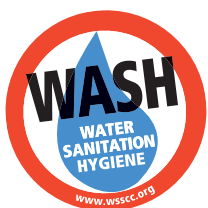


Making every drop count



Financing water, sanitation and hygiene in Ethiopia



Water, Sanitation and Hygiene for all

Acknowledgements

The Water Supply and Sanitation Collaborative Council is a leading international organisation that enhances collaboration in the water supply and sanitation sector. Its aim is to accelerate the achievement of sustainable water, sanitation and waste management services to all people, with special attention to the unserved poor, by enhancing collaboration among developing countries and external support agencies and through concerted action programmes.

Tearfund is an evangelical Christian relief and development agency working with local partners to bring help and hope to communities in over 70 countries around the world. Many of our partners work on water, sanitation and hygiene promotion projects. Through our advocacy work we hope to raise awareness of the current global water and sanitation crisis with our supporters, and policy makers, and build the capacity of our partners to advocate on water issues on behalf of the poor.

Research and writing: Naomi Foxwood

Comments and guidance: Joanne Green (Senior Water Policy Officer, Tearfund), Gouri Ghosh (Executive Director, WSSCC)

Editing: Andy Atkins, Cecilia Martinsen, Carolien van der Voorden

Cover photos: Naomi Foxwood, Jim Loring, Mike Webb

©Tearfund 2005

With many thanks for the generous co-operation of all those who were interviewed for this paper, and those who gave verbal or written comments.

Commonly-used abbreviations

GoE	Government of Ethiopia
MoFED	Ministry of Finance and Economic Development
MoWR	Ministry of Water Resources
ODA	Overseas Development Aid
O&M	Operation and Maintenance
SDPRSP	Sustainable Development Poverty Reduction Strategy Paper
WaSH	Water, sanitation and hygiene
WSSDP	Water Supply and Sewerage Sub-sector Development Plan

Contents

Executive summary	2
Introduction	5
1 WaSH in Ethiopia – background	7
1.1 Coverage	7
1.2 WaSH as compared to other sectors	8
1.3 Sector characteristics	8
2 WaSH in Ethiopia – the finances	11
2.1 Financing into the sector	11
2.2 Is this financing adequate?	11
2.3 Where the financing is spent	14
2.4 WaSH financing in the future	14
3 Areas to be addressed if current sector financing is to be made more effective	16
3.1 A lack of financial clarity	16
3.2 Low absorptive capacity and bottlenecks	17
3.3 Problems with sustainability of schemes	17
3.4 Low capacity at woreda level	18
3.5 Reluctance to include NGOs in policy making	18
3.6 WaSH is not integrated	19
3.7 Sanitation and hygiene promotion is historically not prioritised	19
4 Ways in which current sector financing is being made more effective	20
4.1 User role in financing and management is increasing	20
4.2 Sanitation and hygiene promotion is receiving new focus	22
4.3 Appropriate technology types are being used successfully	22
4.4 National coordination of stakeholders is improving	23
4.5 Multi-lateral donors are being more strategic in interventions	24
Conclusions and recommendations	25

Executive summary

WaSH in Ethiopia – background

Ethiopia has some of the lowest coverage of access to safe water and basic sanitation in the world, with figures estimated at 24 per cent and 15 per cent respectively in the year 2000. Where there is coverage, the level of service may be poor, providing, on average, far less than the WHO recommended minimum of 20 litres per person. This situation has had a dire impact on progress towards meeting the MDG targets in Ethiopia. The poor water and sanitation coverage contributes to an infant mortality rate of 180 per 1,000, very low economic productivity and a proportion of girls to boys in school of just 75 per cent.

A national Water Supply and Sewerage Sub-sector Development Plan does exist to tackle this situation. It contains good practice on cost recovery, decentralisation and stakeholder inclusion, and ambitious targets for coverage. But obtaining enough finance to fulfil the targets will be a great problem.

WaSH in Ethiopia – the finances

The funding of water, sanitation and hygiene promotion in Ethiopia is completely inadequate. The money going into the sector from all sources is US\$ 65 million a year, for a population of over 70 million people, ie: less than US\$ 1 per person to give services to those who don't have them and maintain services to the fortunate few who already have them. Urban areas and the larger regions see more of this money than do rural areas and the 'emerging regions'.

Ethiopia is reliant on external support to the WaSH sector. One third of capital investment comes in through off-budget funding from donors and NGOs. But still, Ethiopia receives the least long-term development aid of any country in the world. When Ethiopia does receive aid it may not be delivered in the most helpful form: 2003/2004 was the first year that the amount of grants was higher than loans to the sector.

As regards public expenditure, to date, water has suffered from not being a spending priority as compared to other sectors. In the 2001/2002 budget, education received 4.5 per cent of GDP while water supply received just 0.9 per cent. Sanitation and hygiene promotion doesn't have its own budget line within the Ministry of Health and so it is hard to track financially, but the Public Expenditure Review estimates the spending to be 'negligible'.

Cost recovery for water is quite poor in both urban and rural areas, and has potential to contribute to a substantially higher proportion of recurrent costs. Users are often extremely poor, some communities perhaps not even operating in a cash economy, but willingness to pay is also a problem. Currently users pay just 0.2 per cent of the capital costs of financing water in Ethiopia, and subsidies for sanitation are widespread.

'Future spending requirements are massive' (Public Expenditure Review). To meet the MDG target, access to safe water needs to reach 64 per cent, which is a massive leap from current coverage. Sanitation coverage needs to reach 57 per cent. For this to happen,

585,000 latrines, for example, would have to be constructed every year from 2000 to 2015 – that's 65 per hour.

Areas to be addressed if current financing is to be made more effective

Having highlighted the need for more funding for Ethiopian water, sanitation and hygiene promotion, the paper moves on to analysing which areas of the sector need to be addressed for current funding to be more effective.

Coherence and coordination stand out as big problems. There is no single government-led forum, in which all stakeholders participate, that meets regularly to effectively plan and evaluate progress on WaSH. Financial clarity is therefore lacking, with central government finding it hard to plan strategically due to often inadequate donor and local government spending reporting. NGOs are left out of policy formulation, unable to communicate their wealth of grass-roots experience.

Sanitation and hygiene promotion is not being prioritised or integrated sufficiently into planning or implementation of water services. The National Water Strategy has only one line on sanitation. 'Software' has long been neglected, despite over 30 per cent of the disease burden in Ethiopia being attributed to poor sanitation. This may account for another problem we identified in the sector, which is low sustainability of schemes. Problems accessing spare parts on the local market, and inappropriate technology being used, have combined with a poor software element to render about 30 per cent of schemes in rural areas non-functioning.

Finally, we identified significant capacity problems at local government level. Although mandated to deliver water, sanitation and hygiene services, local government (known as woredas) does not have the staff to do so effectively. Working under massive constraints, woredas find it very difficult to use off-budget funds, which often carry higher transaction costs than federal funds. In 1998–2002, 82 per cent of sector budget funds, but only 33 per cent of off-budget funds, were spent by woredas.

Ways in which current financing is being made more effective

Despite the problems and constraints detailed above, our analysis is that the potential of Ethiopian water, sanitation, and hygiene promotion is encouraging. We identify a number of ways in which current financing is being made more effective.

The sector currently has a momentum for change. The Government of Ethiopia is leading a strategy aimed at an aggressive increase in coverage, and has already reported substantial success. A national sanitation strategy is being drawn up through a participatory process, and the WaSH campaign was launched in late 2004. This is part of a wider movement at

national level to coordinate better, through the Development Partners Thematic Working Group.

Stakeholders are trying hard to be more innovative and strategic. Appropriate technologies are being experimented with, and used more extensively, such as rope pumps, and high-quality traditional pit latrines. The success of community-led management, and financing, of schemes is being recognised, and efforts are again going into scaling up. Multi-lateral donors not previously known for their tailored and innovative interventions are adding more value through flexible responses. The World Bank, for example, has given the go-ahead for a project that will benefit 3 million people, and also standardise and simplify procedures to make funding easier to come by in the future.

Government, donors, NGOs, and communities are coming together with a common sense of purpose and – given appropriate funding – Ethiopia should make great progress towards meeting the MDG targets on water and sanitation.

Main recommendations

Donors could consider:

- giving more grant money to Ethiopia.
- giving in a way that is easily absorbed (budget support/basket funding/predictable and sustained funding/harmonised procedures).
- working as closely as possible with the Government of Ethiopia.
- being catalysts for innovation and best practice.

The Government of Ethiopia could consider:

- prioritising the creation of a single all-inclusive forum, possibly a Sector-Wide Approach (SWAP), to coordinate, plan, and monitor progress in the sector.
- allocating more funding to WaSH in the PRSP process, with sanitation given its own budget line.
- prioritising capacity building at woreda level and ensuring funds are devolved.
- prioritising the increase and ongoing support of community-managed schemes.

NGOs could consider:

- being better advocates of their own work and experience.
- promoting simple technologies and locally-acquired spare parts.
- working better with local government.

Introduction

‘It may be important to assign priorities based on how strongly each of the sectors affects poverty in Ethiopia. Some preliminary estimates have shown that expenditure on education, water and sanitation development and natural resources tend to be associated strongly with the state of poverty. Perhaps such an approach might be useful to reduce the total cost of addressing all the MDG goals.’

Ministry of Finance and Economic Development of Ethiopia, and United Nations Team, 2004¹

One sixth of all Africans who need access to safe water live in Ethiopia, and every other African country bar one has a higher percentage of population with access to sanitation.

This cannot be seen in isolation, but must be seen in the context of the sustainable development of the whole country. The under-five mortality rate stands at an incredibly high 180 per 1,000, the proportion of girls to boys in primary schools is at an unsatisfactory 75 per cent, and economic productivity in Ethiopia is among the lowest in Africa. Without achieving improved access to safe water and basic sanitation and hygiene, the MDG targets on infant mortality, girls’ access to primary education, and poverty cannot be met. This paper addresses the issue of financing these most vital, basic services.

This paper does not solely look at how to bring increased financing into the sector. It also takes a pragmatic and practical look at how current financing can be made more effective. It looks at ways in which the sector is failing to be effective in the use of financing, as well as positive ways in which the sector is maximising its effectiveness. We show that communities are key players in changing their own situation, and we make recommendations to all sector stakeholders. There is no doubt that more funding is needed if water, sanitation and hygiene promotion is to increase in Ethiopia, and if the wider developmental benefits of water, sanitation, and hygiene promotion (referred to in this report as WaSH) are to be experienced. But we must also strive to add the most value to interventions and contributions that are already being made. This report does not pretend to be a complete financial portrait of the Ethiopian WaSH sector. Rather, it hopes to be a thorough financial snapshot of Ethiopian WaSH that sparks debate and considers some of the constraints on meeting, and providing pathways to, the MDGs.

Many positive things are happening in Ethiopian water, sanitation, and hygiene promotion. With help from donors, NGOs, and communities, the Government of Ethiopia is leading an increasingly-coherent strategy. Good practice is being disseminated and increasingly followed. On the ground we found sector stakeholders sharing a sense of purpose, and a commitment to innovation and increasing provision.

But Ethiopia will almost certainly not meet the Millennium Development target on water or on sanitation. Not enough funds flow into the sector. Considering population growth, WaSH in Ethiopia currently receives less than is required to remain at the current percentage of coverage.

¹ Millennium Development Goals Report. *Challenges and prospects for Ethiopia*. March 2004, MOFED and UN Team.

There are structural reasons why the country has been unable to serve its population with basic services. At US\$ 100, Ethiopia has a per capita income that is 50 per cent lower than most of the world's poorest countries. Consequently, it only generates about US\$ 19 per capita as revenue that could be used for basic services, compared to Malawi, for example, which generates US\$ 40.

The Millennium Project says 'It is impossible for low-income countries to finance investments of this magnitude – even if tax revenues are maximised and all opportunities for cross-subsidisation within the country are exhausted. These countries need increased ODA to meet the MDGs'.² Yet, currently, it is middle-income countries, rather than countries like Ethiopia in the Least Development or Low Income brackets, that receive the most ODA.

Aid is important, but, equally vital, are increasing trade opportunities, relieving debt and mitigating environmental degradation, if Ethiopia is to increase access to safe water and appropriate sanitation. The price of coffee – Ethiopia's primary export – has fallen 73 per cent in the last 20 years, and the slow growth of the economy in 1999–2002 is associated with the decline in prices of this primary export. Climatic conditions for the continent seem to deteriorate every year, the 2002/2003 drought led to a decline in agricultural output of 12.2 per cent, leading to a decline in GDP of 3.8 per cent. In 2002, Ethiopia spent over twice on debt relief what it had spent on water and sanitation. The level of financing in Ethiopian WatSan demonstrates clearly the need to address trade, debt and environmental issues in developing countries.

Methodology

The qualitative information for this case study was gathered through a combination of field visits and interviews with representatives of all sector stakeholders in Ethiopia. The quantitative data was obtained from various line ministries, the World Bank, and from other sources on the internet.

Ato Guiliat Birhane, Head of
Planning at the Ministry of Water
Resources, Ethiopia

'If we are to meet the MDG each stakeholder has to play its part.'

² *Financing strategies to meet the Millennium Development Goals for water and sanitation in low income countries*. Paper for 'Water for the Poor' seminar at Stockholm World Water Week, August 2004

1 WaSH in Ethiopia

– background

1.1 Coverage

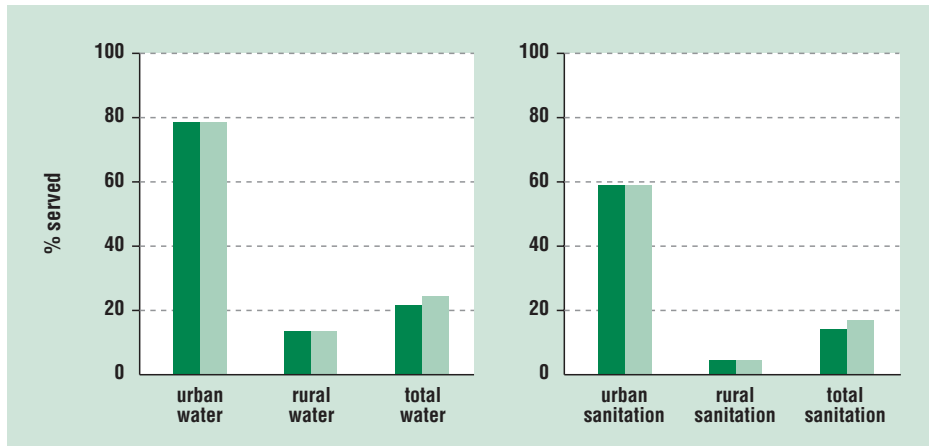


Figure 1
Water and sanitation coverage in Ethiopia 1990 and 2000³

■ 1990
■ 2000

In 2000, the World Health Organisation rated Ethiopia as having the lowest level of water supply coverage in Sub-saharan Africa, at 24 per cent, and the second lowest sanitation coverage, at 15 per cent. Equally concerning is the extremely small increase reported in coverage over the decade 1990–2000: just 2 per cent in both water and sanitation.⁴ In 2004, the Government of Ethiopia reviewed the Water Matrix from the Sustainable Development Poverty Reduction Plan and registered an increase in access to potable water to 38.1 per cent for 2003/2004. It is exciting to note that there may well have been a significant increase in coverage since 2000, although a number of implementers on the ground have queried the rate of increase shown by these figures.

Where there is coverage, the level of service is poor. On average, it is far less than the 20 litres recommended by the WHO as a minimum standard per capita per day (and it is important that this is addressed, as quantity of water is key to reducing disease). In urban areas, the service is intermittent. In rural areas, Ministry of Water Resources figures put non-functioning water schemes at 20 per cent to 30 per cent, but, anecdotally, those involved in implementation put the non-functioning figure at 30 to 40 per cent.

³ From WHO figures, *Water Supply and Sanitation Sector Assessment 2000*.

⁴ *Ibid.* Ministry of Water Resources put coverage at 30 per cent for water and 17 per cent for sanitation in the same period.

1.2 WaSH as compared to other sectors

Ethiopia's public spending totals about ETB 6.7 billion (US\$ 780 million) and is broken down as follows:

Table 1
Social sector spending
2001–2002⁵
*annual spending

	Approximate* (ETB millions)	Share of budget	Share of GDP	US\$ per capita
Education	2,316	13.9%	4.5%	US\$ 4.15
Health	1,053	4.8%+	1.6%	US\$ 1.78
Water supply	456	2.7%	0.9%	US\$ 0.77
Social safety nets	2,280	NA	4.5%	US\$ 3.87

As becomes apparent from this table, water supply is not a spending priority as compared to the other social sectors. Recently, the Government of Ethiopia has been pouring its resources into education, for which, the budget has increased by 50 per cent in real terms in the past five years. In comparison, the spending on water services has dropped as a proportion of the total federal budget between the year 1999/2000 and 2001/2002. Ethiopia spends US\$ 0.88 per head uncovered of the population, while Zambia, for example, spends US\$ 8.35.⁶

As for health sector spending (from which sanitation and hygiene promotion are funded), this has increased, but only by a very small amount – from US\$ 1.20 per capita in 1996/1997 to US\$ 1.40 in 2001/2002. It is hard to track the proportion of the Health budget allocated to sanitation and hygiene promotion, but the Public Expenditure Review estimates spending on sanitation to be 'negligible'. Water and health spending is significantly lower than, not only education, but also military spending, which was 6.2 per cent of the 2003/2004 budget.

1.3 Sector characteristics

Decentralisation

Recent decentralisation reforms are changing the way that water and sanitation is financed.

Urban water supply used to be financed primarily from loans and grants channelled through federal budget (leading donors IDA, AfDB, JICA and the Netherlands) and from regional budgets. Responsibility will increasingly pass to municipalities and their utilities. A Water Resources Development Fund has been established, which channels loans for urban water supply and irrigation projects. The 2001/2002 budget for this fund included US\$ 19.2 million: 2.7 million from the federal budget, 11.7 million from foreign loans, 4.8 million from foreign grants. Nothing had been disbursed at the time of writing.

⁵ This year is the latest year for which reliable actual expenditure is available.

⁶ Recent work funded by GTZ into WSS in Zambia would imply that this money is not being efficiently used, but the fact remains that they have allocated more than the Ethiopians.

Rural water supply used to be financed primarily through regional budgets, the Ethiopia Social Rehabilitation and Development Fund (ESRDF), bi-lateral and NGO funding at local level. This will increasingly be financed through woreda (sub-regional) budgets, with some capital contribution from communities (minimum 5 per cent cash contribution has been suggested). NGO and bi-lateral support is to continue in partnership with woredas.

Currently, finances reach woredas through three funding windows:

Direct budget support comes in the form of block grants from central government to the regions, and then down to woredas. The Ministry of Finance and Economic Development makes these allocations to regions on a calculation of population and poverty.

Sectoral funding is also from MoFED, but passes to the line ministry, so either Ministry of Water Resources or Ministry of Health passes it to the Regional Water or Health Bureaus, and then on to woreda level.

Off-budget funding includes donor or NGO money given directly to projects or to the woreda.

There is an off-setting mechanism in place that adds complexity to the situation. Should a region receive off-budget NGO or donor finances beyond what is federally budgeted to them, then this amount is subtracted from the block grant. The money is not lost to the sector as it is redistributed among other regions. So, the system maintains a certain equity in the dispersal of funding, but creates a disincentive for a region to access donor- or NGO- funding that may be less reliable than the federal budget. We heard from the Ministry of Water that rural water is, however, permitted to be outside the Regions' allocation formulae for block grants, as the needs are so great (ie: finances could be raised for this without being subtracted from the federal funds). But we interviewed a Regional Water Bureau that was unaware of this exemption policy. There is a certain amount of confusion in this area, and it seems that the situation differs from region to region, with some exempting all infrastructure from off-setting, while others exempt all WatSan, or some just rural WatSan and still others not exempting anything from off-setting.

Water supply and sewerage sub-sector development plan

Main points:

- recognising water as an economic good
- devolving management to the lowest possible levels
- moving towards full-cost recovery for urban schemes and recovery of O&M for rural schemes
- promoting the involvement of all stakeholders

The plan aims to provide drinking water supply to almost all the urban population by the end of the programme (2016). This would mean increasing coverage to 100 per cent in

Addis Ababa, Dire Dawa and all cities in the four large regions, and doubling coverage in the smaller regions.

As regards rural areas, the plan aims to increase water supply coverage from 23 per cent to 71 per cent as a national average, varying by region (eg: 90 per cent Tigray but 45 per cent Gambella).

With sewerage (this excludes rural sanitation) the plan is to increase urban sewerage by 3.5 per cent annually in order to raise the coverage from the current 7 per cent to 60 per cent by the end of the programme. It is unclear where smaller urban settlements fit into this picture – they are often neglected.

These targets are more ambitious than the MDG target for the country.

The Sustainable Development Poverty Reduction Strategy Paper

The SDPRSP (Ethiopia's PRSP) is consistent with the first five years of the Water Supply and Sewerage Sub-sector Development Plan (WSSDP). It calls for an increase in access to safe water from 30 per cent in 2000 to 38.4 per cent by 2004/2005. Rural water supply is to increase to 31.3 per cent, and urban to 82.5 per cent over that five-year period. The document does not include a target on sanitation coverage.

2 WaSH in Ethiopia

– the finances

2.1 Financing into the sector

Channels of Finance	Recurrent (% of total)	Development (% of total)	Total (% of total)	Expenditure (million Birr)
Federal Budget	4.9%	9.3%	7.4%	41.3
Regional	30.8%	55.4%	44.9%	250.7
Ethiopia Social and Rehabilitation Development fund (ESRDF)	0.0%	2.0%	1.2%	6.5
NGOs / Off-budget	0.0%	33.0%	18.9%	105.5
Internal Generation / User Charges	64.3%	0.0%	27.5%	153.5
Communities / Households	0.0%	0.2%	0.1%	0.8
Total	100.0%	100.0%	100.0%	558.4
Total expenditure (in millions Birr)	238.7	319.7	558.4	–
Total expenditure (in millions US dollars)	29.1	39.0	68.1	–

Table 2
Channels of finance used for development and recurrent expenditures, fiscal year 2001/2002⁷

As we can see, funding for Water Supply and Sanitation (WSS) in Ethiopia (hygiene promotion appears mostly under a different budget) is heavily reliant on NGOs and donors. One third of the money going to development or capital investment comes through the off-budget route, and even more donor monies are given through the regional and federal budgets. It was only in 2003/2004 that the amount of external grants to the sector was larger than the amount of external loans. Ethiopia is currently dependent on donors and NGOs for WSS coverage to increase; consequently, it is of the utmost importance that these players work together and give in the most helpful ways.

Also, the very significant part internally-generated funds have to play is notable, accounting for 27.5 per cent of total finance channelled to the sector. As time and work goes on, it is likely that the proportion of recurrent, compared to development, costs will increase, and so internally-generated funds will be of ever-increasing importance. With better fee collection by municipalities and willingness-to-pay issues being addressed in the rural context, there is potential for growth in this income stream.

2.2 Is this financing adequate?

Ethiopian water, sanitation and hygiene promotion is desperately under-funded. As we can see in TABLE 2, the sector receives approximately US\$ 65 million a year including all sources. If we take implementation costs for WatSan per capita as US\$ 35⁸ for rural areas, then this US\$ 65 million could cover approximately 1.9 million rural dwellers per year with safe water and sanitation facilities. Unfortunately the population of Ethiopia is growing by 2 million per year and so, even with 100 per cent sustainability of schemes this funding does not even keep up with population growth. Funding is insufficient from all sources:

⁷ Ethiopia Water Sector Resources Flows Assessment, WSP Africa, 2004.

⁸ To arrive at this figure I have tried to take an average cost between the low costs of local NGOs implementing at US\$ 10–15 per capita, and the much higher costs of many donors, eg: African Development Bank sets its per capita at US\$ 50 in its Concept Paper on Rural Water Supply and Sanitation Initiative 2004.

Public expenditure is stretched. The Ethiopian government take US\$ 19 per capita in revenue, significantly lower than most other HIPC countries (Malawi, for example, takes twice that). Providing WatSan services, therefore, for US\$ 25–35 per capita in rural areas, US\$ 60–80 per capita in urban, on top of all other priorities such as health, education and debt servicing (15 per cent of the budget still goes to this despite having reached completion point in HIPC) is currently impossible for the Government of Ethiopia to achieve on its own.

The block grants received by the woredas from the federal government are insufficient to cover even recurrent costs, with woredas getting block grants of about 12 million Birr, approximately 8 million of which is needed to pay salaries. Woredas is given freedom to spend its block grant from regions (and therefore from government) as it wishes. Although it is required to spend 20 per cent on investment, there is no knowledge of how much of this is reaching the water sector, but estimates suggest that it is minimal.

Donor financing for development is also extremely low into Ethiopia as a whole. Ethiopia receives the most emergency aid per capita in Sub-saharan Africa, but the least long-term development aid per capita⁹. In 2001, for example, Ethiopia received ODA amounting to US\$ 16 per capita, as compared to approx US\$ 33 per capita in Burkina Faso, Rwanda or Ghana. Ethiopia received US\$ 44 million from donors to the water and sanitation sector in 2002/2003 according to OECD figures. When taking into account that the number of people without water is 47.5 million, and those without sanitation is 53 million, this is less than US\$ 1 from donors per person unserved. The World Bank has recently agreed more than US\$ 100 million in grant and loan over the next five years for Ethiopian water and sanitation. This presents a great opportunity for other donors to step up and join the push.

International financing mechanisms are failing Ethiopia. When asked about financing mechanisms, ‘we get no money from them’ the Head of Planning for the Ministry of Water Resources replied. The Ministry of Water Resources are reserving judgement about the usefulness of the African Water Facility for Ethiopia. The perception is that it may be yet another facility with an unclear application procedure and no definite timeline for disbursement. Ethiopia has been unsuccessful in its attempt to access Public Private Infrastructure Advisory Facility (PPIAF) funding, and also doesn’t seem a suitable candidate at present for the Emerging Africa Infrastructure Fund. Concerning the EU Water Initiative, we found very little awareness of this at any level;¹⁰ and there was a certain amount of confusion surrounding the EU Water Facility.

Many of these international financing facilities focus on mobilising the international private sector, which is not relevant for Ethiopia, or indeed many low-income countries at the current time. Also, governments operating in such a stretched capacity prefer to attempt to access funding from established procedures and mechanisms.

Cost recovery and other user contribution is not reaching its anticipated levels. The Water Sector Development Plan states that cost recovery should be full in urban areas and should cover operation and maintenance in rural areas. Unfortunately this does not currently seem to be the case. ‘They can’t even manage cost recovery in Addis, and it is not even partial in rural areas,’ said an Infrastructure Adviser for a leading bi-lateral donor. In

⁹ Save The Children, 04/08/04.

¹⁰ There may now be more awareness of the EUWI as Ethiopia was recently chosen by AMCOW as a partner country for dialogues with the EU Water Initiative Africa Working Group. No money is attached to this dialogue though.

terms of cost sharing by the community for capital costs of the scheme, this has been limited by sheer poverty (about 80 per cent of the population barely living in a cash economy) and by sometimes inappropriately expensive and sophisticated technology types being introduced. Issues around willingness-to-pay on the part of communities also need to be acknowledged. Currently communities/households provide just 0.2 per cent of financing to capital costs for water in Ethiopia (see TABLE 2.) Communities are extremely poor, and, with their limited resources, people often spend on coffee or the narcotic 'chat' rather than water. Tackling the perception that water should be provided for free is important. Saying this, the Ministry of Water is mobilising a drive on cost recovery, and there are many positive and innovative developments in the area of community contributions to water services. We will consider this further in Section 4.1.

In sanitation and hygiene promotion the picture is quite patchy, with a variety of levels of subsidies for latrine materials (slabs in particular) from different agents such as NGOs, donors and Regional Health Bureaus. Subsidies are a difficult issue. It may be the case that unless hand-outs are made available for to everyone, they will actually serve to depress demand rather than stimulate it. People may wait to build a latrine until they receive some material help, rather than viewing the situation as urgent and addressing the problem for themselves. The problem remains, though, that communities seem unwilling to pay for sanitation, even if willing to pay for water services. Community funding of sanitation in Ethiopia is impossible to estimate, but the general opinion is that it is miniscule. It does, though, have great potential, and we will explore positive case studies later on.

Private finance is minimal. 'To date, there has only been limited involvement by the private or informal sector in design and construction of water supply systems, and almost none in operation and maintenance.' (World Bank, Water Supply and Sanitation Project paper). The capacity problems affecting the woredas also affect the private sector. Local artisans are generally not in possession of the skills needed by communities to facilitate their water and sanitation services. There is currently no domestic manufacture of hand-pumps, which creates great problems with accessing spare parts. Fast-wearing parts have started to be made in Ethiopia, but there have been problems with quality. In terms of larger private sector, it seems that most are interested in consultancy, but very few are interested in management. There are exceptions where the private sector has successfully been involved in management, such as in Mekalle, where leakage and fee collection rates improved with private sector management¹¹. Still, currently the larger-scale private sector doesn't see investment opportunities in the sector, due to the problems with cost recovery.

Growth in all private sectors would of course boost the economy and help the GoE's ability to fund social services through revenue. Head of Planning at the Ministry of Water Resources, Guiliat Birhane says, 'We want to finance the sector from our own resources so we need the private sector to generate resources'.

¹¹ Example drawn from Wateraid Global Advocacy 2005 report for Ethiopia, to be published.

2.3 Where the financing is spent

Table 3
WSS resource flows
2002/2003¹²

Budget, water, 2002/2003 in Birr millions						
	Amhara	Oromiya	SNNP	Tigray	Other regions ¹³	Addis Ababa
CAPITAL						
Urban	13.5	53.1	4.2	2.5		60
Rural (Government)	5.4	36.4	12.0	12.3		
Rural (Foreign)	1.1	34.1	5.1	0		
RECURRENT						
All	5.7	48.0	2.5	2.6		
Total	24.6	137.5	18.7	17.5	50	60

As we can see, from TABLE 3, federal funding (including donors who give through budget support) is heavily weighted towards urban expenditure. Before capital expenditure was decentralised to the regional level in 1993/1994, the urban weighting on the spending was even greater, at 70 per cent or even higher. This was despite the fact that 97 per cent of the unserved population in Ethiopia live in rural areas. When NGO funds are considered, this balance is somewhat redressed, as their work is mainly focused on rural parts. The budget also shows up the spending bias towards the larger regions (Amhara, Oromiya, SPNNP and Tigray) at the expense of the smaller and poorer regions (Afar, Somali, Benshangul-Gamuz and Gambella).

The Ministry of Water Resources and the Regional Water Bureaus have not been responsible for sanitation and hygiene promotion spending and therefore have not tracked it. Except for urban spending, data doesn't really exist for spending on sanitation and hygiene promotion, but it seems that the finances allocated are extremely minimal.

2.4 WaSH financing in the future

Public Expenditure Review

'Future spending requirements are massive.'

It must be recognised that, should the Government of Ethiopia allocate a greater amount of spending to WaSH in Ethiopia, it would need substantial external support to actually deliver services. The World Bank has costed the extra resources that would be needed just to increase coverage modestly by 2015.

¹² Adapted from the Public Expenditure Review, 2003, World Bank.

¹³ For the past three years, data on budgeted spending has not been collected for the smaller regions, so this is an estimate made by the World Bank in the Public Expenditure Review 2003.

Period	Urban Investment required (million Birr)	Urban Coverage Target	Addis Ababa Investment required (million Birr)	Rural Investment required (million Birr)	Rural Coverage Target
2000		76%			14%
Up to 2005	700	79%	399	586	19%
2005–2010	1,272	87%	1,527	1,009	23%
2010–2015	1,745	89%	1,740	1,446	28%
Total	3,717		3,666	3,041	

Table 4
Projected Investment needs for water supply, modest scenario¹⁴

These investment costs would increase water supply coverage to only 28 per cent for rural water supply, and 89 per cent for urban. These coverage figures are an unacceptably low scenario and well below the MDG target, but, even then, the investment needed would be 10,424 million Birr, (US\$ 1,206 million) – many times what currently goes into the sector from all sources.

To meet the MDG target, water coverage in Ethiopia would need to increase access to safe water to 64 per cent from 24 per cent by 2015. This would relate to approximately 44 million people receiving a new service, and those already covered maintaining their service. Sanitation coverage would need to increase from 15 per cent to 57 per cent, which equates to 65 latrines being constructed every hour to provide 585,000 every year.

¹⁴ Ibid.

3 Areas to be addressed if current sector financing is to be made more effective

Having presented the financial facts concerning Ethiopian water, sanitation and hygiene promotion (SECTIONS 1 and 2), in our analysis there are certain areas that need to be addressed for the sector to be more effective.

3.1 A lack of financial clarity

‘Better information’ was highlighted to us by the Head of Planning at the Ministry of Water Resources as one of the greatest needs of the water sector. Without this, efficient planning and budgeting of resources is impossible.

Decentralisation has created three layers of budgeting and spending – the woredas report to the regions, and the regions report monthly to the federal government. Currently, spending figures don’t exist for water for any but the four largest regions, and sub-regional spending is totally unavailable. In terms of other forms of spending, such as NGO or private sector, these figures seem to exist but are not, as a matter of course, passed to the Ministry of Water Resources. NGOs have their reporting relationship with regions and it seems to vary from region to region as to whether this information is passed through to the line ministry. NGOs also provide information to the Disaster Preparedness and Prevention Committee. Private sector investors and donors to the sector are managed by the Ministry of Finance and Economic Development, and the Ministry of Water Resources may not have access to this information. Essentially it is a confused situation.

Donors recently resisted a government attempt to set up a basket funding system to fund the Sector Development Programme. One major donor told us they had concerns that they were being presented with an unrealistic sector plan and offered little consultation. This was an unfortunate situation, as basket funding would have created clarity and predictability for a significant proportion of funding to the sector. Harder to understand is that many donors have refused numerous requests from the Ministry of Water Resources to provide basic figures for their spending in the country. The Japanese Development Agency, JICA, for example, provide only ‘after the event’ details of physical implementation achieved, but no financial information is forthcoming¹⁵. Donors differ though, with the biggest donor to the sector – Unicef – agreeing funds with the GoE in advance, and spending 70 per cent of its predictable funds on water, and almost 30 per cent on sanitation. The British Department for International Development was also mentioned by the Ministry of Water as a helpful donor, due to its funds coming through federal budget support. There is lack of clarity here, but the onus is on DfID rather than the GoE, as DfID currently has no system to track how its budget support money is being spent. No significant ‘value for money studies’ have been done on donor interventions in WatSan in Ethiopia.

As for information on sanitation and hygiene promotion spending, the World Bank states in its Public Expenditure Review that it has no data on sanitation and hygiene promotion. The Ministry of Water Resources is not responsible at federal or local level for tracking these funds, and it seems that the Ministry of Health does not do it either.

¹⁵ JICA claim that they do provide information to MoFED, just not to MoWR.

3.2 Low absorptive capacity and bottlenecks

There is a discussion later in this paper concerning the damaging effects on the sector of low capacity at woreda level. Certainly this is a primary reason for low absorption of funds, but it is not the full picture: some funds seem to be better absorbed in a low-capacity environment than others. The United Nations Development Programme, for example, directly releases funds to the regional level implementers through a special bank account established for direct access. Yet its own estimate as to how much is utilised is 30–60 per cent. Spending figures show that 82 per cent of budget, but only 33 per cent of off-budget, funds were spent in the years 1998 to 2002. (The Ministry of Water Resources state that utilisation of government funds went up to 91 per cent for 2003).

The problem may be to do with the unpredictable and fractured nature of aid grants, which are also sometimes accompanied by certain conditions. The transaction costs of accessing numerous pots of funding may just be too high to make them usable by woredas operating in a low capacity environment. It may also be a result of donors promising funds – which are then recorded – but not subsequently delivering them, which leaves the region short of funds as the money has already been off-set from the block grant.

Certainly, donor behaviour can create major disincentives for their funds to be used by government. Unicef, for example, although having predictability of funding streams, runs a procurement policy necessitating purchasing from Denmark. A Ministry of Water Resources official recently waited eleven months for a fax machine to arrive from Denmark, when one could have been bought down the street from the Ministry. Equally, buying hand-pumps from Denmark further undermines the ability of the domestic private sector to grow.

With donor funds constituting such a significant proportion of all funding to the sector, the general low utilisation of their funds is a major problem, and one that needs serious consideration.

3.3 Problems with the sustainability of schemes

Water coverage increased only two per cent in the years 1990 to 2000 according to the WHO. The low sustainability of both rural and urban systems is a real challenge. It can be attributed partly to problems in accessing spare parts. Not only is imported hardware unavailable at local level, but, in many areas, even the normal local construction tools and materials needed for rural water supply cannot be purchased (such as GI pipes, nylon ropes, moulds etc). This could be because, currently, the Government is the main constructor of rural water supply, and has procurement rules that mean materials and parts cannot be bought locally. Local suppliers are thereby not being strengthened, and this results in a lack of availability of parts and materials, which affects sustainability.

Spare parts are particularly an issue when inappropriate technology is used. In the Rift valley there are a multiplicity of deep borehole pumps and generators, which are in most cases unnecessarily complex pieces of technology. Equally though, even the humble hand pump has presented great difficulties in Ethiopia. A Wateraid study in the Oromia region

shows that hand-dug wells with hand pumps are 46.86 per cent non-functional, compared, for example, to springs with a distribution system at 19.28 per cent or springs on the spot at 33.88 per cent. It seems that, although implementers may do technical feasibility studies, they need a greater understanding of the social and economic context of their work when deciding what kind of technology to employ.

Finally, sustainability has been undermined by the lack of investment in WaSH ‘software’. The money being poured into hardware has been wasted, because a community has not been prepared for its arrival, both in terms of management of water schemes and in terms of the vital promotion of behavioural change that will make sanitation sustainable.

3.4 Low capacity at woreda level

Lack of personnel and the low skills at woreda level was mentioned by all people interviewed for this research as one of the greatest problems facing WatSan in Ethiopia. In 2003, for example, Oromiya region returned 1 million Birr of sanitation funding to the Ministry of Health as they didn’t have the staff to spend it.

The problem lies, though, not just in the area of recruitment and training, but also in the retention of staff. The government currently has 2,100 people enrolled on training in the sector, but expects a wastage of 50 per cent. The issue is not so much the retention of staff within the public sector, but retention of staff within the sector as a whole, and within the country. The Head of Planning at the Ministry of Water Resources, Guiliat Birhane, stated that for him, it is not an issue if their staff move to an NGO, donor, or the private sector, as long as their expertise and commitment remained in water. His concern is that many move out of the sector at the local level because basic engineering skills are easily transferable to better-paid sectors such as roads. At a national level, graduates move out of the country altogether.

There is a great deal of work going into capacity building, by government, donors (particularly the World Bank, see [CASE STUDY](#) on page 24) and NGOs. We found it a subject widely talked about, but rarely in specifics. Birhane warns, therefore, that ‘there is a big focus on capacity building but, unless it results in implementation and meeting of needs, it is pointless’.

3.5 Reluctance to include NGOs in policy making

There are about 125 NGOs helping to provide WaSH in Ethiopia today. In interviews we held with two of the biggest indigenous NGO service providers, they expressed dissatisfaction with the low level of opportunity to have input regarding government policy making. NGOs were not directly consulted in the creation of the Water Sector Development Plan; they were supposed to feed in via the Regional Water Bureaus but there did not seem to be a formal process enabling this to happen in most regions. Indigenous NGOs are also, at present, rarely represented on the main coordination forum: the Development

Partners Thematic Working Group on Water. Other non-government players have also experienced problems with contributing to policy making – whether they come from the private sector, academia or other civil society structures. This dislocation between policy makers and often extremely innovative implementers will continue to limit the quality of the policy making and financing decisions.

3.6 **WaSH is not integrated**

Water and Sanitation sit in different ministries (the Ministry of Water Resources and the Ministry of Health respectively, but obviously the Ministry of Education and the Ministry of Agriculture are both particularly relevant as well) and in different regional bureaus. In the past, coordination has been a big problem at federal level, but now there seems to be a renewed interest in integrated planning. At regional and woreda level, there are still barriers to overcome before integrated working is achieved: a senior figure in the Amhara water bureau informed us that ‘in principle the bureau believes in integration [of water and sanitation] but in practice it is not happening’. At woreda level, this has resulted in some communities having water but no sanitation facilities, and others having sanitation but no water facilities. The woreda staff are working in very difficult circumstances, which does mean that the full benefits of integrated WatSan are therefore not fully realised, and money is not spent effectively as this added value is lost.

3.7 **Sanitation and hygiene promotion is historically not prioritised**

The PRSP does not include sanitation coverage targets, the National Water Strategy has only one line on sanitation, and spending is generally not tracked. It is therefore extremely hard to estimate what has been spent on sanitation, but the consensus is that it has been minimal. Until now, sanitation and hygiene have been much neglected, leaving Ethiopia with an incredibly low starting point from which to begin a concerted push for coverage. Hygiene promotion, which should be the foundation of every WatSan project, is often not comprehensive, and lasting behavioural change is lacking. Over 30 per cent of the disease burden in Ethiopia is attributable to poor sanitation, 15 per cent of total deaths are attributable to diarrhoea, and the infant mortality rate – at 180 per 1000 live births – is one of the highest in the world.

On a field visit to a village in Debra Mewi kebele, Amhara region, we visited a community with a water scheme of which they are rightly very proud. It is extremely clean and well maintained, the WatSan Committee collect a monthly fee and this has been well in excess of what is needed to cover the salary of the tap attendant and any O&M costs. The community is saving money to put into income-generating activities. But, when we asked to see the latrines for the local primary school of 1,200 pupils we were told there were none. Lack of prioritisation of sanitation and hygiene is very much a problem at all levels, and money spent of water schemes is thereby rendered fairly ineffective.

4 Ways in which current sector financing is being made more effective

While recognising that there are a number of ways in which the financing of Ethiopian water, sanitation, and hygiene promotion could be made more effective, the feeling in the sector is optimistic. There are a number of developments that should be highlighted as positive indications of the hard work and commitment of the Government of Ethiopia, donors, NGOs and communities towards meeting the MDG water-related targets. In our analysis the following is making a difference.

4.1 User role in financing and management is increasing

It is part of the Water Sector Strategy in Ethiopia that users of WaSH services need to contribute to the delivery of those services, through financing some capital costs, financing cost recovery, and managing their own schemes where possible. This is a significant resource being increasingly mobilised to meet the MDG target on WatSan.

The Ministry of Water is aware of the importance of community cost-sharing in rural water supply; their guidelines have just increased to 10 per cent cash contribution and 5 per cent contribution in kind. The aim is for full-cost recovery for operation and maintenance in rural areas.

A note of caution that is often raised regarding rural community management and sustainable financing of schemes, is that these projects can only exist in the small scale. This is not the case. There are a number of success stories in community management and financing of large-scale systems. The Hitosa gravity flow scheme, Oromiya region, has been providing water to more than 60,000 since 1996 and is a shining example of success, proving that willing-to-pay issues can be overcome with the right ownership on the part of a community.

The plan for full-cost recovery in urban areas will change the way these water supply systems are being financed. Once an urban system has been constructed, all future investments are to be financed from internally-generated funds, with tariffs set at levels sufficient to support system renewal and expansion, as well as systems replacement.

The cost-recovery guidelines laid out in the Water Resources Management Policy are seen by NGOs, in particular, as a significant move forward by the government, and the result of advocacy on their part.

Case Study
Community
Development Fund
approach

This scheme is run by the Rural Water Supply and Environmental Programme, which is a bi-lateral programme between the Governments of Finland and Ethiopia in Amhara region. The purpose of the approach is to build the community's capacity to take the lead in their own development, through their ownership and management of funds for constructing a water scheme. This scheme has relieved the burden on woredas while still keeping their oversight of the scheme and has dramatically improved the level of ownership felt by communities towards such schemes. These qualities have increased the pace of rural water supply implementation while also retaining very high sustainability.

So far, half a million people are estimated to have benefited from the programme (three semi-urban rural water supply schemes, 1,357 community water points and 264 institutional water points, and more than 30,000 household latrines and latrines for 70 schools). Another 560,000 people are expected to be served before the end of the programme in 2006. This ongoing phase is financed by EUR 11.1 million: 8.1 million from the Government of Finland; 2.4 from the Government of Ethiopia; and 0.6 million from the rural communities.

The approach is absolutely demand driven. The kebele administrator supports communities by raising awareness of the scheme, giving help to people with low literacy and supporting their application to the woreda. There is then a field appraisal by the woreda water staff to assess suitability of sites for construction. This is also the point at which the community is made fully aware of their responsibilities: up-front costs (minimum 100 Birr but goes up to 2,500 Birr); materials and labour contribution (minimum 20 per cent but in 2004 averaged 36 per cent); and the creation of a Water and Sanitation Management Committee comprising at least two women. A Community Development Fund Board will then assess the application. This board comprises eight regional bureau representatives, (including water, health, gender, finance, and community development) private sector and CBO representatives.

If the application is agreed, then the community is given training in procurement, contracting and accounting. The scheme also trains small-scale private producers to deliver services and products, and trains four or five 'contact women' for each water point to promote sanitation and hygiene at a household level. Money is released in instalments, on production of receipts by the community, to an account in a private credit institution.

This approach has reduced the time needed for water point construction and sanitation and hygiene promotion down from about three months to 35–40 days. The level of non-functioning schemes is less than 5 per cent and attests to the pride the communities take in their new service. The woredas are fully involved, but are very happy with the renewed emphasis on a community-driven approach that reduces their work-load and bureaucratic procedures. RWSEP have succeeded in using donor finances to catalyse community funding – a model that should be increasingly used.

4.2 **Sanitation and hygiene promotion is receiving new focus**

The WSP and Government of Ethiopia have taken the lead in bringing all stakeholders together to formulate a National Sanitation Strategy. There are a number of comprehensive documents currently under circulation before final drafts are prepared, and there is a new desire to integrate work on the part of the Ministries of Health and Water. The strategy is working towards '100 per cent community-led sanitation', which is ambitious but a refreshing contrast to previous apathy.

The Government of Ethiopia has recently revealed a new Health Extension Programme, matched by the creation of a Health Extension department at federal level. The programme has packages on sanitation, which will put the environmental health focus right inside the village. Newly-trained Health Extension workers and community promoters are for a new way of promoting sanitation and hygiene at a community level. The focus is to be on training women to approach women.

Donors, for their part, are increasingly recommending dedicated funds for sanitation as part of water, sanitation, and hygiene programmes. Unicef and Wateraid have been long-standing sanitation advocates and are supporting sanitation promotion at a national level, with new advertising campaigns being planned with private sector support. In late 2004, the Ethiopian WaSH campaign was launched, coordinated by Wateraid Ethiopia.

It is no longer 'business as usual' in the sector, but we have yet to see a significant acceleration in actual implementation.

4.3 **Appropriate technology types are being used successfully**

The recent Government evaluation of the Sustainable Development Poverty Reduction Strategy Paper showed a significant increase in access to potable water. This increase was attributed to a major shift by the regions to choose low-cost and simplified technologies that have enabled them to involve and mobilise the community in construction of schemes.

A consensus seems to be developing amongst sector stakeholders on the catalytic nature of appropriate technology. NGOs have long been leaders in this field, but, on occasions, donors and government have not been so convinced of the need for the simplest appropriate technology. Many parts of Ethiopia do suffer from a lack of surface water, and ground water is sometimes inaccessibly deep for anything but drilling; but there are too many examples of boreholes being drilled where it is entirely unnecessary. Indeed, some donors (eg: Saudi Arabia) still give funds to the Government of Ethiopia earmarked for deep well drilling only. Fortunately, this practice seems to be the exception now.

Unicef has recently stopped using the VIP latrine as a demonstration model in Ethiopia, as 'this technology is too expensive for 90 per cent of households' (Therese Dooley, senior

sanitation and hygiene adviser, Unicef). Instead, like the **CASE STUDY** below, it is promoting good traditional pit latrines.

Wateraid has started to test rope pumps as an alternative to piston pumps, with the support of the Benshangul Regional Water Bureau.

The Regional Health Bureau in Amhara region is deeply committed to sanitation. Stringent sanitation targets for each woreda have been agreed, and been integrated into the woreda administrator's performance evaluation criteria.

The bureau has decided to promote very good traditional pit latrines: a solid structure, ash to sprinkle on top of the waste to wipe out the smell, and tippy cans outside for hand washing. In 11 months, 10,000 units have been built, far exceeding what could have been achieved if latrine slabs were used.

Statistics on how sustainable the latrine use will be are obviously hard to come by. It seems that the promotion was perhaps not ideal in that farmers were 'encouraged' to build latrines by the threatened withholding of their pesticide distribution. There was even a by-law implemented requiring the construction of latrines at household level. If though the latrines are not used, it will be due to problems with the promotion, rather than problems with the technology.

Case Study

Traditional pit latrines in Amhara region

4.4 National level coordination of stakeholders is improving

At a national level, there is an enthusiasm to improve coordination. As well as the Development Partners Thematic Working Group on water, there exist a number of different forums which to some extent coordinate sector stakeholders: the Ethiopian Water Partnership; the Millennium Water Alliance; the WaSH campaign; and a Scaling Up forum involving action research. Each forum seems to be addressing different areas of work, rather than overlapping. The number of different forum shows a real desire on the part of most actors in Ethiopian WatSan to make their work more effective through working with others. If this coordination moves towards harmonisation, this would be a great step forward.

The problems, perhaps, exist more at a regional level. For example, we had a bi-lateral donor complain to us that it had spent some time and money capacity building the local private sector in order to implement some community schemes, only to have the sector 'poached' by another donor who would pay more money for its services. Currently, about 60 per cent of the substantial donor monies to the sector are through off-budget channels, showing the importance of coordination.

4.5 Multi-lateral donors are being more strategic in interventions

Multi-lateral donors have, to some extent, become more engaged with the actual needs of WaSH in Ethiopia. Whereas previously they had perhaps been criticised for a dogmatic approach that was not tailored to the specific needs of a country, they are now adding more value.

Case Study

The World Bank Water Supply and Sanitation Programme in Ethiopia

The World Bank agreed an IDA credit of US\$ 75 million, and an IDA grant of US\$ 25 million in May 2004, for a three-pronged programme on water and sanitation. The annual sector input will be US\$ 20 million from 2006, relating to approximately a third of total development expenditure in the sector.

Firstly, there is a Rural Water Supply and Sanitation component, which will assist woredas to establish WatSan programmes, and communities to plan and manage sustainable schemes. Secondly, there is an Urban component, split into small towns (an extremely neglected area) and larger towns, trying to support the establishment of effective town water boards and water operators. Finally, there is a Programme Support component to build the capacity of public and private sector professionals to implement the programme. The reporting procedures are not onerous and the disbursement of each tranche of funding will not be delayed by them.

The project is trying to introduce a tri-partite approach – local service providers, woredas, and the communities. Woredas are being encouraged to use local service providers as a sustainable local resource for services.

Approximately 5,500 water supply schemes will benefit nearly 3 million people in some 3,500 communities and 50 towns. But the project is very positive – not just for the numbers covered, but for the way in which it was formulated. The Ministry of Water was involved at every stage, and the regions decided on the amount of funds that should go to each component and which woredas should be selected. The project should also set the scene for further sector development.

‘The hope is that if any other financier comes in now it should be easier. The project is trying to standardise and simplify implementation.’

Yitbarek Tessema, Operations Officer, World Bank.

Conclusions and recommendations

In conclusion, water, sanitation and hygiene promotion in Ethiopia is receiving just a small percentage of what is needed if the country is to meet the MDG water-related targets. There are issues surrounding the effectiveness of finance that need to be urgently addressed; predominantly around sector coordination, and the importance of software and appropriate technology. But, first and foremost, ‘quantity’ of finance issues stand out as being absolutely paramount to the problem of increasing coverage in the country. All income streams need to increase: the sector is very poor at internally generating revenue; and external funds from all stakeholders also need to be increased.

There is a great deal of good will within the country to move forward, with the Government of Ethiopia leading an aggressive strategy of increased coverage and donors trying to be more strategic in their interventions. Communities and the small-scale private sector also have a great deal of untapped potential. So, should more funding come Ethiopia’s way, in our analysis, this would make a great difference to increasing water, sanitation, and hygiene promotion in a sustainable way.

From our research, a number of suggestions came to light that may be of help to sector stakeholders. A number of these recommendations will be relevant for more than one sector stakeholder, but to avoid repetition, we are directing each suggestion to the stakeholder who seems best placed to act.

Donors could consider:

In the short term

- providing the Ministry of Water Resources and the Ministry of Health with annual figures detailing spending.
- supporting the creation of a SWAP that includes all stakeholders, so that the sector develops, and annually reviews, a sector-wide strategy. This should enable the sector to effectively articulate its needs to the finance ministry.
- working as closely as possible with woredas, water and health bureaus.
- advocating for indigenous NGOs to be included in a single official coordination forum, and for their input into policy making to be taken seriously.
- not giving loans for urban schemes that can’t comfortably cover their operating costs.
- using the lowest appropriate technology, carrying out social and economic feasibility studies alongside the technical studies, and always integrating water projects with sanitation and hygiene promotion.
- giving more practical and technical support to public utilities: strengthening their capacity in the area of tariffs, regulation, and cost recovery and enabling them to access all forms of funding whether private sector or loans.

In the medium to long term

- giving more money to Ethiopia: it is unparalleled in terms of need for water and sanitation resources. Middle-income countries have an internal revenue stream that can be spent on WaSH services, so there should be a reassessment of the large amount of ODA given to these countries.
- giving funding in ways that are easily absorbed in a low-capacity environment, ie: be predictable and sustained in funding; explore basket funding or budget support options; standardise reporting procedures and simplify application processes; and give funding that does not have to be spent within the financial year.
- recognising that current international financing facilities are not accessible for Ethiopia, and working to make these mechanisms more pro-poor and appropriate for the neediest countries.
- working as catalysts (such as with the sanitation plan), whilst all the time rooting more efficient and innovative methods of working firmly in government.
- being supportive of further initiatives to reduce Ethiopia's debts.

Government of Ethiopia could consider:

In the short term

- prioritising the creation of a single all-inclusive forum at national level, led by the two line ministries, along the lines of the successful sector-wide approach in education.
- creating better channels of communication between MoFED and MoWR, so that the latter is better able to plan around donor and private sector contributions to the sector.
- establishing an institutionalised donor and NGO forum at regional level, to improve coordination.
- allocating a greater proportion of 'capacity building' funds for communities. Communities, unlike woreda staff, are not likely to move on, and can take a substantial amount of the burden from woreda water and health desks if empowered to construct and manage their own schemes.
- ensuring that, at woreda level, both the water and health desks jointly assess communities in order to integrate delivery of WaSH. At regional level, bureaus should be mandated to jointly plan.
- including water and sanitation coverage as an evaluation criteria for all woreda administrators.

- seeing the small-scale private sector as natural partners in implementation at the woreda level and creating an environment in which the small-scale private sector can thrive.
- having budget flexibility in the off-setting mechanisms to regions: specifically improving access to loan financing facilities for urban schemes, and avoiding the penalisation of regions who have donor monies fall through.
- creating a legal framework that allows WatSanCo to become a proper legal entity, so that it can access micro-credit and other loans (at the moment WatSanCo are prevented from accessing micro-credit).

In the medium to long term

- reallocating its budget, 6.2 per cent of GDP goes to military spending, at least some of which could very useful in bringing water, sanitation and hygiene to the people of Ethiopia. It may be important to assign priorities based on how strongly each of the sectors affects poverty in Ethiopia. Some preliminary estimates have shown that expenditure on education, water and sanitation development and natural resources tend to be associated strongly with the state of poverty. Perhaps such an approach might be useful to reduce the total cost of addressing all MDG goals'. (Millennium Project)¹⁶
- devolving a higher proportion of money to woreda level as this is where responsibility for delivering primary services lies.
- developing a strong regulatory system in anticipation of greater private sector input to the sector.
- prioritising the repetition of successful community-led schemes.
- allocating extra help towards building the capacity of the 'emerging regions'.

NGOs could consider:

In the short term

- being better advocates for their own work and using their collective voice in Christian Relief and Development Agency¹⁷ for advocating on important issues concerning WaSH.
- promoting simple, appropriate technologies and procuring parts from local suppliers wherever possible.
- carrying out research into how to ensure sustainability, particularly regarding the economic benefits of sanitation and hygiene promotion.

¹⁶ Millennium Development Goals Report: Challenges and Prospects for Ethiopia, March 2004.

¹⁷ An umbrella organisations of NGOs in Ethiopia, no longer just Christian.

- capacity building communities to take on a greater role in managing their own water scheme.
- concentrating on hygiene promotion, as lasting behavioural change is the key to achieving sustainable reduction in water-related diseases.
- developing strategies to tackle the willingness-to-pay issue. Using a form of communication that motivates communities and educates on the importance of WatSan.

In the medium to long term

- proactively disseminating lessons learnt in implementation to all sector stakeholders, and exploring success stories that can be mirrored across the country.

We will not make recommendations to the private sector at this stage. We feel that it is very important to strengthen the input of the small-scale domestic private sector, but, as they are not widely involved at present, making recommendations would largely be a cosmetic exercise. We have, therefore, limited ourselves to making suggestions to other sector stakeholders on how to change this situation.





**Water Supply and Sanitation
Collaborative Council**

International Environment House, 9 Chemin des Anémones,
1219 Châtelaine, Geneva, Switzerland



100 Church Road, Teddington, Middlesex, TW11 8QE, UK
Registered Charity No 265464

