Financial Credibility: Key to the Systemic Transformation of Water and Sanitation in Africa

IRC Working Paper

Supporting water sanitation
and hygiene services for life

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Abbreviations

AFD	Agence Française de Développement
AfDB	African Development Bank
AFWASA	African Water and Sanitation Association
AMCOW	African Ministers' Council on Water
AU	African Union
BOAD	Banque Ouest Africaine de Développement
DFI	Development Finance Institution
ESAWAS	Eastern and Southern Africa Water and Sanitation Regulators Association
IRC	IRC - Supporting water sanitation and hygiene services for life
MDB	Multilateral Development Bank
NWSC	National Water and Sewerage Corporation
OFA	One For All Alliance
PDB	Public Development Bank
PPIAF	Public-Private Infrastructure Advisory Facility
SDG	Sustainable Development Goal
SONEB	Société Nationale des Eaux du Bénin
SWA	Sanitation and Water for All
UNICEF	United Nations Children's Fund
WSP	Water and Sanitation Program
WHO	World Health Organization

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Glossary

Accountability

The obligation of institutions and individuals involved in water and sanitation services to report on performance, justify decisions, and be held responsible for outcomes—whether by users, regulators, funders, or the public.

Financial Credibility

The degree to which a government, utility, service provider, institution or individual is perceived as financially reliable and capable of repaying debts, attracting investment, and managing long-term obligations. Financial credibility is not merely a financial status; it is the outcome of systemic functionality — grounded in trust, performance discipline, and institutional accountability.

Investable Systems

Water and sanitation systems that are governed, regulated, and operated in ways that reduce financial risk and create confidence for public and private investors. Key attributes include transparency, performance, financial credibility, and institutional resilience.

Leadership (Systemic)

The exercise of coordinated influence across political, fiscal and technical domains to enable reform, align stakeholders, and mobilise resources. Effective leadership operates at all levels of government and across sectors.

Professionalisation

The process of equipping institutions and individuals with the technical, managerial, and financial competencies necessary to deliver reliable and sustainable water and sanitation services. It also includes data systems, planning tools, and resilience strategies.

Regulation

The establishment and enforcement of rules, standards, and procedures that govern water and sanitation service delivery—covering tariffs, quality, performance, equity, and transparency. Effective regulation balances consumer protection with service sustainability.

Strategic public finance

The alignment of national budgetary, fiscal, and pricing policies with long-term sector goals. It includes responsible tariff setting, structured subsidy mechanisms, integration into national development plans, and coordination with external finance sources.

Systemic Transformation

A comprehensive and interdependent reform process that addresses the root causes of sector underperformance across governance, regulation, finance, and operations—rather than relying on isolated or short-term interventions.

Executive summary

Africa stands at a defining moment for its water and sanitation future. As the Africa Water Vision 2025 developed under the political leadership of the Africa Union, reaches its conclusion, a new post-2025 agenda is emerging—one that must address the deep, systemic dysfunctions that continue to undermine sustainable service delivery across the continent.

This paper proposes a **strategic framework for system transformation** consisting of a comprehensive and interdependent reform process that addresses the root causes of sector underperformance across governance, regulation, finance, and operations. This transformation is centred on delivering a core outcome: **financial credibility**. More than a technical score, financial credibility reflects the ability of national and local entities to earn trust—from citizens, and development finance institutions alike—by operating with coherence, reliability, and accountability.

The framework is built around four interdependent pillars:

- **Leadership**, to anchor long-term political, fiscal, and development commitment.
- **Regulation and Accountability**, to enforce rules, transparency, and citizen protection.
- **Professionalisation**, to strengthen the institutional, human, and technical capacity of service providers and authorities.
- **Strategic public finance**, to ensure predictable, performance-based investment aligned with national development priorities.

The proposed approach aligns with the emerging post-2025 vision under AMCOW's leadership and reinforces existing continental efforts to shift from aid dependency to sustainable, investment-ready systems. It is grounded not only in strategic thinking but also in real-world reform experiences—such as those of Benin, Uganda, and other countries where systemic transformation has unlocked financing at scale. It integrates sanitation-specific challenges, such as weak institutional integration of solid and liquid waste management, and the need to unlock circular economy models.

Financial credibility is the bridge between governance and finance—enabling countries to attract and manage the long-term investments they need, based on the strength of their own systems. It is how Africa will unlock the massive investments needed to deliver universal, sustainable, and resilient water and sanitation services—by building institutions that inspire trust.

1. Introduction – Turning Systemic Crisis into Continental Momentum

Africa is approaching a historic threshold in the governance and delivery of water and sanitation services. With the Africa Water Vision 2025—led by the African Union—reaching its conclusion, and a new post-2025 continental agenda in development, the time has come to move beyond the surface symptoms of poor performance and confront the structural roots of failure. The water and sanitation crisis facing the continent is not merely the result of insufficient infrastructure or technical gaps. It is the product of deep, interconnected dysfunctions—across political leadership, regulation, institutional capacity, and public finance—that have repeatedly undermined progress.

This paper offers a pathway to reverse that trajectory: **a framework for transforming national and local systems into credible, accountable, and investable enablers of Africa's long-term development.** It draws on the overarching systems approach that IRC and its partners have advanced for nearly a decade to address the complex and interdependent nature of WASH sector reform.

Crucially, **AMCOW now explicitly recognises financial credibility as a key strategic enabler**. As noted in its 2024 thematic report on financing, the shift from aid to market-based finance requires African countries to "embrace repayable financing, making creditworthiness an indispensable consideration" (AMCOW, 2024).

This framework places financial credibility at the centre of transformation—a condition in which institutions earn the trust of citizens, governments, and development finance institutions alike. It rests on four interdependent pillars:

- **Leadership**, to anchor long-term vision and accountability.
- **Regulation and Accountability**, to enforce rules and enable trust.
- **Professionalisation**, to ensure service reliability and institutional performance.
- **Strategic public finance**, to mobilise and manage resources sustainably.

Together, these pillars form the foundation of a functional system capable of delivering universal and safely managed water and sanitation services. The framework pays particular attention to sanitation-specific challenges—such as the exclusion of solid waste from SDG 6.2, institutional fragmentation, and the untapped potential of circular economy solutions (AMCOW, 2023; Sanitation and Hygiene Fund, 2023; Gates Foundation, 2023).

The ideas presented here are grounded in the lessons and proposals of African leaders, policymakers, and technical experts. They are designed not just to describe the present—but to inform the strategic decisions that will shape a new development agenda for Africa: one built on systemic credibility, not dependency.

2. Understanding the systemic failure

Africa's water and sanitation crisis is not the result of a single failing. It is the outcome of a complex and interconnected web of weaknesses in leadership, regulation, institutional performance, and financing. Despite decades of (mostly external) investment and reform efforts, progress has remained too slow, too fragmented, and too fragile to meet the continent's demographic growth, urbanisation trends, and rising expectations for quality services.

This framework recognises the crisis as a systemic failure—one that unfolds through a chain of structural dysfunctions, each compounding the next.

2.1. Weak political leadership

At the root lies a lack of political ownership and long-term vision for water and sanitation as strategic public services. In many countries, the sector is under-prioritised in national development agendas and receives inconsistent attention from political leadership (African Development Bank, 2021). There is often reluctance—sometimes due to electoral risks, sometimes due to limited policy understanding—to undertake the tariff, fiscal, and governance reforms required to unlock sustainable finance and institutional accountability.

2.2. Ineffective regulation and accountability

This weak political foundation leads to underpowered and fragmented regulation. Regulatory authorities frequently lack clear mandates, independence, or capacity to oversee performance, protect consumers, or ensure fair tariff-setting (Kolker, 2023a). The absence of enforceable standards of professionalism across the sector means that key actors—from service authorities to utilities—operate without predictable rules or consequences. In sanitation, regulation is often fragmented or underdeveloped, with unclear mandates, weak enforcement of environmental standards, and no clear framework for reuse products such as biosolids or biogas. Oversight mechanisms remain opaque or non-existent across both water and sanitation sectors, weakening trust, performance discipline, and user confidence.

2.3. Under-professionalised services and institutions

Service providers, municipalities, and national service authorities often lack the technical, managerial, and financial capabilities required to deliver reliable, equitable, and sustainable services. Many operate without basic tools: reliable financial data, appropriate tariff frameworks, meaningful performance metrics, or modern asset management systems (Pories et al., 2019). This under-professionalisation also impairs the preparation and execution of bankable investment projects. Coordination between institutions is weak, while low resilience to political, financial, or climate shocks erodes stability. National sector authorities are frequently under-resourced and unable to fulfil their strategic roles.

In practice, a narrow focus on operational inefficiencies—such as non-revenue water—often obscures more structural forms of underperformance. As Fonseca (2024) argues, deep inefficiencies lie in weak subsidy targeting, fragmented planning systems, and poor coordination between actors, which prevent existing resources from achieving their full impact. Addressing these systemic inefficiencies requires professionalisation not only at utility level, but across the entire chain of institutions governing and financing the sector.

These weaknesses are especially pronounced in the sanitation sub-sector, where service authorities often lack the mandate, financing, and institutional capacity to manage complex service chains—from containment to collection, transport, treatment, and reuse. Fragmented responsibilities, weak links with solid waste management, and the absence of viable business models have limited the development of scalable, sustainable sanitation services (African Development Bank, 2024).

2.4. Systemic barriers to investments

These weaknesses translate into a financing environment where large-scale investment remains elusive. Most countries struggle to combine tariffs, taxes, and external finance into sustainable, effective models. Public finance systems are fragmented, with subsidies poorly targeted and budget planning unpredictable (OECD & African Development Bank, 2024). Rural areas, in particular, remain heavily dependent on declining flows of international aid (Nansi, 2023). Meanwhile, development banks often take a passive stance, stepping back when countries lack the capacity to present investment-ready proposals—thus reinforcing the cycle of underinvestment (International High-Level Panel on Water Investments for Africa, 2023).

2.5. Chronic underfunding

This results in chronic underfunding. Many countries are unable to generate the resources needed to upgrade service quality for existing users, let alone extend access to the growing number of unserved populations. Capital investment remains far below the levels required to meet national or continental targets, and operation and maintenance budgets are often inadequate, compromising functionality (Joseph, Hoo, Wang, Bahuguna, & Andres, 2024).

2.6. Poor service quality and low coverage

The visible consequence is persistent under-performance across the continent. Urban systems are often overstretched. Rural areas rely heavily on informal arrangements. Many populations continue to face unsafe water, intermittent service, and inadequate sanitation. Despite isolated improvements, the sector remains far from delivering on the promise of universal, safely managed water and sanitation services. In 2022, 69% of the population in sub-Saharan Africa lacked access to safely managed drinking water services, 80% lacked access to safely managed sanitation services, and 77% lacked basic hygiene services, which includes access to handwashing facilities with soap and water at home (WHO & UNICEF, 2023).

This systemic failure is not inevitable—it stems from how national institutions are designed, governed, and financed. The next section proposes a framework to reverse this trajectory by transforming national and local systems into credible, accountable, and investable enablers of Africa's long-term development. It builds on IRC's foundational work (e.g. Huston and Moriarty, 2018) in developing a technically sound and actionable method for addressing systemic challenges. This foundation has since been extended through the All Systems Connect agenda (Moriarty, 2023), which places systems leadership at the core of transformation. By focusing on leaders who can navigate complexity and foster collective action across sectors, this perspective reinforces the need to scale change through people capable of connecting systems.

Box 1: **Lessons from Africa Water Vision 2025: Financing Remains the Weakest Link**

More than two decades after the launch of Africa Water Vision 2025, the continent has made strides in defining policies, targets, and regional coordination frameworks. But one area has consistently lagged behind: financing. Five key lessons emerge:

1. **Finance, not ambition, is the constraint:** The gap in water and sanitation investment stems less from a lack of vision, and more from ineffective strategies to mobilise and manage resources at scale.
2. **Policies without financing strategies fail:** Many water policies are not supported by operational financing frameworks. Implementation suffers when plans lack budgetary realism and investment pathways.
3. **ODA is declining—by design and by necessity:** Many African countries remain dependent on aid, yet official development assistance for water has already peaked and is falling. A pivot to domestic and market-based finance is urgent.
4. **Domestic resources are central:** National budgets, microfinance, and local investors account for the majority of current financing. African governments must lead and expand this base to close the gap.
5. **Innovative finance must be mainstreamed:** Tools like green bonds, diaspora bonds, blended finance, and guarantees are no longer optional—they are essential to bridge the USD 65 billion annual gap estimated for water security by 2030.

These lessons inform the shift towards financial credibility: building systems that can plan, absorb, and repay investment—not only seek it.

Source: AMCOW (2024). Thematic Paper No.1 on Financing, Investments and Resource Mobilization.

3. The systemic outcome: Financial credibility

3.1. Financial credibility as a systemic enabler

Why Financial credibility matters

While access to safe and sustainable water and sanitation services is the ultimate goal, achieving that goal at scale requires something more foundational: trust from development finance institutions in national systems. That trust is technically known as **financial credibility**. In the context of sector transformation, financial credibility refers to the capacity of national and local institutions—public or private—to be seen as **credible, reliable, and investable** by financial markets, development banks, and governments themselves (Public-Private Infrastructure Advisory Facility (PPIAF) et al., 2009).

Financial credibility is not confined to the balance sheet of a utility—but reflects, in addition, the overall functionality, coherence, and reliability of the broader system in which service providers operate. It emerges as the **outcome of a functional system**—one that is politically prioritised, professionally managed, transparently regulated, and strategically financed. When sector institutions consistently deliver quality services, operate with financial and operational discipline, and are embedded in a supportive governance and fiscal environment, they generate trust. And trust is the currency that unlocks long-term, large-scale finance.

Today, many countries and service providers across Africa remain caught in a vicious cycle of **low credibility and low investment**. Weak leadership, underdeveloped regulatory regimes, and fragile service delivery models make it difficult to mobilise domestic or external finance. In turn, this financing gap limits the ability to strengthen performance, expand coverage, or demonstrate impact—reinforcing perceptions of risk and underperformance.

Breaking this cycle requires seeing financial credibility as a systemic outcome—one that is deliberately cultivated by strengthening the foundations of leadership, regulation, professionalisation, and strategic public finance. As Pories et al. (2019) and the International High-Level Panel on Water Investments for Africa (2023) argue, financial credibility must be built, not assumed. And it must be supported by a broader ecosystem of public and development finance actors willing to invest not just in infrastructure, but in the capacities and institutions that make infrastructure viable.

Financial credibility as a Turning Point

This section explores what financial credibility looks like in practice, through two reform trajectories that have shifted financial perception and sector performance.

In Benin, progress towards financial credibility began with strong political leadership following the 2016 presidential elections, which elevated water to a national development priority. This was followed by macro-fiscal reforms—including improved public financial management and an increase in the tax-to-GDP ratio—which expanded the government's capacity to finance infrastructure. Sectoral reforms reinforced this trajectory: the creation of a dedicated rural water agency (ANAEPMR) enabled Public Private Partnerships (PPPs), while the restructuring of the urban utility SONEB opened space for private operators. This level of credit discipline made it possible for Benin to secure concessional and blended loans from DFIs—demonstrating that reform attracts repayable finance, not the other way around. Investors' confidence led to a successful €500 million SDG-linked Eurobond in 2021 (Republic of Benin Ministry of Finance, 2021) and significant concessional financing from the World Bank, AfDB, BOAD, AFD, and the Kuwait Fund. As a result, rural drinking water coverage rose from 54% in 2019 to 79.4% by the end of 2023—turning systemic reform into tangible impact.

Uganda is another inspiring case. Uganda's NWSC is widely recognised as a model of public utility transformation in Africa—driven by strong and consistent political and technical leadership since 1995. The utility gradually implemented deep institutional reforms focused on financial discipline, operational efficiency, and customer responsiveness. These included internal performance contracts, digital billing systems, and decentralised service delivery. As a result, NWSC's asset base grew from UGX 0.7 trillion in 2014 to UGX 4.5 trillion in 2024, and its annual turnover more than tripled. This improved financial credibility enabled NWSC to secure a UGX 50 billion (approx. USD 13 million) commercial loan from the Equity Bank in 2019, and a 2018 credit assessment confirmed its capacity to raise up to USD 200 million via bond issuance over five years (National Water and Sewerage Corporation, 2022). These achievements paved the way for major infrastructure investments, such as the Katosi Water Treatment Plant, while allowing NWSC to expand its network from 8,100 km to over 19,000 km and grow its customer base from 366,200 in 2014 to over 785,000 by 2021—demonstrating the tangible impact of sustained, system-level reform. The transformation of NWSC was made possible by a supportive political and institutional environment. The Ugandan government established a clear policy framework defining roles and responsibilities across the water sector, while political leadership—particularly the backing of President Museveni—created the space for bold, long-term reforms. This alignment between policy clarity, institutional autonomy, and high-level commitment proved essential to sustaining performance improvements (Bukenya, 2020).

Similarly to Benin and Uganda, other countries—such as Senegal, Kenya, South Africa, and Morocco—have pursued, or are currently undertaking, promising institutional reforms aimed at strengthening sector performance and creating the conditions for long-term investment. These examples confirm that achieving financial credibility is not the endgame—but it is a **turning point**. With it, Africa can move beyond fragmented, short-term interventions towards building sustainable and scalable systems that meet the needs of current and future generations. Without it, the promise of universal, safely managed services will remain aspirational.

In this sense, financial credibility is not the endpoint of transformation—it is the starting point for sustainable financing. Importantly, this paper affirms that long-term repayable finance—particularly from development finance institutions—is essential to close the infrastructure gap, but only becomes accessible when systems demonstrate fiscal discipline and operational reliability. By targeting repayable finance, countries raise the bar for their own systems. DFIs follow performance. When reform builds trust, DFIs' support follows. And when that financing delivers improved services, it unlocks citizen trust, acceptance of adequate tariffs and taxes, and repayment capacity—creating a virtuous cycle that drives the next wave of transformation.

3.2. Making financial credibility measurable

To make financial credibility an actionable outcome, it must be **measured and benchmarked**. Several methodologies have already been developed to assess the financial health and investment readiness of urban water utilities, such as the World Bank's Utility Creditworthiness Self-Assessment Tool (PPIAF/WSP, 2009) and the WaterCAT framework (World Bank, 2018). These tools offer valuable insights but remain focused on individual operators and utilities—mostly in large urban areas.

This framework deliberately goes beyond that scope. It proposes a Financial Credibility Index designed to assess the investment readiness of entire national and subnational systems—not just utilities, but the full institutional environment in which they operate. This means evaluating the capacity of countries, municipalities, and service authorities to attract and responsibly manage long-term financing. It requires integrating indicators beyond utility operations to include governance quality, regulatory effectiveness, budget reliability, transparency, and institutional maturity.

The ambition is to align water and sanitation financing with **best practices from mainstream public finance**, particularly in how local governments are assessed by credit rating agencies. For example, Moody's Approach to Local Government Credit Analysis provides a structured model for evaluating subnational entities, based on institutional strength, debt profile, economic fundamentals, and financial performance (Moody's, 2019).

As Kolker (2023b) argues, the missing link in many emerging water markets is not just capital - but credibility. Ratings are how credibility is made visible and actionable. This index would provide a shared benchmark to track country progress, guide technical assistance, and create incentives for reform that matter to both governments and financiers.

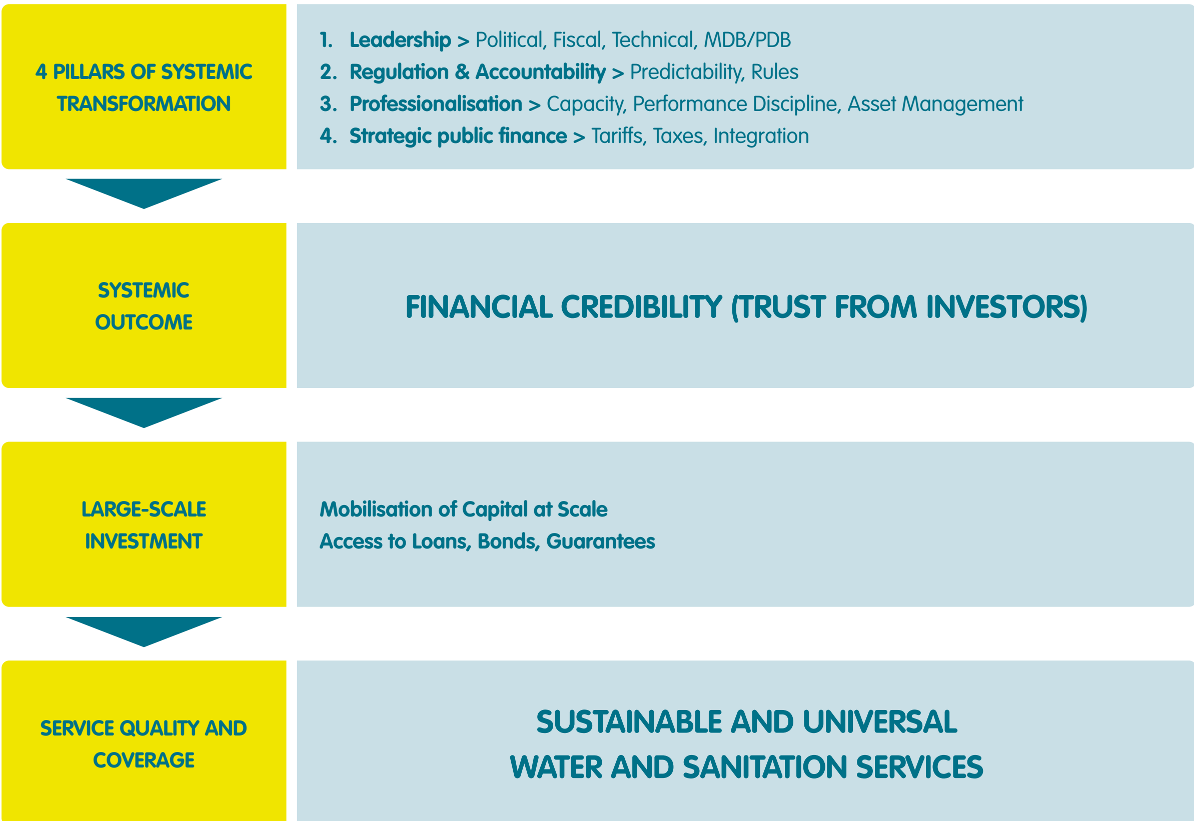

Figure 1: Financial credibility as a Systemic Outcome

Financial credibility is an outcome of functional national systems. It emerges when political leadership, strong regulation, institutional professionalisation, and strategic public finance come together to build trust, financial discipline, and investment confidence. Ultimately, unlocking large-scale, long-term capital is essential to achieving universal water and sanitation services.

4. The four pillars of systemic transformation

Reversing the crisis in Africa's water and sanitation sector will not be achieved through piecemeal projects or short-term fixes. It requires a fundamental shift in how national systems are led, regulated, financed, and managed. This framework proposes a systemic response structured around four interdependent pillars. Each pillar addresses a specific set of structural weaknesses, and together they lay the foundation for building credible, resilient, and investable water and sanitation systems.

4.1. Leadership

Strong leadership is the catalyst for sector transformation. Without it, reform efforts lack political protection, financial alignment, or institutional continuity. Leadership must be exercised across three distinct but interconnected domains:

- **Political Leadership**
  Sets long-term vision, prioritises the sector in national development agendas, and drives governance, fiscal, and institutional reforms. Heads of state, ministers, and parliamentarians play a decisive role in enabling systemic change. Leadership must not only be bold and reform-minded—it must also be resilient. Institutionalising strategic reforms through legislation, regulation, and cross-party consensus is critical to ensure continuity across political cycles.

- **Domestic Fiscal Leadership**
  Ensures that Ministries of Finance and planning authorities integrate water and sanitation into national budgets, tariff frameworks, and public investment strategies. It also entails adopting courageous, socially sensitive tariff reforms to ensure financial viability without compromising equity.

- **Technical Leadership**
  Enables service providers, regulators, and sector authorities to lead through operational excellence, data-driven management, and professional capacity at scale. This includes nurturing institutional resilience to political, financial, and climate-related shocks as well as ensuring stronger project preparation, structuring, and execution.

4.2. Regulation and Accountability

Effective regulation creates predictability, transparency, and trust across the service chain. It safeguards consumers, ensures fair cost recovery, and gives confidence to financiers and the public alike. Strong regulation and effective accountability include:

- **Establishing independent, empowered regulators** with clear legal mandates and sufficient technical and financial capacity.
- **Ensuring transparent and fair tariff-setting** to balance affordability with financial viability, not only for domestic consumers but also including a fair share for industry, agriculture, etc.
- **Establishing coherent regulatory frameworks that integrate liquid-waste and solid waste management,** enabling oversight of co-treatment facilities, reuse markets, and environmental compliance across both sectors.
- **Creating public accountability systems** based on performance monitoring, regular reporting, and public engagement.
- **Applying incentives and sanctions** for service authorities, operators, and regulators based on compliance and performance.

Without regulation and accountability, even well-funded and well-meaning institutions will underperform, and investment will stall.

4.3. Professionalisation

Professionalisation is the operational backbone of the sector. It ensures that institutions at all levels—utilities, municipalities, regulators, ministries—have the capacity and tools to deliver reliable and equitable services. Professionalisation entails:

- **Building capacity** across technical, financial, managerial, and leadership domains for service providers, municipalities, and national authorities with a focus on asset management.
- **Developing and using standardised, reliable data systems** for financial management, asset management and service performance.
- **Building institutional capacity for integrated planning and service delivery across liquid and solid waste management**, especially at municipal and metropolitan levels, to support circular economy approaches and climate-resilient systems.
- **Preparing and implementing bankable investment projects** through stronger project planning, structuring, and execution capabilities.
- **Improving institutional coordination and alignment**, particularly across levels of government and between sectors.
- **Strengthening resilience** to climate, financial, and political shocks by embedding continuity plans and adaptive systems.

In sanitation, professionalisation includes strengthening the full-service chain—from containment to safe disposal and reuse of both liquid and solid waste—and supporting the emergence of capable public and private operators, especially for waste management and circular sanitation solutions.

Professionalisation is what enables countries to move from dependence on donor-driven projects to self-directed, performance-based development.

4.4. Strategic public finance

Strong national public finance is foundational to sector sustainability. Strategic public finance is about creating coherent, sustainable financial systems that blend domestic and external resources effectively. Strategic public finance entails:

- **Adopting socially sensitive but responsible tariff policies** that reflect service levels and economic realities.
- **Designing co-financing strategies and cost recovery mechanisms that combine liquid and solid waste investment needs**, enabling economies of scale in treatment infrastructure and viability of reuse markets.
- **Aligning tariffs, subsidies, and external financing instruments** into a predictable, sustainable financing mix.
- **Anchoring the sector in national budget systems** and medium-term expenditure frameworks to ensure stability and cross-sector coherence.
- **Integrating water and sanitation into national development financing strategies**, including sovereign borrowing, climate finance, and domestic resource mobilisation.

Sanitation financing strategies must integrate long-term fiscal planning, including dedicated budget lines, cross-subsidisation mechanisms, and predictable public investment frameworks that reflect the full lifecycle costs of services.

Strategic public finance is not only about mobilising more money—it's about deploying financial resources more intelligently, transparently, and sustainably.

Together, these four pillars are mutually reinforcing. They are not a menu to choose from, but a **comprehensive foundation for building the systems** that Africa needs to deliver on the promise of universal, safe, and sustainable water and sanitation services.

However, it is crucial to acknowledge that Africa is a continent of immense diversity, and the specific challenges and opportunities vary significantly from country to country. Therefore, while this framework provides a common compass, its implementation will require careful contextualisation and adaptation to the unique circumstances of each nation.

Box 2: **Making Sanitation Systems Investable**

Sanitation has long been the "invisible twin" of the water sector—underfunded, institutionally fragmented, and often treated as fiscally unviable. But across Africa and globally, new models are emerging that position sanitation not only as a public health imperative, but also as a **circular economy opportunity** with real investment potential.

This transition demands a system-wide shift. The sanitation economy must be treated as **a structured service chain** and must be supported by enabling regulation, capable service providers, and sustainable financing strategies.

Four systemic actions can help unlock sanitation investment at scale:

1. **Professionalise sanitation service chains and build integrated local capacities**
   Municipalities, utilities, and private operators need clear mandates and the technical, managerial, and financial capabilities to oversee complex service chains. Importantly, liquid waste management must be integrated with solid waste management, especially in urban and peri-urban contexts, to improve operational efficiency and build circular, resilient systems.
2. **Create viable business models around resource recovery**
   There is growing evidence of markets for sanitation by-products such as organic fertilisers, biogas, refuse-derived fuel, recycled materials and treated water. These markets remain underdeveloped in national and municipal finance systems, despite their real potential to support cost recovery and stimulate green job creation (Sanitation and Hygiene Fund, 2023; Gates Foundation, 2023).
3. **Establish coherent regulatory frameworks for liquid and solid waste**
   Most countries lack clear and enforced regulation integrating liquid and solid waste management. Effective regulation must cover service standards, environmental compliance, and reuse markets—bridging the institutional divide between sanitation (SDG 6.2) and solid waste (SDG 11.6).
4. **Design integrated financing strategies and blended public-private approaches**
   Sustainable sanitation finance must combine public subsidies, user contributions, and repayable instruments—ideally structured to serve both liquid and solid waste investment needs. Opportunities include cross-subsidies from water tariffs, performance-based grants, or taxation mechanisms linked to mobile usage or waste production.

Sanitation can no longer be dismissed as unbankable. With systemic reform and integration into broader waste strategies, it becomes a driver of urban resilience, public health, and green economic growth.

5. Articulating the Post-2025 African Vision

As the Africa Water Vision 2025 nears its conclusion, the continent stands at a decisive juncture. Under the leadership of AMCOW and the African Union, a renewed water agenda is being crafted to guide the continent beyond 2025, with strategic milestones aligned with Agenda 2030, 2050, and 2063. This evolving vision calls for a paradigm shift—from fragmented service delivery and reliance on external aid, to credible, integrated national systems capable of attracting and sustaining investment at scale.

Drawing on nearly a decade of work by IRC and our partners, championing and building strong national systems, the conceptual framework presented in this paper directly aligns with this transition. Rather than proposing a new strategy, it offers a practical **systems lens for interpreting and implementing the next Africa Water Vision**. It encourages national and regional actors to move from sectoral inputs to system-wide reform, with a focus on governance, institutional performance, financial sustainability, and long-term resilience.

Financial credibility is increasingly recognised as a critical lever for unlocking sustainable finance in the sector. AMCOW's 2024 thematic report on financing underscores this shift, calling on African countries to move towards repayable finance and to treat creditworthiness as an "indispensable consideration." In this context, the framework presented here aligns with continental priorities—not by treating financial credibility as a technical score, but as a system-wide governance outcome. It links institutional legitimacy with investment readiness, grounded in leadership, effective regulation, professional institutions, and robust public finance systems.

By linking the credibility of national systems to their ability to attract both public and private capital and deliver quality services, the framework reinforces Africa's collective aspirations to:

- Reduce dependency on external aid and unlock domestic finance,
- Strengthen regulatory environments and investment planning,
- Demonstrate readiness for scaled-up partnerships with multilateral banks and institutional investors,
- Embed accountability and transparency across the water and sanitation ecosystem.

This strategic framing serves as a **bridge between vision and implementation**. It is designed to complement and reinforce AMCOW's post-2025 agenda by proposing operational levers, performance benchmarks, and a unified narrative—one that centres on African leadership, African systems, and African credibility.

Conclusion

Africa stands at the threshold of a new era. The continent has the knowledge, experience, and reform champions it needs to move from fragmentation to coherence—from isolated projects to functional, investable systems. This paper has outlined a strategic framework built around achieving a single, transformative outcome: **financial credibility**. When African water and sanitation systems are politically prioritised within a strategic public finance framework, transparently regulated, and professionally managed, they generate the trust that unlocks long-term, large-scale investment.

What is at stake is not merely financial—it is institutional legitimacy, public confidence, and the continent's capacity to meet its citizens' basic rights to wellbeing and dignity. **Building financial credibility is how Africa shifts from asking for funds to earning them**—by showing that its systems are ready.

The four transformation pillars proposed—leadership, regulation, professionalisation, and strategic public finance—are mutually reinforcing. They offer a practical compass to guide national reforms and regional collaboration, grounded in the real-world experiences of reforming countries across the continent.

This paper affirms that credible, investable systems are not the product of finance—they are the precondition for it. Financial credibility is how Africa moves beyond dependence and builds the discipline to earn, manage, and multiply investment on its own terms.

As African institutions shape the post-2025 water vision, this paper represents IRC's contribution to that process—an invitation to think boldly, act systemically, and lead with credibility. The expertise behind it stands ready to support African leaders committed to turning vision into transformation.

Box 3: **What Does Financial Credibility Look Like in Practice?**

Financial credibility is not a theoretical status—it is a visible, measurable reality when national and local systems function with discipline, transparency, and coherence.

In practice, a creditworthy system is one where:

- **Ministries of Finance integrate water and sanitation into national budgets**, medium-term expenditure frameworks, and public investment strategies.
- **Regulatory authorities operate with autonomy and authority, enforcing fair tariffs**, service quality standards, and compliance across both water and sanitation services.
- **Service providers—public or private, water or sanitation—are professionalised**: they are staffed with competent personnel, equipped with modern tools, and capable of delivering reliable services, managing assets, and planning for expansion. They maintain reliable financial and operational data, enabling them to recover costs, meet performance targets, and engage confidently with financiers.
- **Citizens trust the system**: they pay for services, participate in oversight, and hold authorities accountable.
- **Investors, banks, and donors see the country or municipality as a reliable partner**, able to absorb and manage long-term financing responsibly.

In such environments, large-scale investment becomes not only possible—but desirable. Financial credibility is the bridge between sector performance and financial sustainability.

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