

Matching funds allocation in the Ethiopian Water Supply and Sanitation Project (EWSSP)

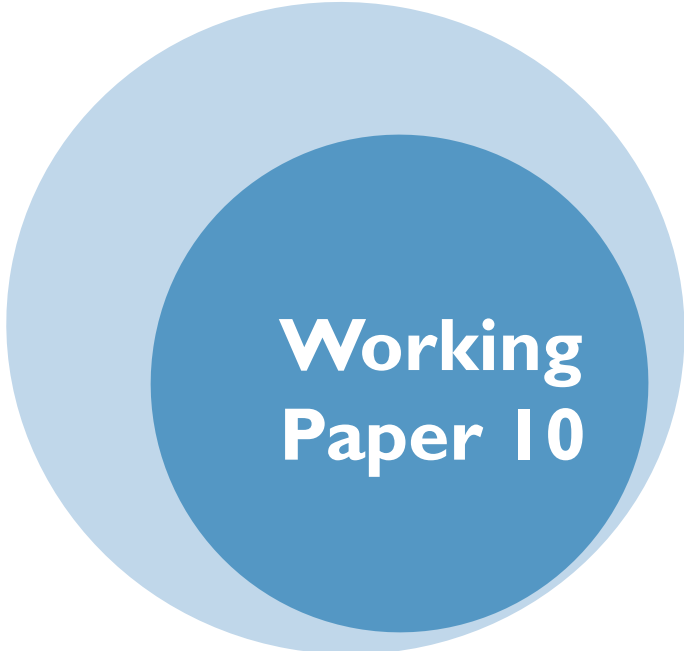
**A case study in Benishangul-Gumuz
regional state**

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Research-inspired Policy and Practice Learning in Ethiopia and the Nile region

Matching funds allocation in the Ethiopian Water Supply and Sanitation Project (EWSSP)

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Research-inspired Policy and Practice Learning in Ethiopia and the Nile region (RiPPLE) is a five-year research programme consortium funded by the UK's [Department for International Development](#) (DFID). It aims to advance evidence-based learning on water supply and sanitation (WSS) focusing specifically on issues of planning, financing, delivery and sustainability and the links between sector improvements and pro-poor economic growth.

RiPPLE Working Papers contain research questions, methods, preliminary analysis and discussion of research results (from case studies or desk research). They are intended to stimulate debate on policy implications of research findings as well as feed into Long-term Action Research.

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List of Acronyms

AfDB	African Development Bank
AIDS	Acquired Immunodeficiency Syndrome
BoFED	Bureau of Finance and Economic Development
BoWR	Bureau of Water Resources
CSA	Central Statistical Authority
DLDP	District-level Decentralisation Programme
FGD	Focus Group Discussion
EFY	Ethiopian Fiscal Year
EWSSP	Ethiopian Water Supply and Sanitation Project
FDG	Focus Group Discussion
FDRE	Federal Democratic Republic of Ethiopia
FMS	Financial Management System
GNP	Gross National Product
HIV	Human Immunodeficiency Virus
IDA	International Development Agency
LPA	Learning and Practice Alliance
MOU	Memorandum of Understanding
MoFED	Ministry of Finance and Economic Development
MoWR	Ministry of Water Resources
NPCU	National Programme Coordination Unit
NGO	Nongovernmental Organisation
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
RiPPLE	Research-inspired Policy and Practice Learning in Ethiopia and the Nile Region
RPCU	Regional Program Coordination Units
SNNPR	Southern Nations, Nationalities and Peoples Region
SOE	Statement of Expenditure
UAP	Universal Access Plan
UMP	Urban Management Programme
UNICEF	United Nations Children's Fund
VAT	Value-added Tax
WASH	Water, Sanitation and Hygiene

WASHCO	Water Supply and Sanitation Committee
WSDP	Water Sector Development Programme
WSG	Woreda Support Group
WSSP	Water Supply and Sanitation Programme

Executive summary

Introduction

In Ethiopia, despite great attention to water supply, sanitation and hygiene (WASH), there have been numerous problems related to the implementation of WASH projects. One such problem relates to matching funds and utilisation of capital budgets.

In the World Bank's Ethiopian Water Supply and Sanitation Project (EWSSP), the Bank covers 85% of the statement of expenditure (SOE) provided to it, using Channel Two (directly through the sector ministry, the Ministry of Water Resources – MoWR). The region is to cover the rest in matching funds (supplied through Channel One – i.e. directly from the Regional Treasury). Benishangul-Gumuz region has been unable to properly hold the 15% matching funds for which it is responsible. Such difficulties can directly and/or indirectly impact utilisation of the donor's funds.

Resolving such bottlenecks is a priority in improving sectoral service delivery in Benishangul-Gumuz. This case study examines primary and secondary data to find out what has happened in the allocation of matching funds to the EWSSP in Benishangul-Gumuz, also comparing this with experiences in other regions. It aims to identify factors influencing matching funds allocation and utilisation in the EWSSP and other projects, as well as any recourse measures to be taken.

Findings

There is a shared understanding about matching funds and responsibility among the different players (community, government and donors). However, respondents' understanding of the World Bank International Development Agencies (IDA) conditions for matching funds as well as guidelines for administering matching funds is not so clear cut. In addition, the allocation and utilisation of matching funds differ from region to region. This shows that there is no clear cut implementation guideline across the different regions.

There is a problem of matching funds allocation and expenditure in the EWSSP in general; matching funds are not generated or passed on by the regional Bureau of Finance and Economic Development (BoFED), because of poor communication and bureaucratic confusions between Channel One financing (matching funds and regional block grants) and Channel Two financing (EWSSP funds).

Woredas have found it difficult to allocate matching funds because of low financial capacity (block grant and own revenue) and competing demands by all sectors. As a result, no evidence of actual transfer of money as matching funds has been observed in the study area. Woredas have the potential to allocate and use matching funds but this is not being done. There is limited capacity to hold the budget, in both the woredas and the regions. Moreover, because of the limited financial capacity of communities, getting cash contributions has been challenging.

The amount of revenue collected at each level is taken into consideration when allocating block grants to woredas. Actual collection by woredas is usually much lower than planned. This creates a problem in allocating a budget for matching funds. In addition, the less populated regions are exposed to greater budget deficits, which ultimately leads to additional problems in matching funds allocation.

Recent progress, which involves the setting up of WASH implementation structures and guidelines and the harmonising of financing channels, will undoubtedly improve the performance of the water sector. However, it is necessary to have actual integration of sector bureaus in order to be able to propose alternative solutions for the problem of matching funds. In all regions, there was low integration and a communication barrier between sector bureaus and woredas. This leads to a lack of allocation of funds and finally to an underspending and lack of use of donor funds.

Recommendations

The following recommendations for future actions have been identified:

- For communities, paying cash contributions should be optional with community having the option to pay in kind; such as through labour, guard work, local material support or fencing. Overhead costs should be considered as matching funds on the part of the local government.
- To improve communication and integration, the memoranda of understanding (MOUs) between sector bureaus and woredas should be fully implemented. In addition, a tripartite agreement between the Bureau of Finance and Economic Development (BoFED), Regional Water Bureau (BoWR) and Woreda Water Bureau should be established, to create a common understanding and simplify implementation of activities. Sectors should hold strong periodical joint monitoring and evaluation missions.
- The government of Ethiopia (MoWR) should clearly inform the Ministry of Finance and Economic Development (MoFED), and MoFED should inform its regional bureaus, about any agreements made with donors.
- Regions should be given the opportunity to comment on the process of negotiation and its content. Regions have better know-how on the actual situation in the woredas and lower-level communities.
- Capacity to allocate matching funds is a problem in all regions. The economic level of the people and the government should be given due consideration.
- A mechanism should be put in place by the federal government to help less populated regions fill the gap arising from the budget deficit.

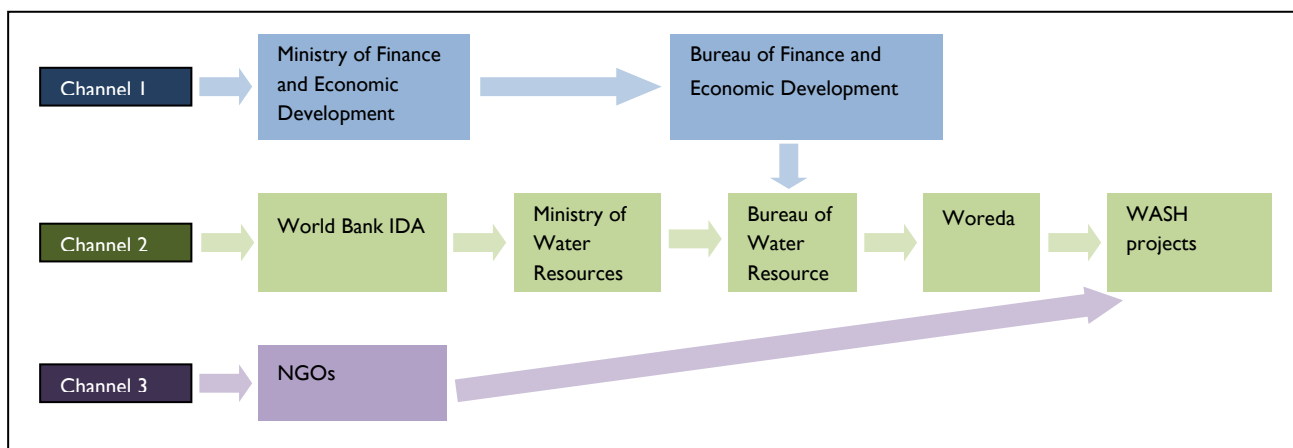
I Introduction

In Ethiopia, great attention is given to water supply, sanitation and hygiene (WASH). Both the government and the major donors are working closely for the success of the Universal Access Plan (UAP). In past years, though, despite major efforts in the sector, there have been numerous problems related to the implementation of projects. These problems have included issues of sustainability, budget utilisation, timely implementation and spare parts supply, among others.

A series of Learning Practice Alliance (LPA) meetings during March 2007 in Benishangul-Gumuz regional state brought up a number of finance-related issues as themes for future research. Among other topics, matters related to matching funds and utilisation of capital budgets were found to be important areas for action research.

The Bureau of Finance and Economic Development (BoFED) in Benishangul-Gumuz regional state uses the Channel One system (direct transfers from the Ministry of Finance and Economic Development – MoFED – and the Federal Treasury). This allows it to manage properly the money utilised by the regional Bureau of Water Resources (BoWR) and to release proportional matching funds from the government side. Matching funds are funds that are supplied by the government in an amount matching those available from other sources. Such other sources include funds from the World Bank International Development Agency (IDA) for the Ethiopian Water Supply and Sanitation Project (EWSSP). These donor allocations are released using Channel Two (through the sectoral ministry – the Ministry of Water Resources – MoWR or government entity at regional level, that is, BoWR, and down through the woreda).¹

Figure I.1: Schematic of Funding Channels to WASH projects



According to the agreement between MoFED and the World Bank, the allocation and utilisation of matching funds are conditions for accessing the donor’s funding. The Bank covers 85% of the statement of expenditure (SOE) provided to it, except for in the category of trainings and capacity building, where it covers 100% of the cost. The region is supposed to cover the rest. However,

¹ The lower administrative structure of the government, or ‘district’.

Benishangul-Gumuz region has been unable to properly hold and utilise the 15% matching funds for which it is responsible. Such difficulties can directly and/or indirectly impact utilisation of the donor's funds.

At this stage, it is not known if this is a common problem across all regions or simply a local problem in Benishangul-Gumuz. Although no World Bank officials confirmed this, documentation does talk of the application of a 10% to 15% offset in the EWSSP. A number of other questions also arise.

Based on the above issues, the regional LPA team, based in Assosa (the capital of Benishangul-Gumuz), and RiPPLE finance theme researchers underlined this case as a priority for study, and agreed that resolving such bottlenecks was a priority in improving sectoral service delivery in Benishangul-Gumuz regional state.

This case study examines what has happened in the allocation of matching funds to the EWSSP in Benishangul-Gumuz and compares this with the experiences of other regions. It aims to identify factors influencing matching funds allocation and utilisation, in the EWSSP as well as other donor projects, as well as recourse measures to be taken to solve any issues arising. The case study was undertaken by participants of the LPA, including members from the regional BoWR, the regional BoFED and Benishangul-Gumuz RiPPLE Office. Ultimately, recommendations produced here will be forwarded to the government to be referred to when similar issues arise.

2 Research methodology

RiPPLE aims to develop the capacity of different regions through learning. The programme undertakes short- and long-term action research related to WASH services, and is currently working in three different regions, namely, Oromia (East Hararghe zone),² with a thematic area of Growth, Benishangul-Gumuz, with a thematic area of Financing and Mapping, and Southern Nations, Nationalities and Peoples Region (SNNPR), with a thematic area of Governance and Planning. There are two intervention woredas in each respective region; in Benishangul-Gumuz, these are Menge and Kurmuk. As this case study is action research, it goes beyond reporting and aims to contribute to solving issues identified through the Learning Practise and Alliance (LPA) team.

2.1 Research objectives

As stated in the terms of reference (Annex 1), the objective of this case study was to resolve the problem of matching funds sourcing for the World Bank EWSSP and similar projects of other donors in the long run. Specific objectives are as follows:

- To identify factors influencing the allocation and utilisation of matching funds to the EWSSP in Benishangul-Gumuz regional state.
- To identify recourse measures to solve the problem of matching funds for the EWSSP in Benishangul-Gumuz regional state.

2.2 Scope of the research

This study covers the two RiPPLE woredas of Benishangul-Gumuz region (Menge and Kurmuk) and three other regions, namely, Amhara, SNNPR and Oromia, as well as interviewing key respondents at national level. The study took place over a two-month period.

2.3 Data collection and analysis

The research team came from BoVR (Ato Minilik Wube, Acting Bureau Head and Research Team Leader, and Ato Epherem Alemu, Water and Sanitation Team Leader); BoFED (Ato Girmaw Nemera, Development Cooperation Team Leader); and RiPPLE (Ato Abera Endeshaw, Menge Woreda Facilitator). Based on a consensus of regional LPA members, these members were given the assignment of developing the proposal for the case study, which was then discussed with the RiPPLE finance theme researchers before final approval.

This case study was undertaken by collecting both primary and secondary data from all levels (woreda to federal sector offices). A consultant was hired to assist the research team members in developing checklists on the basis of the research objectives by collecting and analysing data. Checklists (Annex 2) were developed by the study team both in English and in Amharic, depending on the type and amount of data to be collected at each level. The checklists covered all relevant

² Zonal level is the government administrative structure between regional- and woreda-levels.

organisations and institutions with a link with the EWSSP. Data was collected in all target regions and at national level.

During data collection discussions with respondents supplemented the checklist data. Focus group discussions (FGDs) were held, as were key informant interviews.

In the four regions studied, the team met with BoFED and BoWR, particularly the Regional Programme Coordination Units (RPCUs) within each bureau. At federal level, MoFED and MoWR were key sources of information. Members of World Bank staff were also respondents. Other donors from the region that use the matching funds approach to implement water and sanitation projects were also surveyed. A total of 30 individuals were contacted (woreda to federal level). A list of persons contacted is attached in Annex 3.

The project also included a literature review and an assessment of relevant secondary data, such as that from ministry offices and regional bureaus. Besides statistical and financial analysis, the study required critical discussion among relevant institutions, such as BoFED and BoWR at regional level, and the Water Desk and the Finance and Economic Development Office at woreda level. Report writing was carried out by the team as a whole in close collaboration with the RiPPLE researchers and the external consultant. The final report also aims to produce possible solutions for the issues arising during the research and recommendations for future actions.

2.4 Limitations

Limitations to the research were as follows:

- Time constraints in data collection (it was not possible to collect data from Oromia BoWR).
- Time constraints in holding FGDs with regional bureaus.
- Unavailability of some of the necessary data for the research.

3 Benishangul-Gumuz regional background

3.1 Population, topography and climate

Benishangul-Gumuz is one of the Ethiopian regional states, established in the year 1994. The region of Oromia is to the east, south and southeast; Amhara region is to the north and northeast; and Gambela is further south. The Republic of Sudan borders the region to the west. The region has three administrative zones (Assosa, Metekel and Kamashi) and two special woredas (Pawe and Mao-Komo). There are 22 woredas and 474 kebeles.³ The total area of the region is about 50,380 square kilometres.

According to a study by the Central Statistical Authority (CSA) of Ethiopia carried out in 1995, the total population of the region is 610,000 (Benishangul Gumuz Strategic Plan, 2005:4-5). Based on this, the projected population rate in the year 2005 is about 610,000, of whom 285,001 (50.44%) are male and 280,002 (49.56 %) are female. Of this population, 90.8% live in rural areas, with the remaining 9.2% in urban areas.

Ground elevation ranges from 580 metres above sea level (where the Blue Nile crosses the Sudanese border) to 2,731 metres above sea level (Belaya plateau in Dangur woreda). About 75% of the region is lowland (*kolla*, i.e. below 1,500 metres) and 24% is midland (*woina dega*, 1,500 to 2,300 metres). Only 1% is highland (*dega*, above 2,300 metres).

The climate of the region is characterised by a single mono-modal rainfall pattern. The wet season lasts from April/May to October/November. The temperature reaches a daily maximum of 20°C to 25°C during the rainy season and rises to 35°C to 40°C during the dry season. The minimum temperature ranges from 12°C to 20°C, depending on season and altitude.

The region is crossed by the Blue Nile and its major tributaries, such as the Dabus, Didessa and Beles rivers. The western and northwestern parts of the region have low surface water availability, especially during the *bega* (dry) season, when many of the rivers run dry. In other parts of the region, such as Assosa, Bambasi and Sirba Abay woredas, rivers form an extended net of permanent water courses. Artificial ponds for potable water supply have been constructed in some places, such as Kurmuk woreda and Pawe Special Woreda. In different woredas, different actors have constructed a total of 12 motorised borehole schemes, 153 shallow wells, 356 hand-dug wells and 70 standpipes, serving a total of 234,064 people in the region. Rural water supply coverage has been estimated at 34%.

3.2 Menge and Kurmuk woredas

Menge woreda is located 56 kilometres from Assosa and is one of the eight woredas in Assosa zone. It is bounded by other woredas including Assosa, Sherkole, Kurmuk, Homosha and Odabildiglu. The total population of the woreda is about 38,969 and it has a total of 22 kebeles. Out of these, Qudiyou, Kashaf, Undulu and Signore are the most densely populated. The total area of the woreda is 1,519 square kilometres and 95% of the population works in subsistence agriculture.

³ Kebeles are the smallest administrative unit of Ethiopia, similar to a ward or a neighbourhood.

Both the government and nongovernmental organisations (NGOs) have constructed water schemes in the rural areas of Menge woreda. Currently, there are 108 water schemes (96 hand-dug well schemes, two piped water schemes, nine shallow well schemes and one dug well) in the woreda. Out of these, 98 are functional and the other 10 are not, owing to breakages, flooding and lack of spare parts (information from Menge Agriculture and Rural Development Office).

Kurmuk woreda is also in Assosa zone. It is located in the west of the zone, 98.5 kilometres from the capital. It is composed of 16 kebeles. The total population in 2008 was estimated to be 18,249, 16,442 rural and 1,807 urban.

4 Literature review

4.1 Decentralisation and water in Ethiopia

The Federal Democratic Republic of Ethiopia (FDRE) is composed of nine regional states and two city administrations, each with its own capital city and administrative structures (zones, woredas and kebeles). The 1991 change of government brought about a decentralised system of governance, the first wave of which (1991-2001) focused on creating and empowering national/regional governments, otherwise known as mid-level decentralisation (Kassahun and Tegegn, 2007:2). The national/regional governments were given legislative, executive and judicial powers in all matters within their area, except those falling under the jurisdiction of the federal government (defence, foreign affairs, economic policy, etc.) (Kassahun and Tegegn, 2007:2). Regional, zonal and woreda governments were put in place, although power lies in the former two levels of government. Fiscal decentralisation through transfer of budgets in the form of block grants was a key part of the decentralisation process.

In 2002, the second wave of decentralisation focused on further devolution of power and responsibilities to the lowest level of governments, the woredas (districts). The District-level Decentralisation Programme (DLDP) and the Urban Management Programme (UMP) were the main vehicles for enhanced decentralisation. The DLDP initially focused on four regions (Amhara, Oromia, Tigray and SNNPR). This has resulted in reforms in the administration/institutional arrangements, whereby the mandate of zonal administrations has been scaled down and more power has been given to the woredas.

Within the decentralised water sector arrangements, the federal government is in charge of policy and strategy development through MoWR; the regional and woreda governments are responsible for ensuring provision of services through delegation to water service providers. After decentralisation, water service delivery activities were decentralised from the federal level to regional administrative bodies, BoWRs and woreda Water Desks. Woreda Water Desks⁴ were established with the responsibility of providing capacity support, in terms of technical assistance, planning and capital development, to communities, which will operate rural water systems through water committees.

In urban areas, municipalities were made legally responsible for the provision of water services within their jurisdiction, through autonomous town water boards. In bigger cities, separate water and sewerage authorities have been set up local-level utilities.

4.2 Policy and legal framework for water service provision

Within the framework of the Constitution, MoWR adopted a National Water Resources Management Policy in 1999. Its overall goal is to enhance and promote 'efficient, equitable and optimum utilisation of water resources' for sustainable socioeconomic development (MoWR, 1999). The policy follows best international practice and promotes core policy principles, such as:

⁴ At the woreda level, Water Desks are under the Agriculture and Rural Development Office. In some parts of the country, independent Water Offices are organised and report to the Woreda Administrator.

- **Water as an economic good:** The policy gives high priority to water supply and sanitation for human, livestock and industrial needs. It recognises that allocation needs to be based on both economic and social benefits.
- **Promoting involvement of all stakeholders to improve efficiency:** The policy promotes effective coordination mechanisms for collaboration among different stakeholders.
- **Devolving ownership and management autonomy:** The institutional framework for management visualises devolving ownership and management autonomy to the lowest possible level within the decentralisation framework.
- **Financing, water pricing and cost recovery policies:** The policy envisions partial capital cost sharing and gradual full cost recovery for operation and maintenance for rural systems, and full cost recovery for urban water supply and promotion of domestic commercial and microfinance institutions in financing water investments.
- **Integrating planning for sanitation and hygiene with water supply:** This puts an emphasis on the need for an integrated approach to water and sanitation, and a clear identification of responsibilities of government and other stakeholders for sanitation and hygiene promotion.
- **Environment and natural resource management:** The policy aims to integrate effectively environmental protection and management matters into water resources administration, and to encourage the undertaking of impact assessments and conservation to be used as criteria in all projects.

The policy provides a guiding framework within which more detailed sub-sector strategies and institutional reforms need to be developed. In this regard, MoWR has prepared the National Water Sector Strategy (2001), the Water Sector Development Programme (2001-2015) (WSDP) and the Universal Action Plan (UAP)(2005) focusing on water supply and sanitation. All these sector policies contribute to the achievement of the national strategic plan for poverty reduction, known as the Plan for Accelerated and Sustained Development to End Poverty 2005-2010 (PASDEP).

Regional Cooperative Law No. 20/2000, issued in January 2000, provides legal recognition and backing specifically for community-based Water Supply and Sanitation Committees (WASHCOs) or general water committees. This law demands that community-based organisations such as WASHCOs be registered at Regional Cooperative Bureaus or their zonal branches. This registration provides legal backing for such organisations, giving them duly recognised status to enter any form of agreement with individuals or organisations.

4.3 National and regional water strategies

The principal objective of the Ethiopian government's National Water Sector Strategy is to translate the National Water Resources Management Policy into action. The strategy outlines how the policy contributes towards:

- Improving the living standards of the Ethiopian people;
- The national effort towards self-sufficiency in food supply;
- Increasing the water supply and sanitation coverage of the country;

- Generation of additional hydropower;
- Increasing the contribution of water resources to national development efforts; and
- Promotion of the principles of integrated water resource management.

The following are considered the overriding principles of MoWR, and guide the design of the regional Water Supply and Sanitation Programme (WSSP).

- Access to water is a basic right.
- Water is also an economic good whose services have to be paid for.
- A demand-driven rather than supply-driven approach will be promoted. Priority will be given to rural and urban communities that are willing to put in place appropriate institutional arrangements and cost recovery mechanisms.
- In line with the government's decentralisation policy, ownership and management autonomy will be devolved to the lowest possible administrative level.
- Involvement of stakeholders, including NGOs, the private sector, local artisans, etc., will be promoted in order to improve efficiency in the provision of water supply and sanitation services.
- To ensure sustainability of water supply and sanitation schemes, full cost recovery for urban schemes and coverage of at least the operation and maintenance cost of rural schemes are considered as essential.
- Planning for sanitation programmes and hygiene education is integrated into the WSSP.
- Cost-effective designs are promoted that provide affordable services to the user communities.
- The design of the programme throughout the region is based on an equity principle; implementation will be systematic over time to eventually serve all towns and rural communities. Allocation of funds to the woredas is carried out in the form of a block grant, based on population size as well as level of economic development.
- Transparent promotional activities will serve as a vital means to ensure that communities properly understand engagement rules.
- Monitoring and evaluation activities will be carried out in participatory ways and targeting will be used to obtain proper feedback that can be useful for programme improvement.
- Gender issues, particularly those ensuring greater involvement by women in planning, decision making and implementation, will be given due consideration.
- Government institutions will focus on technical support, facilitation and monitoring and evaluation instead of implementation.
- Activities of regional BoWRs and woreda Water Desks will be coordinated to plan and implement the programme.
- The programme stimulates employment and job creation at the regional, woreda and, most importantly, local community level, which will be demonstrated by the use of local service providers (consultants, contractors, suppliers, artisans, technicians, etc.)

4.4 Overview of water sector financing

The Constitution of the FDRE (Article 52.2) has given regional states the mandate to establish a state administration to advance self-government. This holds the responsibility for key areas of basic service delivery and the autonomy to decide how resources (from the block grants and own revenue) should be allocated across the competing sectoral needs at sub-national levels.

A federal grant (unconditional/general purpose and conditional or specific purpose) is allocated to each region on the basis of an analytical formula (see below). Federal grants account for 80% of the total regional budget (EU Water Initiative, 2006). In addition to block grants, revenues from federal–regional shared revenue sources and regions’ own revenue sources are collected. Unfortunately regional governments’ expenditure from their own revenue source is very low. For instance, in 2006, the share of expenditure from revenue ranged from 28% at its highest to 6.1% at its worst (FDRE, 2007).

Inter-government budget transfers are weighted against three to five variables, which can include size of population, distance/index of development, regional revenue collection, sector performance, capital budget allocation and area. (For details please refer to Annexes 4 and 8.) The following shortcomings in the formula have been recognised (FDRE, 2007):

- The subjective nature of the variables used and the weights assigned to these variables to estimate the expenditure needs of the regions.
- The fact that the formula gives much weight/focus to capital expenditure, without due consideration of recurrent expenditure needs.
- The fact that the formula fails to consider the potential revenue-raising capacity of regions. It is therefore not possible to identify the difference between actual revenue collection and potential revenue-raising capacity of the regions.

The formula has been used for the past 13 years, with periodic reviews. In 2004, a new formula, based on the experiences of Australia, was prepared and approved by the House of Federation. The new variables include: population; differences in relative revenue-raising capacity; differences in relative expenditure needs; and performance incentives. The new formula is designed to be neutral towards regional financial policies – it does not ‘reward’ or penalise’ regions for financial policies they have adopted (FDRE, 2007). The new transfer formula is being implemented in phases and on the basis of percentage shares of the new formula and of the formula used in fiscal year 2006/07. Table 3.1 below shows the phasing-in of the new formula.

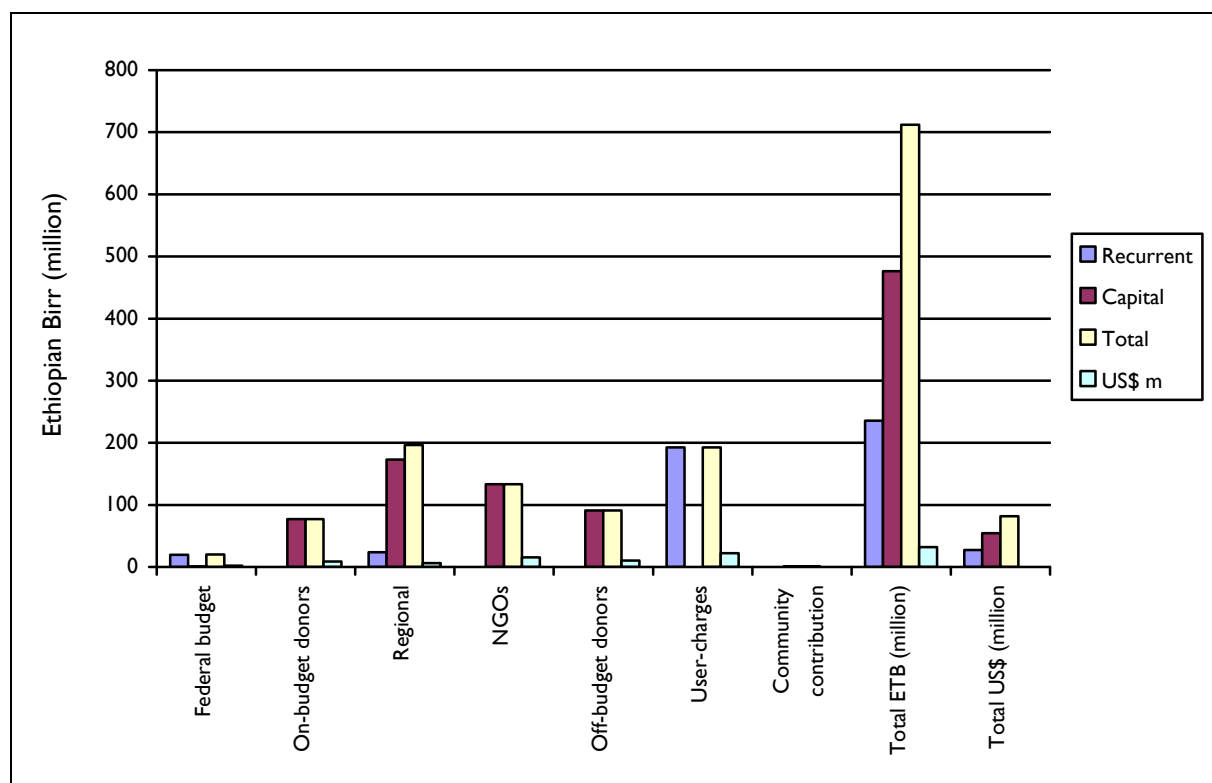
Table 4.1: Federal budget grant distribution formula (phasing)

Transfer % share	Fiscal year			
	2007/08	2008/09	2009/10	2010/11
FY 2006/07 share	75	50	25	-
Share of new formula	25	50	75	100

Source: FDRE (2007).

Ethiopian government spending on water and sanitation is very low. In 2004, water sector expenditure as a share of the national budget amounted to only 0.7%, and only 0.2% of GNP (Gross National Product) (EU Water Initiative, 2006). Donor funding, both ‘on-budget’ and ‘off-budget’, is an important source of finance for the water and sanitation sector in Ethiopia. Other sources of finance come from user charges, the NGO sector and community contributions. Figure 4.1 below shows expenditure in the water sector in fiscal year 2005/06.

Figure 4.1: Estimated actual sector expenditure for EFY 1998 (2005/06) (Birr million)



Source: EU Water Initiative (2006).

The Ethiopian Financial Management System (FMS) has two main channels for budgeting and transferring financial resources to regions, channel one and channel two funding. Channel One refers to direct budgeting and transfer from MoFED to regional BoFEDs and from there to woreda level. This funding channel is considered ‘on-budget’, as resources are part of the planning and budgeting process of public resources and are accounted for in the relevant budgets. The Channel One system has advantages – it enables proper knowledge of and control over resources – and disadvantages – it can entail long bureaucratic procedures.

Channel Two involves budgeting and transfer through sector ministries, for instance MoWR, and transfer through their respective budget implementation units located at regional and woreda level. The World Bank EWSSP follows this system. Channel Two allocations target beneficiaries more exactly but such targeting may be donor targeting rather than nationally aligned; in addition, such support may risk leading to the establishment of a parallel system, given that it may not be captured within national systems (Bladon, 2007).

A third way of channelling funds, otherwise known as Channel Three, involves transferring financial resources from the donor or NGO either directly to the regional sector bureau or through a project implementation unit. MoFED considers Channel Two and Channel Three 'off-budget', as donor and NGO support remains outside the planning and budgeting process of public resources. Figure 4.1 shows that a larger proportion of funds for the WASH sector come from off-budget sources rather than on-budget. This has distorted overall public expenditure planning and implementation. 'Off-budget' arrangements for water and sanitation projects have been the subject of some discourse between BoWRs and BoFEDs.

5 Discussion of findings

The World Bank IDA EWSSP project began in 2004/05 (Ethiopian Financial Year – EFY – 1997) in all the regions of the country. It is financed by the World Bank with a total budget of US\$116 million, out of which US\$100 million comes from the Bank as a grant/loan and the remaining US\$16 million must come from the Ethiopian government as matching funds. The project has two components: Urban WASH (33% of the budget) and Rural WASH (62% of the budget). The remaining 5% is allocated for operational costs (IDA, 2005). The World Bank assists 156 rural woredas in Amhara, Benishangul-Gumuz, Oromia and SNNPR.

Table 5.1: World Bank-assisted Rural WASH project woredas in four regions

No.	Region	Number of woredas
1	Amhara	30
2.	Benishangul-Gumuz	6
3.	Oromia	84
4.	SNNPR	36
	Total	156

Source: Compiled during data collection.

In Benishangul-Gumuz, the project covers a total of six woredas in the rural component (two from each zone) and six towns in the urban component. The budget allocated for the region as a whole is Birr 15,480,000, excluding the government and community contribution matching funds.⁵

5.1 Definition of matching funds

According to the IDA Implementation Guideline and Procurement Plan (2005), matching funds are the costs shared by the government and the community as part of project costs. Regions cover the government contribution for activities to be carried out at regional level. Woredas provide counterpart funds for activities to be carried out at woreda level.

Different donors have different requirements in sharing costs for programme implementation. The UN Children’s Fund (UNICEF) and international NGOs demand in-kind contributions such as labour and local materials; all UN organs and NGOs demand VAT-free services and duty-free privileges; and IDA demands cash contributions. This lack of synergy from the international community creates confusion and extra costs for the Ethiopian government.

Furthermore, differing proportions are applied. The EWSSP requires 10% of matching funds from the government and 10% (5% cash and 5% in-kind contributions) from the user community (total of 15% cash). The 5% community cash contribution is to be used for the net water scheme costs only. These proportions are interpreted in different ways in different woredas (for example, in Amhara, rural communities contribute 3% in cash and 7% in kind. Towns contribute 5% in cash. This shows that there is no clear cut implementation guideline across the different regions.)

⁵ US\$1 = Birr 9.7 (as of April 2008).

Study respondents in BoFED defined matching funds as resources committed by one party, which could fill resource gaps in assistance offered by another party (Amhara). Some defined them as a minimal amount of money, services or in-kind assistance which, is a requirement or condition for project beneficiaries (community) or government (SNNPR). Matching funds have also been defined as a system of financing some parts of a budget covered by donors through allocations from the treasury budget or from the government's own money. Some view it as the government's share of contributions to match funds according to an agreement (Benishangul-Gumuz).

Respondents from BoWRs define matching funds as 15% of the total cost where 10% is community's contribution (5% in cash and 5% in kind) and 5% is to be covered by the regional/woreda government in cash. There are cases where the community failed to contribute the 5% cash; it will be the responsibility of the regional/woreda government to cover. In this case matching fund will be 5% from the community in kind and 10% from the regional/woreda government in cash.

Some define the funds in general terms, as an amount agreed by more than two parties to contribute a proportion of financial resources to accomplish specific projects in a defined time period. A similar definition sees matching funds as an amount that the government and communities contribute to the total programme budget as an indication of commitment and responsibility. Narrowly defined, matching funds are the amount/percentage share of the government in a project financed by donors.

Others define matching funds as a mechanism to promote the involvement of stakeholders in improving the efficiency of service delivery.

The various definitions suggest that there is a shared understanding about matching funds and about the responsibilities resting on the different players, including community, government and donors.

There is a high awareness of the purpose of matching funds at all levels of government and the community. Most respondents agree that matching funds create a sense of ownership and ensure longer-term service delivery or sustainability. Others emphasise the contribution of matching funds towards minimising dependency; building awareness of responsibilities with regard to appropriate use of the budget; and creating an 'opportunity' for accessing donor funds as well as a mechanism that allows shifting of resources to other un-served communities. It was also noted that community members are well aware of what matching funds are and why they are important.

The statements above clearly indicate shared views on the rationale and purpose of matching funds.

5.2 Processes of negotiation for programmes and allocated funds

The World Bank EWSSP is a federally negotiated programme signed between the World Bank and MoWR through MoFED. Regions are not involved in the negotiations. Copies of the grant agreement are within each of the three organisations/institutions.

MoWR signs a Memorandum of Understanding (MOU) with line ministries of education and health. A MOU is also signed between BoWRs and Health, Education and Women's Affairs Offices. In addition to this, BoWR and the Administrative Offices of all project woredas sign the grant agreement. Copies of MOUs are kept at regional and federal level. Based on an agreed work plan and disbursement schedule, funds are transferred directly from MoWR to the respective BoWRs. As the funds flow through Channel Two, BoFEDs have no direct role or responsibilities.

Grant agreements signed between BoWRs and local government (Woreda Administrative Offices) clearly outline the responsibilities of each party. For instance, woredas are required to establish WASH teams, strengthen Water Desks, open and maintain separate bank accounts and deposit matching funds from the woreda and the community. In addition to this, woredas sign MoUs with end users (communities).

When allocating matching funds, woredas are informed about the rationale behind them and asked to come up with the matching funds. This information is communicated by means of a circular letter from the regional government and/or staff members from BoWR visiting the woreda in person. According to the annual action plan, BoWR requests that a one-year matching fund amount be deposited in the respective account at woreda level.

Woreda Support Groups (WSGs) are put in place as part of the funding arrangement to assist the woreda WASH teams in the preparation of strategic and action plans; monitoring and evaluation; training community facilitator teams; and familiarising WASH teams with procedures and formats for implementation and for withdrawing funds, including areas/categories for allocation and utilisation of counterpart funds.

The procurement plan of the EWSSP does not clearly specify categories for allocating matching funds. This has been problematic for allocating the funds and settling accounts.⁶ In Amhara, respondents stated that there was nothing specific with regard to allocation of matching funds, except a clarification that capacity building should not exceed US\$50,000 (Birr 433,100 at that time).

Respondents in the study all had a similar understanding of IDA's conditions for matching funds as well as on guidelines for administering matching funds, but a general lack of clarity was seen.

5.3 Challenges in the allocation of matching funds

5.3.1 Issues arising in fund flows

The EWSSP is negotiated at federal level and donor funds flow directly from MoWR to BoWRs through Channel Two. The Benishangul-Gumuz BoFED, which is the government organ responsible for allocating the matching funds (i.e. Channel One funds from the national treasury), is not officially aware of the programme. This makes it difficult to coordinate the channels and maintain clarity in allocations. This study reconfirms that the coexistence of different mechanisms for funding to the water sector has been problematic. The flow of funds through Channel Two means that BoFEDs do not have a comprehensive picture of the total amount of financial resources flowing to the sector.⁷ This affects equitable distribution of resources among bureaus, woredas and communities and a lack of ability to meet the matching fund requirement. As discussed, funds flowing through Channel Two are considered to be 'off-budget' and difficult to 'control'. In principle (based on negotiation with IDA), irrespective of the fund flow channel, projects with matching fund requirements receive

⁶ In the African Development Bank (AfDB) WASH project, items for matching funds are identified.

⁷ According to an official in the World Bank, the Bank agreed with MoFED to release the project budget through Channel One starting in EFY 2000 (September 2007).

priority with regard to budget allocations over other projects. In practice, this does not seem to be the case.

The World Bank-funded WASH project has only seen a few problems in disbursing the funds, either at regional or at woreda level in Benishangul-Gumuz. Discussions with MoWR highlighted a problem of delays in reimbursement of the Statement of Expenditure (SOE) by regions to access donor funds. Similarly, there is a delay in realising the budget from the MoWR/National Programme Coordination Unit (NPCU) to Benishangul-Gumuz because of the absence of the matching funds.

5.3.2 Fund Flows

When project implementation started in EFY 1997 (2004/05), the budget released from MoWR and utilised was 545,567.37 Birr and 83,029.53 Birr respectively. During this time, the matching funds requested by BoWR from BoFED were only 100,000 Birr; this amount has not yet been spent. In EFY 1998 (2005/06), the budget released from MoWR was 1,476,864.78 Birr and actual expenditure was 1,578,309.85 Birr. At this time, BoWR requested matching funds of 500,000 Birr; this request was not submitted during budget planning and thus BoFED could not allocate the funds.

In EFY 1999 (2006/07), a total of 2,963,720.23 Birr was released by MoWR and 2,401,300.26 Birr was utilised by BoWR. The request for matching funds was submitted on time: BoWR requested from BoFED a total of Birr 280,000; out of this, BoWR utilised only Birr 255,217.74 (Benishangul-Gumuz BoWR, Finance Section). BoFED released nearly 50% of the requested matching funds at the end of the budget year (i.e. it arrived after work was completed – BoWR Finance Section). Owing to an absence of matching funds and a delay in the budget from MoWR, there was a problem in settling payments to contractors and getting replenishment from IDA. And although a matching funds amount was released to BoWR, it did not come from the allocated matching funds, rather from a different unused sector budget from that fiscal year. This is not a good long-term solution (discussions with BoFED).

In EFY 2000, the matching funds for the World Bank were Birr 376,000 but the actual allocated amount was only Birr 10,000. In the same year, the required matching funds for AfDB were Birr 459,000 and the actual earmarked budget by BoFED is Birr 10,000. In percentage terms, actual allocation by BoFED is 2.18% and 2.66% for AfDB and Bank projects, respectively.

Some respondents consider the problem to be one of a communication barrier between BoFED and BoWR. One respondent said: 'Since nobody has any experience, the challenges are not clear. But it is clear that woredas find it difficult to allocate matching funds owing to delays in releases.' Other respondents mention weak capacity of zonal and woreda project offices. The study also uncovered low commitment of Regional Programme Coordination Units (RPCU) members who are government employees and who are not given incentives. This has a negative impact on the pace of implementation.

5.3.3 Scarcity of budget and competing demands for resources in woredas

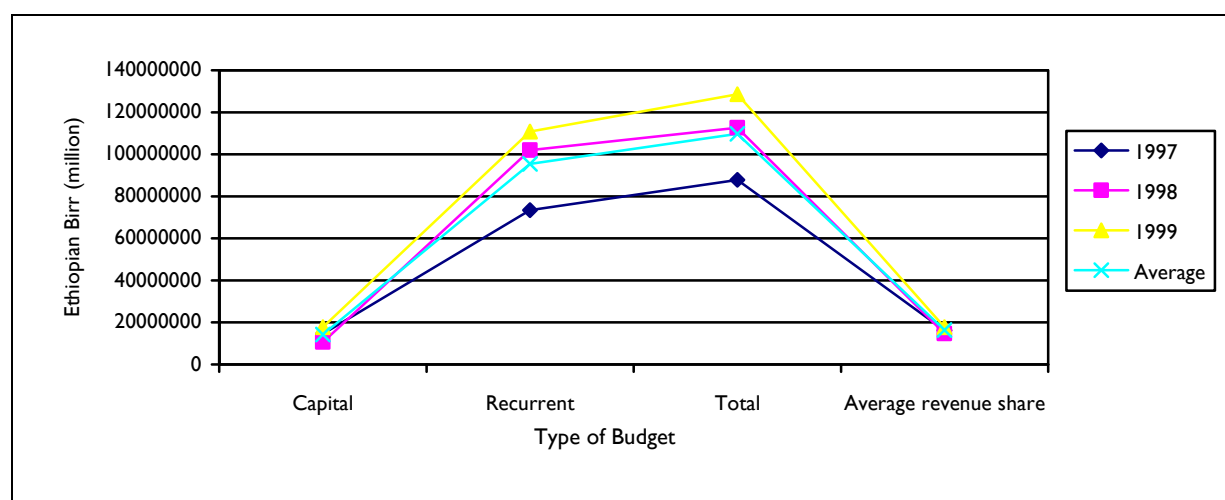
Respondents all said that scarcity of budget and competing demands for resources (by all sectors) led to non-allocation of matching funds. One respondent said: 'woredas are unable to hold the matching funds owing to budget deficits'.

Table 5.2: Benishangul-Gumuz regional budget by woreda, EFY 1997-2000 (2004/05 to 2007/08) (all sectors)

	Woreda	Budget year			
		1997	1998	1999	2000
1	Assosa	9,407,821	12,194,796	18,591,998	18,972,688
2	Homosha	1,907,672	2,433,887	4,519,804	5,252,836
3	Kurmuk	2,020,182	2,793,965	3,565,887	4,996,158
4	Sherkole	2,934,317	2,924,251	3,479,576	5,262,605
5	Menge	4,310,216	4,067,756	5,795,749	6,503,417
6	Odabildiglu	2,314,665	3,287,215	4,211,028	4,741,108
7	Bambasi	4,103,776	5,657,355	8,038,224	8,332,891
8	Kamashi	1,737,936	2,291,723	5,453,663	5,667,892
9	Agalometi	224,917	3,199,551	3,759,475	4,749,589
10	Sirba Abay	2,056,186	258,755	3,510,307	3,932,386
11	Yaso	4,045,050	1,786,650	3,762,935	3,750,114
12	Belogiganfoy	1,313,409	2,741,861	5,308,876	5,767,948
13	Dangur	5,547,365	5,780,092	7,444,084	7,539,795
14	Debati	6,574,756	7,202,300	9,899,967	9,536,948
15	Mandura	2,886,441	4,862,237	6,605,738	7,383,867
16	Bulen	3,936,724	4,690,344	6,330,764	7,581,517
17	Wembera	6,693,415	7,685,261	9,986,619	9,844,525
18	Guba	5,547,365	2,512,867	4,124,181	4,974,854
19	Pawe Special Woreda	5,381,343	8,446,937	9,922,795	10,164,313
20	Mao-Komo Special Woreda	2,414,258	3,285,131	4,467,430	5,640,513
Total		75,132,897	85,669,047	128,779,100	140,595,964

Source: Benishangul-Gumuz BoFED (Dec. 2007).

Figure 5.1: Benishangul-Gumuz capital and recurrent budget expenditures, EFY 1997-1999 (2004/05 to 2007/07) (Birr)

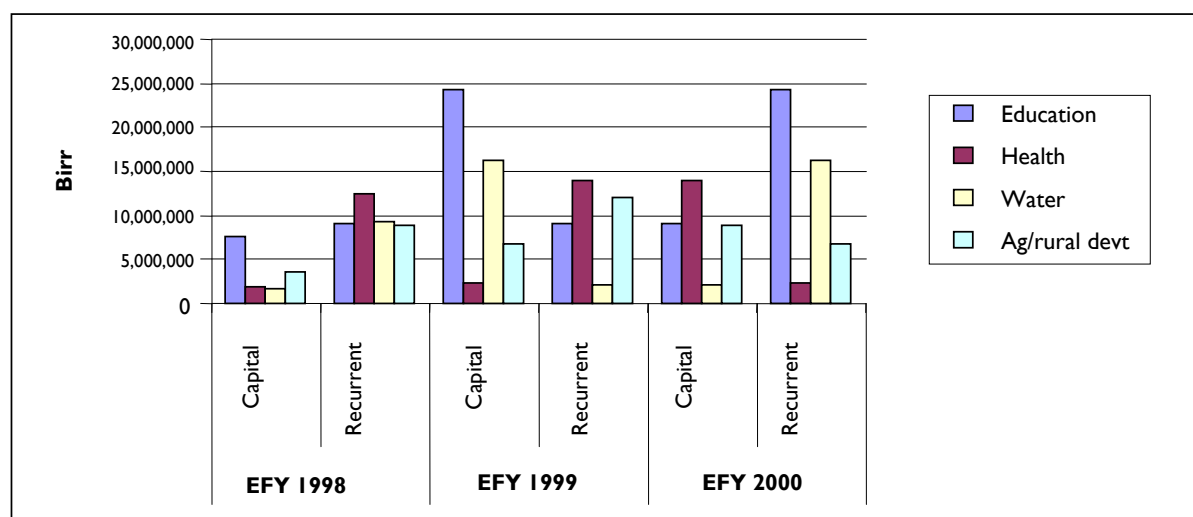


Source: Benishangul-Gumuz BoFED Macro Planning and Budgeting Dept (Dec. 2007).

We can see from Figure 5.1 that regional budget expenditure has been increasing from year to year, which indicates an increase in the performance of the region. However, most of the government budget goes on recurrent costs.

With regard to sectoral budget allocations, the share of the water sector is very low as compared with the budget allocated to other sectors (see Annex 8).

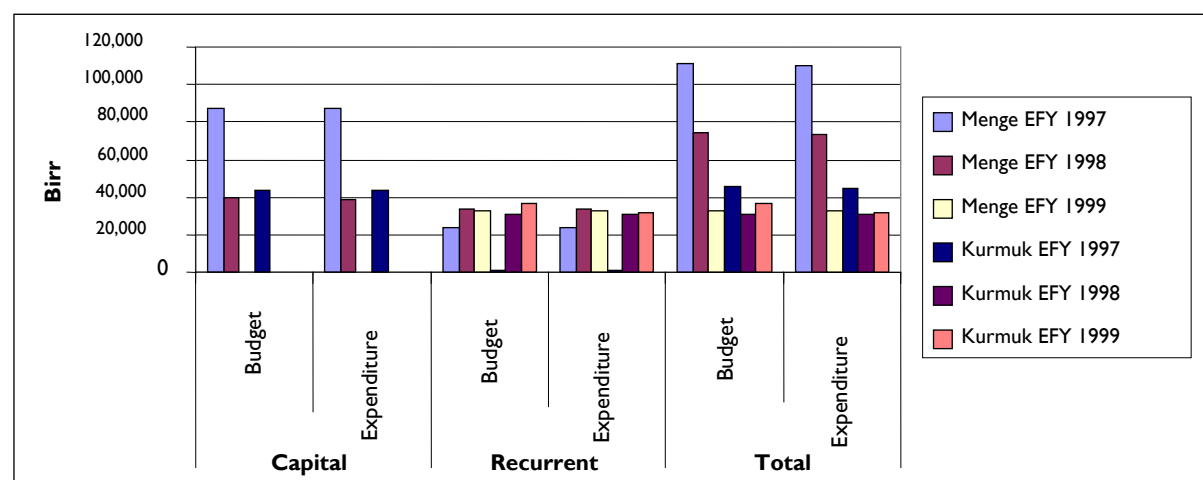
Figure 5.2: Regional budget allocation by sector, EFY 1998-2000 (2005/06 to 2007/08) (Birr)



Source: Benishangul-Gumuz BoFED Macro Planning and Budgeting Dept (Dec. 2007).

As seen in Figure 5.2, capital budget (project direct costs) allocated to the water sector are very low as compared with other sectors. In addition, the amount of block grant disbursed to the region (as well as to Kurmuk and Menge woredas) is quite low because of the formula applied in appropriation of the budget. More consideration is given to population and this directly or indirectly affects the less populated regions and therefore ability to allocate matching funds (see Annex 7).

Figure 5.3: Allocations to water sector, sample woredas, EFY 1997-1999 (2004/05–2006/07) (Birr)

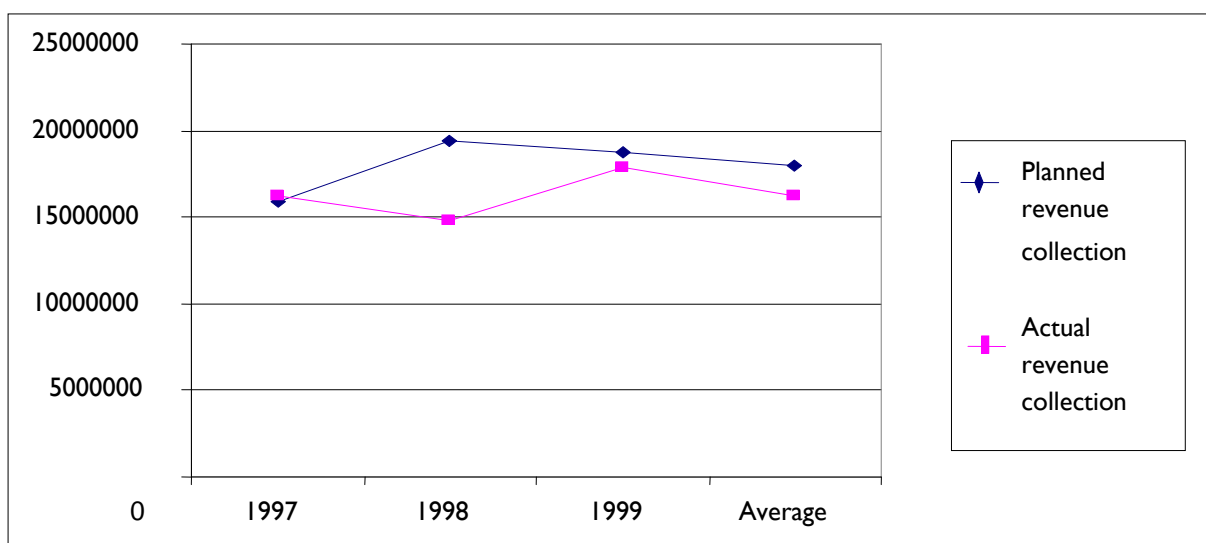


Source: Benishangul-Gumuz BoWR, Finance Section (Dec. 2007).

Figure 5.3 shows that the capital budget allocated to each woreda is less than Birr 50,000 on average. This means that woredas are unable to hold and use the matching funds for the water sector. For instance, in EFY 1999, Kurmuk was told to allocate 10% of matching funds for the IDA programme before the budget cycle started. Accordingly, the woreda earmarked Birr 158,000 as matching funds. However, not more than 20,000 was allocated, and even that amount was used for a different purpose (education). No actual transfer to the WASH account has ever been made. In Benishangul-Gumuz, Amhara, Oromia and SNNPR, IDA beneficiary woredas have found allocating matching funds challenging. No apparent evidence of actual transfer of money as matching funds has been observed in the study area.⁸

As specified in Proclamation No 33/1992, regions have a mandate to raise revenue from different sources. The amount of revenue collected at each level is taken into consideration when allocating block grants to woredas. Yet, the capacity to raise sufficient revenue is low, for various reasons. For example, the amount of revenue to be collected in Benishangul-Gumuz in EFY 1997 (2004/05) was 30 million from a total budget of 251,240,000 (11 %).

Figure 5.4: Planned versus actual total woreda revenue collection (EFY 1997-1999 (2004/05 to 2006/07) (Birr)



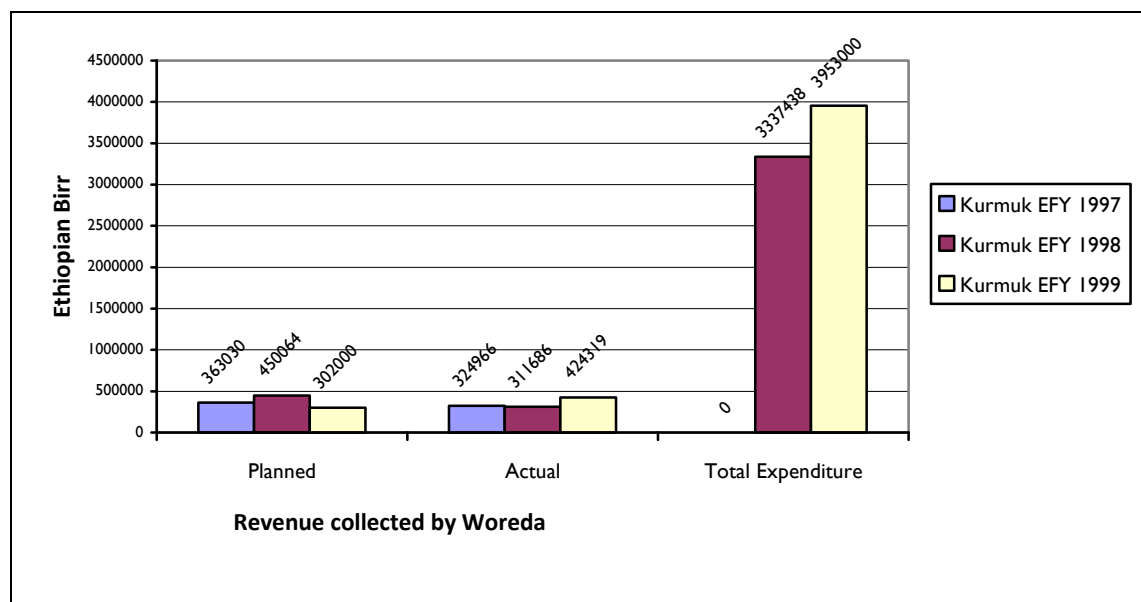
Source: Benishangul-Gumuz Revenue Authority (Dec. 2007) (see Annex 4).

The capacity of the woreda to generate sufficient revenue is weak also because the tax base is narrow. For instance, the major sources of revenues in Kurmuk are income tax (few government staff), business tax, agricultural land tax and rural land tax, all of which are very insignificant. As indicated in Figure 5.5 below, there was a shortfall in the amount of revenue collected in Kurmuk woreda in EFY 1997 (2004/05) and 1998 (2005/06), as against the planned amount, of Birr 38,072 and Birr 146,367.58, respectively. This underperformance has its own impact on the capacity of the

⁸ In Dangur woreda, however, the Finance Office has transferred matching fund contributions to the woreda WASH project account in Chagni Commercial Bank of Ethiopia.

woreda to allocate matching funds. Although woredas have signed the grant agreement to allocate matching funds, the experience so far has been that this has not been implemented.

Figure 5.5: Sample woreda revenue plan versus implementation, EFY 1997-1999 (2004/05 to 2006/07) (Birr)



Source: Benishangul-Gumuz BoFED Macro Planning and Budgeting Dept (Dec. 2007).

Note: Data on total amount of expenditure for EFY 1997 are not available.

5.3.4 Low financial capacity of communities

Another problem is low capacity of communities to contribute 5% of the investment cost in cash. As all schemes in Kurmuk are shallow wells (average depth of 45-50 metres) drilled with machinery, the cost of construction is high (average cost of Birr 60,000 Birr/well). This means that each family is expected to contribute not less than Birr 200, on average.⁹ Although the implementation guideline does not allow it, one community out of 18 in Kurmuk has been exempted from cash contributions owing to the fact that the community is below the poverty line. Even when communities are willing to contribute, the abandonment of drilled shallow wells that produce low yields have presented tremendous challenges for community financing of schemes.

Regional governments or BoVRs have financed some activities on a reimbursable basis. One respondent said: 'the water bureau has paid the community contribution in well drilling, assuming that the community will reimburse the amount'.

In spite of the challenges, communities have started contributing their share of the commitment and finances collected are deposited in banks. However, respondents in all the regions felt a 5% cash contribution was beyond the capacity of communities and suggested in-kind contributions instead of cash.

⁹ In spite of the standard of 350 households per shallow well, because of the scattered nature of settlement in Kurmuk, the number of beneficiaries is 15-20 households.

5.3.5 *'Hidden costs'*

Hidden costs present a further challenge to the implementation of WASH programmes. These costs might not be taken into consideration in budget planning and when signing agreements with donors. Examples of such costs include: bank service charges, VAT, import taxes for vehicles, equipment, salary expenses, depreciation on vehicles, and office utilities and running costs, which are not considered in matching fund negotiations.

5.3.6 *Fiscal calendar discrepancies*

There are differences between fiscal calendars used, causing a mismatch between the two fiscal years and creates problem in allocating budgets and monitoring and evaluation of performance/reports. The annual budget at all administrative levels is allocated in June and July. A request for allocation of matching funds in January, for instance, will cause a problem, as budget appropriation is completed by then. Another danger is that the woreda may be able to earmark a budget for matching funds but delay in the signing of agreements or a time gap may lead to reallocation to other priority areas. Furthermore, different budget calendars means different requirements and disbursement schedules; different reporting timeframes and auditing; and inefficient use of resources.

This is not a problem for the IDA-financed EWSSP, as the World Bank uses the Ethiopian fiscal calendar as defined in the grant agreement. However, it is a problem for other donors, such as UNICEF.

6 Conclusions

Based on the various definitions seen in the findings, it is clear that there is a shared understanding about matching funds and shares of responsibility among the different players (community, government and donors). In other words, there are shared views and beliefs on the rationality and purpose of matching funds.

Respondents' understanding of IDA conditions for matching funds and guidelines for administering matching funds, were not so clear. However, the Bank has raised questions surrounding allocating and utilising matching funds and it blocked the fund for a while in 2007, during the mid-term review meeting of the project. At the end of the project the Bank will probably raise such questions again.

The allocation and utilisation of matching funds differ from region to region. For instance, in Benishangul-Gumuz, the community contribution is 5% cash and 5% in kind. In Amhara, the proportion is 3% and 7% in kind. This shows that there is no clear cut implementation guideline across the different regions.

There is a problem of matching funds allocation and expenditure in the EWSSP in general; matching funds are often not generated or passed on by the regional Bureau of Finance and Economic Development (BoFED), supposedly because of communication issues and bureaucratic confusions between Channel One financing (matching funds and regional block grants) and Channel Two financing (EWSSP funds).

It is clear that woredas have found it difficult to allocate matching funds because of low financial capacity (block grant and own revenue) and competing demands by all sectors. As a result of this, no apparent evidence of actual transfer of money as matching funds has been observed in the study area.

The woredas have the potential to allocate and use matching funds in order to access the Bank fund but, in actual fact, this is not being done. There is limited capacity to manage the budget, both in the woredas and in the regions. Moreover, because of the limited financial capacity of community members, bringing in cash contributions has been very challenging.

The amount of revenue collected at each level is taken into consideration when allocating block grants to woredas. Actual collection by woredas is much lower than planned, except on rare occasions. This creates a problem in allocating a budget for matching funds. In addition, the less populated regions are exposed to greater budget deficits, which ultimately lead to additional problems in matching funds allocation.

Recent progress, which involves the setting up of WASH implementation structures and guidelines as well as the harmonising of financing channels, will undoubtedly improve the performance of the water sector. However, it is necessary to have actual integration of sector bureaus in order to be able to propose alternative solutions for the problem of matching funds.

In all regions, there was low integration and a communication barrier between sector bureaus (BoFED and BoWR) and woredas. This leads to a lack of allocation of funds and finally to an underspending and lack of use of donor funds.

7 Recommendations

On the basis of the findings of this study and lessons learnt from the experiences of other regions, this section attempts to put forward some initial recommendations for future actions.

- There is a large budget shortage regarding revenue collection in most fiscal years that inhibits the allocation of matching funds. As such, for the communities, paying cash contributions should be optional: community members should have the chance to pay in kind, such as through labour, guard work, local material support or fencing. In addition to this, overhead costs should be considered as matching funds on the part of the local government.
- WASH project activities are increasing in number very quickly. In spite of this, there is still limited close communication and integration at all levels in the sector, if not at national level. A tripartite agreement between the BoWr, BoFED and the woredas should be established, to create a common understanding and simplify implementation of activities. Beyond this, sectors should hold strong periodical joint monitoring and evaluation missions.
- Funds flowing through Channel Two are not recognised by MoFED and BoFED, there have been problems regarding non-allocation of matching funds and under-utilisation of donor funding. Therefore, the government of Ethiopia (MoWR) should clearly inform MoFED, and MoFED should inform BoFED, about any agreements made with donors.
- When agreements and negotiations are carried out with donors at federal level, regions should be given the opportunity to comment on the process of negotiation and its content. Regions have better know-how on the actual situation in the woredas and lower-level communities.
- Although the issue of matching funds, both from the government and the community, is important, the economic level of the people and the government should be given due consideration. Capacity to allocate matching funds is a problem in all regions. Hence, the Ethiopian government (MoWR) should discuss this issue with the Bank in order to bring about a lasting solution.
- There should be a mechanism put in place by the federal government for less populated regions in order to help them fill the gap arising from the budget deficit.

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Annex I: Terms of reference

Case Study on Matching Funds in the EWSSP in Benishangul-Gumuz Region

Sponsored by RiPPLE Ethiopia

Submitted to: Benishangul-Gumuz RiPPLE Programme Coordination Office, Assosa

I. Summary of the case study proposal

I.1 *Research title:* Case Study on Matching Funds in the EWSSP in Benishangul-Gumuz Region

I.2 *Duration of the study:* October to end of December 2007

I.3 *Location of the study:* Benishangul-Gumuz Region (Assosa, Menge and Kurmuk woredas) of Assosa zone

I.4 *Funding agency:* RiPPLE

I.5 *Total project cost including contingency:* Birr 36,928.50

I.6 *Research team members:*

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2. Objective of the study

2.1 Broad objective:

Broadly, the objective of this case study is to resolve the problem of counterpart funding sources for the World Bank WASH Project and other donors' similar projects in the long run.

2.2 Specific objectives:

Specifically, this action research needs to address the following objectives:

- Identify factors influencing allocation and utilisation of matching funds to the EWSSP in Benishangul-Gumuz regional state.
- Identify recourse measures to solve the problem of matching funds for the EWSSP in Benishangul-Gumuz regional State.

3. Research questions

At the end of this action research the following basic questions around the matching fund will be answered.

- Why are matching funds a problem? Is it because of the Ethiopian Fiscal Year/Gregorian Calendar difference? Is it because the donor money is off-budget? What else?
- How much of the EWSSP funds allocated to Benishangul-Gumuz are unspent as a result of not allocating matching funds?
- What steps have been taken so far to address the impact of matching funds? What alternative measures are required to solve the problem of matching funds in Benishangul-Gumuz?
- What are the impacts of matching funds on the use of the EWSSP and service delivery?
- What are the experiences of other regions? Are other donors requiring matching funds?
- Are matching funds feasible from the perspective of Benishangul-Gumuz local revenue and federal subsidies?

4. Scope and significance of the study

This piece of research is supposed to investigate the cause-effect relationship between allocating and not allocating matching funds to the EWSSP in Benishangul-Gumuz. As it is action research, it goes beyond usual reporting to solve the problem gradually through the Learning and Practice Alliance. Geographically, the study covers two RiPPLE woredas, Menge and Kurmuk.

5. Methodology

5.1 Research design:

The study examines what has happened in the allocation of matching funds to the EWSSP in Benishangul-Gumuz and compares this with the experiences of other regions. To effect this, the research team will design the research as follows.

- Design checklists for different targets on the basis of the objectives.

- Hold FGDs in isolation/combination using checklists at regional level.
- Interview key persons in other regions (similar bureaus).
- Interview BoWR, World Bank project coordinators and BoFED of the regions Amhara, SNNPR and Oromia.
- Interview officials from MoFED, MoWR, World Bank (Addis Ababa).
- Collect supporting data from ministerial offices and regional bureaus during field visit.
- Hold mid-term LPA workshop on the draft output.
- Summarise the findings and action points from the LPA workshop.
- Draft possible solutions for the problem of the matching funds.
- Create a kind of committee to communicate with MoWR, MoFED and the World Bank and follow up with implementation.

5.2 Target institutions and data collection:

At federal level, MoWR, MoFED and the World Bank Country Office are appropriate institutions for examining the root causes for the problem of matching funds to the EWSSP. Similarly, at regional level, in Assosa and the selected three regions (Amhara, SNNPR and Oromia), are their line bureaus: BoWR RPCU, BoFED Department of Macro Planning and Budgeting are the target institutions and sources for data as well. Other donors requiring matching funds from the region to implement water and sanitation projects can also be targeted. In the process of data collection, selected RiPPLE woredas will be considered.

5.3 Data analysis and reporting:

Besides the statistical and financial analysis, this kind of study requires critical discussion among relevant institutions like BoFED and BoWR at regional level. Similarly, discussion between Water Desks and Offices of Finance and Economic Development at woreda level is important. Further discussion with the larger LPA will also be part of the analysis. Report writing will be carried out by the research team in close collaboration with the finance theme researchers.

5.3 Communicating the results:

The research team will present the findings of the study to the LPA Research Advisory Review Board (RARB) for discussion and drafting action points.

Annex 2: Checklists

Questions to MoWR, MoFED, World Bank, BoWR and BoFED

1. What is your understanding of matching funds (**how is this defined?**)

Definition:

What is the rationality behind matching funds? (Why?)

2. Factors considered (assumptions) when matching funds are requested from government from the viewpoint of:

2.1. Ownership?

2.2. Capacity to come up with the fund (**capacity to allocate** the matching fund)?

3. How do you explain the funding channels/general ideas?

4. **Advantages and disadvantages** of funding channels

A/ Channel one

Advantages:

Disadvantages:

B/ Channel Two

Advantages:

Disadvantages:

C/ Channel Three

Advantages:

Disadvantages:

5. How is the process of negotiation/agreement done with **donors** in general and **World Bank** in particular?

5.1. Are matching funds a condition for accessing funds from the donors as loan or grant?

5.2. How was the process of negotiation/agreement specifically on the issue of matching funds, use/line items for matching funds?

5.3. Is the agreement made with ADB different from that of WB?

5.3.1. A/ Yes

B/ No

5.3.2. If your answer for Q6.3 is yes; how do you justify this?

6. How is the relationships of the ministry with MoFED (on the issue of matching fund allocations for the World Bank)?

7. What is the impact of **matching funds** on the allocation of **block grants** by MoFED to the regions?

8. How is the process of budget allocations from the perspective of matching funds?

8.1 Decision making with regard to regional allocations (appropriation)?

9 Relationships/communications of MoWR with regional BoWR with regard to projects requiring matching funds?

10 Availability of guidelines for the allocation and utilisation of matching funds, i.e. on the issue of:

10.1 Amounts to be allocated?

10.2 Activity based budget lines items for allocating matching funds?

10.3 How to report the use of budget to the World Bank?

11 Are there any challenges you faced in the **allocation** of matching funds?

A/ Yes

B/ No

11.1 If your answer for Q11 is yes; justify your answer

12 Challenges in the **utilisation** of matching funds (do they think this is a problem)?

13 Lessons learnt regarding projects beyond WB that require matching funds (allocation and utilisation)?

14 What is the relationship of the ministry with MoH in the implementation of WASH?

15 How was the understanding of the ministry on the regions to allocate and utilise matching funds?

16 How was the process of collecting funds from donors especially from WB for the WASH project in order to disperse to the regions?

17 What was/is the experience of other donors in the sector on the issue of matching funds?

18 What was/is the experiences of other African countries in the sector with regard to matching funds?

19 How can you explain the utilisation of matching fund by the regions?

20 What is the intention of the ministry on matching funds in the future?

21 Do you know why the World Bank requests matching funds? Has the Bank or MoWR informed your bureau why they need to 'match'?

22 Relation with MoWR (**vertical relationship**), **implementation** and **financial reporting** with regards to **negotiation with donors** (World Bank in particular)?

23 Are matching funds a condition for accessing funds?

A/ Yes

B/ No

24 Is there a guideline on allocation and utilisation of matching funds?

A/ Yes

B/ No

24.1 If yes; do you think that the guideline is appropriately implemented?

A/ Yes

B/ No

- 24.2 If your answer for Q24.1 is no, why?
- 25 What are the relationships between BoWR and BoFED and MoWR on **matching fund allocation** for World Bank (**horizontal and vertical relationship**)?
 Process of negotiating with BoFED
- 25.1 Experience
- 25.2 Challenges
- 25.3 Lessons
- 25.4 Do you think that a difference in the fiscal calendar is a problem for allocating matching funds specific to WB WASH projects?
 A/ Yes B/ No
- 25.5 If your answer for Q25.4 is yes, how do you justify this (further justifications for other donors' projects)?
- Experience on ability to allocate the matching funds over the past three years or as appropriate?
 - How big were the matching funds? Proportion to the overall budget in the water sector or regional budget?
 - Criteria for allocating matching funds for donor-funded projects, particularly WB?
 - Impact on overall budget allocation (by BoFED) to **water sector projects**?
26. Impact of matching funds **on service delivery**
- 26.1 On the utilisation of WASH project?
- 26.2 On other donors' projects?
- 26.3 On other water sector projects?
27. Would you please tell us the regional capacity to allocate matching funds (regional revenue)?
- 27.1 Could you tell us the approximate share of matching funds from the regional revenue?
28. Experience on matching fund allocations?
- 28.1 Experience on ability to allocate matching funds over the past three years or as appropriate – hard data required
- 28.2 How big were the matching funds? Proportion to the overall budget in the water sector or regional budget? Hard data required
- 28.3 Criteria for allocating matching funds for donor-funded projects, particularly WB
- 28.4 Process of negotiation with BoWR
29. What are the follow-up mechanisms with respect to monitoring, evaluation and reporting (availability of abiding guidelines/manuals)?
- 29.1 Allocation to the water sector
- 29.2 Overall allocation to other sectors (health, education, agriculture, etc.)
30. Challenges faced in allocation and utilisation of WB projects requiring matching funds?
- 30.1 Effect/impact on service delivery (WASH, other donor projects, other water sector projects, etc.)
31. Measures taken to meet the demand for matching funds, utilisation of donor funds?
32. Suggestions for the future?
33. Experiences of other donors with regard to **matching fund channels**?
34. Lessons learnt from the experience of donors discussed in Q34?
35. Are there guidelines for the allocation and utilisation of matching funds?
 A/ Yes B/ No
- 35.1 If your answer for Q35 is yes, how appropriately implemented?
- 35.2 Are there guidelines for reporting (financial) with respect to WASH?
 A/ Yes B/ No
- 35.3 If your answer for Q35.2 is yes, how appropriately implemented?
36. Challenges faced in the allocation and utilisation of World Bank projects requiring matching funds?
- 38.1 Relations with MoWR
- 38.2 Utilisation of fund?
- 38.3 Reporting to donor
- 38.4 Impact on block grant allocation to regions (particularly to the water sector)
37. Experiences of other donors with regard to matching funds, other than World Bank?
- 37.1 What experiences and lessons are learnt during the time of implementation of WASH project following Channel Two?
- 37.2 How was the process of monitoring, evaluation and reporting with respect to WASH project?
38. What are the principles, values and beliefs of matching funds from WASH viewpoint?
39. What matching fund challenges are faced by grant/loan recipients at all levels (federal, regional, woreda)?

- 39.1 On allocating matching funds at all levels (national, regional, woreda)
- 39.2 How do you evaluate the use of the WASH project funds by the ministry either from your grant/loan or the matching funds from the government treasury?
- 40. What is the effect/impact of matching funds on service delivery? (from the perspective of EWSSP, other donor projects, other water sector projects, etc.)?
- 41. Opinions of the organisation on funding channels?
 - 41.1 Why did you prefer Channel Two for the implementation of the WASH project in the past?
 - 41.2 Were any challenges faced in following the system of Channel Two?
 - A/ Yes
 - B/ No
- 42. If your answer for Q41.2 is yes, what are the steps taken to address challenges?
- 43. What steps need to be taken in the future to simplify and facilitate the implementation of projects?

Annex 3: Persons contacted for data collection

A) SNNPR BOFED

- | | | |
|----|--------------------|---|
| 1. | Ato Bergude Bancha | Bureau Head |
| 2. | Ato Foeino Folla | Head, NGOs and Development Cooperation Dept |
| 3. | Ato Woge Ali | Head, Disbursement Department |
| 4. | Ato Denqsew | NGOs Team Leader |
| 5. | W/o Belainesh | Acting Head, Plan and Budget Department |
| 6. | Ato Yohanese | Expert, NGOs and Development Cooperation Dept |

B) SNNPR BoWR

- | | | |
|----|--------------------|--|
| 1. | Ato Yared Jelu | RPCU WASH Coordinator |
| 2. | Ato Abebe | WASH Accountant/Support Staff |
| 3. | Ato Ketema | WASH Financial Mgt. Specialist/Support Staff |
| 4. | Ato Behailu Degefo | Urban WASH Coordinator |

C) Amhara BoWR

- | | | |
|----|-------------------|-----------------------------|
| 1. | Ato Yenager | Bureau Head |
| 2. | Ato Tilahun | Finance Deputy Bureau Head |
| 3. | Ato Girma Tesfaye | Economic Deputy Bureau Head |

D) Amhara BoWR

- | | | |
|----|-----------------------|--|
| 1. | Ato Mamaru | Bureau Head |
| 2. | Ato Habtamu Alebachew | WASH Technical & Mgt. Specialist/Support Staff |
| 3. | Ato Himanot | WASH RPCU Coordinator |
| 4. | Ato Asamenew | WASH RPCU Financial Specialist/Support Staff |

E) Oromia BoWR

- | | | |
|----|-----------|---|
| 1. | Ato Seium | WASH RPCU Financial Mgt. Specialist/Support Staff |
| 2. | Ato Deme | WASH RPCU Focal Person |

F) Benishangul-Gumuz BoWR

- | | | |
|----|------------------|--------------------|
| 1. | Ato Minilik Wube | Acting Bureau Head |
|----|------------------|--------------------|

2. Ato Epherem Alemu WASH RPCU Focal Person
3. Ato Amare Mognehode Technical Specialist/Support Staff/

G) Benishangul-Gumuz BoFED

1. Ato Tameru Ambessa Acting Head of Macro Planning and Budgeting Dept

H) Federal level: MoFED

1. Dr Tesefaye World Bank Programmes Focal Person
2. Ato Taju Grer Central Account Department (Senior Expert)

I) Federal level: MoWR

1. Ato Teferi Menkir WASH Project Coordinator
2. Ato Tadese WASH NPCU Financial Mgt. Specialist/Support Staff
3. Ato Tameru NPCU R-WASH Focal Person

J) World Bank

1. Ato Yetbarek

Annex 4: Revenue collection: planned versus actual achievements, EFY 1997-2000

Zone/S.W.	Woredas	EFY 1997		EFY 1998		EFY 1999		EFY 2000
		Planned	Actual	Planned	Actual	Planned	Actual	Planned
Assosa	Assosa	3,220,202	2,925,447	4,063,096	2,501,918.96	3,300,200	2,770,963.62	3,795,230
	Homosha	296,433	321,434	373,570	353,608.92	399,700	398,924.59	459,655
	Sherkole	283,317	286,504	357,980	324,032.05	333,000	371,714.95	382,950
	Kurmuk	363,038	324,966	458,064	311,696.42	382,000	424,319.47	439,300
	Bambasi	914,867	973,381	1,154,335	1,191,040.46	1,135,300	1,057,658.31	1,305,950
	Odabildiglu	334,594	466,699	422,475	475,061.75	526,000	738,096.38	604,900
	Menge	399,547	565,069	504,129	464,949.37	705,900	528,308.49	811,785
Mao-Komo	Mao-Komo	437,043	487,798	606,467	512,249.65	577,200	554,823.25	663,780
	Mandura	619,919	655,591	714,910	582,793.51	787,500	910,023.25	905,625
	Dangur	921,063	975,067	1,077,488	940,038.21	1,122,300	1,031,827.61	1,290,644
Metekel	Bulen	997,589	941,346	1,047,307	757,821.80	995,400	1,058,312.04	1,144,711
	Debati	1,344,864	1,338,836	1,624,053	1,108,208.03	1,547,800	1,254,525.26	1,779,971
	Wembera	1,209,767	1,268,130	1,480,536	1,178,233.43	1,456,100	1,441,676.36	1,674,513
	Guba	575,408	527,120	700,326	532,864.20	885,200	664,755.26	1,017,981
Pawe	Pawe	1,540,000	1,608,591	1,856,828	1,217,782.82	1,786,000	1,494,177.77	2,053,990
	Kamashi	544,648	587,365	650,450	552,598.24	619,300	982,523.52	712,195
Kamashi	Belogiganfof	836,674	1,023,473	999,206	782,845.84	1,041,100	1,020,601.46	1,197,265
	Agalometi	423,974	381,825	506,334	424,856.50	466,300	448,826.27	536,245
	Yaso	279,554	214,794	333,860	261,827.11	322,400	350,623.90	370,760
	Sirba Abay	355,004	374,970	478,966	289,263.05	390,400	326,972.21	448,960
	Woredas tot.	-	16,409,443	-	14,763,690.32		17,829,095.37	
	Bureaus tot.	-	10,642,380	-	7,454,257.68		10,097,261.48	
	Region tot.	-	27,051,823	-	22,217,948		27,926,356.85	

Annex 5: Budgets allocated to woredas

Summary of proclaimed recurrent budget of special woredas and woredas in Benishangul-Gumuz in EFY 1997 (2004/05)

No.	Name of woreda	Code	Income from woreda	Grant	Total budget
1	Assosa zone		7,939,766	21,473,141	29,412,907
1.1	Assosa woreda	06/01/001	4,063,096	5,344,725	9,407,821
1.2	Homosha woreda	06/01/002	458,064	1,449,608	1,907,672
1.3	Kurmuk woreda	06/01/003	373,520	1,646,662	2,020,182
1.4	Sherkole woreda	06/01/004	357,980	2,576,337	2,934,317
1.5	Menge woreda	06/01/005	504,129	3,806,087	4,310,216
1.6	Odabildiglu woreda	06/01/006	422,175	1,892,490	2,314,665
1.7	Bambasi woreda	06/01/007	1,154,335	2,949,441	4,103,776
1.8	Mao-Komo woreda	06/01/020	606,467	1,807,791	2,414,258
2	Kamashi zone		2,913,816	9,458,682	12,372,498
2.1	Kamashi woreda	06/02/008	650,450	1,087,486	1,737,936
2.2	Agalometi woreda	06/02/009	506,334	2,718,583	224,917
2.3	Sirba Abay woreda	06/02/010	423,966	1,632,220	2,056,186
2.4	Yaso woreda	06/02/011	333,860	3,706,190	4,045,050
2.5	Belojiganfoy woreda	06/02/012	999,206	314,203	1,313,409
3	Metekel zone		8,501,448	24,741,064	33,242,512
3.1	Dangur woreda	06/03/013	1,077,488	4,469,877	5,547,365
3.2	Debati woreda	06/03/014	1,624,053	4,950,703	6,574,756
3.3	Mandura woreda	06/03/015	714,910	2,171,531	2,886,441
3.4	Bulen woreda	06/03/016	1,047,307	2,889,417	3,936,724
3.5	Wembera woreda	06/03/017	1,480,536	5,512,879	6,693,415
3.6	Guba woreda	06/03/018	700,326	1,224,137	1,924,463
3.7	Pawe Special Woreda	06/03/019	1,856,828	3,524,520	5,381,343
Total budget			19,355,030	55,672,887	75,027,917

Summary of proclaimed capital budget of special woredas and woredas in Benishangul-Gumuz in EFY 1997 (2004/05)

No.	Woreda	Code	Budget allocated		Foreign loans	Total budget allocated
			From treasury	Foreign aid		
1.1	Assosa	06/01/001	2,185,200	-	249,200	2,434,400
1.2	Komosha	06/01/002	553,700	-	249,200	802,900
1.3	Kurmuk	06/01/003	1,963,700	-	249,200	2,212,900
1.4	Sherkole	06/01/004	1,791,500	-	498,400	2,289,900
1.5	Menge	06/01/005	1,238,400	-	-	1,238,400
1.6	Odabildiglu	06/01/006	2,833,100	-	498,400	3,331,500
1.7	Bambasi	06/01/007	2,172,700	-	249,200	2,421,900
1.8	Mao-Komo	06/01/020	1,172,300	-	271,200	1,443,500
	Total		13,910,600	-	2,264,800	16,175,400
2.1	Kamashi	06/02/008	804,300	-	249,200	1,053,500
2.2	Agalometi	06/02/009	1,500,900	-	23,000	1,523,900
2.3	Sirba	06/02/010	1,298,300	-	249,200	1,547,500
2.4	Yaso	06/02/011	822,900	-	-	822,900
2.5	Belojiganfoy	06/02/012	2,262,600	-	249,200	2,511,800
	Total		6,689,000	-	770,600	7,459,600
3.1	Dangur	06/03/013	1,224,900	-	25,000	1,249,900
3.2	Debati	06/03/014	1,083,600	-	249,200	1,332,800
3.3	Mandura	06/03/015	1,649,500	-	249,200	1,898,700
3.4	Bulen	06/03/016	1,548,600	-	285,200	1,833,800
3.5	Wembera	06/03/017	1,849,200	-	49,400	2,347,600
3.6	Guba	06/03/018	1,208,500	-	498,400	1,706,900
3.7	Pawe S.W.	06/03/019	715,800	-	249,200	965,000
	Total		9,280,100	-	2,054,600	11,334,700
	Total budget		29,879,700	-	5,090,000	34,969,700

Summary of proclaimed capital budget of special woredas and woredas in Benishangul-Gumuz in EFY 1997 (2004/05)

No.	Woreda	Code	Income from woreda	Grant	Total budget
1	Assosa zone	01			
1.1	Assosa woreda	001	4,063,096	8,131,700	12,194,796
1.2	Homosha	002	373,520	2,060,367	24,33,887
1.3	Kurmuk	003	458,064	2,335,901	2,793,965
1.4	Sherkole	004	357,980	2,566,271	2,924,251
1.5	Menge	005	504,129	356,3627	4,067,756
1.6	Odabildiglu	006	422,175	2,865,040	3,287,215
1.7	Bambasi	007	1,154,335	4,503,020	5,657,355
2	Kamashi zone	02			
2.1	Kamashi woreda	008	681,000	1,610,723	2,291,723
2.2	Agalometi	009	506,334	2,693,217	3,199,551
2.3	Sirba Abay	010	423,966	2,159,789	258,755
2.4	Yaso	011	333,860	1,452,790	1,786,650
2.5	Belojiganfoy	012	999,206	1,742,655	2,741,861
3	Metekel zone	03			
3.1	Dangur woreda	013	1,077,488	4,702,604	5,780,092
3.2	Debati	014	1,624,053	5,578,247	7,202,300
3.3	Mandura	015	714,910	4,147,327	4,862,237
3.4	Bulen	016	1,047,307	3,643,037	4,690,344
3.5	Wembera	017	1,480,536	6,204,725	7,685,261
3.6	Guba	018	700,326	1,428,450	2,512,867
3.7	Pawe S.W.	019	1,856,828	6,590,109	8,446,937
3.8	Mao-Komo S.W.	020	606,467	2,678,664	3,285,131
	Total budget	19,385,580	70,658,263	85,669,047	85,669,047

Summary of proclaimed capital budget of special woredas and woredas in Benishangul-Gumuz in EFY 1998 (2005/06)

No	Woreda	Code	Approved budget		Foreign loan	Total approved budget
			Treasury	Foreign grant		
1.1	Assosa	001	3,482,590		123,337,000	3,605,927
1.2	Homosha	002	123,690,000		100,297,000	223,987,000
1.3	Kurmuk	003	245,500,000		321,280,000	566,780,000
1.4	Sherkole	004	596,180		433,221,000	1,029,401
1.5	Menge	005	1,776,484		0.000	1,776,484
1.6	Odabildiglu	006	1,620,550		411,505,000	2,032,055
1.7	Bambasi	007	1,530,807		98,530,000	1,629,337
2	Total	02	9,375,801		1,488,170	10,863,971
2.1	Kamashi	008	274,740		263,339,000	538,079
2.2	Agalometi	009	485,500			485,500
2.3	Sirba Abay	010	219,260		180,048,000	399,308
2.4	Yaso	011	694,980		0.000	694,980
2.5	Belojiganfoy	012	805,970		255,204,000	1,061,174
3	Total	03	2,480,450		698,591	3,179,041
3.1	Dangur	013	1,299,211		0.000	1,299,211
3.2	Debati	014	2,322,292		283,397,000	2,605,689
3.3	Mandura	015	425,098		164,636,000	589,734
3.4	Bulen	016	514,970		299,324,000	814,294
3.5	Wembera	017	1,877,529		546,547,000	2,424,076
3.6	Guba	018	436,790		252,716,000	689,506
3.7	Pawe S.W.	019	820,881		136,502,000	957,383
3.8	Mao-Komo S.W.	020	200,220		244,147,000	444,367
	Total		7,886,991		1927269	9824260
	Total budget		19,753,242		4114030	23867272

Summary of proclaimed capital budget of special woredas and woredas in Benishangul-Gumuz in EFY 1999 (2006/07)

Woreda	Code	Woreda revenue	Grant	Total	% Share
Assosa	001	3,300,200	15,291,798	18,591,998	13.9%
Homosha	002	399,700	4,120,104	4,519,804	3.75%
Kurmuk	003	382,000	3,183,887	3,565,887	2.89%
Sherkole	004	333,000	3,146,576	3,479,576	2.86%
Menge	005	705,900	5,089,849	5,795,749	4.63%
Odabildiglu	006	526,000	3,685,028	4,211,028	3.35%
Bambasi	007	1,135,300	6,902,924	8,038,224	6.28%
Kamashi	008	619,300	4,834,363	5,453,663	4.39%
Agalometi	009	466,300	3,293,175	3,759,475	2.99%
Sirba Abay	010	390,400	3,119,907	3,510,307	2.84%
Yaso	011	322,400	3,440,535	3,762,935	3.13%
Belojiganfoy	012	1,041,100	4,267,776	5,308,876	3.88%
Dangur	013	1,122,300	6,321,784	7,444,084	5.75%
Debati	014	1,547,800	8,352,167	9,899,967	7.59%
Mandura	015	785,500	5,818,238	6,605,738	5.29%
Bulen	016	995,400	5,335,364	6,330,764	4.85%
Wembera	017	1,456,100	8,530,519	9,986,619	7.76%
Guba	018	885,200	3,238,981	4,124,181	2.94%
Pawe S.W.	019	1,786,000	8,136,795	9,922,795	7.40%
Mao-Komo S.W.	020	577,200	3,890,230	4,467,430	3.54%
Total		18,779,100.00	110,000,000	128,779,100	100%

Summary of proclaimed capital budget of special woredas and woredas in Benishangul-Gumuz in EFY 2000 (2007/08)

Woreda	Code	Grant	Woreda revenue	Total woreda budge
Assosa	001	15,177,458	3,795,230	18,972,688
Homosha	002	4,793,181	459,655	5,252,836
Kurmuk	003	4,556,858	439,300	4,996,158
Sherkole	004	4,879,655	382,950	5,262,605
Menge	005	5,691,632	811,785	6,503,417
Odabildiglu	006	4,136,208	604,900	4,741,108
Bambasi	007	7,027,296	1,305,595	8,332,891
Kamashi	008	4,955,697	712,195	5,667,892
Agalometi	009	4,213,344	536,245	4,749,589
Sirba Abay	010	3,483,426	448,960	3,932,386
Yaso	011	3,379,354	370,760	3,750,114
Belojiganfoy	012	4,570,683	1,197,265	5,767,948
Dangur	013	6,249,151	1,290,644	7,539,795
Debati	014	7,756,977	1,779,971	9,536,948
Mandura	015	6,478,242	905,625	7,383,867
Bulen	016	6,436,806	1,144,711	7,581,517
Wembera	017	8,170,012	1,674,513	9,844,525
Guba	018	3,956,873	1,017,981	4,974,854
Pawe S.W.	019	8,110,413	2,053,900	10,164,313
Mao-Komo S.W.	020	4,976,733	663,780	5,640,513
Total		119,000,000	21,595,965	140,595,965

Annex 6: Benishangul-Gumuz regional budget by woreda, EFY 1997-2000

	Woredas	Budget year			
		1997	1998	1999	2000
1	Assosa	9,407,821	12,194,796	18,591,998	18,972,688
2	Homosha	1,907,672	2,433,887	4,519,804	5,252,836
3	Kurmuk	2,020,182	2,793,965	3,565,887	4,996,158
4	Sherkole	2,934,317	2,924,251	3,479,576	5,262,605
5	Menge	4,310,216	4,067,756	5,795,749	6,503,417
6	Odabildiglu	2,314,665	3,287,215	4,211,028	4,741,108
7	Bambasi	4,103,776	5,657,355	8,038,224	8,332,891
8	Kamashi	1,737,936	2,291,723	5,453,663	5,667,892
9	Agalometi	224,917	3,199,551	3,759,475	4,749,589
10	Sirba Abay	2,056,186	258,755	3,510,307	3,932,386
11	Yaso	4,045,050	1,786,650	3,762,935	3,750,114
12	Belogiganfof	1,313,409	2,741,861	5,308,876	5,767,948
13	Dangur	5,547,365	5,780,092	7,444,084	7,539,795
14	Debati	6,574,756	7,202,300	9,899,967	9,536,948
15	Mandura	2,886,441	4,862,237	6,605,738	7,383,867
16	Bulen	3,936,724	4,690,344	6,330,764	7,581,517
17	Wembera	6,693,415	7,685,261	9,986,619	9,844,525
18	Guba	5,547,365	2,512,867	4,124,181	4,974,854
19	Pawe S.W.	5,381,343	8,446,937	9,922,795	10,164,313
20	Mao-Komo S.W.	2,414,258	3,285,131	4,467,430	5,640,513
Total		75,132,897	85,669,047	128,779,100	140,595,964

Source: Benishangul-Gumuz BoFED (Dec. 2007).

Annex 7: Variables of previous and new federal budget grant distribution formula

A) Previous federal budget grant distribution formula

	Variable	Share by %
1	Size of population	65
2	Level of poverty	25
3	Revenue collection effort	10

B) Variables of the new budget grant distribution formula

1. Population
2. Difference in relative revenue-raising capacity
3. Difference in relative expenditure needs
4. Performance incentives

Source: FDRE (2007).

Annex 8: Water sector budget in past five years

		EFY 1995	EFY 1996	EFY 1997	EFY 1998	EFY 1999
Approved budget	Capital	6,638,300	6,830,200	8,870,100	1,617,158.32	12,520,984
	Recurrent	1,865,694	1,300,000	2,031,110	9,161,440.52	2,294,000
	Total	8,503,994	8,130,200	10,901,210	10,778,598.84	14,814,984
Spent budget	Capital	674,330.06	674,330.06	2,568,427	1,617,158.32	11,772,774.54
	Recurrent	1,209,597.31	1,209,597.31	4,166,391.50	9,161,440.52	1,601,697.22
	Total	1,883,927.37	1,883,927.37	6,734,818.50	10,778,596.84	13,374,471.76
Difference	Capital (approx. spending)	-1,865,694	6,155,870	7,526,023.01	-10,155,616.22	748,210
	Recurrent (approx. spending)	656,096.69	90,402.50	-2135281.50	7,559,743.30	692,302.78
	Total difference	6620066.63	6,246,272.7	9,661,304.51	-2,595,872.92	1,440,512.24



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