEMENTATION

3.1.4 The AWF seeks to continuously speed up the implementation of its projects, increase disbursement rates, and systematically address constraints affecting portfolio performance.

3.1.5 **Fast-tracking project appraisal and implementation with specialist input:** To efficiently handle the large number of projects planned under the Strategy, the AWF will fast track appraisal and implementation by engaging consultants (individuals and firms) to support Executing Agencies (EA) of AWF funded projects, and to assist AWF task managers with project preparation and investment promotion activities. This will enable highly specialised professionals to support project appraisal activities (including preparation of TOR for feasibility studies), or in managing a call for proposals. It will also help ensure quality at entry as the AWF increasingly engages in

complex multi-disciplinary and innovative projects aimed at both public and private sector financing.

3.1.6 Speeding up procurement processes: The main cause of delay in AWF-funded project is procurements handled by the Executing Agencies. The AWF may assist EAs to recruit a consultant or technical assistance (TA) in cases where the capacity of the EA is deemed weak. Such TA may support the EA in recruiting the consulting firm to undertake a feasibility study, and in supervising the firm during implementation of the study. These actions should greatly improve implementation time frames as well as quality. Furthermore, the AWF will consider the use of 'advance contracting' and other provisions of the Bank's procurement policy to ensure consulting firms come on board in a timely manner and avoid start-up delays. This may include greater use of country procurement systems in countries that meet the criteria.

3.1.7 Efficiently managing the project cycle: The AWF will take a range of actions to improve operational efficiency and enhance project quality by investing more in the project development and implementation phases.

- At the **identification and screening** phase, the Facility will strengthen its interaction with applicants to ensure project concepts are fully defined, and improve the screening process by updating eligibility and selection criteria, to maintain a high quality project portfolio.
- During the **preparation and appraisal** phase, the Facility will increasingly use large multi-disciplinary appraisal teams for complex multi-sector projects; prepare a concept note when a project is placed in the pipeline, and continually update the concept as preparation and appraisal proceeds; and hold an additional internal review early in the appraisal stage to review project concepts. The AWF will also explore options to further reduce the timespan for approval by a greater delegation to the Director and VP.
- During the **implementation** stage, the Facility will place greater emphasis on AWF's review of feasibility study reports, procurement and project performance monitoring, taking quicker and stronger remedial action where needed.

RESULTS MANAGEMENT

3.1.8 The AWF is committed to maintaining high quality and transparency in its results measurement and reporting, and to using results-based management to ensure effective implementation of the strategy to achieve the goals and targets that have been set. This approach is supported by a results framework (see Annex 1), with indicators that are aligned with the African Water Vision and the Sustainable Development Goals. Furthermore, AMCOW reporting to the AU and SDG reports will be used to identify sector achievements which AWF has contributed to. Data collection and capture, and tracking achievements against targets, will be managed as part of regular AWF portfolio management and reporting. Information collected as part of performance monitoring shall be shared with funders and potential partners on a regular basis, and communicated for the benefit of sector learning and to support fundraising efforts.

3.1.9 An in-depth review of progress will be undertaken at the 3-year period, in particular to assess the evidence of impact as AWF evolves its programme and operating model to meet demand and contribute to the Africa Water Vision. A full evaluation will be commissioned in the final year, to synthesize results from annual reporting cycles over this strategy term.

3.2 ENHANCING INSTITUTIONAL EFFECTIVENESS

ORGANIZATIONAL STRUCTURE AND GOVERNANCE

3.2.1 The functionality and procedures of the Facility are dependent upon, and supported by the internal services of its host, the AfDB. The hosting arrangement provides comfort to donors in terms of fiduciary arrangements, and reinforces the African ownership of the Facility. The Facility benefits from operational support from the AfDB in specialist areas including procurement, legal, financial control, resource mobilisation and translation.

3.2.2 The AWF works closely with other Bank units on issues of food and energy security, regional integration and climate change. The Facility will, where appropriate, continue to 'Task Share' project appraisals and supervision with Bank operational staff, especially in the areas of Agriculture and Agribusiness, Energy, Water and Sanitation, Fragile States and Gender, in ways that do not undermine the AWF's ability to maintain its independence to support different financiers.

3.2.3 Means to enhance these relationships and maximize support from the wide and rich knowledge and experience in the Bank will be examined in accordance with the implementation of the Bank's new Water Policy. The AWF aims to position itself as the Bank's preferred in-house service for project preparation in the water sector.

3.2.4 The case for a full-time Director will be reviewed once the complexity, scale, and the cross-cutting role of the AWF within the Bank is better known in the context of the evolving Bank strategy for the water sector. Meanwhile, the current AWF setup is capable of fitting well into the new structure, which may involve locating more AWF experts in the Bank's Regional Hubs.

HUMAN RESOURCES MANAGEMENT

3.2.5 Adequate human resources are an essential requirement for effective operations. A key immediate goal is to fill the vacant AWF positions such that the Facility has a full complement of staff. Currently, several positions remain vacant. This is partly linked to the limited level of funding available, which has restricted long-term recruitments. Immediate critical positions to be filled are communications and resources mobilisation, and private sector financing.

3.2.6 As it may take some time to mobilize funding to the required level, during the initial stages of the new Strategy, the AWF will ensure adequate staffing through several means: increased collaboration with other sector departments' staff in the Bank's Country/Regional Offices; funding of vacant positions through Technical Assistance support from donors, with TA /Secondment of experts to meet specialised or specific capacity needs; the use of long term consultants to cover vacant positions, and the engagement of short term consultants as needed ; and engaging with the AfDB to assign more Bank staff to work within the Facility. Such positions would be dedicated solely to AWF, as in the case of current AfDB funded positions.

FOSTERING PARTNERSHIPS

3.2.7 Priority will be given to networking with a wide spectrum of partners interested in collaborative project development, co-financing, and taking part in or co-organising investment promotion events. The AWF will strengthen its active relationship with ICA and the Project Preparation Facilities Network they coordinate, and will approach and pursue opportunities with

other facilities within and outside the Bank (see 1.3.13 & 1.3.14), to jointly prepare projects within the context of larger multi-purpose water and sanitation interventions, especially those geared to attract the private sector. The Facility will also continue its engagements with private sector foundations to jointly develop projects of mutual interest.

3.2.8 The AWF will forge partnerships with water sector think tanks and knowledge organisations to enhance its ability to anchor state-of-the-art practices in its project operations. In addition to its current knowledge partners that include WSP, GWP and University of South Florida, new partnerships may be established with African Centres of Excellence in water.

3.2.9 **As a flagship initiative of AMCOW**, the AWF relies on AMCOW to promote the Facility as its special initiative for mobilising financing for the African water sector, and to clearly demonstrate its leadership of the Facility. AWF will continue its dialogue with AMCOW on ways to strengthen the political anchorage, including AMCOW's role in raising contributions to the AWF Special Fund. The AWF will engage with the AMCOW Executive Committee, AMCOW-TAC and in particular AMCOW's Secretariat to support the continent's water agendas and to mobilize the investments to deliver them. In this regard, the AWF will conduct studies on strategic water resources development challenges, effectively contribute to the priority themes of AMCOW work plans (mainly on the development of water for economic growth), and synchronise efforts and strategies to meet the Africa Water Vision 2025 targets. The Facility will also make maximum use of AMCOW's network of partners in order to develop synergies with the initiatives promoted by the AU and the regional economic organizations.

COMMUNICATIONS AND MARKETING

3.2.10 The AWF will strengthen its internal and external communications strategy to support fund-raising, through better articulation of its role, and increase its profile in the increasingly competitive fundraising environment. It will focus on building the brand image of the AWF as a legitimate African initiative that produces quality projects with high-leverage and sustainable, high-impact outcomes. The Facility will upgrade its communications to enhance its visibility, transparency and improve its outreach, in conjunction with AfDB Communications Department and AMCOW. An essential and urgent task in the communications strategy will be for the AWF Governing Council (GC) and AWF management to promote AWF in sector events and in discussions with Development Partners and potential financiers.

KNOWLEDGE MANAGEMENT

3.2.11 AWF will strengthen its systems for sharing results, lessons, and communications about its work in real or near-real time, as part of its knowledge management function. It will strive to create an internal capacity to serve as a platform for exchanging water knowledge and information about water projects looking for financing, a tool for strategic studies and analysis, and a forum of exchange for experiences of best practices. In partnership with knowledge-generating and sharing institutions and networks such as WSP, IWMI, and GWP, the AWF will ensure the free-flow of knowledge and information gathered or produced by the Facility, and enhance its ability to draw benefits from knowledge aggregated by others.

4 FUNDING THE STRATEGY

4.1 FUNDING MECHANISMS FOR FINANCIAL SUSTAINABILITY

4.1.1 Successful implementation of the Facility's 2017 - 2025 Strategy will depend on its ability to mobilise sufficient resources. Having effectively absorbed funds mobilised to date, the AWF faces a funding crisis despite delivering high quality results and an impressive leverage for follow-on investments. The AWF has to a certain extent relied on its strong results to speak for themselves at a time when the fundraising climate has become tighter. In response, more intensive resource mobilisation efforts are already underway, and the strategy for attracting, securing and sustaining the resources needed to achieve the long-term financial viability of the AWF, is described below. The strategy is underpinned by the active involvement of AMCOW, and as part of the resource mobilization plans to be established by the Facility, specific roles will be assigned to the AMCOW Chair, the AWF GC Chair and the Executive Secretary of AMCOW.

INCREASING CONTRIBUTIONS FROM FUNDING PARTNERS

4.1.2 **Broadening the base of traditional and non-traditional donors:** Securing grant resources from current and potential development and philanthropic partners and African governments will remain the main sources of funding. The AWF will undertake more intense and targeted marketing of its activities and comparative advantages to broaden its base of financiers. In addition to demonstrating the impact of its interventions, the AWF aims to develop a 'preferred partner' status with financiers (such as OECD donors, MDBs, DFIs,) to access funding to prepare projects these donors may subsequently invest in. Attracting funding from Climate Finance mechanisms including the Green Climate Fund will be further explored.

4.1.3 **Targeted funding to respond to specific AWF priorities:** AFW finances its operations from a pool of unrestricted donor funds. Occasionally, a donor may decide to target their funding to a specific AWF priority. In general, however, the Governing Council encourages unrestricted funding but allows AWF to undertake targeted Call for Proposals to cater for the specific priority. The AWF will continue to seek ways to respond to donors' needs in order to facilitate contributions for the implementation of the Strategy. For example, right of first refusal or management fees may be considered in preparing projects or managing Calls for Proposals on behalf of specific donors/funders.

MOBILISING CO-FUNDING

4.1.4 The AWF seeks to increase monetary co-funding from its grant recipients, development partners and other PPFs in order to expand AWF's reach in meeting the huge demand for water-related projects. Co-financing brings expertise and perspectives of project partners, and greatly improves the prospects to secure their contribution to the follow-on investments. Furthermore, the preparation of large infrastructure projects often requires significant amounts of money, beyond what can be made available by the AWF. Over the past decade, monetary co-financing amounted to 14% of AWF-funded preparation projects. The AWF seeks to increase this to 25% through the following means:

- **External PPFs and development partners** usually join forces through parallel co-financing, which involves identifying distinct components for financiers to fund in line with their respective procedures and approval schedules, limiting such co-funding to about 30% for an individual AWF project, on average. Maximising co-funding involves seeking preferred

partnerships with certain organisations, and identifying financiers at the project identification stage and through Investment Promotion activities.

- **Internal co-funding from other PPFs or windows within the AfDB** has historically provided about 30% of funding to an individual AWF project, on average. The AWF will continue to partner with such PPFs and the Bank's main operations. To avoid delays in approval, co-funding will be identified well in advance of appraisal.
- **Recipient co-funding** has previously been limited to small monetary contributions towards some local costs (in-kind contributions not included). To increase this source, co-funding will be identified well in advance of appraisal to allow for budgeting. In the case of Direct Investments, co-funding of at least 67% is envisaged (as AWF will fund at most 33% of the project cost).

INTRODUCING COST RECOVERY MECHANISMS

4.1.5 At present, the AWF is only providing non-redeemable grants and does not charge for its services. Introducing cost recovery is a means to improve the financial sustainability of the AWF, and to achieve more with any given level of funding. Cost recovery also provides an incentive to shorten and speed up the project preparation process. However, not all projects are suitable for recovery (especially up-stream preparation work) or will successfully lead to financing, and AWF will therefore still require donor replenishments to fulfil its mandate.

4.1.6 The AWF will develop a simple model for the application of cost recovery, considering the following approaches:

- **Reimbursable Grants:** A revolving mechanism is envisaged where grants advanced to recipients would be repaid to the AWF at financial close from the proceeds of the follow-on investment funding. The funds would then be re-invested in new projects. If, however, the preparatory activities do not reach financial close, the advance may be written off as a grant.
- **Fee based services:** Success Fees may be charged by the AWF for taking a project to financial closure, which would incentivise the AWF to take as many projects as possible to financial closure and to stop the preparation of projects deemed unlikely to succeed. Fees may also be applicable to various investment promotion activities in the form of membership dues or advisory or brokerage fees.

4.2 FUNDING REQUIREMENTS TO ACHIEVE THE STRATEGY 2017-25

4.2.1 The total funding required to implement the 2017-25 Strategy amounts to €450 million (an average of about €50 million per year), which would contribute to about 3% of the African Water Vision targets. The requirement consists of about €45 million per year for operations, which translates into about 16 project preparations and 4 Catalytic Investments per year. Furthermore, investment promotion activities are expected to result in 6 projects securing financing each year. In addition, about €5.3 million per year will be needed to meet administrative expenses, including project appraisals, portfolio management, communication and management of the Facility.

4.2.2 The AWF plans to meet the funding requirements from contributions to the AWF Fund; by recovering a significant amount of its grant-based funding through various cost recovery mechanisms (4.1.5); and through co-financing. Whilst difficult to estimate at this stage, the assumption is an overall 45% reduction in grant outlays through cost-recovery and co-funding, including the administrative costs provided by the AfDB as part of its hosting arrangement.

Consequently, **the AWF requires about €250 million in contributions to its Special Fund to implement the strategy, or €28 million per year.** With the aim of mobilising €15 billion in sector investments, this equates to a leverage factor for the AWF Special Fund of 1:60.

5 REFORM AGENDA FOR TRANSFORMING THE AWF

5.1 OVERVIEW OF KEY REFORMS

5.1.1 The new AWF Strategy has incorporated the following key reforms for AWF operations, to enable the successful implementation of the Strategy:

1. Increased emphasis on Project Preparation, from 60% to 75% of the portfolio allocation.
2. Increased emphasis on preparing bankable projects that are attractive to the private sector.
3. Balancing the portfolio across the different water sub-sectors (water supply, sanitation, irrigation and hydropower etc) based on needs and the AWV targets to ensure long-term water security.
4. Introduction of a programmatic approach aimed at a longer term engagement with basin organisations to have a greater impact on water resources development.
5. Integration of key institutional support activities into preparation projects to strengthen the enabling environment for infrastructure investments and service provision, such as regulation or developing the water information base in support of project designs.
6. Greater integration of climate change adaptation, with a focus on climate proofing infrastructure and no-regret infrastructure.
7. Enhanced role in scaling up innovative solutions, with a clear focus on preparing larger scale investment projects that build on successfully completed pilot projects.
8. A shift in the focus of Catalytic Investments, from having funded almost the full investment cost for pilots, to now focusing on scaling up and commercial finance, and ensuring leverage by providing up to a maximum of 33% of the project investment.
9. The introduction of Investment Promotion activities to facilitate both public and private sector investments, to be undertaken directly by AWF.
10. Speeding up project implementation/disbursements through greatly increased TA support to strengthen the capacities of Executing Agencies to manage the implementation process.
11. Ensuring financial sustainability by moving away from solely non-reimbursable grant based financing towards use of cost recovery mechanisms and increased co-funding.
12. Increase public awareness of AWF's achievements and unique role in contributing to Africa's water security.

5.2 TRANSITIONING TO SUSTAINABILITY

5.2.1 The full operationalisation of the new long term strategy will be effected over a two year transitional period, during which the planned reforms will be phased in.

5.2.2 In 2017, the focus will be on developing the Implementation Plan, fundraising and updating the Instrument and Operational Procedures. Key considerations are as follows:

- Fundraising will be the immediate priority and will require significant attention by AWF's leadership and Governing Council. Related to this is the design of an appropriate funding model to achieve long-term financial sustainability, including cost-recovery approaches. By the end of 2017, the AWF must confirm at least two years of funding commitments to support on-going operations.
- The Project Preparation pillar is primarily a continuation of current activities. However, the use of cost recovery mechanisms will likely require modifications to the AWF Instrument and Procedures. As well, with the increased emphasis on private sector participation and supporting projects up to financial closure, additional staff with finance and private sector expertise will be recruited as soon as possible. This additional expertise will also support the Catalytic Investment and Investment Promotion activities.
- The Catalytic Investments pillar will require some modification of current operations relating to cost recovery, and the provision of investment funding to private sector entities requires prior clarification of their eligibility in the Instrument. Until the AWF Instrument and Procedures are revised, grant investments will still be provided for public or non-profit projects that replicate or scale up innovative solutions.
- Activities under the new Investment Promotion pillar can begin immediately, such as (i) identifying investment opportunities across Africa; (ii) identifying potential partners and participants for networking activities, (iii) identifying guarantors to collaborate with on the guarantee brokerage function, and identifying 1-2 initial transactions to be supported in putting in place the appropriate guarantees; and (iv) testing demand and potential for cost recovery for the investment promotion services.
- AWF human resources will be built up, in line with medium term funding visibility.
- Approaches to significantly enhance operational efficiency will be developed and demonstrated, including the planned enhancements to strengthen the capacity of Executing Agencies.
- The preparation, approval and operationalisation of changes to the AWF Operational Procedures and the Instrument Establishing the AWF Special Fund will also have high priority. This includes introducing cost-recovery modalities and clarifying that AWF can provide financing to, and co-finance with private sector entities. Other expected changes relate to aligning the AWF within the evolving water sector architecture and within the AfDB. The Operational Procedures and the Instrument will be updated in line with applicable Bank rules and operational directives, for approval by the AWF GC and the Bank's Board of Directors.
- All of the above will be elaborated in the Implementation Plan that will provide further details on operationalising the first three-years of the Strategy.

5.2.3 In 2018, the AWF will continue to refine and implement the funding, institutional and operating models to achieve long-term sustainability. In particular, the approaches to operationalise pillars two and three will be refined as needed. By the end of 2018, the AWF will finalise its planning up to the end of the strategy period, including the operational processes required for successful execution.

5.2.4 **In the 2019-2025** post transition period, AWF's focus will be to execute the operating model at the planned scale. The AWF will appraise and commit funding for project preparation up until its sunset in 2025, then set aside sufficient funds to manage the portfolio up until 2028 when all ongoing projects should be completed and closed.

ANNEX 1: 2017 - 2025 STRATEGY RESULTS FRAMEWORK

VISION: Enhanced equitable and sustainable development and management of African water resources for poverty alleviation, socio-economic development, regional cooperation, environment protection and resilience to climate change

MISSION: To be the primary water instrument in Africa that provides support and facilitates resources mobilization to meet the huge investment gap needed for water infrastructure development.

LEVEL 1: IMPACT – AWF CONTRIBUTION to the AFRICAN WATER VISION and SDGs					
RESULTS CHAIN	PERFORMANCE INDICATORS ^{1.1}	BASELINE: Cumulative Progress 2006-16 ^{1.2}	AWF TARGETS Increase 2017-2020 estimated from ongoing projects ^{1.2}	AWF TARGETS Increase between 2017-2025 ^{1.2}	African Water Vision Targets Increase 2017-2025 ^{1.1}
1.1 Goal: Mobilise resources to ensure water security in Africa, contributing to the realisation of the Africa Water Vision or the Sustainable Development Goals	<i>Committed investment financing mobilised</i> for the implementation of all types of water sector infrastructure projects.	€1.0 billion	€2.3 billion	€15 billion	\$572 billion
	Water Supply: i) Committed investment financing for the implementation of safely managed water supply projects. ii) Number of people with access to safely managed water services; % women.	i) €352 million ii) 6.4 million people; 52%	i) €558 million ii) 4.1 million people; 52%	i) €3.4 billion ii) 25 million people; 52%	i) \$127 billion ii) 846 million people
	Sanitation: i) Committed investment financing for the implementation of safely managed sanitation projects (including stormwater and solid waste) ii) Number of people with access to safely managed sanitation services; % women.	i) €524 million ii) 6.4 million people; 52%	i) €271 million ii) 1.7 million people; 52%	i) €3.1 billion ii) 19 million people; 52%	i) \$128 billion ii) 736 million people
	Water for Agriculture i) Committed investment financing for the implementation of large and small scale irrigation (including off-farm hydraulic works but excluding large-scale water storage). ii) Increase in irrigated area; % managed by women: large scale & small scale	i) €161 million ii) 17,700 ha; TBD & TBD	i) €435 million ii) 103,000 ha; 15% & 40%	i) €2.9 billion ii) 670,000 ha; 20% & 50%	i) \$109 billion ii) 23.4 million ha
	Hydropower i) Committed investment financing for the implementation of large scale hydropower projects. ii) Installed hydropower capacity	No projects completed over this period.	i) €394 million ii) 275 MW	i) €3.0 billion ii) 2,100 MW	i) \$123 billion ii) 78,000 MW
	Multipurpose Water Storage i) Committed investment financing for the implementation of water storage projects for multiple uses (excluding financing for large hydropower). ii) Volume of water storage for multiple uses including sufficient allocation for the environment	No projects completed over this period.	i) €615 million ii) 3.4 billion m ³	i) €2.6 billion ii) 14 billion m ³	i) \$86 billion ii) 430 billion m ³
	Employment Creation: Number of direct temporary and direct permanent jobs created	N/A	T 130,000; P 10,000	T 850,000; P 70,000	N/A (SDG 8)

^{1.1} The performance indicators and targets draw from the African Water Vision and Sustainable Development Goals

^{1.2} Targets and Progress at the Impact Level are the actual or anticipated results from follow-on investment projects that are directly attributable to AWF funded preparation studies. Targets for 2017-2020 include results for all currently ongoing projects (as of 2016). Targets for 2017-2025 include results from all ongoing projects at that time (including those for 2017-2020).

LEVEL 2: OUTCOMES – AWF KEY RESULTS				
RESULTS CHAIN	PERFORMANCE INDICATORS	BASELINE: Cumulative 2006-2016	TARGETS 2020	TARGETS 2025
2.1 Project/Programme Preparation: To leverage financing for water-related investments projects in Africa through the preparation of investment ready or bankable projects and programmes that are ready to be funded and implemented by public or private sector sponsors.	2.1.1 Leverage Ratio: Committed investment financing from all sources / AWF funding directed at the preparation of investment projects	34:1	35:1	35:1
	2.1.2 Success Rate: Percentage of completed AWF-supported investment ready and bankable, gender informed preparation projects and programmes that mobilise follow-on financing from governments, development partners and private sector.	72% (13 of 18 completed preparation projects)	≥70% of completed projects	≥70% of completed projects
	2.1.3 Water Planning: Availability of gender informed water resources development plans at basin, regional, national or urban level.	3 basins, 4 regions, 7 countries	Additional 5 countries / basins;	Additional 15 countries / basins
	2.1.4 Strengthened enabling environment i) No. of countries, regions and basins with improved water resources data/information availability and monitoring ii) No. countries with improved regulation.	i) 9 countries and 9 regions/basins ii) 0	i) Additional 3 countries / regions / basins ii) 3 countries	i) Additional 6 countries/regions/basins ii) 20 countries
	2.1.5 Transboundary Water Resources Management: No. of basins and regions that have an operational arrangement for water cooperation.	10 regions/basins	Additional 3 regions / basins	Additional 6 regions / basins
2.2 Catalytic Investments: To deploy small but catalytic investments as part co-financing arrangements to encourage and enable the implementation of investment projects.	2.2.1 Investments in scaling up innovative approaches and/or business models: i) Leverage factor (AWF inv./total project inv.) ii) Number of target beneficiaries ^{2.1} with access to water and sanitation related services (WSS, irrigation, hydropower); % women	Not applicable	i) 1:3 ii) 100,000; 52%	i) 1:3 ii) 397,000; 52%
	2.2.2 Viability gap funding provided to bankable, commercially funded projects: i) Leverage factor (AWF inv./total project inv.) ii) Number of target beneficiaries ^{2.1} with access to water and sanitation related services (WSS, irrigation, hydropower); % women	Not applicable	i) 1:3 ii) 100,000; 52%	i) 1:3 ii) 397,000; 52%
2.3 Investment Promotion: To expand the number of investment opportunities and projects financed, and at the same time contribute to speeding up the process from project identification to financial close.	2.3.2 Network builder: i) Growth of investors & intermediaries participation in AWF network events (by organization); % women participants ii) % return investors/intermediaries participating in AWF networking events (of total participants in previous year). iii) Timeframe between project concept and financial close	Not applicable	i) 25% growth/year; 15% ii) 80% return iii) TBD	i) 10% growth/year; 25% ii) 80% return iii) TBD
	2.3.3 Investment matchmaking & Guarantee brokerage i) Leverage (AWF spending vs. funding mobilised) ii) Number of project and amount of committed investment financing ^{2.1, 2.2} as a result of networking/matchmaking services iii) Number of project and amount of committed investment financing ^{2.1, 2.2} as a result of the guarantee brokerage services.	Not applicable	i) 1:30 ii) 5 transactions, €225 million iii) 3 transactions, €135million	i) 1:61 ii) 24 transactions, €1.1 billion iii) 22 transactions, €990 million

2.1 Transactions and Beneficiaries (gender disaggregated) to be broken down and monitored by subsector/water use

2.2 Financing to be broken down and monitored by source: public (concessional and non-concessional/subsidized), private/commercial and non-governmental

LEVEL 3. OUTPUTS – EFFECTIVELY ALLOCATING FUNDS				
RESULTS CHAIN	PERFORMANCE INDICATORS	BASELINE: Results over the time period noted	TARGETS 2020	TARGETS 2025
3.1 Planning and Project Preparation:	3.1.1 <i>Project or Programme Preparation</i> : % of AWF project funds targeted at water resources development planning, preparation of investment ready public sector projects / programmes, or bankable private sector projects.	Average 2012-16: 65%	75% ^{3.1}	75% ^{3.1}
3.2 Catalytic Investments:	3.2.1 <i>Investments in scaling up innovative approaches and/or business models</i> : Number of projects and financing ^{3.2} committed	Not applicable	6 projects, €36 million	16 projects, €96 million
	3.2.2 <i>Viability gap funding provided resulting in financing committed on bankable projects</i> : Number of projects and financing ^{3.2} committed.	Not applicable	4 projects, €25 million	14 projects, €84 million
3.3 Investment Promotion:	3.3.1 <i>Investment promotion tools</i> i) Inventory of project concept opportunities established and maintained ii) Number of service providers supported with Credit Assessments	Not applicable	i) Project inventory increased by 20% ii) 20	i) Project inventory increased by 50% ii) 60
	3.3.2 <i>Network builder</i> : i) Number of transactions ^{3.3} and amount of financing ^{3.2} facilitated	Not applicable	10 transactions; 50% success rate	48 transactions; 50% success rate
	3.3.3 <i>Insurance broker (guarantees and other insurance)</i> i) Establishment of the Brokerage function ii) Number of transactions ^{3.3} supported and/or guarantees brokered; success rate	Not applicable	i) Operational modalities confirmed, brokerage operational ii) 6 transactions, 50% success rate	i) Brokerage remains operational ii) 44 transactions; 50% success rate
3.4 Special Focus	3.4.1 <i>Support to Fragile/Transition States</i> : % of AWF funds provided to fragile states and Number of States supported ^{3.4}	2006-16: 33%; 12	33%; 7	33%; 15

^{3.1} Targets based on new project commitments (approvals) over the time period of the long term Strategy 2017-2025.

^{3.2} Financing to be broken down and monitored by source: public (concessional and non-concessional/subsidized), private/commercial and non-governmental

^{3.3} Transaction to be broken down and monitored by subsector/water use

^{3.4} There are approximately 17 fragile/transition states in Africa (2016), the list is dynamic

ANNEX 2: AWF LINKS WITH THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Sustainable Development Goal	Example Target	AWF Activities
GOAL 1 End poverty in all its forms everywhere	1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters	Access to good water resources is a critical component of building resilience and reducing community vulnerability. The AWF support for high quality project preparation for water supply & sanitation; agricultural water use; hydropower and multipurpose water use responds to this target.
GOAL 2 End hunger, achieve food security and improved nutrition and promote sustainable agriculture	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality	Water is fundamental for ensuring sustainable food production. The AWF provides support for the preparation of agriculture water use and multipurpose projects where provision of water for irrigation is dominant, thus leveraging significant investments to address this target.
GOAL 3 Ensure healthy lives and promote well-being for all at all ages	3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination	The AWF support for the provisions of clean water and decent sanitation contributes immensely to overall health and wellbeing thus reducing the burden of women and girls, the care givers of the family and the sick in the community, greatly enhancing their quality of life and building climate resilience.
GOAL 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations	The AWF supports the provision of water supply, sanitation and water for agriculture which promotes a better learning environment, increases school enrolment and improves attendance, especially girls, creates employment, helps improve gender equality and social equity.
GOAL 5 Achieve gender equality and empower all women and girls	5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws	Gender equality, social equity and employment creation are key cross-cutting issues mainstreamed and integrated into all AWF supported operations. Throughout the project preparation cycle, AWF ensures that cross-cutting issues such as gender and social inequities in access to water resources, as well as empowerment of women in their management, are recognized and incorporated within WRD planning and subsequent project design and implementation stages.
Goal 6 Ensure availability and sustainable management of water and sanitation for all	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all 6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations 6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous	Universal and equitable access to water supply sits at the heart of the AWF operations. Provision of safely managed sanitation in the rural and urban environment is equally an area of primary focus with the provision of water supply. Since access for women and girls are at the heart of the provision of water and sanitation for the family, the AWF supports the empowerment of women in actively participating in management of water and sanitation. The AWF provides support for the preparation of integrated urban water and sanitation

	<p>chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p> <p>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p> <p>6.5 By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate</p> <p>6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes</p> <p>6a By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies</p> <p>6b Support and strengthen the participation of local communities in improving water and sanitation management</p>	<p>management projects that will improve water quality and enhance waste water reuse, as well as addressing pollution issues.</p> <p>In terms of this specific target, the AWF promotion of multi-use water infrastructure will play an important role in addressing competing water demands within environmental constraints, and ensure efficient water allocation and use taking into consideration climate change impact and long term water security.</p> <p>The AWF supports and utilises IWRM across its operations at all levels of water need, through its water resources development planning activities, including transboundary cooperation.</p> <p>The integrated river basin planning approach is applied in the preparation of national and transboundary water resources development plans. This includes cooperation and support for water conservation and efficiency measures.</p> <p>The AWF is a result of the strong partnership between the African Stakeholder and development partners to support water resources development in Africa. This partnership will be strengthened and enhanced to support the AWF continued effort to contribute to achieve the targets of the African Water Vision and SDG.</p> <p>The AWF will strengthen the participation of local communities through support for water supply and sanitation, small scale hydropower and irrigation schemes that benefit communities at local level and small holder framers.</p>
<p>GOAL 7 Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>7.b By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support</p>	<p>The AWF provides support for the preparation and implementation of large to small scale hydropower projects with significant target to increase access to renewable and sustainable energy in Africa. Hydropower is also a key component of multipurpose water resources development and a driver for attracting investment to the sector.</p>
<p>GOAL 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors</p>	<p>Project preparation and bankable investments help to ensure that water is available for economic development, whilst addressing cross-cutting issues. Water is a vital resource for all production processes and can contribute positively to economic growth thereby helping to increase employment opportunities.</p>
<p>GOAL 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>9.a Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States</p>	<p>The AWF central goal is to facilitate investment on climate resilient water infrastructure in Africa. The AWF support climate resilient water resources development projects at local, national and regional level taking the river basin as spatial unit for planning and implementing infrastructure projects with long-term water security objectives.</p>

<p>GOAL 10 Reduce inequality within and among countries</p>	<p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>	<p>Inclusive processes are emphasized, implicitly and explicitly, across the AWF portfolio.. Many projects are situated in the most remote and underdeveloped parts of Africa, including Fragile States, and present opportunities for equitable development</p>
<p>GOAL 11 Make cities and human settlements inclusive, safe, resilient and sustainable</p>	<p>11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels</p>	<p>The AWF applies the IWRM approach, which includes climate change adaptation, inclusion of men and women in water and water resources management as a cornerstone of successful human settlements and urban development. This approach is promoted in project preparation as well as activities like IUWM and WRD planning as best practice solutions for successful urban design.</p>
<p>GOAL 12 Ensure sustainable consumption and production patterns</p>	<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p>	<p>AWF promotes IWRM, WRD planning and IUWM as integral parts of its project preparation support to ensure proper understanding, planning, development and use of water resources for social, economic and environmental purposes in a sustainable manner.</p>
<p>GOAL 13 Take urgent action to combat climate change and its impacts</p>	<p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.</p>	<p>The significance of addressing water issues to combat climate change is recognized as an important cross-cutting issue for all priorities for AWF, whether project preparation, investment promotion or catalysing small scale investments.</p>
<p>GOAL 15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>	<p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.</p>	<p>The integrated river basin planning approach is applied in the preparation of local, national and transboundary water resources development plans. This approach includes planning for ecosystem-based needs to sustain water resources and associated ecosystems.</p>
<p>GOAL 16 Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<p>16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels</p>	<p>Projects supported by AWF need to consider and include decision-making needs as well as participation within project preparation, whether early or late stage. This helps to address all cross-cutting issues such as climate change, gender equality, social equity, employment creation, and irregular migration.</p>