



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

Investment Promotion Approach and Action Plan

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ACRONYMS AND ABBREVIATIONS

AfDB	Africa Development Bank
AWF	Africa Water Facility
GIF	Global Infrastructure Facility
LOE	Level of Effort
PIDG	Private Infrastructure Development Group
PPP	Public Private Partnership
TA	Technical Assistance
TOC	Theory of Change
ToR	Terms of Reference
USAID	United States Agency for International Development
WASH-FIN 2	Water, Sanitation, and Hygiene Finance 2 Activity
WFPP	Water Financing Partnership Facility

I.0 INTRODUCTION

The document outlines the Africa Water Facility's (AWF) new Investment Promotion Approach and Action Plan 2023-2028. Supported by the United States Agency for International Development (USAID) through the Water, Sanitation and Hygiene Finance 2 (WASH-FIN 2) program, the Approach and Action Plan aims to secure financing for climate-resilient water and sanitation services in Africa. In this context, the Approach and Action Plan focuses on three themes:

- **Targeting investors:** AWF will create tools to target and nurture relationships with suitable investors throughout the project cycle, incorporating tailored bankability indicators.
- **Streamlining processes:** AWF will develop tools and processes to enhance the efficiency and quality of project identification, preparation, and implementation.
- **Aligning with country priorities:** AWF will select projects that align with country governments' interests and are more resilient to changes in country priorities.

After implementation of the Approach and Action Plan, AWF will be in a better position to secure downstream investment for its projects and expand its impact in the water and sanitation sector. This document presents the Approach and then the Action Plan, to be implemented over 18 months. After implementation, we expect:

- **Enhanced project attractiveness:** Tools like bankability indicators and an investor CRM will assist task managers in presenting projects to suitable investors.
- **Streamlined project implementation:** AWF staff will efficiently identify high-quality projects from a large pool of concept note applications. Task managers can leverage a wide partner network, reducing the administrative burden for project execution.
- **Empowered governments:** AWF will equip country governments with knowledge and tools to promote investments post-AWF project preparation.
- **Periodic reviews:** AWF staff will closely monitor downstream investments and conduct regular reviews for the effectiveness of the Approach.

The actions proposed by the Approach and Action Plan are based on two studies that the WASH-FIN 2 team conducted. The first study was a peer facility analysis that identified best practices that project preparation facilities follow. The second study analyzed AWF's project pipeline and identified root causes for why some projects could secure downstream financing while some could not. The findings from these two studies drove the development of the Investment Promotion Approach and Action Plan.

The document is structured as follows: Section 2.0 provides the motivations and context for the Approach and Action Plan. Section 3.0 summarizes the analyses that inform the recommendations. Section 4.0 states the expected results from the Approach. Section 5.0 outlines the Approach through stating the gaps identified in the analyses and suggests overarching actions to address them, focusing on the three key themes. Section 6.0 establishes a monitoring and evaluation framework for the investment promotion approach and action plan, while Section 7.0 discusses potential risks and proposes mitigation measures. Lastly, Section 8.0 details an 18-month action plan with detailed tasks essential for executing the approach identified in Section 5.0 by describing:

- Prioritization of tasks and actions.
- The anticipated effort from AWF staff and external consultants for implementing these actions, without specifying the ongoing effort required for after implementing this action plan.

- Specific tasks and deliverables contributing to more efficient project processes, enhanced relationships with potential investors, and sustained engagement in investment promotion.

The impact of this forward-looking plan extends beyond its implementation phase. While external consultants will facilitate the initial implementation, AWF internal staff will learn to use all tools and processes created in this Action Plan. AWF internal staff will follow best practices and ensure sustained success post-implementation. To that end, developing tools, processes, and staff training is a major part of the Plan deliverables. The purpose of implementation is to ensure AWF staff can more effectively promote downstream investment through improved processes, capacity, and tools.

2.0 MOTIVATION FOR THE APPROACH

Africa has a substantial infrastructure funding gap. As Africa's population continues to grow at a rapid pace, needs for infrastructure investment increase. Annually, the continent needs an additional US\$68 - \$108 billion in infrastructure development.¹ The lack of infrastructure poses a significant challenge to the continent's social and economic development. Therefore, addressing this funding gap is crucial for unlocking Africa's economic potential and improving people's living standards.

AWF's objective is to mobilize investments in Africa's WASH sector. AWF supports the goals of the African Water Vision 2025, Africa 2063: the Africa We Want, and Sustainable Development Goal 6. AWF collaborates with African states and key stakeholders to prepare climate-resilient WASH projects for further investment and to scale-up catalytic interventions.² As the only African project preparation facility geared to mitigate poor access to water and sanitation in Africa, AWF's mandate is to drive and lead the mitigation of Africa's significant access barriers to clean water and sanitation.

Since 2006, AWF has supported 133 projects in 52 countries with total financing commitment of EUR195 million. Thirty-five percent of the AWF operations were in the fragile countries. The projects cover three of AWF's strategic pillars: project preparation, catalytic investments, and water governance. 47% of the projects fall under the project preparation pillar (63 of the 133 projects). Of these, 24 projects have secured downstream investment. Overall, AWF's projects received downstream investments of over EUR1.6 billion from development partners. As a result, the projects have increased access to safe water supply to 14.1 million people and provided sanitation services to 9.1 million people.

The amount of downstream investment has the potential to double, with improved investment promotion activities. AWF recognizes investment promotion as a critical area for strategic growth, and the analytical work in this document focused on promoting investments for those projects that fall under the project preparation pillar.

AWF's Four Strategic Pillars:

- Project preparation
- Catalytic investments
- Water governance
- Investment promotion

AWF's Strategy reflects AWF's renewed focus on investment promotion. AWF's Governing Council approved the revised African Water Facility Strategy in December 2021. It contains four Strategic Pillars, of which investment promotion is one. Since AWF revised its strategy in 2021, AWF has allocated 65%

¹ "Africa's infrastructure: Great potential but little impact on inclusive growth". Accessed July 19, 2023. https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/2018AEO/African_Economic_Outlook_2018_-_EN_Chapter3.pdf?ref=activatorhq.com.

² African Water Facility Strategy 2017-2025, p. 7.

of funding to the project preparation pillar, 15% to the catalytic investments pillar, 10% to the water governance pillar, and 10% to investment promotion.

AWF's strategic pillars have evolved over the years, resulting in different levels of effort and funding given to priority areas. Since 2006, there have been three strategic periods: 2006-2011 (period I), 2012-2015 (period II) and 2017-2025 (period III). In the first two periods, AWF focused on the three strategic pillars of Project Preparation, Water Knowledge, and Water Governance. AWF focused on providing grants and technical assistance (TA) to ensure that projects are bankable, viable, and climate-proofed, with clear opportunities for effective implementation. Thus, as the African context required, the first 10 years of AWF operations provided efforts to enhance Water Knowledge and Water Governance. The third Strategy has four pillars with a clear focus on investment promotion.

AWF's 2021 Strategy identifies four interventions to support investment promotion:³

- Process coordination and facilitation to mobilize investment financing, focusing on roundtables and international events.
- Network platform creation to connect project sponsors with potential investors.
- Collaboration with other Bank departments to provide insurance guarantee brokerage services.
- Establishment and operation of the African Urban Sanitation Investment Fund.

The 2023-2028 Investment Promotion Approach and Action Plan aims to increase the total amount of downstream investment and the rate of AWF projects receiving downstream investment.⁴ This Investment Promotion Approach builds on the existing investment promotion strategy and activities. We identify additional opportunities and times to engage with investors and other Bank departments. Furthermore, we identify areas of overlap and strategic growth between investment promotion and the other three strategic pillars: project preparation, catalytic investments, and water governance.

The Approach and Action Plan is a product of the collaborative efforts of AWF staff and the WASH-FIN 2 team. To inform our recommendations, we conducted a comprehensive analysis of peer project preparation facilities to identify best practices and a root cause analysis of AWF's current project pipeline. Section 3.0 summarizes the key findings from both analyses. We reviewed the entire project cycle and identified areas where AWF can enhance its efforts to increase downstream investment.

Finally, this Approach and Action Plan explores private finance as an additional focus of investment promotion. Given the limited amounts of public, concessional, and development finance available, the water sector in Africa must also tap into private finance. The Approach and Action Plan aims to move AWF towards unlocking more private investment. AWF will implement the proposed actions as part its broader performance improvement efforts under the current strategy.

3.0 SUMMARY OF PREVIOUS ANALYSES

This Approach report was preceded by a review of AWF's internal processes and a root cause analysis of projects in AWF's pipeline. The review of internal processes identified gaps between AWF's current processes and the best practices adopted by peer project preparation facilities.⁵ The best practices analysis covered the project preparation cycle and investment promotion: project identification,

³ These four interventions are included in AWF's 2021 revised strategy and are not associated with this Approach and Action Plan.

⁴ We define any investments that are used to fund AWF-prepared projects "downstream investment."

⁵ The peer project preparation facilities are Private Infrastructure Development Group, Global Infrastructure Facility, and Water Financing Partnership Facility.

screening, and support. **Table 3-1** presents the key success factors from the three peer facilities. Details on each of the key success factors can be found in the report, “Process Benchmarking: African Water Facility and Peer Project Preparation Facilities.”

Table 3-1 Key success factors for project preparation facilities

	Key success factors
1.	Engage investors from the beginning
2.	Standardize concept note applications
3.	Follow a rigorous and transparent screening process
4.	Assess bankability throughout the project preparation process
5.	Reduce project attrition due to political changes
6.	Link upstream governance work to project identification
7.	Ensure staff have relevant expertise
8.	Standardize TORs and technical oversight of the facility for feasibility studies
9.	Establish a network of technical partners

Through the process analysis, we confirmed that AWF has limited contact with other departments housed within AfDB, such as the guarantee facility. We agree with the existing Strategy that further coordination could help overcome barriers to downstream investment.

The root cause analysis of 50 projects in AWF’s pipeline confirmed many findings from the process analysis.⁶ It has identified three themes associated with increases in downstream financing:

- Improved project preparation efficiency
- Alignment with government priorities
- Investor engagement

The analysis found that the quality of project preparation has a positive correlation with achieving downstream financing. We find that projects with well-defined project activities, benefits, and scope are associated with more downstream financing. Additionally, projects remaining in the AWF pipeline for longer periods of time are associated with less downstream finance mobilized. The analysis also found that risk identification and mitigation in the project design phase may contribute to successful downstream financing.

Our root cause analysis and project deep dives also found that projects that align with national priorities or are government-led are associated with having downstream financing. Investors are more likely to finance a project where the political, regulatory, and policy environment is friendly. A country where WASH is a national priority is more likely to have an enabling environment. Government-led projects may also be more likely to align with national priorities.

Finally, the root cause analysis finds that focusing on investment promotion during project preparation can lead to more downstream financing. This includes traditional investment promotion during project

⁶ Of the 50 projects, three fell under the catalytic investments pillar, three projects under the governance pillar, 35 under the project preparation pillar, and nine projects which fell under both the project preparation and governance pillars.

preparation, investor identification and involvement during preparation, and AWF flagging financing as a concern during project preparation.

We also find that AWF is mobilizing minimal amounts of private finance. Of the 50 projects analyzed, only two had mobilized private finance.

Details on the project characteristics that are associated with a project having downstream financing can be found in the report, “Project Preparation Pipeline Analysis: African Water Facility.”⁷

4.0 EXPECTED RESULTS

The Approach and Action Plan aims to capitalize on the findings from past AWF projects and help AWF foster more financial mobilization. The Approach and Action Plan maps out actionable improvement items along the project cycle. These actions will overcome the challenges associated with the absence of downstream investment and result in a more efficient AWF operation and investment promotion.

At the conclusion of the Approach and Action Plan, AWF will enhance its ability to secure downstream investment for projects, thereby expanding its influence in the water and sanitation sector. The expected results of the Approach and Action are as follows:

- Task managers will utilize a range of bankability indicators and an investor CRM system to effectively present projects to suitable investors.
- AWF staff will efficiently identify high-quality projects from numerous concept note applications to include in its project pipeline.
- Task managers will harness a diverse network of partners for project implementation, reducing administrative burdens.
- Country governments will gain knowledge and tools to promote projects for investment post-AWF project closures.
- AWF staff will monitor downstream investment status for projects and conduct periodic reviews.

While the Approach is for a five-year period, the Action Plan focuses on the initial 18 months where AWF focuses on developing the foundation for improved investment promotion. This includes AWF processes, bankability definitions, and an overall monitoring framework for investment promotion. After 12 months, AWF should evaluate the progress and identify revisions or actions needed to continue implementation. Additionally, a mid-term review can provide AWF with an opportunity to evaluate the Approach and determine any revisions or actions needed for the second half of the five-year period.

5.0 ACTIONS

The Approach organizes its recommendations under three themes:

- **Target investors.** AWF will promote projects to suitable investors and other funders. AWF will ensure that potential investors are involved throughout the project cycle.

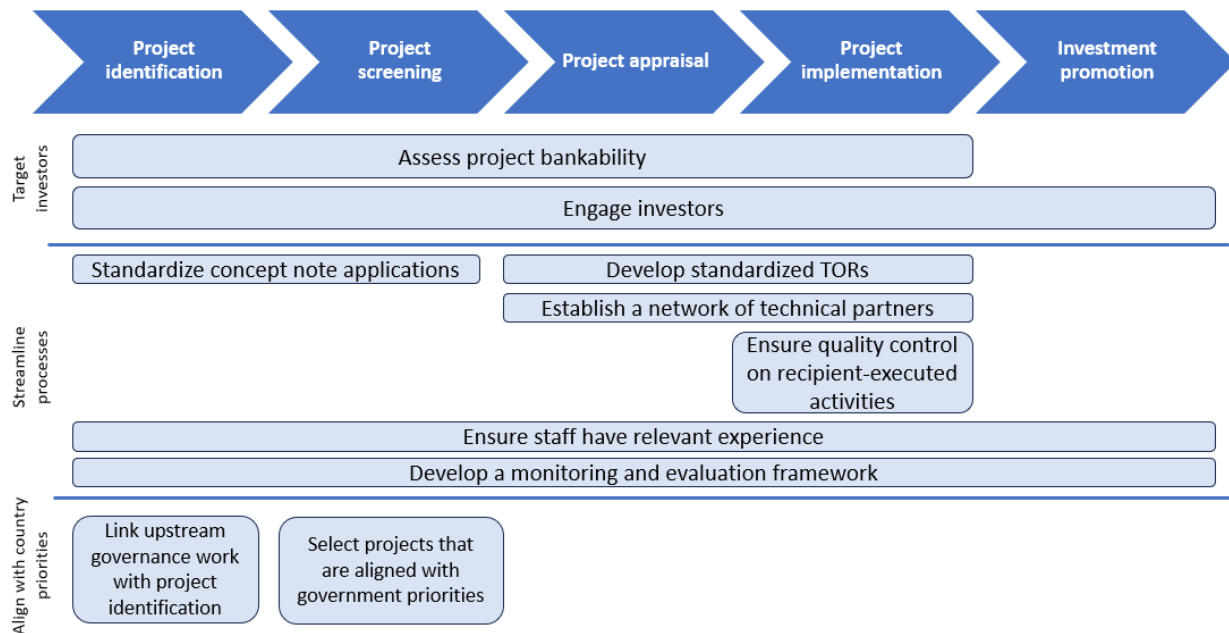
⁷ The analytical work focused on projects that were primarily focused on WASH and had the potential to attract downstream investment. These projects focused on project preparation for infrastructure investments rather than on policy reform or similar activities. These include classic project preparation activities, such as conducting feasibility studies and demonstration investments.

- **Improve and streamline processes.** AWF will improve and standardize core project preparation activities. The improved processes will increase efficiency and ensure that AWF proactively promotes investments.
- **Align with country priorities.** Political challenges are a significant barrier to downstream investment. AWF can better mitigate the challenges through quicker implementation and closer alignment to upstream governance work.

AWF can implement actions related to the themes at various stages of the project preparation cycle,⁸ from project identification through project completion and current post-project investment promotion. The themes are arranged according to their stage in AWF's project cycle to ensure that improvements are made throughout the project cycle. **Figure 5-1** illustrates the actions across various project stages.

⁸ The project cycle reflects how AWF currently handles each project from the start to the end. After AWF identifies a project, it will receive the project concept note. After AWF screens the project, the project will enter the project pipeline if selected. AWF then appraises the project if the project is selected as a priority project. After project appraisal, AWF will approve grants for project implementation. The project preparation will take time ranging from months to three years. After the project implementation is completed, the project team will submit a project completion report. At this point, the preparation of a specific downstream investment is either considered completed (feasibility studies and/or other required documents have been completed and approved) or priority projects for the country, basin or region have been identified through the completion of master plans or investment plans, etc. The project will then enter the investment promotion phase to secure funding.

Figure 5-1 Illustration of actions



The subsections below describe each of the actions in further detail.

5.1 TARGET INVESTORS

To mobilize more finance, AWF can be more efficient at targeting investors. Specifically, AWF can:

- Systematically assess project bankability.
- Engage investors throughout the project preparation process.

5.1.1 ENGAGE INVESTORS THROUGHOUT THE PROJECT CYCLE

The action to engage investors is relevant to the entire project cycle, from the beginning of project identification to the end of investment promotion.

Gap

Previous root cause analysis has shown that AWF projects that engaged investors throughout the process are more likely to secure downstream investment. Currently, not all AWF project preparation has investor engagements during project preparation. The current investor engagement activities do not adequately serve the purpose of attracting investors. Ensuring all projects take the initiatives to engage investors is a critical step to secure downstream investment.

Closer contact with investors throughout the process will ensure that investor concerns are addressed throughout the project preparation process. Potential investors, when engaged early, can provide feedback on the project structure and feasibility studies, and help craft solutions that will make downstream investment more likely.

Moreover, investor involvement will ensure that bankability assessments focus on financial viability and not just net social benefits. This will make projects more attractive to private investors.

Action

AWF should target investors using various methods throughout the entire project preparation cycle.

First, AWF should engage investors during the project identification phase to build relationships with local investors, originate opportunities,⁹ and broadly identify investor priorities and timelines. During field missions, AWF staff can organize parallel, one-on-one discussions with investors in-country. These can include local country offices of development banks, private sector companies, institutional investors, and local banks. Regular meetings with major investors can help AWF identify opportunities that investors are already interested in. These projects are more likely to be bankable and without structural or regulatory risks.

Second, AWF should identify and reach out to investors immediately after projects are added to the pipeline.¹⁰ During this period, AWF can continue to gauge investor interest and identify target downstream investors and plans for their continued engagement and management. With target investors in mind, AWF can build the preliminary business case for the project and clearly identify the project preparation needed to achieve downstream investment.

Third, AWF should engage investors throughout the project preparation process to:

- Refine the project preparation that is necessary to obtain downstream investment. For example, if the project preparation is helping to structure a PPP, AWF can begin market soundings and dialogues with investors. This also limits preparation that is not suited to available financing.
- Share information with investors to build confidence. For example, AWF can share project preparation progress reports and preliminary findings from pre-feasibility studies.
- Identify the likelihood of downstream investment. AWF can reach out to investors through desk research, surveys, and interviews. If the market survey highlights a lack of investor interest or specific investor concerns, AWF can consider redesigning the project.¹¹

Finally, after project preparation is concluded, AWF needs to secure financing. AWF should modify the current processes for holding investor roundtables. For example, before the roundtable, AWF can meet with the target investors one-on-one beforehand to share information about the project, gauge interest, and identify areas of concern. AWF can prepare strong dissemination materials to share with investors. AWF should also consider supporting eligible project sponsors with

⁹ See the report, "Process Benchmarking: African Water Facility and Peer Project Preparation Facilities," for detailed examples on how peer facilities engage investors during the project identification phase. PIDG identification process are presented in Section 3.1.1 of the report.

¹⁰ A relationship-based database of investors would help AWF implement this action.

¹¹ IFC PPP Advisory has strong market-sounding processes. See the report "Process Benchmarking: African Water Facility and Peer Project Preparation Facilities," Section 3.4, for more details. GIF also conducts early market soundings during preparation.

financing packages that can include risk-sharing or credit enhancement packages to enhance the attractiveness of the project to private investors.

Result

Through active identification and engagements with investors, AWF can minimize the possibility of failing to secure downstream investment. AWF will select projects that are more likely to attract investors. Investor engagements also help AWF tailor project preparation to investors' interests and needs. Moreover, constant communication with investors throughout project preparation can help AWF maintain positive investor relationships and help overcome investor perceptions of risk. Lastly, AWF can adjust projects to address investor concerns.

5.1.2 ASSESS PROJECT BANKABILITY

The action to assess project bankability is relevant to almost the entire project cycle, except during the investment promotion phase. AWF should attempt to assess project bankability as early as possible, starting at the beginning of project identification. The efforts in bankability assessment should continue until the completion of project preparation.

Gap

Assessing project bankability is crucial in targeting investors. The assessment presents information on the project's feasibility, sustainability, and investment returns. AWF can develop appropriate solutions once it understands a project's financial prospects.

Currently, AWF does not have a formal, operationalized definition for bankability. AWF staff have reported defining project bankability in two different ways:

- A project that can be funded by a development finance institution, commonly with an economic internal rate of return of 10%
- A project where the socio-economic benefits are positive.

AWF's definition of bankability differs from the primary indicator that typically drives the definition. Financial bankability, or the ability to provide cash-flow potential, still dictates the decision-making across all types of investors, including concessional donors.¹² Because AWF has historically focused on public financing, evaluating financial bankability is not a primary focus. As a result, AWF's ability to explore alternative forms of finance is limited.

In addition, AWF currently does not systematically assess bankability. For example, in the South Africa Multiple-Use Water Services project, a case study evaluated in the root cause analysis, AWF did not calculate the social and financial returns.

Action

AWF should assess project bankability effectively during the project preparation process. AWF can then clearly communicate the project's bankability to investors. However, effective assessment of project bankability depends on a clear and measurable definition.

First, AWF should define bankability in detail. Many definitions exist that use numerous different criteria, including financial viability, technical feasibility, social

¹² McCoy, Wilder, and Klaas Schwartz. "The water finance gap and the multiple interpretations of 'bankability'." *Journal of Water, Sanitation and Hygiene for Development* 13, no. 1 (2023): 19-29.

desirability, risk profile, sponsor characteristics, and the project's legal and regulatory environment. AWF should select a definition that aligns with investors' definition and assessment of bankability.¹³ As an example, the operating definition of a bankable project for Private Infrastructure Development Group (PIDG) is to achieve commercial viability in two years. AWF will develop its own catalogue of bankability indicators during the implementation of the Action Plan.

Second, AWF should plan to assess project bankability throughout all stages of project preparation, from identification through project close and investment promotion at the end. AWF should consider data availability and information asymmetries when planning the level of assessment. For example, during the identification phase, AWF can request proposals to include information about the preliminary business case. The project appraisal report and the appraisal provide a formal opportunity to assess bankability and shape the level of support based on the project's bankability. Most critically, during project preparation implementation, economic and financial analyses should be conducted systematically to cover bankability. Key assessments include cost-benefit analysis and value-for-money assessments.

Third, AWF should use the project bankability assessments to drive investor engagement strategy and adjust project preparation activities, including project design. AWF can also use the bankability assessments and economic analyses to evaluate alternative financing options, such as blended finance.

Result

Assessing financial bankability can help AWF tap into private finance and diversify its investor sources. If a project has a high financial return, AWF can target private investors. If a project is close to commercially viable, AWF can explore solutions such as blended finance and viability gap funding. This way, AWF projects do not rely on a limited number of investors and tap into a bigger investment market.

Systematically evaluating bankability can help AWF allocate resources to high-impact projects. The evaluation can also help AWF identify strategies for project preparation. Therefore, AWF will increase the likelihood of downstream investment from development financial institutions and impact investors. These investors seek social impact and sustainability, so they are more likely to invest in AWF projects when the projects demonstrate positive net values.

5.2 STREAMLINE PROCESSES

Improving and streamlining internal processes can help improve overall efficiency (the time from project screening to project completion) and root case analysis shows that projects with a shorter lead time are more likely to secure downstream investment. Specifically, AWF can streamline processes by:

- Standardizing concept note applications (section 5.2.1)
- Developing standardized TORs (section 5.2.2)
- Ensuring staff have relevant experience (section 5.2.3)
- Establishing a network of technical partners (section 5.2.4)

¹³ Different investors may have different definitions, in which case AWF may want to adjust the project's working definition of bankability. AWF should nevertheless agree upon a list of possible definitions and processes for selecting the working definition for bankability.

- Developing a monitoring and evaluation framework (section 5.2.5)
- Ensuring quality control on recipient-executed activities (section 5.2.6)

5.2.1 STANDARDIZE CONCEPT NOTE APPLICATIONS

The actions to standardize the project screening process are relevant to both the project identification stage and project screening stage. The project identification, application, and selection processes serve as an important opportunity to identify bankable projects and increase the efficiency of processes.

Gap

AWF does not have a formalized screening rubric or process: AWF screens projects before they are entered into the pipeline. The screening process assesses the project sector, geography, and impact, along with alignment with AWF's strategic pillars. Due to a lack of a formalized screening tool, AWF staff must provide significant resources to screen projects that often lack the relevant data required for proper assessment.

Not having a formalized screening rubric and process is one of the reasons why AWF has a lead time from project identification to grant disbursement, averaging one year.

The lead time for AWF is longer than the lead time at peer facilities. Global Infrastructure Facility (GIF) typically takes two to three months for processing, PIDG takes two to three weeks, and the Water Financing Partnership Facility (WFPPF) usually takes two weeks for processing.¹⁴

Action

AWF should develop and use a standardized concept note screening rubric and process to evaluate all concept notes: The screening rubric should evaluate:

- Sector relevance
- Geography
- Impact
- Bankability
- Alignment with AWF's strategic pillars.

AWF can establish a dedicated TA fund to assist project sponsors in developing AWF applications that follow the standardized concept note: This ensures that AWF does not overlook high-impact opportunities that may lack certain crucial elements required for AWF applications. AWF can more systematically support technically weak but high impact projects to prepare high quality concept notes.

Result

Standardized applications ensure all relevant information, including geography, impact, and bankability, are present. This makes AWF decision-making easier and more efficient, because AWF does not need to go back and forth with applicants to acquire information or conduct assessments outside of AWF's scope.

¹⁴ Leveraging a streamlined approach to assess concept notes contributes to the quick turnaround times for peer facilities. PIDG and WFPPF, for instance, use scoring systems to evaluate standard concept notes. GIF requires projects to be at a certain development stage, which reduces the need for the technical assistance and administrative burden to review underdeveloped concept notes. Moreover, PIDG's board has a five-day window upon receiving a grant application to raise objections; if none arise, the application gets automatic approval. Despite external influences on the duration between concept note submission and funding release, AWF has the potential to enhance screening efficiency by adopting a standardized and streamlined process.

Having a standardized application and review process will ensure that the projects AWF selects have well-defined scopes, benefits, and objectives. A screening rubric speeds up the evaluation of concept notes and thus increases efficiency. It provides a systematic way of assessing concept notes, prevents arbitrary decisions, and prevents hesitation between multiple projects.

5.2.2 DEVELOP STANDARDIZED TERMS OF REFERENCES

The action to develop resources and tools for appraisal and project preparation is relevant to the project appraisal stage and project preparation stage.

Gap

AWF does not have standardized TORs. Many TORs need to be developed through the application and appraisal process. As a result, AWF staff must provide significant administrative and technical assistance to prepare the TORs. This increases administrative costs relative to grant disbursements and increases the time from project identification to grant disbursement. Therefore, AWF has a longer lead time from project identification to grant disbursement, averaging one year.

Action

AWF should develop standardized TORs and screening rubrics. A standardized TOR screening rubric will communicate to project developers what information is needed in a TOR for it to be accepted. AWF should also standardize the collection and filing of project support documents, including concept notes, appraisals, project evaluations, and project completion reports.

The standardization process should also develop TORs that guide a comparative evaluation of public compared to private finance, in addition to engineering feasibility. AWF can add three additional dimensions to its TOR requirements to facilitate more private finance:

- Project developers should consider options in private finance. AWF needs to see explicit evaluation and comparison of public versus private financing in submitted TORs.
- Project developers should develop engineering studies that can be used by private investors.
- Project developers should ensure enough private sector expertise in their project team.

As part of the standardization process, AWF should require consultant qualifications that will allow them to fully evaluate private possibilities. Consultant qualifications can then better align with the activities in the TORs.

Result

Standardizing TORs will cut down the time from application receipts to grant support by improving the quality of TORs submitted and reducing rework. Standardized storage will make these documents easy to retrieve so AWF can analyze them to inform decision-making and further improve AWF processes. Potential clients can also prepare adequate TORs without significant input from AWF.

Having a screening rubric speeds up the evaluation of TORs and thus increases efficiency. It provides a methodological way of assessing TORs and prevents arbitrary and prolonged decisions when selecting projects into the pipeline.

In addition to reducing administrative burden, TOR standardization can facilitate and encourage private finance. Currently, most TORs focus on public financing and do not tailor the activities to those needed for private financing. Adjusting the TORs to consider and support private finance will facilitate downstream investment from the private sector. AWF can encourage project developers to explore private finance options more systematically.

5.2.3 ENSURE STAFF HAVE RELEVANT EXPERIENCE

Gap AWF staff have a variety of experience and expertise but may be in roles that require specialist skills outside of their area of expertise. Regarding private sector participation, for example, AWF does not have a specialized unit, while peer facilities do have specialized units to manage projects seeking private investment or implementation through a public-private-partnership (PPP). The specialized unit is staffed with professionals with extensive transaction advisory experience to navigate the challenges of PPPs and other complicated project finance structures. Although AWF usually relies on support by specialized consultants hired through the project preparation facility, staff need expertise in project preparation to screen potential projects and manage consultants.

Action AWF should conduct an audit of the skills needed to hold key positions throughout the project support pipeline. For example, AWF personnel who evaluate feasibility studies should have engineering and technical experience to evaluate engineering drawings. Personnel promoting a project for private investment should have transaction advisory experience.

Based on the needs identified through the audit, AWF can hire new staff and train existing staff to close technical gaps. AWF can then ensure personnel have the required training and experience for key positions.

The audit should consider AfDB's "one bank" approach and evaluate to what extent AWF can access relevant departments in the Bank to provide specialized services.

Result Staff with relevant technical and sector knowledge can facilitate smoother implementation of projects. Better project support will lead to more efficient use of AWF resources and more downstream investment.

5.2.4 ESTABLISH A NETWORK OF TECHNICAL PARTNERS

Gap AWF lacks an established network of technical partners to secure resources and support across a project cycle. AWF currently has limited relationships with other development entities outside of AfDB.

Having relationships with a strong network of technical partners as a key success factor among peer facilities. For example, in the PIDG network, PIDG provides TA, and InfraCo and GuarantCo provide the necessary investments and guarantees.

Action AWF should actively promote itself to establish relationships with more technical partners. AWF should make mutually beneficial relationships with peer project preparation facilities, project developers, and institutional investors to build on each other's strengths to prepare projects more effectively for investment.

Result AWF will have a strong network of technical partners with specialized project development, project preparation, and financial capabilities. AWF should leverage the network to secure targeted support for projects in AWF's pipeline. In addition to high-quality project support, a network of development partners can help promote AWF projects to new potential investors. AWF can prepare projects of better quality and sound technical aspects. AWF-supported projects will have more exposure and publicity because of increased coordination with a strong network of technical partners, which will positively impact investment promotion.

5.2.5 DEVELOP A MONITORING AND EVALUATION FRAMEWORK

The action to conduct monitoring and evaluation is relevant to the entire project cycle, from the beginning of project identification to the end of investment promotion.

Gap AWF can benefit from a more systematic and comprehensive monitoring and evaluation framework and process that includes indicators for investment promotion. Currently, staff at the Facility Headquarters conduct physical and desk supervision on projects. Project supervision entails the review of recipients' quarterly progress reports, monitoring of recipients' compliance with conditions and covenants, supervision of procurement and disbursement, and maintenance of project records. However, the complete set of project documentation from past AWF projects is not easily accessible.¹⁵ Missing project documents make M&E for those projects impossible.

AWF does not currently regularly monitor or evaluate its current investment promotion activities, such as investor roundtables or bankability assessments. A recent 2022 report analyzes the trends in downstream investment, but AWF has not done this regularly. AWF does not currently systematically and regularly collect information about project-level downstream investment. AWF summarizes the total downstream investment secured annually but does not track and report this systematically or at the project level.

Action AWF should track investment promotion activities and results systematically and at regular intervals.

First, AWF should decide on a revised monitoring and evaluation framework for downstream investment performance. This can include identifying indicators that are related to downstream investment, target levels of performance, reporting intervals, responsible parties, etc. Additionally, for projects that have received grant funding,

¹⁵ See the report "Project Preparation Pipeline Analysis: African Water Facility," Section 2, for a description of the availability of project documentation.

AWF should track the status of each project, as well as reasons for project delay or abandonment, where applicable. AWF should track projects after project preparation completion, to understand the status of downstream investment.

Second, AWF should ensure that project documents, such as concept notes and appraisals, are available in a central repository. Concept notes, appraisals, and PCRs should include information about the indicators of interest. The revised monitoring and evaluation framework should be realistic. For example, the framework depends on data availability, the presence of Project Implementation Units, and the role of the project sponsor. The monitoring and evaluation framework should reflect the themes of the Investment Promotion Approach.

Result

AWF will have better visibility of the status of each project and have access to investment-relevant indicators. AWF will be able to identify reasons why individual projects do or do not receive downstream financing. Regular reviews will allow AWF to implement corrective measures to overcome these barriers. Additionally, AWF will be able to track long-term trends in downstream investment. AWF will be able to refine the implementation of the Approach as monitoring improves and trends are identified.

5.2.6 ENSURE QUALITY CONTROL ON RECIPIENT-EXECUTED ACTIVITIES

Gap

AWF has little quality control on recipient-executed activities. Currently, AWF adopts a grant-recipient-execution approach to project preparation. Recipient-executed project preparation can carry risks to quality, budget, and timely delivery.¹⁶ Quality control mechanisms can mitigate these risks. Therefore, it is crucial for AWF to implement measures that ensure grant recipients fulfill their tasks to the level specified in TORs. Switching from the recipient-execution approach would not be feasible at this stage, as it would entail extensive institutional changes within AWF, capacity building, and substantial financial consequences.

Action

While AWF should continue its recipient-executed approach, it should do the following to enhance the quality control of its projects during the project preparation stage:

- Require clients to use standardized TORs
- Use a rubric to check that recipients have delivered against the standardized TORs
- Set performance indicators at different stages of project implementation
- Periodically review draft deliverable clients and require clients to address proposed AWF concerns
- Release grants to clients in tranches after evaluation results prove to be satisfying and concerns are addressed

¹⁶ The process analysis of peer facilities shows that none of the three facilities use recipient execution. The facilities manage project implementations using their own staff. This is because recipient-executed activities may not go as planned, especially if the facilities do not work closely on activity design and quality control.

The specific quality control framework will be developed based on industry best practices, AWF capacity for supervision and reporting, as well as the types of projects and their needs.

Result Implementing the practices above creates an iterative process where recipients are incentivized to follow TORs specifications and AWF standards more closely. It also reduces moral hazards and improves adherence to project guidelines. Therefore, it creates better-prepared projects that will have a greater likelihood of attracting investors.

5.3 ALIGN WITH COUNTRY PRIORITIES

Political challenges are frequently cited as a major barrier to project development and finance mobilization. To overcome these barriers and improve performance and downstream investment, AWF can:

- Link upstream governance work with project identification
- Select projects that align with government priorities.

5.3.1 LINK UPSTREAM GOVERNANCE WORK WITH PROJECT IDENTIFICATION

The action to link upstream governance work with project identification is relevant to the project identification stage.

Gap AWF identifies political changes as a risk but does not have a systematic method of qualifying and mitigating the risk in project selection or support. Political and institutional risks may hamper the smooth implementation of projects, cause delays and ineffective implementation, and thus discourage investors from investing. Thus, it is crucial for projects to identify risks up-front and work with governing entities to reduce the risks.

Action AWF's project preparation activities should be linked with activities that support the upstream enabling environment. AWF projects should secure government buy-ins at an early stage. This includes getting early written approval on different aspects of the project, incorporating government officials into the project's steering committee, etc.

Result This process will allow AWF to better identify projects that will be long-term priorities for governments, and less likely to be abandoned. Better identification will lead to higher project hit rates and more downstream investment.

Addressing upstream governance work will also make sure AWF projects receive continuous government support which enables smooth project implementation. Moreover, this process facilitates deep understanding of project risks and reduces information asymmetries between AWF and the project, and information asymmetries between investors and the project.

Lastly, these activities are crucial in creating the conditions for future projects in two ways:

- The policy and regulatory work can improve how the water sector operates. For example, tariff reform can contribute to the financial health of a water utility
- Successful policy work can demonstrate necessary political will and help build investor confidence in water projects.

5.3.2 SELECT PROJECTS THAT ARE ALIGNED WITH GOVERNMENT PRIORITIES

The action to select projects aligned with government priorities is relevant to the project screening stage. Changing political priorities causes project delays and incompleteness. When a project is not a strategic priority, the lack of political will from various government agencies may prevent the project's smooth implementation. Moreover, when governments change after an election cycle, the will to move the project forward, and the associated institutional knowledge of the project, may falter.

Gap

AWF currently does not rigorously assess the level of government priorities of projects. In appraisal reports, AWF maps out national strategies and sector trends relevant to projects. However, AWF does not systematically measure the extent to which a project aligns with government priorities.

In addition, concerning transboundary projects, which represent a significant proportion of AWF-prepared projects (12 out of 50), the root cause analysis showed that AWF has been successful in securing downstream investment for transboundary projects.¹⁷ However, it is crucial to require regional project developers to show proof of endorsement by the sovereign government. Transboundary projects proposed by non-governmental regional entities will likely have difficulty in securing financing.

Action

AWF should develop a framework for evaluating how well a project aligns with long-term country priorities. AWF should use the framework in all screenings. The risk that a project becomes stalled due to changing political priorities should be weighed in the decision to provide grant funding. As AWF improves and standardizes its project screening processes, AWF should thoroughly evaluate the extent to which a project aligns with government priorities and development plans.

In addition, AWF should also mitigate the risks of changing political support in two other ways :

- Focusing on projects with strong technical and financial characteristics, diverse stakeholders beyond the political realm, and diverse financing sources
- Ensuring transparency and accountability throughout the project to build trust and support among stakeholders. For transboundary projects proposed by non-governmental regional entities, AWF should require project developers to provide endorsements from sovereign governments.
- To reduce the risk that countries will change their minds about a project or shift priorities, AWF should minimize the time between project identification and project completion. It should also develop an evaluation framework to

¹⁷ According to the root cause analysis, all five completed transboundary projects have successfully secured downstream investment.

better determine how closely projects align with government priorities, and after how long a project should be dropped.¹⁸

By reducing the project preparation time, the chances of political incidents, such as changes in political parties, are significantly reduced.

Result Addressing the issue of changing national priorities can make more projects receive government attention and support, despite changes to the political regime or leadership. Decreased lead time between project screening and project completion further reduces the risks of changing political priorities. Investors and funders will have increased confidence in these projects, so the projects will be more likely to receive downstream investment.

6.0 MONITORING AND EVALUATION

The monitoring and evaluation framework sets goals for the Approach and indicators of achievement. The framework allows the implementing agencies to monitor their progress against the targets.¹⁹ If the indicator is below the target value, AWF can identify the root cause of the deficiency. Once the root cause is identified, AWF can plan, develop, and implement interventions to keep the Approach on track and ensure project goals are met. *Table 6-1* summarizes the actions and their success indicators.

Table 6-1 List of actions and their success indicators

Action	Indicator(s)	Baseline	Target
Engage investors throughout the process	Percent of projects that engaged investors in two or more stages of the project preparation process	N/A	90%
Assess project bankability	Percent of projects with appraisal documents that include information on project bankability	14% ²⁰	90%
Improve and standardize project screening process	Percent of new concept notes screened using AWF's (new) standardized template	0%	100%
	Average time between project screening and grant approval	12 months	6 months
Develop resources and tools for appraisal and project preparation	Percent of new projects that have used a standardized ToR	0%	100%

¹⁸ Current practice is that a project closed in the last 5 years that has not received financing is dropped.

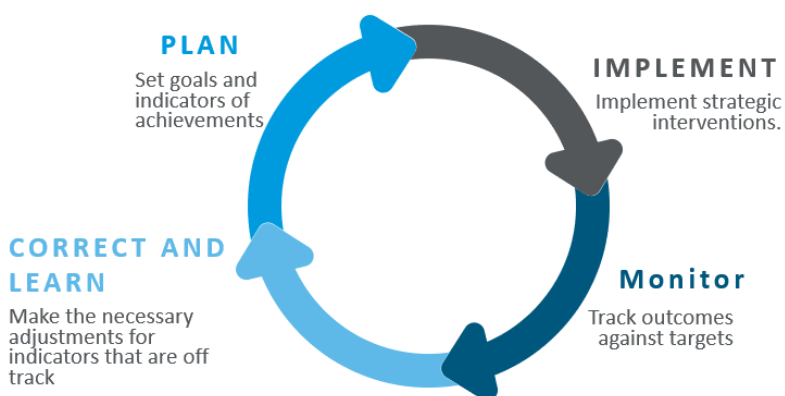
¹⁹ While this evaluation framework is for the Approach, Action 7 in section 8.4.5 is meant to design an evaluation framework for AWF to continuously track investment promotion. Such framework may include more specific and project-related indicators, like the amount of projects that achieve downstream financing and how many beneficiaries the projects help, for example.

²⁰ Seven out of 50 projects in the root cause analysis included economic and financial viability information in the appraisal documentation.

Conduct monitoring and evaluation	Percent of projects with complete, up-to-date indicators ²¹ recorded in the database	N/A ²²	100%
Reduce project attrition due to political changes	Percent of projects that face significant delays (> 4 years: time from appraisal to project preparation completion; to current date if not completed)	30% ²³	20%

Monitoring and evaluation are part of a continuous process of planning and implementing interventions, monitoring results, and correcting when the intended results are not being achieved. Figure 6-1 illustrates this process.

Figure 6-1 The process of monitoring and evaluation.



The monitoring and evaluation framework covers both objectives and actions to support those objectives. AWF will track progress toward the objectives with the indicators.

Finally, outcome targets describe the ultimate desired impact of the Approach and Action Plan. The targets in Table 6-2 will gauge the success and effectiveness of the overall process.

Table 6-2 List of critical outcomes²⁴

Outcome	Baseline	Target
Percent of projects securing downstream investment	43%	60%
Percent of projects securing private finance	4%	8%

²¹ Important indicators should be decided by AWF. Possible candidates include time of project document submissions, project start date, time and amount of each grant disbursement, project end date, implementing partner, scope of preparation activities, financing mobilized, investment promotion activities, etc.

²² Depends on the indicators that AWF selects.

²³ Seven of 23 projects (with information on both the appraisal year and grant completion year) took longer than four years to complete.

²⁴ AWF can also choose to track additional indicators on when projects secure downstream investment, such as: before closure, one year after closure, or five years after closure.

With successful implementation of the Approach and Action Plan, AWF can unlock capital for many more projects in water and sanitation sectors in Africa. The achievement of the outcome targets will address the substantial infrastructure funding gap and contribute to sector progress on the continent.

7.0 RISKS AND RISK MITIGATION

It is important for the Approach and Action to identify risks to the achievement of the Approach goals, contain measures to mitigate such risks, and respond appropriately when they occur. Table 7-1 summarizes the risks involved in achieving the actions and proposes mitigation measures.

Table 7-1 List of risks to achieving the Approach goals and their mitigation measures.

Risk	Description	Mitigation plan
Delayed implementation	Risk of the Approach not being implemented on time or within the desired timeline.	Implement a detailed project management plan with clear milestones, assign dedicated resources, and regularly monitor progress to identify and address any bottlenecks or delays promptly.
Internal reluctance to change	Resistance or hesitancy from internal stakeholders to adopt or embrace the new Approach.	Conduct effective change management activities, such as communication and training programs, to create awareness, address concerns, and build buy-in among employees, ensuring active participation and involvement throughout the implementation process.
External market factors	The potential impact of external market changes on the implementation of the Approach, including changes in water sector investment trends and macroeconomic environment.	Continuously monitor the market landscape, stay updated on industry trends, and establish mechanisms for gathering market intelligence. Adapt the Approach as needed to align with emerging market conditions and customer demands.
Resource constraints	Limitations in terms of human, financial, or material resources that could impede Approach implementation.	Conduct a thorough resource assessment, identify critical resource needs, prioritize allocation, and explore options for securing additional resources or reallocating existing ones to ensure adequate support for the Approach implementation.
Lack of good projects	Lack of projects that are financially and economically viable	Invest more resources in project scoping and in capacity building and training programs for project developers

By identifying risks, AWF can be proactive in understanding and preparing for potential challenges that could arise during the project's lifecycle and during the implementation of the Approach and Action Plan. AWF can then allocate resources effectively and develop contingency plans during the implementation of the Approach and Action Plan. Risk identification and mitigation will better inform the approach to investment promotion and maintain the long-term sustainability of AWF's investment promotion activities, contributing to increased impact on the water and sanitation sector in Africa.

8.0 AWF INVESTMENT PROMOTION ACTION PLAN

This document sets out the Action Plan to implement the AWF's Investment Promotion Approach. The purpose of the Investment Promotion Approach is to increase the downstream investment for AWF-prepared projects. The Approach is designed based on the findings from reviewing peer project preparation facilities and AWF pipeline analysis.

8.1 ACTION PRIORITIES

While all actions are high priority and therefore make up the Approach, the priorities here correspond to the sequencing and timing for the Action Plan. A workshop with AWF staff held in September 2023 helped prioritize tasks according to importance, how much effort they would take to execute, and the potential impact they would have on improving investment promotion. Accordingly, tasks that could represent quick wins with relatively low effort were planned for earlier in the action plan, while AWF will implement the tasks with lower importance and lower pay-off towards the end of the plan. The following sequence presents the evaluation of priorities based on this methodology.

- To be started in the first six months:
 - Engage investors throughout the project cycle
 - Assess project bankability
 - Standardize concept note applications
 - Develop standard terms of reference (ToRs)
- To be started in the second six months:
 - Develop a systematic monitoring and evaluation framework
 - Ensure quality control on recipient-executed activities
 - Select projects that are aligned with government priorities
- To be started in the third six months:
 - Establish a network of technical partners
 - Ensure staff have relevant training experience
 - Link upstream governance work with project identification

8.2 LEVEL OF EFFORT

Table 8-1 describes the responsible staff and their time commitment by theme. The Public Private Partnership (PPP) Finance Expert in the AWF will lead the tasks under 'target investors' with 15 percent of their time committed per week. The Resource Mobilization and External Partnerships Expert and Communications Officer will support the PPP Finance Expert with 20 percent and 15 percent of their time committed, respectively. Finally, project managers will be highly involved in promoting completed projects and building capacity for project sponsors.

The Chief Program and Coordination Officer in the AWF will lead the tasks under 'streamline processes' with 15 percent of their time committed per week. The Monitoring, Evaluation and Portfolio Coordination Officer and all task managers will support the Chief Program and Coordination Officer with 20 percent and 5 percent of their time committed, respectively, for implementation of the activities in the Action Plan related to streamlining processes.

Finally, the Chief Program and Coordination Officer in the AWF will lead the tasks under 'align with country priorities' with 10 percent time commitment per week. The Portfolio Coordination Officer and all task managers will support the Chief Program and Coordination Officer with 20 percent and 5 percent of their time committed, respectively, for implementation of the activities in the Action Plan related to aligning with country priorities.

The Action Plan considers the use of consultants for technical assistance. We recommend that AWF minimize the number of consultants, so that consultant management is feasible for AWF staff. We develop the work plan assuming that one consultant is engaged to implement the CRM, and one consultant implements the majority of the tasks.

Table 8-1 Responsible staff and their time commitment by theme

Themes	Position	Time Commitment per Week
Target Investors	PPP Finance Expert	15%
	Resource Mobilization and External Partnerships Expert	20%
	Communications Officer	15%
Streamline Processes	Chief Program and Coordination Officer	15%
	M& E Portfolio Coordination Officer	20%
	Task Managers	5%
Align with Country Priorities	Chief Program and Coordination Officer in AWF	10%
	M& E Portfolio Coordination Officer	20%
	Task Managers	5%

Table 8-2 specifies the level of effort for AWF staff and for external consultants in days. The LOE in the table and time span of activities in the Gantt chart have been adjusted to reflect the time availability of AWF staff.

We determined the external support needed based on:

- AWF's desired input from consultants on each task
- The estimated LOE needed to carry out each task
- Available resources from AWF to carry out each task
- The 18-month target to complete the Action Plan²⁵

We allocated the remaining gap in resources needed to external consultants, under the leadership and direction of AWF staff.

²⁵ This considers that, even with overlapping tasks, AWF staff will not need to allocate more time than the percentage that has been specified here. With only one consultant to implement the TA, this level of effort should be manageable. If it is not, the implementation of the Action Plan could be extended to 24 months instead of 18.

Table 8-2 LOE for AWF staff and external consultants by actions

Actions	LOE for AWF (days)	LOE for external consultants (days)
1.0. Engage investors throughout the project cycle	47	97
2.0. Assess project bankability	10	17
3.0. Standardize concept note applications	8	27
4.0. Develop standard terms of reference (ToRs)	30	61
5.0. Establish network of technical partners	28	15
6.0. Ensure staff have relevant experience	25	49
7.0. Develop a systematic monitoring and evaluation framework	22	24
8.0. Ensure quality control on recipient-executed activities	9	10
9.0. Link upstream governance work with project identification	30	0
10.0. Select projects that are aligned with government priorities	27	34

8.3 Target Investors

This theme aims to increase investment in projects by ensuring that potential investors are involved throughout the project cycle. AWF will assess bankability indicators that are relevant to these potential investors. The tasks under this action are of the highest priority to AWF, given that they are essential to enable AWF to promote investment. Table 8-3 describes the success indicators.

Table 8-3 Success indicators of the theme “Target Investors”

Indicator	Baseline	Target	To be achieved by
Percent of projects that engaged investors in two or more stages of the project preparation process	To be determined	90%	March 2025
Percent of projects with appraisal documents that include information on project bankability ²⁶	14%	90%	March 2025

8.3.1 ACTION 1: ENGAGE INVESTORS THROUGHOUT THE PROJECT CYCLE

This action aims to provide multiple opportunities for investors to engage with AWF’s projects and assess their bankability. AWF has made numerous existing relationships with investors across the continent through past projects. Past investors of AWF projects, through effective relationship management, will become investors for future AWF-prepared projects.

Investor engagements will occur in two phases. In the short term, AWF will identify investors and markets, and improve briefs for existing projects that have not been financed. In the long term, AWF will build a centralized investor relationship management system and streamline targeting investors.

Task 1.1: Update completed projects briefs

AWF will review documentation on projects recently prepared through AWF support that have not received downstream financing for investments. Then they will update project briefs to highlight the bankability of prepared projects.

Deliverable	Updated project briefs
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Task 1.2: Lead investment promotion event for existing prepared projects that have not been financed

With support from an external consultant, AWF will identify and reach out to potential investors for those projects identified in Task 1.1. They will prepare promotional events and materials to engage potential investors for these projects prior to the event to engage their interest. Finally, AWF will hold a promotion event to seek engagement for these projects. The ultimate objective of this task is to find downstream financing for existing projects. It is important to note that having promotional events alone will not be sufficient to attract investors. Additional mechanisms such as re-assessing bankability of projects and using diverse approaches to engage investors are crucial to secure downstream investment. Task 1.3. and 1.4. aim to further enhance investor and general stakeholder engagements to better position AWF’s existing projects.

Deliverable - Promotion event for completed projects	A promotion event with potential investors for completed projects with updated briefs.
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²⁶ Project bankability encompasses two distinct definitions, one for the private sector and another for the public sector and development organizations. In the private sector context, we refer to definitions provided by private investors, which center on achieving a positive financial return on investment. In contrast, when dealing with the public sector and international organizations, the definitions usually emphasize an economic return on investment to reflect non-financial gains.

Task 1.3: Create a customer relationship management (CRM) platform for investors

To support long-term engagement with investors, AWF will select an external consultant to implement a CRM platform. Together with the consultant, AWF will select the optimal CRM platform. Then, the consultant and AWF will identify potential investors that need to be added to the CRM. The consultant will identify CRM needs, select the appropriate software with AWF, and input investor data into the CRM. The consultant will also develop guidance for using the CRM and train AWF staff on how to use it to maintain investor relationships. The consultant will also develop the processes through which AWF can effectively update the CRM. Possible timing for updating the CRM includes the investor mapping stage of project preparation. AWF will continue to use the CRM for its operation after the completion of the Action Plan.

Deliverable - CRM completed with accompanying guidance on the use of the CRM

CRM with investors, investor data, and training for staff on the use of CRM

Task 1.4: Develop a best practice guide for countries to market their projects

For long-term investment promotion, AWF will engage a consultant to identify priority criteria and barriers to investment for investors in AWF countries. The consultant will develop a strategy to address investor priorities and barriers in the countries towards securing project investment and draft a guidance note for countries on how to foster investment in each country. Countries will be able to use the guidance note beyond the implementation of the Action Plan to pitch their projects to investors more effectively.

Deliverable - Guidance note on strategy to address investor priorities

Note that details priority criteria for investors and how to address common barriers.

Task 1.5: Help countries identify potential investors

For both short- and long-term investor engagement, AWF, with support from an external consultant, will identify financing needs for pipeline projects and current AWF-supported projects. They will identify investors for priority projects using the newly created investor CRM. AWF and the consultant will assist project sponsors in setting up meetings with investors. After the initial meeting, AWF will devise plans for regular meetings with investors and project sponsors to maintain investors interested and updated on the progress of the project.²⁷

8.3.2 ACTION 2: ASSESSING PROJECT BANKABILITY

This action aims to assess project bankability according to definitions that different types of potential investors use. The bankability of a project drives the investment decisions of investors. Private investors look for commercial returns, while development finance institutions generally accept below-market rate

²⁷ Investors range from established development finance institutions such as Development Finance Corporation to commercial infrastructure investors with a track record in emerging markets' infrastructure investment. Although early engagement with them is unlikely to lead to guaranteed financial pledges, working with these types of investors can mitigate the risk of dissipated investor interest after the completion of project preparation.

returns but expect evidence of sufficient development impact. It is important to consider investors' required rates of return to effectively target them.

Frequent monitoring of project bankability during project preparation will help ensure the viability of the project and investors' continued interest. AWF may consider including monitoring the bankability of projects in PM work plans and indicators.

Task 2.1: Define bankability and create a catalogue of bankability indicators

This task is foundational to the Investment Promotion Approach because it will define bankability for different types of investors. With support from an external consultant, AWF will identify bankability definitions and indicators used by major investors and development finance institutions. They will develop a catalogue of bankability indicators, which includes guidance for AWF staff on which indicators to use depending on the target investors for each project.

Deliverable - Catalogue of bankability indicators with accompanying guidance note on selection and usage	Catalogue of bankability indicators used by potential investors and guidance on how and when to use such indicators.
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Task 2.2: Develop a plan to assess project bankability through AWF project cycle

After defining bankability, AWF and the consultant will assess at which points in the project timeline it is suitable to assess project bankability to keep potential investors engaged. They will develop a process for assessing bankability at these points. AWF will continue to use the process to assess bankability for projects beyond the implementation period of the Action Plan.

Deliverable - Document on the process for assessing project bankability at each point	Document that guides tasks managers through assessing project bankability at key points in the project to maintain investor interest.
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8.4 STREAMLINE PROCESSES

This theme aims to increase efficiency and ensure that AWF proactively promotes investments. Standardizing concept notes and TORs is a high priority, as AWF can implement them quickly and improve the quality of projects. Developing a systematic monitoring and evaluation framework and ensuring quality control on recipient-executed activities are medium priorities, as they would not represent as quick a payoff. Finally, establishing a network of technical partners and ensuring staff have relevant experience are lower priorities, given the higher effort required to undertake these tasks. Table 8-4 describes the success indicators.

Table 8-4 Success indicators of the theme “Streamline Processes”

Indicator	Baseline	Target	To be achieved by
Percent of new concept notes screened using AWF’s (new) standardized template	0%	100%	March 2025
Average time between project screening and grant approval	12 months	6 months	March 2025
Percent of new projects that have used a standardized ToR	0%	60%	March 2025
Percent of projects with complete, up-to-date indicators recorded in the database ²⁸	To be determined	To be determined	March 2025

8.4.1 ACTION 3: STANDARDIZE CONCEPT NOTE APPLICATIONS

This action aims to improve project quality at entry by standardizing screening. Standardizing concept note applications ensures that applications AWF receives are of the same format and contain the necessary information. In addition, using a standardized format will allow AWF to assess and compare different projects. With standardized concept note applications, AWF can operate more efficiently, select better projects, and reduce the lead time between project identification and grant approval.

Task 3.1: Develop a standardized concept note structure

AWF will engage an external consultant to review concept note templates used by peer facilities. Based on these and AWF’s needs, the consultant will draft a standardized concept note structure for AWF to adopt. AWF will continue to use the standardized concept note structure beyond the implementation period of the Action Plan.

Deliverable - Standardized concept note structure	The standardized concept note will incorporate lessons learnt from templates used in other facilities.
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Task 3.2: Develop a standardized screening rubric and process

With the consultant, AWF will identify key decision factors required at screening. The consultant will revise the existing screening rubric, incorporate the findings from the Benchmarking Analysis and Project Pipeline Analysis, and develop a process for screening and train AWF staff on the use of the screening rubric. AWF will continue to use the standardized screening rubric and process beyond the implementation period of the Action Plan.

²⁸ Specifically, for the indicator “Percent of projects with complete, up-to-date information recorded in the database”, we consider projects that record all the following information to be complete: Project name, current stage, country, year of identification, year of appraisal, year of grant approval, year of each grant disbursement, year of implementation, year of project completion, client name, name of implementing partner, scope of activities, value of grant, value of the project, name of downstream investor, downstream financing pledged, downstream financing committed, presence of investment promotion activities from AWF, presence of a project appraisal report, and presence of a project completion report.

Deliverable - Project screening rubric and document on the process for using the rubric	The screening rubric will include key criteria for assessment and updated bankability definitions.
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8.4.2 ACTION 4: DEVELOP STANDARDIZED TERMS OF REFERENCE (TORS)

This action aims to improve the quality and efficiency of project preparation. Substandard ToRs with incomplete information, unclear scope, ambiguous requirements, and unrealistic expectations will lead to substandard work carried out by external consultants. Developing standardized terms of reference will improve the quality of ToRs and the subsequent implementation of the assignments, increase operational efficiency, and lead to a better project preparation process. AWF will continue to use the standardized TORs beyond the implementation period of the Action Plan.

Task 4.1: Develop standard ToRs for use by project developers in application and appraisal process

AWF will review the past ToRs and identify three to five engagement types for standardization. AWF will engage an external consultant with technical experts to develop the standard ToRs. AWF and the consultant will develop training for AWF staff in using standard ToRs for the different engagements.

Deliverable - Standardized ToRs	ToRs will include standard technical information needed from the engagement type as well as financial information relevant to project bankability.
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Task 4.2: Develop a screening process for AWF to evaluate ToR quality

To ensure ToRs quality, AWF and the consultant will also develop a screening process that evaluates the technical and financial aspects of the ToRs. Specific to the latter, the screening rubric should include whether ToRs include explicit evaluation and comparison of public versus private financing and engineering studies that can be used by private investors.

Deliverable - Completed forms evaluation criteria	The evaluation forms will be based on the standard ToRs technical and financial aspects.
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Task 4.3: Develop guidance to grantee on quality of ToR for no objection during prior review

AWF will identify key information needed in the ToRs to receive no objection and draft guidance for grantees, ensuring guidance complies with AfDB procurement and does not imply any sort of guarantee or endorsement on the part of AWF.

Deliverable - Guidance note for grantees on the quality of ToR	Guidance note will help grantees identify the key information, quality, and financial indicators that make up a quality ToR.
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8.4.3 ACTION 5: ESTABLISH A NETWORK OF TECHNICAL PARTNERS

This action aims to improve operational efficiency through collaboration with technical partners. Past projects have accumulated numerous established relationships between AWF and project developers and institutional investors. To improve operating efficiency, AWF will establish a network of technical partners that can readily collaborate with AWF and provide support. AWF will continue to benefit from the network of technical partners beyond the implementation period of the Action Plan.

Task 5.1: Identify and build a database of potential partners including peer facilities, project developers, and institutional investors

AWF will identify potential technical partners with which they can collaborate to prepare projects effectively for investment – including identifying good consultants. AWF will first outline how a consultant roster could look and if AWF can recommend consultants for grantees or self-executed activities. Then AWF will verify if it can access AfDB’s consultant roster. If it is possible within AfDB’s procurement processes, AWF will identify and select consultants for a roster, develop it, and invite consultants to apply to be listed. AWF will also reach out to technical partners to identify the processes they use for their consultant rosters and if possible recommended consultants. If not possible within AfDB’s procurement rules, AWF may consider a listing of potential peer facilities and institutional investors without consultants.

Deliverable - Roster of potential technical partners	Potential partners will include peer facilities, project developers, institutional investors, and consultants.
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Task 5.2: Develop business practices and processes that engage peer facilities, project developers, and institutional investors

AWF will review business processes used by similar facilities to engage technical partners and identify points in AWF's processes where technical partners can be engaged. AWF will draft business practices and processes to engage peer facilities and institutional investors and train its staff on these revised practices.

Deliverable - White paper with business practices and processes to engage technical partners	The white paper will guide project managers in engaging technical partners through the project process.
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8.4.4 ACTION 6: ENSURE STAFF HAVE RELEVANT EXPERIENCE

This action aims to ensure that AWF staff have high-level technical skills to prepare high-quality projects. Projects prepared by experienced and competent staff from AWF will have better quality at entry, and thus will have better access to downstream investment. At the management level, AWF will develop its recruitment guidelines and create better talent management processes. Having a systematic way of recruiting employees will ensure AWF meets its human resources needs and increases its capacity.

It is crucial to have buy-in and long-term commitment from upper management to successfully implement this activity.

Task 6.1: Develop a human resources plan to ensure in-house capacity

An external consultant will assess AWF's current human resources capacity. Together with AWF, the consultant will identify the human capacity needs and gaps in AWF. AWF and the consultant will develop talent management processes to ensure in-house capacity in the long term.

Deliverable - Talent management processes	The consultant will deliver a long-term HR process to constantly assess capacity, identify needs, and maintain in-house capacity.
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Task 6.2: Lead training workshop on key technical skills

For existing employees and based on the capacity and needs assessment in task 6.1, AWF and the consultant will conduct capacity assessments to identify the skills gaps among AWF staff. Based on the identified skill gaps, AWF and the consultant will design training and provide training workshops for employees.

8.4.5 ACTION 7: DEVELOP A MONITORING AND EVALUATION FRAMEWORK

This action aims to measure progress on the Investment Promotion Approach. A monitoring and evaluation framework for the Investment Promotion Approach will ensure that AWF follows best practices and can track its improvement in operational efficiency to secure more downstream investment.

There is a risk that additional monitoring will be seen as a burden. It will be important to integrate monitoring for investment promotion into AWF's business practices.

Task 7.1: Develop a monitoring and evaluation framework

AWF, with assistance from an external consultant, will identify the theory of change (TOC) around investment promotion. They will identify key indicators and targets related to the TOC and create methods for measuring them. AWF, with support from the consultant, will develop and establish processes for reporting, feedback, and learning on investment promotion.

Deliverable – Monitoring and framework for the Action Plan	The monitoring framework will include indicators, and how to measure them.
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Task 7.2: Write guidelines for tracking and monitoring projects

AWF with the consultant will identify where in project processes AWF should track and monitor. They will develop guidelines for monitoring investment promotion in projects.

Deliverable – Guidance note for task managers on monitoring and evaluation framework	The note will include specific points in project processes for tracking and monitoring key indicators.
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8.4.6 ACTION 8: ENSURE QUALITY CONTROL ON RECIPIENT-EXECUTED ACTIVITIES

This action aims to improve the quality of recipient-executed activities. Because AWF delegates the implementation of project preparation to grant recipients, control framework and processes for these

activities, it is crucial for AWF to ensure their quality. During the development of the framework and processes, it will be key to ensure that the quality control framework is easy for task managers to follow by integrating it into existing processes. AWF will continue to use the quality control framework beyond the implementation period of the Action Plan.

Task 8.1: Develop quality control framework and processes for recipient-executed activities

AWF will engage an external consultant to help review the control frameworks from other project preparation facilities to learn more about the industry practice. AWF and the consultant will assess AWF’s supervision and reporting needs and develop a quality control framework and processes to ensure quality control of recipient-executed activities, which will be crucial to the quality of project outputs and reports.

Deliverables	Document on the framework for quality control for recipient-executed activities; rubric for checking recipient delivery against the ToRs.
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8.5 ALIGN WITH COUNTRY PRIORITIES

This action aims to mitigate the challenge of changing country priorities. To do so, AWF will link upstream governance work with project work and ensure closer alignment with country priorities. This will also lead to shortened times from project identification to preparation completion. Table 8-5 describes the success indicators.

Table 8-5 Success indicator of the theme “Align with Country Priorities”

Indicator	Baseline	Target	To be achieved by
Percent of projects that face significant delays (> 4 years: time from inclusion in pipeline to project preparation completion; to current date if not completed)	30%	20%	March 2025

8.5.1 ACTION 9: LINK UPSTREAM GOVERNANCE WORK WITH PROJECT PREPARATION

This action aims to align governance work with project preparation work. The upstream policies and regulations play an important role in the success of AWF-prepared projects. Therefore, to secure downstream investment, AWF should align its project preparation activities with its upstream governance activities. AWF projects will benefit from a more enabling policy environment.

It will be key to integrate work into its decision-making process and operations and highlight the importance to staff during training.

Task 9.1: Revise processes to select governance work that supports AWF investments

AWF will first identify their priorities and strategies that determine the governance work that is selected. AWF will then identify the opportunities for aligning governance work with project preparation, revise its processes to further support downstream work, and train staff on these processes.

8.5.2 ACTION 10: SELECT PROJECTS THAT ARE ALIGNED WITH GOVERNMENT PRIORITIES

This action aims to shorten project preparation time and align with long-term government priorities. AWF-prepared projects of national importance will receive stronger government support, experience smoother implementation, and receive stronger investor interests. At the project identification phase, AWF will benefit from considering the level of national priorities in its screening process. In addition, to preclude dissipation of government interest, AWF will benefit from more efficient project preparation. Projects with less implementation time are more likely to secure downstream investment.

Task 10.1: Streamline the project preparation process

The consultant will lead a value-mapping exercise with AWF that maps out the major process barriers to efficient project preparation. The consultant will have workshops with AWF staff members to visualize and analyze the steps involved in project preparation from start to finish. AWF staff will map the current state and identify value-adding and non-value-adding activities, bottlenecks, and inefficiencies. The consultant will develop and help AWF implement solutions based on the value-mapping results.

To ensure broad buy-in and participation in this foundational action, it will be key to have it endorsed and promoted by senior management.

Task 10.2: Develop an evaluation framework to assess whether projects are aligned with long-term country priorities

AWF will engage a consultant to quickly identify revisions that need to be made to the screening rubric to ensure that projects align with long-term country priorities (to be included in Task 3.2). The consultant will determine the criteria and associated indicators to determine projects' alignment with long-term country priorities. The consultant will establish an evaluation framework to determine alignment with long-term priorities and develop methodologies for measuring the indicators. The consultant will train the staff on using the framework, and lastly help integrate the framework into AWF's screening process.

**Deliverable –
Updated screening
rubric**

The screening rubric from task 3.2 will be updated with aspects that that assess alignment with countries priorities

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NARRATIVE DESCRIPTION OF THE ACTION PLAN

The plan sets out specific tasks that will allow AWF to implement the actions with the priority identified above. This plan assumes that AWF will engage one consultant for the CRM and one consultant to carry out the other tasks. If more consultants are hired, AWF may need to consider extending the time needed to execute, to account for the increased effort needed to manage many consultants.

In the first two months, AWF will begin updating project briefs for completed projects that have not received financing (Task 1.1). AWF will engage a consultant to lead an investment promotion seminar for existing projects, beginning by identifying and reaching out to potential investors in the first two months and holding the promotion event by month 5. The consultant will also help identify potential investors to add to a CRM (Task 1.3) in the first two months, which complements tasks 1.1 and 1.2. As part of 1.3, AWF will identify its CRM needs and corresponding software, by month 3 input all data into the CRM, and train its staff on the use of the CRM by month 5. During months 3, 4, and 5 the consultant will develop a best practice guide for countries to market project to potential investors (Task 1.4). After advancing on task 1.4, during months 4, 5 and 6 the consultant will help countries identify potential investors (Task 1.5).

In the first two months, AWF will engage a consultant to identify bankability indicators for different investors (Task 2.1), which will be finished by the first half of the second month to inform the project briefs of Task 1.1 and integrated into a catalogue by the end of month 2. Between months 3, 4, and 5 the consultant will develop a plan for AWF to assess project bankability throughout the project cycle (Task 2.2).

AWF will engage a consultant in the first month to conduct a value stream mapping exercise and during the next two months help implement solutions to streamline the project preparation process (Task 10.1). In parallel, during month 1 AWF will identify revisions to the screening rubric for evaluating alignment with long-term country priorities, which will feed into Task 3.2, and by months 7-10 develop an evaluation framework to assess whether projects are aligned with long-term country priorities (Task 10.2).

AWF will engage a consultant to develop a standardized concept note (Task 3.1) and standardized screening rubric (Task 3.2) during months 1 and 2. The consultant will also develop standard ToRs for use by project developers in application and appraisal processes (Task 4.1) from months 5 through 9, a corresponding screening process for AWF to evaluate ToRs (Task 4.2) between months 10 and 11, and guidance on the ToRs between month 12 and 14 (Task 4.3). In parallel, AWF will work with a consultant to develop a monitoring and evaluation framework for the Action Plan (Task 7.1) between months 5 and 7 and write guidelines for monitoring progress on it in months 8 and 9 (Task 7.2). Also, in parallel, from months 7 through 9, AWF and the consultant will develop a quality control framework and processes for recipient-executed activities.

Between months 11 and 15, AWF will identify and build a database of potential peer facilities, project developers, and institutional investors (Task 5.1). In parallel, with a consultant, AWF will develop business practices and processes that engage peer facilities, project developers, and institutional investors (Task 5.2). From months 13 to 18, AWF will engage a consultant to help develop a human resources plan to ensure in-

house capacity (Task 6.1). During the last 2 months, in parallel to the talent management processes developed in task 6.1, AWF and the consultant will lead a training workshop on key technical skills needed by staff (Task 6.2).

Finally, AWF will revise processes to select governance work that supports AWF investments (Task 9.1).

Master Task List	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1 Engage investors throughout the project cycle																		
1.1 Update completed project briefs																		
1.1.1 Review documentation on projects recently supported by AWF that have not been financed																		
1.1.2 Update project briefs for projects with high likelihood of mobilizing financing																		
1.2 Lead investment promotion event for existing prepared projects that have not been financed																		
1.2.1 Identify and reach out to potential investors																		
1.2.2 Prepare promotion event materials																		
1.2.3 Hold promotion event																		
1.3 Create investor CRM																		
1.3.1 Identify investors to add to CRM																		
1.3.2 Identify CRM needs and select software																		
1.3.3 Input data into CRM																		
1.3.4 Develop guidance on use of CRM																		
1.3.5 Train staff on use of CRM																		
1.4 Develop a best practices guide for countries to market their projects																		
1.4.1 Identify priority criteria and barriers to investment for investors																		
1.4.2 Develop strategy to address investor priorities and barriers																		
1.4.3 Draft guidance																		
1.5 Help countries identify potential financiers																		
1.5.1 Identify financing needs for pipeline projects and current AWF-supported projects																		
1.5.2 Identify financiers for priority projects using investor CRM																		
1.5.3 Assist project sponsors in setting up meetings with investors																		
2 Assess project bankability																		
2.1 Define bankability: Create a catalogue of bankability indicators																		
2.1.1 Identify bankability definitions and indicators used by major investors and development finance institutions																		
2.1.2 Develop catalogue of bankability indicators with guidance on selection and usage																		
2.2 Develop a plan to assess project bankability throughout AWF project cycle																		
2.2.1 Identify assessment points in project timeline																		
2.2.2 Develop process for assessing project bankability at each point																		
3 Standardize concept note applications																		
3.1 Develop a standardized concept note structure																		
3.1.1 Review concept note templates used by peer facilities																		
3.1.2 Draft standardized concept note structure																		
3.1.3 Train staff on use of new concept note template																		
3.2 Develop a standardized screening rubric and process																		
3.2.1 Identify key decision factors required at screening																		
3.2.2 Draft screening rubric and process																		
3.2.3 Train staff on use of new screening rubric																		
4 Develop standard terms of reference (ToRs)																		
4.1 Develop standard ToRs for use by project developers in application and appraisal processes																		
4.1.1 Review past ToRs to identify 3-5 consultant engagement types for standard TOR																		
4.1.2 Prepare standard ToRs																		
4.1.3 Develop training for client on use of standard ToRs																		
4.2 Develop a screening process for AWF to evaluate TOR quality																		
4.2.1 Identify key information needed in ToRs																		
4.2.2 Design technical and financial evaluation criteria for assessing ToRs																		
4.2.3 Develop screening process																		
4.3 Develop guidance to grantee on quality of ToR for no objection during prior review																		
4.3.1 Identify key information required for ToR to receive no objection																		
4.3.2 Draft guidance for grantees																		
4.3.3 Train staff on how to explain guidance to grantees																		

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