



# INVESTMENT CASE FOR THE AFRICAN WATER FACILITY (AWF)



First issue in March 2022 - Update of March 2023 incorporating provisions for the African Urban Sanitation Investment Initiative (AUSII (formerly AUSIF), now to be hosted and managed by AfDB/AWF

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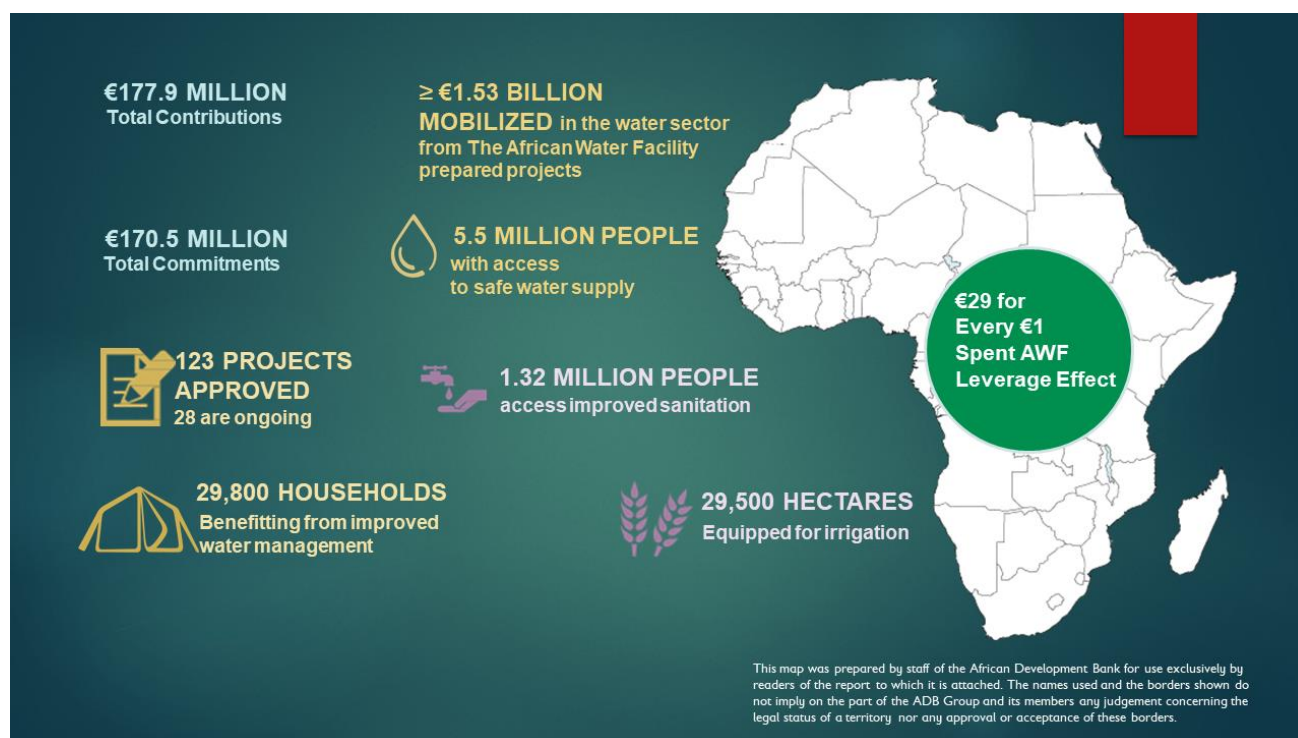
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## 04 AWF ACHIEVEMENTS AND IMPACT

AWF's achievements and impact since inception, and as of June 2021, are visualized in Table 2:

**Table 2 - AWF Achievements and Impact – as of June 2021**



## 05 AWF'S REVISED STRATEGY FOR 2017-2025 - KEY ELEMENTS

Since establishment, AWF's work program has been guided by three strategies: the first strategy covered the period 2006-2011 (Phase I); the second strategy covered the period 2012-2015 (Phase II) and [the third strategy](#), which was revised and approved by AWF's Governing Council and AfDB's Board of Directors end 2021, covers the period 2017-2025 (Phase III) <sup>1</sup>.

It is anticipated that the AWF will operate post-2025 based on an end-of-strategy assessment to be aligned upon a new and incoming African Water Vision (AMV) for post-2025. At present, the Bank has initiated discussions with the African Ministers' Council on Water (AMCOW) on the new AWV, and the AWF, being an AMCOW initiative, will continue to operate. The key elements of AWF's revised strategy for 2021-2025 are listed in Table 3:

**Table 3 - Key elements of AWF's revised strategy for 2021-2025**

- ⇒ **Increased operational efficiency and effectiveness**
- ⇒ **Updated AWF vision, mission, and goal statement for 2021-2025**
- ⇒ **Refined Strategic Priorities and introduction of cross-cutting SDGs in program development and implementation**
- ⇒ **Poised to deliver a significant WASH impact in Africa by 2025 and to set the foundation for AWF's increased impact for post-2025**
- ⇒ **Presents the Donor Investment case to fund AWF's expected impact by end 2025**
- ⇒ **Anticipates incorporation of the newly established financing window for the African Urban Sanitation Investment Initiative (AUSII)**
- ⇒ **Contains a funding strategy**

<sup>1</sup> See: ["African Water Facility Strategy 2017-2025 - Revised Final Version - November 2021"](#)

⇒ **Increased operational efficiency and effectiveness**

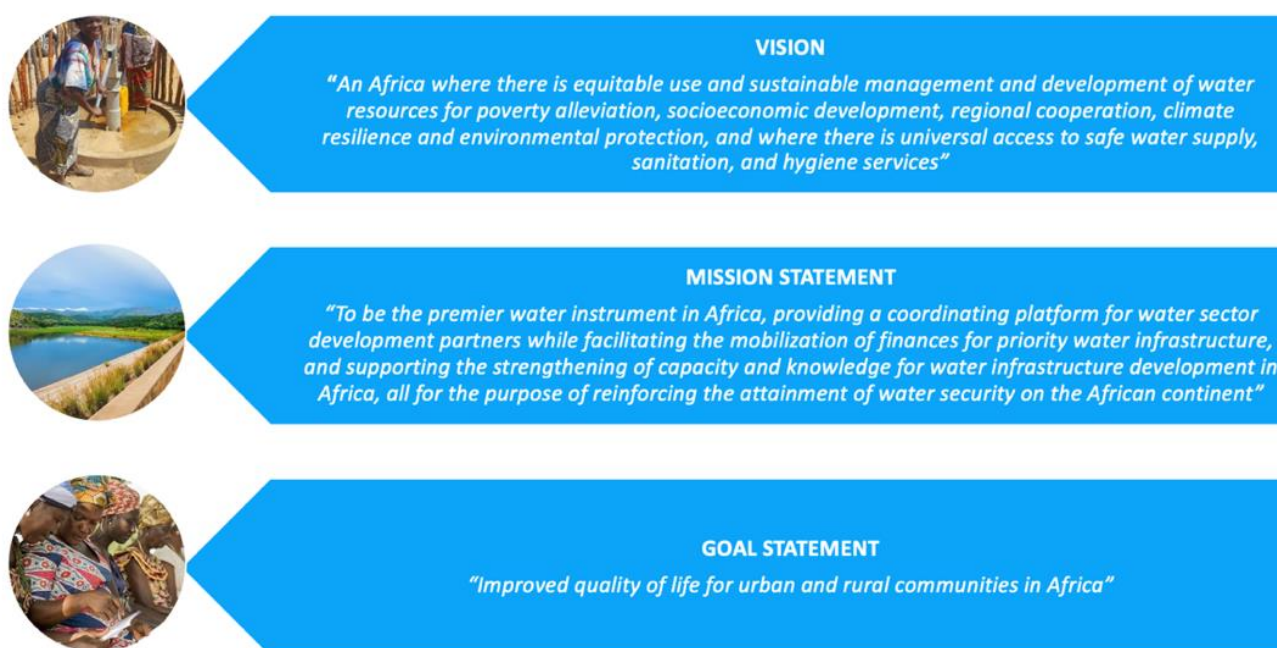
AWF's revised strategy increases operational efficiency and effectiveness via the incorporation of AfDB's three water trust funds. These are the African Water Facility (AWF), the Rural Water Supply and Sanitation Initiative (RWSSI), and the Multi Donor Water Partnership Programme (MDWPP). Complementing this approach, AWF stakeholders requested in Q3 2022 that AfDB/AWF host and manage the newly established African Urban Sanitation Investment Initiative (AUSII). See Section 05 below.

Moreover, the revised strategy addresses operational weaknesses highlighted by the [2019 Independent Evaluation of the AWF](#), and the need to align the Facility's operations with [AfDB's new Policy on Water](#) (2021) and [Water Strategy \(2021\)](#). To overcome the Facility's past challenges in the pace of project implementation, increased operational efficiency of Facility was notably achieved, as of end 2021, via the strengthening of the AWF secretariat and the appointment of new leadership.

⇒ **Updated AWF vision, mission, and goal statement for 2021-2025**

The vision, mission, and goal statement of the restructured AWF were developed through a participatory process involving AfDB, the AWF, and external partners and stakeholders. See Table 4:

**Table 4 - AWF's updated vision, mission, and goal statement for 2021-2025**



⇒ **Refined Strategic Priorities and introduction of cross-cutting SDGs in program development and implementation**

AWF's revised strategy contains **FOUR** Strategic Priorities.

The first three strategic priorities reinforce previous AWF Strategies. The fourth strategic priority is introduced to accommodate functions related to the integrated AfDB Water Funds. For each strategic priority, the future budget allocation is calculated.

The four strategic priorities are complemented by three cross-cutting SDGs, Gender SDG5, Poverty Alleviation SDG1 and Climate Change SDG13 to be integrated into all stages of programming. Finally, the revised strategy is geared to support SDGs 2, Zero Hunger, and 11, Sustainable Cities and Communities. See table 5:

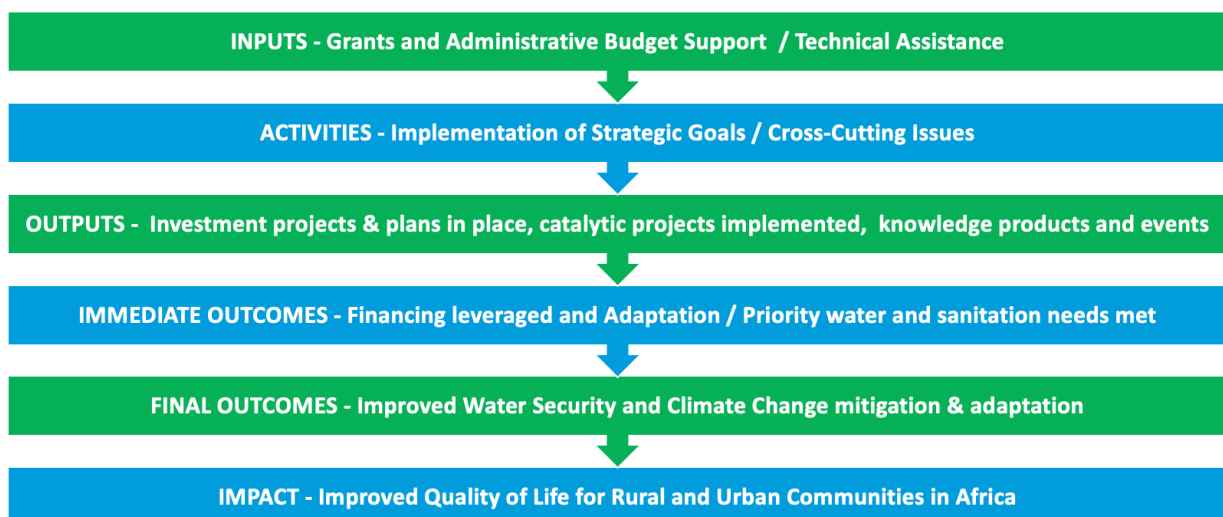
**Table 5 - AWF's Strategic Priorities, budget allocation and cross-cutting SDGs in program development and implementation**



⇒ **Poised to deliver a significant WASH impact in Africa by 2025 and to set the foundation for AWF's increased impact for post-2025**

The AWF impact by 2025 is articulated in the revised strategy via a new theory of change and a new results framework for 2021-2025, which set ambitious impact and outcome targets for end 2025. AWF's simplified theory of change, under the format of an impact chain, is set out in Table 6 <sup>2</sup>:

**Table 6 - AWF Impact chain for 2025 and beyond**



<sup>2</sup> See AWF's full theory of change on page 17 of AWF's revised strategy for 2017-2025

⇒ **The Donor Investment case to fund AWF’s expected impact by end 2025**

The AWF’s revised strategy contains detailed expected impacts, results, and outcomes backed by a new Theory of Change and a quantified results framework for 2021-2025 <sup>3</sup>.

The donor investment case against the following overall impact, qualified results, and quantified outcomes to be delivered by AWF by end 2025, is as follows <sup>4</sup>. See Table 7:

**Table 7 - The AWF Investment case for 2021-2025**



<sup>3</sup> See page 46 of AWF’s revised strategy for 2017-2025

<sup>4</sup> To note that All AWF-prepared projects under Strategic Priority 1 and catalytic projects under Strategic Priority 2 will be categorized as gender-mainstreaming and will be screened for climate risks and categorized in accordance with AfDB’s Climate Safeguard System

⇒ **Anticipates incorporation of the newly established financing window for the African Urban Sanitation Investment Initiative (AUSII (formerly AUSIF))**

### ***Background***

In 2018, the AfDB, in partnership with the Bill and Melinda Gates Foundation (BMGF), launched the “African Urban Sanitation Investment Programme” (AUSIP) with the view to promote the adoption and wide application of tested sanitation approaches, as well as to support the development of business innovations that lead to robust, affordable, and financially and environmentally sustainable sanitation services for urban inhabitants in Africa, with a focus on the urban poor.

As part of the program, a new financing window, the African Urban Sanitation Investment Fund (AUSIF) was designed by AWF with the view to catalyze force for systemic change, initiate innovation, and scale impact in urban sanitation by developing City-Wide Inclusive Sanitation Initiatives (CWIS) for the urban poor.

### ***Design and hosting***

AWF managed and coordinated the development of AUSIF, with oversight provided by a Steering Committee composed of AWF Stakeholders. By Q3 2022, the Steering Committee made the decision for the AfDB/AWF to host and manage this as a new financing window within the AWF. As the initiative now represents a new financing window within AWF, AUSIF has now been re-branded as the “African Urban Sanitation Investment Initiative” (AUSII).

### ***Initial phase***

Supported by an African urban sanitation project pipeline currently under development by AWF, the AUSII window will initially provide project grants & technical assistance and shall later provide risk capital and guarantees, pump-priming for results-based financing programs and qualified return on investment activities, including blended finance and private sector leveraging for urban sanitation investments.

### ***Funding window and requirements***

AUSII is now established as one of AWF’s funding windows (see further in text under Table 10) and its initial capitalization requirements are estimated at US\$ 15 million for the period 2023-2024.

### ***Added value***

AUSII will assume the role of sector leader in developing the urban sanitation market, innovative financing, and delivery models in Africa.

### ***Impact***

The expected impacts of AUSII for the first 10 years of operation are:

- To provide 15 million urban inhabitants with directly improved access to sanitation
- To mobilize US\$7 billion in commercial and concessional financing for private and public sector sanitation projects for the urban poor in Africa
- To prepare up to 50 sanitation projects to be financed / funded by Development Finance Institutions and other partners
- To support the development of 10 – 20 financial institutions offering sanitation financing instruments
- To gear up to 100 service providers

⇒ **The funding strategy**

The delivery of AWF’s revised strategy for 2021-2025 is estimated to require EUR 62.15 million over 5 years (or an average of EUR 12.43 million annually). In addition, AUSII’s initial phase will require a first capitalization level of US\$ 15 million by end 2024.

To fund the revised strategy, AWF has determined **TWO** Key Resource Mobilization Objectives and **FIVE** targets.

The **TWO** Key Objectives are:

**Objective 1** - To ensure that the budget in support of the revised AWF Strategic Plan for 2017-2025 is fully funded by end 2023 and that the initial capitalization of AUSII is reached by end 2024

**Objective 2** - To significantly expand the AWF’s donor base and to create a new AUSII donor base

The **FIVE** Targets are:

**Target 1 - Overall resource Mobilization Target** - To raise an additional EUR 62,2 million in new multi-year grants by end 2023. See Table 8 below (excludes AUSII targets)

**Target 2 - Initial resource Mobilization Target** - By end 2022 to mobilize at least EUR 14 million in new multi-year grants. This to be reflected by the signature of a least **TWO** new funding agreements

**Target 3 - Investment leveraging** - By end 2025, to use the new grants to leverage downstream investment of EUR 500 million via the catalytic investment and investment promotion funding windows. See also in Table 8

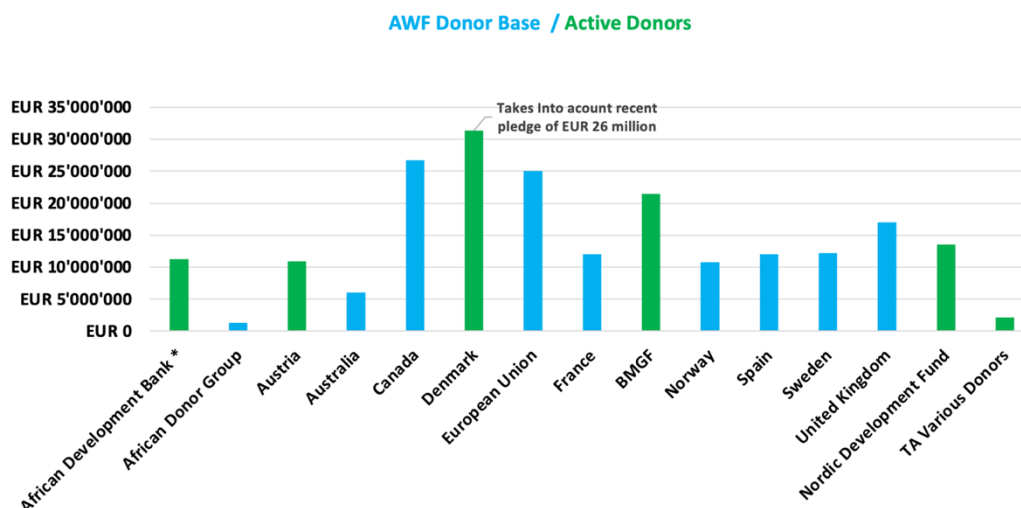
**Target 4 - Expand the AWF Donor Base** - To at least double AWF’s current donor base of 5 (the Bank, Austria, BMGF, Denmark and NDF) to at least **TEN** by end 2023. See AWF’s current donor base below in Table 9

**Target 5 - AUSII** -To mobilize US\$ 15 million by end 2024 for the initial capitalization of AUSII via the creation of a new AUSII donor base

**Table 8 - AWF’s Budget 2022-2025 and Funding Requirements - EUR million - (excludes AUSII)**

Strategic Priorities 2021-2025 / Funding Windows	Grants & Administrative Budget Support	Technical Assistance (TA)	}	Expected Downstream Investments leveraged from Grants	
Strategic Priority 1 - Project Preparation and Promotion	40.5	0.0		}	500.0
Strategic Priority 2: Catalytic Investments	10.5	2.0			
Strategic Priority 3 - Investment Promotion	2.9	0.3			
Strategic Priority 4 - Water Governance	5.4	0.7			
AWF Funding Requirements	<b>59.3</b>	<b>2.9</b>			
<b>Total AWF Funding Requirements</b>	<b>62.2</b>				

**Table 9 - AWF's Current Donor Base - (not applicable to AUSII)**



\* In addition, the Bank has provided administrative and other in-kind support worth EUR 26.3 million

## 06 THE CALL FOR SUPPORT

Since inception in 2004, the AWF has benefitted from strong donor support with, to date, close to EUR 190 million raised in financial contributions. Today, a dynamized AWF, under new leadership, a revised strategy, renewed strong donor support from Austria, Denmark, the Nordic Development Fund, the BMGF, USAID and the AfDB, as well as with strengthened resource mobilization capacities, is emerging to call on its historic and potential new donors to support the impact envisaged by AWF's revised strategy for 2017-2015, as well as to contribute to the capitalization of AUSII. In particular, today's dynamized AWF considers that it offers not only a unique value proposition to significantly take to scale the development and implementation of critical water infrastructure projects and water management measures throughout Africa, but also is now poised, with the support of initial investors to AUSII, to play a leadership role to address the considerable challenges of urban sanitation in Africa, a continent which is expected to house more than 1.3 billion people in urban centers by end 2050 with current access rates to safely managed sanitation in urban settings of under 50%

In this context the AWF seeks primarily unrestricted funding (Funding Window 1), support for Technical Assistance (Funding Window 7) and capitalization of AUSII (Funding Window 6). See Table 10:

**Table 10 - AWF's Funding Windows and Quality of Funding**

FUNDING WINDOW		QUALITY OF FUNDING
1	Unrestricted Funding / Grants and Administrative Budget Support	Multi-Year Basket Funding
2	Soft Earmarked per Strategic Objective 1	Allocation to a group of projects
3	Soft Earmarked per Strategic Objective 2	Allocation to a group of projects
4	Soft Earmarked per Strategic Objective 3	Allocation to a group of projects
5	Soft Earmarked per Strategic Objective 4	Allocation to a group of projects
6	Capitalization of AUSII	Allocation to AUSII
7	Technical Assistance	Allocation to a specific project (s)
8	Reimbursable Grants	Cost-Recovery <sup>5</sup>
9	Fee-Based Services	Cost-Recovery

<sup>5</sup> AWF's Cost Recovery mechanisms are currently under consideration and are not yet implemented

In accordance with the Bank's / AWF's business model (which places the focus on unrestricted (basket) funding and technical assistance), the bulk of AWF's Resource Mobilization activities is focused on Funding Windows 1, 7 and 6. Only under certain circumstances, and in accordance with AfDB regulations, will AWF Resource Mobilization seek soft-earmarked funding.

As stated previously, the overall call for support is for EUR 62,2 million in new multi-year grants by end 2024, with an initial EUR 14 million raised by end 2022 for AWF and an initial US\$ 15 million raised in capital for AUSII by end 2024.

## 07 ENGAGEMENT

AWF has identified a selected range of new potential donors and partners liable to financially support its revised strategy for 2017-2022.

Via this Investment Case, and with the support of AWF's existing donors, AWF will engage with these new potential donors over the course of 2022 and 2023. At term, AWF will organize a funding dialogue. This dialogue will serve to secure and announce new financial commitments and will be co-chaired by an existing donor or partner.

## 08 CONTACTS

Mtchera Johannes **CHIRWA**

AfDB/AWF Coordinator

[m.chirwa@afdb.org](mailto:m.chirwa@afdb.org)

Cell + 277 63849310

Samuel **BLAZYK**

AfDB/AWF Chief Program and Coordination Officer

[s.blazyk@afdb.org](mailto:s.blazyk@afdb.org)

Cell + 225 0545 11 98 58

Simon **WREFORD-HOWARD**

AfDB/AWF Advisor, Resource Mobilization

[s.wreford-howard@afdb.org](mailto:s.wreford-howard@afdb.org)

Cell + 33 7 86 40 67 66

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**African Water Facility | Facilité africaine de l'eau**  
**Administered by the African Development Bank | Banque Africaine de Développement**  
**BP 1387 Abidjan 01, Côte d'Ivoire, Immeuble Tour B, Cité Administrative**  
**Avenue Jean Paul II | Tour B 14<sup>th</sup> Floor**  
[africanwaterfacility@afdb.org](mailto:africanwaterfacility@afdb.org)  
<https://www.africanwaterfacility.org>