



Assessing budget utilisation (Channel One) in the Water sector

This summary is based on RiPPLE

Working Paper

9: Assessment of budget utilisation (Channel One) in the Water Sector:

A case study of four selected woredas in Benishangul-Gumuz regional state available at: www.rippleethiopia.org

Research-inspired Policy and Practice Learning in Ethiopia and the Nile region (RiPPLE) is a DFID-funded Research Programme Consortium led by the Overseas Development Institute (ODI) in partnership with IRC, Addis Ababa University, WaterAid Ethiopia and Harerghe Catholic Secretariat

Ethiopia has the lowest water supply coverage in sub-Saharan Africa (World Bank, 2004): only 43% of the population had access to safe water in 2006/07. In Benishangul-Gumuz region, these problems are even more apparent. Ethiopia's Poverty Reduction Strategy (PRS) paper, in its main objective of the water and sanitation sub-sector, outlines a target of 80.5% of its' population gaining access to potable water by 2010.

Efforts to provide and sustain water and sanitation facilities are not on track. Besides the much-needed increase in sector investment, evidence suggests an inability to utilise Channel One funding¹ efficiently and effectively. This calls into question the practice of rapid allocation of additional resources.

This summary highlights major findings and policy recommendations from a RiPPLE study carried out in Benishangul-Gumuz region on Channel One funding, its allocation and utilisation.

Poverty Reduction and Water Policy in Ethiopia

In 2006, the government prepared a 5-year² strategy paper known as the Plan for Accelerated and Sustained Development to End Poverty (PASDEP). The document outlines the development path government will follow; specific objectives of the programme; and policy instruments employed and indicators by which achievements will be measured (EEA, 2007).

Using the Macro-economic and Fiscal Framework (MEFF), a link between the overall budget and PASDEP is made. The overall budget is divided into four expenditure categories: Administration and General Services; Economic Services; Social Services; and Other Expenditures. More than 70% of the budget has been allocated to government defined 'pro-poor sectors' over the PASDEP 5-year period, except in 2005/06. Indicative spending shares³ meant that education received 15.3%; agriculture and rural development 7.4%; roads 11.8%; health and HIV/AIDS 6.2%; and water and sanitation 6.5% (EEA, 2007).

1 Government budget and donor money in the form of loan and grants coming through the Federal Treasury rather than sectoral ministries.

2 2005/06 to 2009/10

3 Not the proportions actually allocated to the sectors.



Objectives of the Water and Sanitation sector of the PASDEP strategy

- To provide access to all of the population with clean potable water over the coming seven years;
- To build capacity at different levels, particularly at sub-national level where actual implementation is taking place;
- To focus on low-cost, affordable and labour-intensive technologies;
- To improve sanitation outcomes;
- To focus on gender considerations while designing projects and programmes; and
- To provide high participation opportunities for women to benefit from construction work.

In order to achieve the sectoral targets, it is obvious that a number of inputs are required. These inputs could be good policies and financial, human and material resources.

Budget allocation: Water sector in Benishangul-Gumuz region

According to data obtained from Bureau of Finance and Economic Development (BoFED), the total budget allocated to the water sector by the Benishangul-Gumuz regional government through Channel One funding (2002-2007) for capital expenditure was over ETB31 million (US\$ 3.6m).

For the purpose of this brief, allocations and expenditure have been separated into two broad categories: capital and recurrent. Capital expenditure refers to the amount of money needed to spend on capital items or fixed assets such as land, buildings, roads, equipment, etc. that are projected to generate income in the future. Recurrent expenditure includes day-to-day operating expenses or those expenses usually incurred in the conduct of normal state operations, such as wages and salaries, administration, purchase of goods and services for current consumption, acquisition of furniture and equipment, inputs used in service delivery, etc. For example, large capital projects do not tend to have low recurrent costs, and high recurrent costs with no capital expenditures are more likely to be ineffective.

In 2006/7, Benishangul-Gumuz has 22 woredas, and a recurrent expenditure allocation of about 66,000ETB per woreda (~7,000 US\$) to cover all operations, salaries and inputs for service delivery. This figure does not take into account the Bureau expenses at a regional level and presumes an equal distribution of resources between woredas, so in reality the number is probably even lower.

Findings

- Despite strong commitment by the government in its policy documents, budget allocations to the water sector has been very low relative to other basic service sectors, at all levels.
- The water sector's Channel One budget allocation, at regional and woreda levels, has been much lower than is required for improving access to safe water.
- A discrepancy between poverty reduction priorities and annual budget sectoral allocations.
- Allocations for capital and recurrent costs are inconsistent from year to year.

Recommendations

- Budget decision-makers at regional- and woreda-level (i.e. Cabinet and Council members) need further capacity building around relevant national policies and budget guidelines.
- There should be better oversight of budget allocations, particularly by the Budget and Finance Standing Committees of Councils at all government administrative levels.

- Appropriate mechanisms should be designed and put in place to ensure public budget allocations at woreda level are based on local community needs and priorities.

Budget Utilisation

Data collected in study highlighted how variable budget utilisation rates are in different woredas. The paper also illustrates the peculiarity of various operations of different woredas and contains numerous examples of capital expenditure being spent in woredas that do not utilise their recurrent budgets.

The participants of field group discussions carried out as part of this study, reasoned that budget under-utilisation arose as a result of:

- poor coordination between line offices i.e. between finance and water sector, and between regional water bureau and woreda water desk offices;
- a lack of capacity;
- delays in budget allocation and disbursement;
- a lack of an efficient and effective monitoring and evaluation system;
- inadequate coordination;
- unavailability of competent and efficient contractors;
- managerial and leadership problems; and
- a lack of community and expert participation in budget formulation, allocation and utilisation.

Findings

- There has been under-spending of the Channel One funding water budget in study woredas.
- The growth trend of Channel One funding water budget in individual districts can be inconsistent, with erratic ups and downs that do not reflect the steady increase of overall government budget allocations at federal, regional and woreda levels.
- There are problems with lack of coordination and structural clarity in the water sector; lack of consistent and well organised data; delays in financial disbursements; lack of effective and systematic monitoring and evaluation; and insufficient participation in the budget allocation and approval at woreda level.

Recommendations

- Improvements are needed in the way that budget information is accounted, audited, monitored and evaluated and presented, in order for meaningful analyses to be carried out. At a minimum, budget systems should provide a classification of government expenditures by functional category as well as by administrative unit.
- Greater autonomy over allocated resources should be complemented by arrangements such as sound rules, regulations and working procedures, to enhance accountability – ones that not only improve honesty and stewardship in the use of budget resources but also enhance the quality of associated outputs, outcomes and impacts.

This study shows that resources tend to get delayed at regional level, preventing operational departments from accessing resources on time and spending the budget effectively and efficiently.



Requiring sectors and line agencies to develop strategic plans as inputs to the overall water sector strategy. Four further recommendations are suggested to deal with these delays:

- Greater autonomy and flexibility given to line offices, operational departments and associated service delivery units in allocating and using resources (within the operating budget constraint).
- Holding desk or bureau heads accountable for sticking to their spending limits.
- Linking budgets to performance targets, focusing attention on services provided rather than on institution's needs.
- Monitoring performance and rewarding personnel based on results that can be linked to poverty reduction and efficiency goals.

A main obstacle to using a budget effectively regards poor government finance management systems for the development and implementation of plans. Seven ways in which scarce public resources can be managed more effectively to fulfil the objectives of the sector are listed below.

1. **Clarify the assignment of roles and responsibilities in the water sector.** As the first step, this will help clarify the funding of activities that raise coverage and improve service delivery. In particular, clarity of the roles of the Water Desks in the Agriculture and Rural Development Office.
2. **Ensuring better resource planning.** To encourage translation of long term strategies into successful programmes; improve correlation between resource availability and spending; and increase effectiveness and efficiency of investment by requiring line officers to better define their goal and activities and track spending against this.
3. **Improve transparency and strengthening accounting and auditing as well as procurement practices at woreda level.**
4. **Focusing on performance.** Woreda budget planning and allocation systems have traditionally failed to place resources management over achievement of objectives. Instead, budgets have often been allocated on a historical basis, without considering goals or performance.
5. **Encouraging participation in the budget process.** Transparency and accountability are also important components of public expenditure management to improve effectiveness of spending. Involving those who are supposed to benefit from government services in budget preparation and monitoring will improve public spending. In addition, improving the quality and quantity of information accessible to local and regional government as well as build capacity on how to allocate, approve, implement and monitor budgets.
6. **Strengthen the structure of woreda-level institutions.** As they are closer to service users, woreda Water Desks are more likely to reflect needs of communities in their development priorities.
7. **Improve information and monitoring and evaluation systems (especially with regard to budgets).** These are necessary if the sector is to continually assess both adequacy of budgets and efficiency and effectiveness with which expenditure is made.

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