AIP CONTINENTAL AFRICA WATER INVESTMENT PROGRAMME

Second Pan-African Stakeholder Consultation on the development of the AIP Water Investment Scorecard

16 September 2021

Background Document

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1 Continental Africa Water Investment Programme

In February 2019, the Governing Council of AMCOW adopted a Decision (GA/11/2018/LBV/5) for the implementation of the Continental Africa Water Investment Programme (AIP), which aims to leverage US$30bn in climate resilient water investments for Africa by 2030. The Ministers commended efforts to establish, through the AIP, a partnership to release Africa's development potential to achieve the African Union Agenda 2063 in collaboration with the African Union (AU), African Ministers' Council on Water (AMCOW), African Union Development Agency (AUDA-NEPAD), African Development Bank (AfDB) and Global Water Partnership (GWP).

The Assembly of the African Union Heads of State and Government adopted the AIP as part of the Programme for Infrastructure Development in Africa – Priority Action Plan 2 (PIDA-PAP 2) during the 34th ordinary session of the African Union summit on 7 February 2021.

The goal of the AIP is to transform the investment outlook for water security and sustainable sanitation for a prosperous, peaceful, and equitable Africa. The objective is to enhance job creation through gender sensitive investments in water security and climate resilient development.

Delivery of water investments in Africa is lagging the continent's economic and social needs. The AfDB estimates that US$ 64 billion is required annually to meet the 2025 Africa Water Vision of Water Security for All; however the actual figure invested stands between US$10-US$19 billion per year.

The AIP aims to narrow the water investment gap by leveraging US$30 billion in climate-resilient water investments by 2030 and create 5 million jobs towards the African water vision and SDG 6 targets.

The AIP will accelerate investment into climate-resilient regional, transboundary, and national water governance and infrastructure – such as dams, water transfer systems, irrigation systems, water management information systems, water supply, and sanitation infrastructure – all of which are critically needed to meet Africa's growing socio-economic needs.

The AIP is implemented through three support programs:

a. AIP Transboundary PIDA Water Investments
b. AIP Water Climate Development and Gender Investment (AIP WACDEP-G)
c. AIP Sustainable Development Goal (SDG) Water Investments

2 Rationale of the AIP Water Investment Scorecard

To ensure targeted interventions and actions to mobilise water investments, the development of the AIP Water Investment Scorecard (referred to as the AIP Scorecard hereafter) has been initiated. The AIP Scorecard is aligned to the Pan-African Water and Sanitation Sector Monitoring and Reporting System (WASSMO) under the Financing Theme. The AIP Scorecard will support African countries to track progress in mobilizing investments, identifying bottlenecks, and taking action to narrow the water investment gap required to meet the investment needs for the achievement of SDG 6 targets. The AIP Scorecard will also make a case to mobilise political leadership and commitment to accelerate financing of water investments.

Furthermore, the AIP Scorecard will promote mutual accountability through tracking progress and sustaining political commitment to act and serve as a tool to engage with public and private investors.

In summary, the AIP Scorecard will aim to:

a. Enhance accountability for results in mobilisation of water investments, mobilise political, and leadership commitment;
b. Support countries to track progress, identify bottlenecks, and take action to meet the investment needs for achievement of SDG 6 on water and sanitation;
c. Set benchmarks to track country progress and offer a cross-country learning on water investment climate readiness;
d. Serve as a tool to engage with public and private investors on financing water infrastructure that will contribute to development; and
e. Guide governments to identify the changes required to increase water investment and identify opportunities from cross-country learning.

3 AIP Water Investment Scorecard development process

The AIP Scorecard development process is being led by AUDA-NEPAD and AMCOW, with support from various institutions and partners as outlined in Section 3.1 below. A roadmap for the development of the AIP Scorecard is outlined in Section 3.2.

3.1 AIP Water Investment Scorecard coordinating structures

The AIP Scorecard Coordination Structure comprises three groups, which support the development of the Scorecard. They are the Steering Committee, Core Group, and Technical Working Group.

The **AIP Scorecard Steering Committee** provides strategic support and guidance to the development of the AIP Scorecard. The Committee comprises of:

a. H.E. Dr. Ibrahim Mayaki, CEO: AUDA-NEPAD;
b. H.E. President Jakaya Kikwete, Chair: Global Water Partnership Southern Africa – Africa Coordination Unit (GWPSA-ACU);
c. Mr. Thomas Banda, Acting Executive Secretary: AMCOW;
d. Mr. Osward Mulenga Chanda, Acting Director for Water: AfDB;
e. Mr. Chuene Ramphele, Group Executive, Infrastructure Division: Development Bank of Southern Africa (DBSA);
f. H.E. Chileshe Kapwepwe, Secretary-General: Common Market for Eastern and Southern Africa (COMESA).

The **AIP Scorecard Core Group** provides operational support and actions the decisions made by the AIP Steering Committee to support the development of the AIP Scorecard. The Core Group is chaired by AUDA-NEPAD, and comprises representatives from AMCOW, DBSA, AfDB, Organisation for Economic Co-operation and Development (OECD), United Nations International Children's Emergency Fund (UNICEF), World Bank, and the GWPSA-ACU as the secretariat. Meetings of the Core Group take place bi-monthly.

The **AIP Scorecard Technical Working Group** provides the technical expertise, information, and data required in the development of the AIP Scorecard's thematic areas and indicators. The Technical Working Group is also chaired by AUDA-NEPAD and comprises representatives from AMCOW, AfDB, UNICEF, World Health Organisation (WHO), Food and Agriculture Organization (FAO), WaterAid, International Water Management Institute (IWMI), United Nations Environment Programme (UNEP), International Union for Conservation of Nature (IUCN), United Nations Industrial Development Organization (UNIDO), Stockholm International Water Institute (SIWI), United Nations Development Programme (UNDP), UNDP-CapNet, River Basin Organisations, Cities Climate Leadership Group (C40), Sanitation and Water for All (SWA), Alliance for Global Water Adaptation (AGWA), and GWPSA-ACU as the secretariat. Meetings of the Technical Working Group take place monthly.

Research and analysis groups: In addition to the abovementioned formal AIP Scorecard Coordination structures, several other organisations, such as the NEPAD Centre of Excellence in Science Technology and Innovation (NEPAD CoE-STI) and the Economist Intelligence Unit (EIU) are supporting the research and analysis work required for the AIP Scorecard's development.

Independent Reviewers: Through engagement of the AIP Technical Reference Group, independent reviews of technical outputs created during the AIP Scorecard development process will be conducted for quality control and technical soundness.

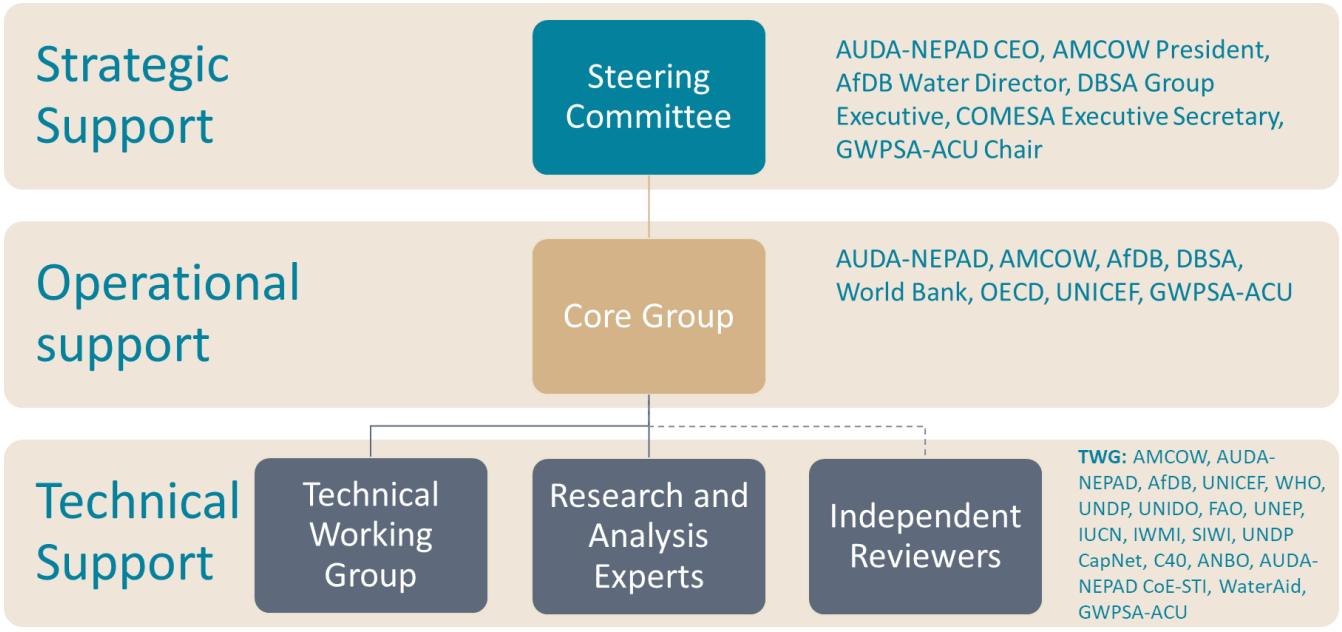

Figure 1: AIP Scorecard Coordination Structure

3.2 Roadmap for the development of the AIP Water Investment Scorecard

The development of the AIP Scorecard will take place in five phases as shown in Figure 1.

1. **AIP Water Investments Scorecard Kick-off:** From November 2020 to May 2021, the conceptualisation and kick-off of the AIP Water Investment Scorecard led by AUDA-NEPAD and AMCOW was initiated. This phase followed a high-level brainstorming AIP session hosted H.E. Dr. Ibrahim Mayaki, CEO: AUDA-NEPAD, and H.E. President Jakaya Kikwete, 4th President of the United Republic of Tanzania and current Chair:

GWPSA-ACU. The event was held with representatives of AUDA-NEPAD, AMCOW, DBSA, AfDB, and COMESA to discuss how the AIP can build consensus on the urgent need to accelerate investments in water security in Africa and replicate the success of other existing Pan-African Scorecards, such as the African Leaders Malaria Alliance (ALMA) Scorecard and the Africa Agriculture Transformation Scorecard.

A High-Level Event to kick-off the development of the AIP Water Investment Scorecard was held in April 2021, following further consultations with AMCOW and AUDA-NEPAD. The objective of the event was to formally initiate the development of the AIP Water Investment Scorecard by introducing its rationale and gathering initial input from stakeholders on the indicators to consider in tracking water investments in Africa. To support the development of the AIP Scorecard, the Core Group and Technical Working Group were established.

2. **AIP Water Investment Scorecard Development:** This phase focuses on the development of the AIP Water Investment Scorecard and ensuring alignment with AMCOW's WASSMO. This phase will also include consultations with key stakeholders in Africa driving the continental monitoring process and investors. Key engagements for this phase are as follows:
    a. **September 2021**: Second Pan-African Stakeholder Consultation for the AIP Water Investment Scorecard;
    b. **September 2021**: Development of the final AIP Scorecard and indicator sheets in consultation with AMCOW; and
    c. **October 2021**: Submission of the AIP Scorecard to the AMCOW Executive Committee as part of the WASSMO Report.

3. **Focused consultations:** Between October and November 2021, focused consultations with investors will be held to present the AIP Water Investment Scorecard and gather inputs on its relevance. Presentations on the Scorecard will also be made to AU committees. Key activities for this phase are as follows:
    a. **October 2021**: Consultations with key investors in the water sector;
    b. **November 2021:** Presentation of AIP Scorecard to the AUDA-NEPAD PIDA Steering Committee.

4. **Submission of AIP Water Investment Scorecard to the African Union Commission (AUC):** This phase runs between December 2021 – February 2022 and involves the following key activities:
    a. **December 2021:** Presentation of the AIP Scorecard at the AU Specialised Technical Committee on Agriculture, Rural Development, Water and Environment Meeting;
    b. **February 2022:** Submission and presentation of the AIP Water Investment Scorecard at the AU Heads of State Summit in February 2022.

5. **Launch of country pilots:** This phase involves piloting of the Scorecard in Africa through stress-testing the proposed framework aimed at developing a long-term AIP Scorecard reporting and monitoring system, as well as the communication and distribution of the results and progress reporting. It will also focus on the establishment of a system that will ensure that gaps are addressed as they are identified, and that progress is reported.

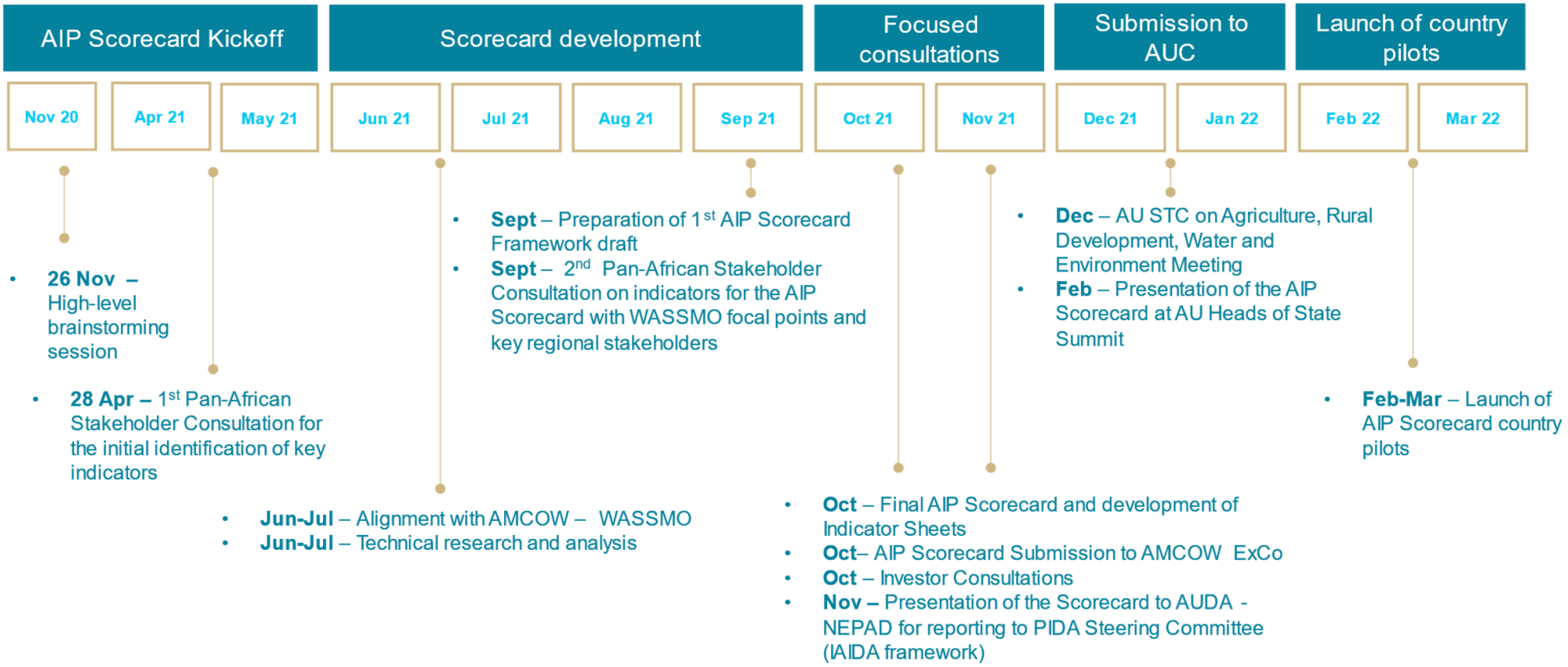

Figure 2: AIP Water Investment Scorecard - Development Roadmap

4 AIP Water Investment Scorecard Guiding Principles

The Guiding Principles for the development of the AIP Scorecard are listed below and categorised into two groups: (1) Overall AIP Scorecard Guiding Principles and (2) Guiding Principles for the AIP Scorecard Thematic Areas and Indicators.

4.1 Overall AIP Scorecard Guiding Principles

4.1.1 Alignment

a) The AIP Scorecard will be aligned to the AUDA-NEPAD Institutional Architecture for Infrastructure Development in Africa (IAIDA) in the implementation of PIDA-PAP 2.
b) The indicators will be aligned to and complement the AMCOW WASSMO theme on Financing and Investments, as well as other global reporting systems on water and sanitation.

4.1.2 Stakeholder engagement

a) Stakeholder engagement will be critical in driving the process to develop the AIP Scorecard.

4.1.3 Purpose and value addition

a) The AIP Scorecard objectives should be guided by a Theory of Change with clear inputs, outputs, and outcomes contributing to the desired impact. This should be the basis of selecting indicators (quantitative and qualitative) for tracking water investments and setting baselines.
b) Indicators selected should take into consideration the target audience - aimed at triggering action on water investments in Africa at the highest political level and identifying gaps.

4.2 Guiding Principles for the Selection of Thematic Areas and Indicators

4.2.1 Sustainability, reliability, and practicability

a) The AIP Scorecard will maintain a level of independence, making use of reliable data sources to ensure that the Scorecard remains a trusted tool for decision makers and investors to support the acceleration of water investments in Africa.
b) Indicators should be practical and measurable, taking into consideration context and capacities of the Member States.
c) AIP Scorecard indicators will have a baseline, which can be used to attribute causal inference over time.

4.2.2 Inclusiveness

a) The AIP Scorecard needs to identify cross-cutting issues for all the thematic areas (e.g. climate resilience, gender, youth, rural development, etc.).
b) Indicators should consider measuring investments in infrastructure, information, and institutions.
c) The indicators selected should reflect the interests of different water sector investors (e.g. donors, private, public, etc.).

5 Draft AIP Water Investment Scorecard Framework

According to the founding AIP concept and development, the economy as a whole may be represented as a set of concentric circles dependent on the natural resource base, as illustrated in Figure 3 below. Each layer depends on the layer beneath it. The water sector corresponds to both the management of water as a natural resource and the targeted use of water to accelerate development in sectors such as industry, mining, food & agriculture, social services, and services. In the broader context, these sectors influence the socio-economic markers of prosperity such as employment, productivity, well-being, peace and security.

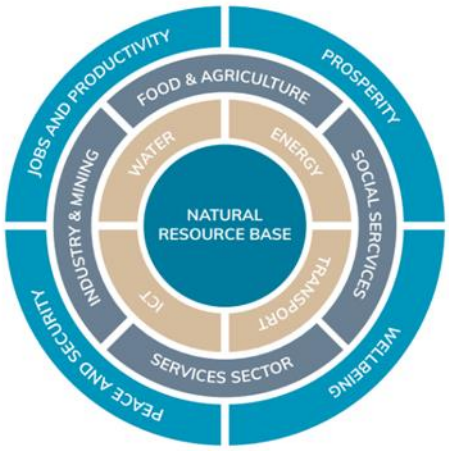

Figure 3: AIP Concept and Development Diagram

From the AIP perspective, the AIP Water Investment Scorecard Theory of Change (ToC) is founded on the water sector's enabling role to the smooth functioning of the related sectors – social services, food and agriculture, industry, mining, and services – listed above.

The ToC is based on the understanding that improved investments in the water sector should ultimately lead to achievement of related UN Sustainable Development Goals (SDGs) reliant on water, and therefore contribute to improved social, economic, and environmental outcomes.

The AIP Scorecard will enable understanding of the constraints within Africa's water governance and financing systems, in order to support African governments to design interventions to overcome these obstacles.

It is also important to ensure that there is sustainability and efficiency of water investments in the various African countries to ensure attainment of the broader benefits. Ultimately, it is recognised that the AIP Scorecard will guide and quantify how water investments are bringing Africa closer to achieving broader socio-economic impacts.

The draft AIP Water Investment Scorecard ToC, shown in Figure 4, proposes pillars upon which improvements in water sector investments rest, their outcomes, and their overarching impact on the water sector as well as the indicator level alignment with stakeholders to best meet the programmatic objectives of the AIP Scorecard.

The AIP Scorecard aims to support the following stakeholders in realising their objectives:

a. **AU Member States:** African governments that have recognised the challenge of attracting investments into water and sanitation, and have committed themselves to supporting a more strategic investment approach through the AIP;
b. **Investors:** Private sector investors with vested interests in developing infrastructure projects around the world, in order to shift the burden of infrastructure finance from the public sector to hybrid investment models;
c. **Donors and philanthropists:** Development funders and philanthropists who help strengthen the financial flows into infrastructure without heavily relying on financial return on investment.

As such, the TOC chart in Figure 4 shows the structural inputs that are necessary to achieve the increased sustainable investments in the water sector in Africa for policymakers and investors, ultimately leading to improved water security for everyone and spurring economic growth through job creation, poverty reduction, improved health, and productive participation of women and youth in Africa's economy. The ToC chart will form the basis of the AIP Water Investment Scorecard Framework.

Three key pillars that are necessary for facilitating investment in the water sector on the continent have been identified. Individual indicators in these pillars can serve for monitoring and tracking of funding gaps, as well as an early warning system for senior policymakers. The three pillars are as follows:

a. **Enabling Environment for Water Investments:** An enabling environment with strong, forward looking, and inclusive governance systems is an essential driving force for investment in the water sector, particularly 'Investments in water governance, institutions, and information networks' and 'Investments in IWRM and transboundary cooperation'. Stable, predictable and accountable policy and governance of the water sector investment is a strong precondition for long-term and high-quality investment in the sector. Additionally, an investment climate that considers and effectively responds to key emerging risk domains (business, market, political, and regulatory risks) impacting water investments remains necessary for facilitating long-term investment in the sector. In terms of long-term social and environmental sustainability, the processes should be inclusive, transparent, and incorporate environmental and climate change considerations.
b. **Water investments and financing:** Existing national, private, and donor (ODA) investments in key sectors (particularly WASH, energy, and agriculture), as well as incentives and cost recovery mechanisms are essential for crowding in further long-term investment in the sector. The pillar will capture existing efforts for investment mobilisation and mechanisms ensuring the viability of investments in the sector.
c. **Investment performance and sustainability:** Mechanisms to regularly track, monitor and evaluate the investment commitments, their utilisation, and their returns are essential for sustaining current investment and mobilising new investments. This pillar brings together two key domains impacting water investment sustainability: 1) investment performance and efficiency and 2) investment sustainability.

Overall, the Theory of Change responds to the following parameters:

a) An **independent, accountable, and cooperative framework** for legal and regulatory institutions for water governance, building on existing policies and programmes to tackle root causes of limited transparency, knowledge sharing, and policy enforcement.
b) A cooperative governance system which **leverages international commitment** via technical and financing support to improve socio-economic outcomes of water sector investments and enhances mutual accountability.
c) An open and forward-looking policy programme which addresses issues of inequity and discrimination by targeting underserved groups, including **women and youth**, as well as of **sustainability and conservation** through incorporation of sustainable management and infrastructure solutions.
d) **National and institutional mechanisms** to finance operational costs of water management systems and recover costs through policy mechanisms for continued operations.
e) A governance system that **tracks and analyses its investments in the water sector** to understand investment viability and mitigate potential threats to investments.
f) A **transparent and fair record of the country's performance** in investment status and mobilization to attract investment from external sources.
g) **Reduction of water insecurity and socio-political and economic fragility** to generate co-benefits and catalyse investments.

Impact	**Improved water security for everyone spurs economic growth through job creation, poverty reduction, improved health, and gender equality and social inclusion in Africa**							
Outcome	**Increased sustainable water investments in WASH, food security, energy, industry and nature-based solutions (Increased GDP, increased access to WASH services, increase in irrigated area per country vs irrigation potential, increase in proportion of potential hydropower capacity developed, increased investments in ecosystem services, improved water system efficiency)**							
Intermediate Outcomes	Improved governance system that enables long-term planning, de-risking of investments, effective coordination, increased accountability, and active inclusion of women, civil society, and other underserved groups				Increased financial flows and investments			Ensure efficiency and sustainability of water investments	
	1) Enabling environment for water investments				**2) Water investments and financing**			**3) Investment performance and sustainability**	
Inputs	1.1) Water Investment Governance and Planning	1.2) Investment climate		1.3) Social and Environmental Inclusion	2.1) Government expenditure	2.2) ODA	2.3) Private sector investments	3.1) Investment performance / efficiency	3.2) Investment sustainability
		Market risks	Regulatory risks						
	1.1.1 Water governance, institutions and information and coordination capacities 1.1.2 National water investment plan (including a financing strategy) 1.1.3 Integrated investment planning 1.1.4 Accountability and monitoring mechanism 1.1.5 Availability and dissemination of accurate data 1.1.6 International Treaties (transboundary cooperation)	1.2.1.1 Ease of access to finance 1.2.1.2 Interest rate spread 1.2.1.3 Currency risk 1.2.1.4 Sovereign risk 1.2.1.5 Risk estimate reporting	1.2.2.1 Government payment risk 1.2.2.2 Corruption perception index 1.2.2.3 Legal right index 1.2.2.4 Political instability 1.2.2.5 Enforcement of contractual judgement	1.3.1 Gender transformative water investments 1.3.2 Social inclusion (youth, gender, rural populations) 1.3.3 Environmental Impact Assessment	2.1.1 Public budget allocation on water over 5 years (WASH, agriculture and energy) per capita 2.1.2 Water budget execution rate over 5 years (WASH, agriculture and energy) per capita 2.1.3 Availability of green and blended finance 2.1.4 Investment in transboundary water projects	2.2.1 ODA for water projects (WASH, agriculture, energy) per capita 2.2.2 Philanthropic and donor spending in water sector (including loans, grants and Program Related Investments (PRIs))	2.3.1 Accounts of domestic private sector investment (WASH, agriculture and energy) 2.3.2 Accounts of Foreign Direct Investments (FDI) on water (WASH, agriculture and energy) 2.3.3 Accounts of Public Private Partnerships (PPP) on water (WASH, agriculture and energy)	3.1.1 Water Accounts 3.1.2 Management capacities 3.1.3 Pipeline of bankable projects 3.1.4 Going concern forecasts 3.1.5 Cost recovery accounts	3.2.1 Climate resilient water investments 3.2.2 Disaster management planning 3.2.3 Environmental impact monitoring / Water resource efficiency

Figure 4: AIP Water Investment Scorecard draft Theory of Change

6 AIP Scorecard indicator selection process

The scorecard framework primarily aims to track and increase the understanding of the water investment gap in Africa in order to mobilise the highest level of political and financial commitment to the sector. The framework comprises a set of indicators organized across three categories:

a. Enabling Environment for Water Governance and Planning;
b. Water Investments and Financing; and
c. Investment Performance and Sustainability.

In order to shortlist indicators for the AIP Scorecard, a mix of standard metrics that are common across all indices as well as certain metrics that are customised to the specific project will be used. The customised metrics include factors that are directly relevant to the topic being considered. The selection process will strive to create a framework that can remain a credible, frequently referenced, and a trusted source of information for stakeholders looking to better understand the investment environment for the water sector in Africa.

Given the focus of the AIP Water Investment Scorecard on mobilising and tracking investment at the highest level of decision making, the selection of indicator sources will be based on the following criteria:

a. **Purpose and value addition:** Identifying datasets which provide direct and meaningful insights into the investment and financing landscape for the water sector are critical for establishing a clear link with planning options, goals, and targets for the sector. This will answer the following questions: What objectives of the AIP are being met by this indicator? What is the relevance of this indicator in the overall outcomes identified by AIP (e.g., economic development, water security, employment, food security, etc.)? How does this add value to planning for increasing investments in the sector?
b. **Practicability:** The AIP Scorecard relies on data that is feasible to collect and useful for drawing comparative insights in a timely manner, while keeping AU Member State capacities in consideration. This answers the following questions of data availability: To what extent do we know whether the data is existing i.e., formatted, and collated secondary data vs. collating existing data to create a new data set? To what extent does data require primary research? Existing data and collatable data reflect high practicability whereas data requiring primary research, depending on the extent of research required, shows that data is medium or low practicability.
c. **Sustainability:** Access to data in the sector is particularly a challenge as noted in the literature review and stakeholder consultations and will remain pivotal in determining the type of assessment possible for the water sector in Africa. Data will be sourced from national statistics, key AIP stakeholders, and global reporting systems as well as independent research where gaps have been identified in the sector. This criterion ensures that the following questions are considered when identifying indicators for tracking gaps in investments over a period of time: To what extent, for any given indicator, will we be able to collect the data or collate the data in a manner that is consistent over time and across countries? For example, frequency of updates will inform the ease of conducting annual assessments whereas for new indicators, the consistency of

data and the ease of access to the data will largely influence the selection of data as it will impact data availability over time.

d. **Reliability:** Consistency and validity of data will play a key role in providing evidence-based policy insights. This answers the following questions regarding sources and the availability of data series: To what extent is the data a good measure of the AIP goals and what we are trying to achieve from the AIP Scorecard? Are the data methodologies robust enough to inform decision making in the water sector? Are the sources of information accessible and reliable? How credible are the existing data sources?

This exercise of shortlisting the suggested indicators will underline the most relevant, feasible, repeatable, and credible indicators.

Nevertheless, alignment to the overarching guiding principles and thematic areas of AIP will remain at the forefront of indicator selection. Indicator selection and prioritization will further rest on data provided by the AIP stakeholders including AU Member States, multilaterals, civil society, and independent research advisors.

7 Objectives of the Second Pan-African Stakeholder Consultation on the AIP Water Investment Scorecard

The objectives of the Second Pan-African Stakeholder Consultation on the AIP Water Investment Scorecard, to be held 16 September 2021 14:00 – 16:30 CAT, are to:

a. Inform stakeholders of the objectives and rationale of the AIP Water Investment Scorecard;
b. Present the AIP Water Investment Scorecard roadmap development process; and
c. Seek input from stakeholders on the draft ToC, thematic areas, indicators, and potential data sources proposed for the AIP Water Investment Scorecard.

8 Key areas for discussion at the Second Pan-African Stakeholder Consultation on the AIP Water Investment Scorecard

The key areas for discussion during the Pan-African stakeholder consultation for the AIP Water Investment Scorecard are as follows:

a. Are the three pillars (Water Governance and Investment Planning, Water Investment and Financing, and Investment Performance and Sustainability) adequately addressing the most pressing issues for triggering water investments in the region?
b. Within these pillars, from the identified potential list of indicators, which ones are particularly important to prioritise to achieve the AIP Scorecard objectives?
c. Are there any critical areas / indicators missing among the sub-categories?
d. Are you (or any of your partners) collecting data on any of the potential indicators?

Picture above: The organisations participating in the development of the AIP Water Investment Scorecard