

International High Level Panel on Water Investments for Africa

Africa's Rising Investment Tide

How investment partnerships will mobilize USD\$30 billion/year to achieve water security and sustainable sanitation in Africa



Every US\$1 invested in climate-resilient water and sanitation returns at least US\$7

Investing in Africa's water security will realise rights to water, health, education, energy, food security, a healthy environment, gender equality, and many other societal gains for this generation – and those to come.

A watershed investment partnership moment

African and global institutional investors hold significant pools of capital. African governments must tap into these pools of capital in order to mobilise an additional US\$30 billion/year towards water security and sustainable sanitation in Africa. This unprecedented acceleration in both the pace and scale of financing, demands changes to the status quo that is reflective of the current global water and climate emergency.

African governments can unlock and scale an unprecedented pipeline of investable water by forging closer institutional investor-public partnerships and greater risk sharing between public and private finance. Achieving this is both a continental and global imperative and offers a significant investment opportunity for African and global institutional investors with long-term patient capital. Multi-lateral development banks as well as financial and private institutions have a crucial role to play.

Water security is a catalyst for Africa's growth and prosperity

Water security in Africa is central to the continent's, and the world's, sustainable developmental ambitions. The International High-Level Panel on Water investment for Africa calls on Heads of State and global investments leaders to seize this watershed investment partnership moment and double the current level of annual water investments by 2030.

The cost of inaction is too high, nearly US\$200 billion/year

African countries are currently losing up to US\$200 billion/year due to insufficient investment, coupled with the impacts of climate change and inefficiencies. Africa's population is forecast to grow to 1.6 billion by 2030. The continent will need to produce at least 50% more food and at least ten times more water for energy production to enable growth and development. By 2050, 6 out of 10 people in Africa will live in urban areas and 70% of them will be children and youth.

Sub-Saharan Africa loses 5% of its GDP annually (estimated at US\$170 billion per year) because of a lack of water, contaminated water, or poor sanitation. Every year, 40 billion hours of otherwise productive time is spent collecting water – a burden disproportionately shouldered by women and girls.

By 2050, climate impacts, largely driven by water-related hazards, could cost African nations US\$50 billion annually. Unpredictable floods and droughts aggravate displacement, migration, and food insecurity; they inflict costly damage to infrastructure, devastate livelihoods, and biodiversity. Water pollution significantly degrades available freshwater and ground water resources, further exacerbating water insecurity. One-third of potential economic growth is forgone in heavily polluted water and threatening human and environmental well-being.

A paradigm change in water investments partnerships is needed

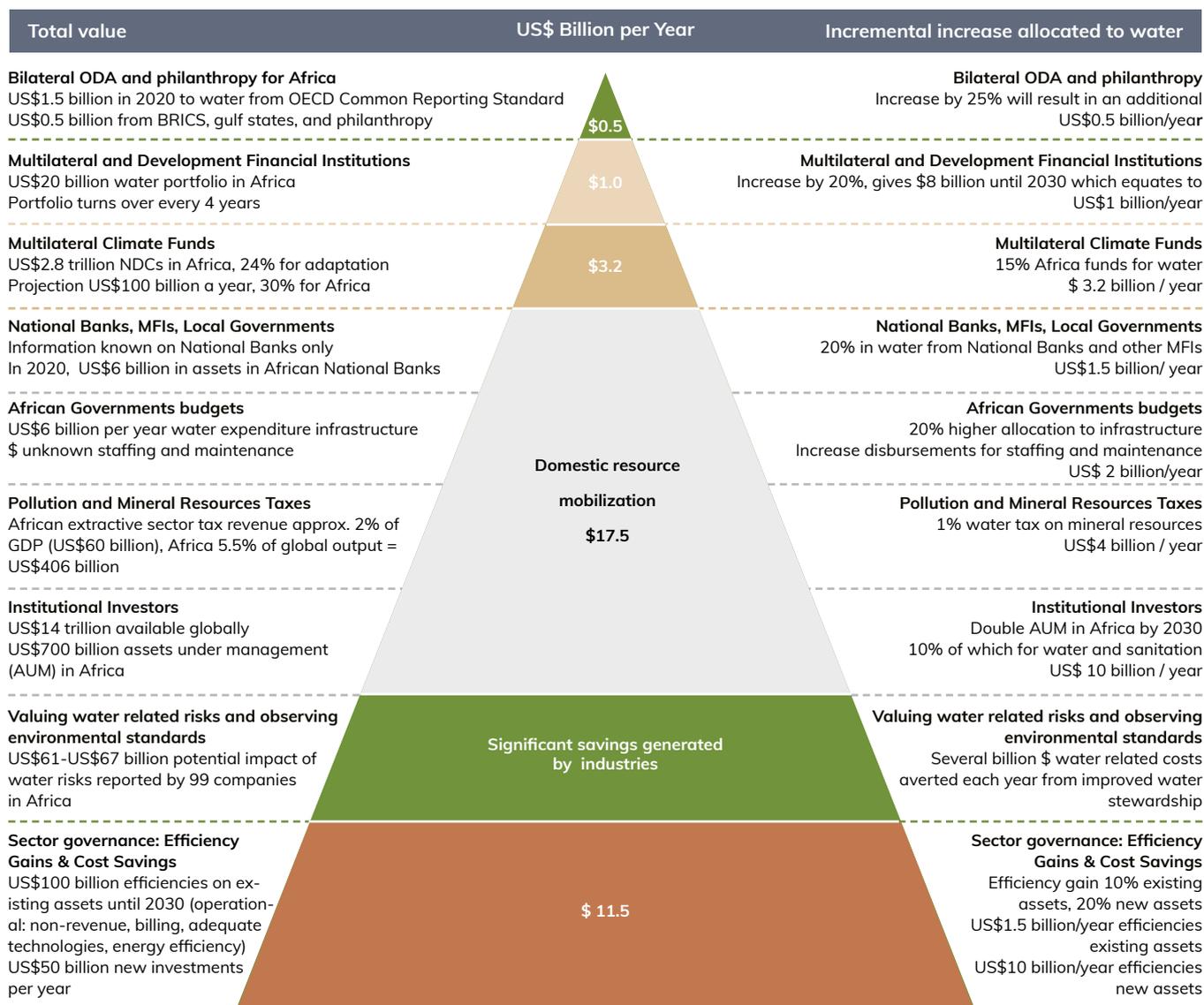
Delivery of water investments across Africa is below the target to meet the continent's growing needs. Currently, US\$10-US\$19 billion is invested each year.

At least an additional US\$30 billion/year needs to be invested by 2030. Approximately US\$50 billion annually, or US\$40 per African per year is required, to achieve water security and sustainable sanitation in Africa by 2030.

The investment gap is even larger to achieve the 2025 Africa Water Vision which requires US\$64 billion/year, according to the African Development Bank.

While current sources of funding show only incremental potential for increase, there are several sources that are currently untapped or under-tapped. With appropriate government regulatory frameworks, investors must equally assume responsibility as water stewards and include the full costs of water in their balance sheets and allocate a fraction of their investment to water security.

At least USD\$ 30 billion additional finance could be raised for water security in Africa.



With conservative assumptions, over US\$30 billion per year can be mobilised through three actionable pathways

Pathway 1 is a necessary condition to generate finance through Pathways 2 and 3. The pathways are strongly inter-connected. Underlying all pathways is high level

political commitment, leadership and governance reforms that raise the attractiveness of water as an investment opportunity. A well-diversified and skilled workforce of water professionals, increasing gender balance, to deal with water insecurity and management of international waters are critical enablers of all three pathways.

Pathway 1. Achieve more impactful water spending and leveraging



The foundation of water security is strong water governance with robust national water policies, effective regulations as well as strategies that are multi-sectoral, comprehensive, and gender transformative. Properly recognizing the true value of water to reflect its value as an input to economic growth should lead to improved water stewardship in major productive sectors with high water use, such as agriculture, energy, manufacturing, mining and others, with appropriate regulations and incentives to ensure compliance and targeted subsidies to those who need it and ensure that no one is left behind.

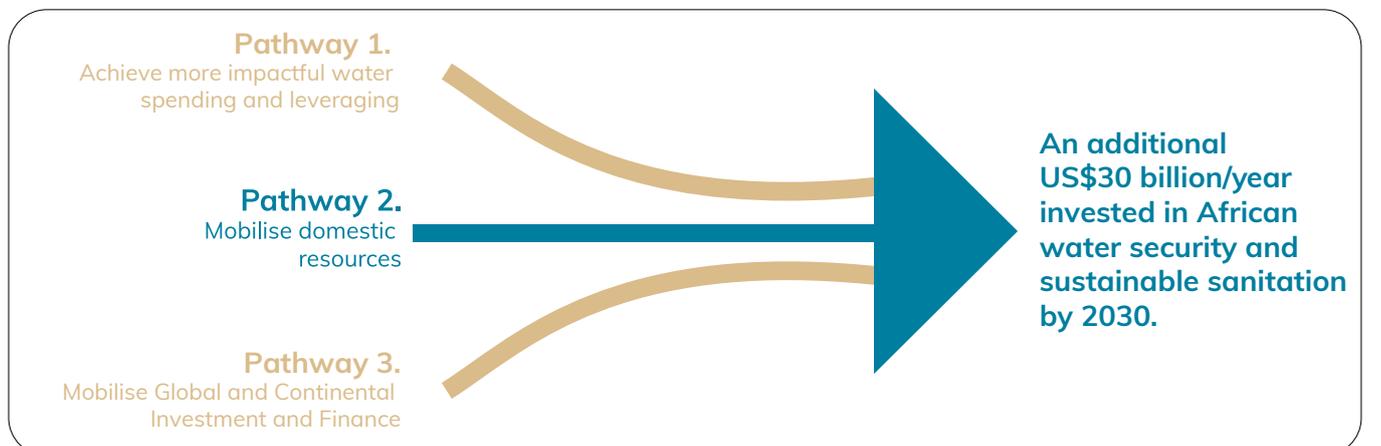
It is vital to strengthen data to inform investment decision making, ensure clarity in institutions' responsibilities, foster mutual accountability for results and capacities to

deliver on their mandates and prepare well sequenced and prioritised bankable investment projects and pipelines.

Enforcing regulations is paramount to strengthen governance for equitable and sustainable water allocation, management, service delivery and use, and provide the right incentives and risk environment for private investments. Innovative practices and technologies can further improve efficiencies. Comprehensive and coordinated monitoring, review of sector performance will increase transparency.

Together these elements build the foundation for increased investment through Pathways 2 and 3.

Pathway 2. Mobilise Domestic Resources



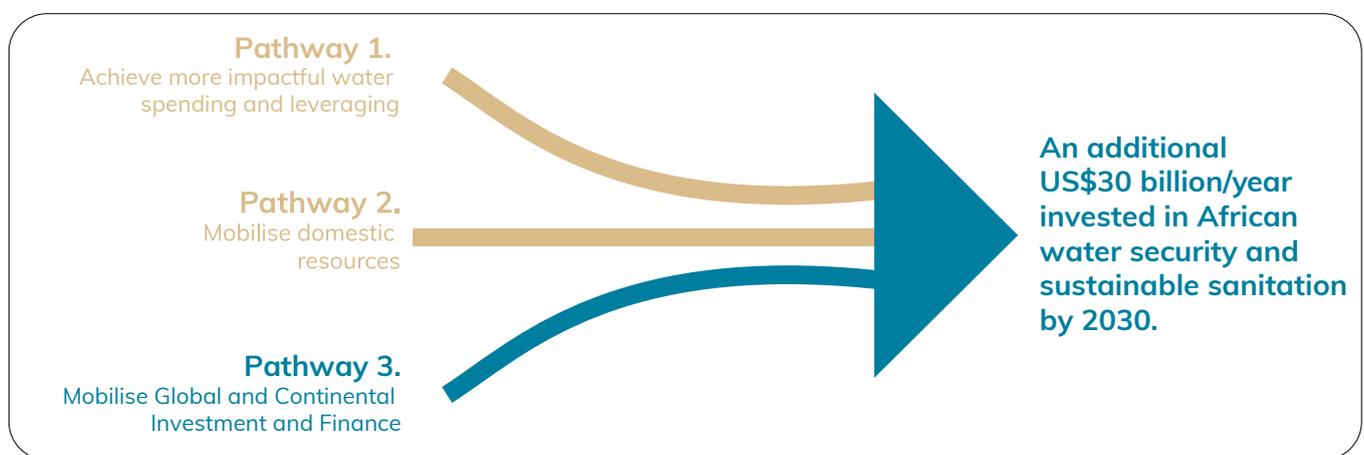
The financial performance track record and creditworthiness of service providers should be built to attract private capital and finance. Prioritise matchmaking of the supply and demand for finance with a special focus on climate resilient and blended public-private investment and gender transformative approaches. Efficient delivery modalities and investable legal and regulatory water investment regimes must be prioritised, implemented, and enforced to mobilise private capital at scale by 2030.

With an enabling environment, public development banks and microfinance institutions could also increase spending in the water sector – especially if they are

mandated to do so and with appropriate risk mitigation instruments.

Transformative change towards water security will require scaling up proven innovations and moving beyond the traditional “three Ts” of water finance sources: taxes, tariffs and transfers to include a 4th “T” for ‘transformative’ financial flows through dedicated budget allocations for water in economic sectors and investments in agriculture, industry, mining, energy, and others. This will be additional to current allocations to water ministries for social services. A finance instrument for transformative financial flows will need to be developed.

Pathway 3. Mobilise Global and Continental Investment and Finance



A significant pool of global institutional capital is seeking competitive risk-adjusted returns from bankable sectors – including aspects of the water value chain. To attract this investment, legal and regulatory frameworks with appropriate risk-sharing mechanisms among public and private investors must be pursued. The frameworks must be supported by the recognition of water and wastewater as valuable asset classes.

Companies should do more to conserve, recycle, reuse, and protect water resources through internalising the full costs of water across all their operations, and embed transformative financial flows through dedicated budgets for water in their balance sheets and operations.

Water is a central part of climate adaptation and needs to be prioritised within global and regional climate finance and investment. ODA should be used to leverage much greater finance through guarantees schemes, strengthen systems, project development with funding for early-stage project pipeline development, risk management, and results-based financing.

International finance institutions and multilateral development banks should champion water at the highest levels and crowd-in large pools of institutional private capital. Reform of global financial systems, technology transfer, and South-South collaboration are key enablers of access to affordable capital, transboundary, and international cooperation.

AIP International High-Level on Water Investments for Africa

Panel Leadership



H.E. Macky Sall
Co-Chair
President of the Republic of Senegal
Chair: African Union 2022



H.E. Hage Geingob
Co-Chair
President of the Republic of Namibia



H.E. Mark Rutte
Co-Chair
Prime Minister of the Netherlands



H.E. Jakaya Kikwete
Alternate Co-Chair
Former President of the United Republic of Tanzania

Panel Members



H.E. Cyril Ramaphosa
President of the Republic of South Africa



H.E. Samia Hassan
President of the United Republic of Tanzania



H.E. William Ruto
President of the Republic of Kenya



H.E. Hakainde Hichilema
President of the Republic of Zambia



H.E. Adama Barrow
President of the Republic of The Gambia



H.E. Moussa Faki
Chair: African Union Commission



Nardos Bekele-Thomas
CEO: African Union Development Agency



Achim Steiner
Administrator: United Nations Development Programme



Catherine Russell
Executive Director: United Nations Children's Fund



Prof. Dr. Patrick Verkooijen
CEO: Global Center on Adaptation



Pablo Bereciartua
Chair: Global Water Partnership



Amb. Howard Bamsey
Australian National University

Achieving water security for all on the continent is possible by 2030 and within the power of African leaders.

To mobilise at least additional US\$ 30 billion a year, the High-Level Panel proposes a 5-point Action Plan for Heads of State and governments, business and global leaders, to support the implementation of the three actionable pathways.

1. Establish cross-sectoral political leadership at the highest level, with commitment to substantially increase public budgets and investments for water security and sustainable sanitation. Water affects all economic and social sectors. Cross-sectoral leadership is critical. Make increased water security and sustainable sanitation a national and continental priority.

2. Track progress and enhance mutual accountability for results in the mobilisation of water investments and in peer review mechanisms at continental, regional, national, sub-national, and community levels. Recommit to allocation of at least 5% of national budgets for the water and sanitation sector and 0.5% of GDP per annum for sanitation and hygiene programmes.

3. Mobilise new sources of funding and innovative finance, such as institutional investors. Actively support matchmaking platforms to bring together the supply and demand for finance with a special focus on climate resilient, blended public-private finance, and gender transformative approaches.

4. Strengthen institutional regulation for water investments, create incentives and penalties for increased water efficiency across multiple industries to lead water stewardship efforts, biodiversity, and ecosystem protection.

5. Use ODA to de-risk water investments and leverage larger funding streams. Improve implementation capacity and quality of bankable projects, and strengthen international cooperation by aligning technical and financial support with regional, transboundary and national water investment programmes, strategies and plans.

THE HIGH-LEVEL PANEL INVITES AFRICAN HEADS OF STATE AND GLOBAL LEADERS TO JOIN EFFORTS TO AT LEAST DOUBLE CURRENT WATER INVESTMENTS AND IMPLEMENT NATIONAL WATER INVESTMENT PROGRAMMES BY 2030.

Published by the International High-Level Panel on Water Investments for Africa. The Panel was formally launched on 25 March 2022, during the 9th World Water Forum in Dakar, by the President of the Republic of Senegal His Excellency Macky Sall.

Suggested citation: International High-Level Panel on Water Investments in Africa Report: How to Mobilise US\$30 Billion Annually to Achieve Water Security and Sustainable Sanitation in Africa, International High-Level Panel on Water Investments for Africa, South Africa, March 2023.

Download the full report: <https://aipwater.org/high-level-panel/>

Contact:

International High-Level Panel on Water Investments for Africa
African Union Commission
Department of Agriculture, Rural Development, Blue Economy and Environment
Addis Ababa, Ethiopia
NyambeH@africa-union.org
info@aipwater.org
www.aipwater.org