

Report of the third Meeting of Forum for Learning on Water Supply and Sanitation (FLoWS)



FLoWS Organizing Committee



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Nazareth

The ideas and opinions expressed in this report are those of the authors and not necessarily reflect the views of the MoWR.

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Part I: Opening Remark

The third Flows meeting was held at Adama/Nazareth, 100 kilometres from Addis Ababa with a total of about 70 participants. Ato Abiti Getaneh, Research and Development Department irrigation research team coordinator in the ministry of water resources opened the meeting highlighting the importance of FLoWS is bringing up such a wide stakeholder across the country to share experience and learn from each other. Reminding that it is the third FLoWS meeting, Ato Abiti went through what is going to be covered on the one day meeting. In accordance with the suggestions during the second FLoWS meeting the third FLoWS theme focused on financing WASH sector. Following this brief introductory, he invited Ato Kifle Alemayehu, MoWR, to present Water sector policy.

Part II: Presentations

Drinking Water Supply Policy of the Government

Kifle Alemayehu, MoWR

Ato Kifle Alemayehu, MoWR, has presented the policy of the government on Drinking Water Supply which was extracted from the main document on Ethiopian Water Resources Management Policy.

In his presentation the main sector included in this policy coverage are water supply & sanitation, irrigation and hydro power. In defining the main term ‘Water Supply’, it includes water supply for human as well as animal consumption, industrial and other uses outside irrigation and hydro power. The over all objective of the policy is to enhance the well-being and productivity of the people. The policy issue focuses in the areas of planning parameters and standards, finance & tariff, research & technical issues and on creating enabling environment.

Discussion

On the period of discussion different comments and suggestions were raised by the participants and responses given by the presenter: The main issues raised were:

The policy doesn't declare the criteria that could help to give a name "city" to a location with people living together sharing the difference resources including a water supply & sanitation. It says cost recovery was to be maintained which ever size city it is which is not realistic.

How ever the economic situation in the country can't afford a non cost recovery principle for all cities is accepted by the participants. In rural areas as implementation of a project does not need high investment and economic situation doesn't allow them to recover. Only operation and maintenance cost is foreseen which is the case.

Review and Update of the Water Sector Joint Aid Budget Review 2008

Will Davis, MoWR

Mr Will Davis presented as a background of the joint that Aid review is done twice a year in parallel with the review process of for the Protection of Basic Services (PBS). As part of the monitoring for the PBS program, government and donors come together at the JBAR to jointly analyze and review budget and expenditure data.

In May 2008 the water sector was selected for the focus review:

- Improve general information and awareness on resource flows to the sector
- Assess the current financial capacity of the sector to achieve its targets
- Identify major financing bottlenecks
- Estimate sources of finance and discuss the implications for sector coordination

In sector financing budget part of the review the, the observations are:

- Capital budgets for the sector are continuing to grow - especially from treasury sources and especially over the last two years
- This is a very positive sign for the water and sanitation sub-sector, which represents over 90% of ‘water’ expenditure below the Federal level
- Donor finance that is “on-budget” at MOFED remains limited, even after the shift to Channel 1B in EFY 2001
- In reality donor financing is much larger than this (which represents a challenge for sector financial reporting)
- Despite these positive financing trends, on-budget capital resources at the Woreda level still remain limited.

In sector financing expenditure part of the review the, the observations are:

- Government resources are by far the easiest to utilize – strong argument for greater donor alignment with government systems
- Foreign grant and loan finance is continually under-utilized, although the trend is slowly improving
- In the water and sanitation sector, commonly cited reasons for under-utilization include shortages of the necessary capital equipment and spare parts and limited availability of skilled artisans and technicians to implement the necessary construction activities
- Utilization challenges specific to donor finance include: disbursement delays, lengthy reporting requirements, time taken to obtain no-objection approvals for procurement operations and general limited capacity to meet donor financing conditions

Discussion

- It was discussed that there is a difference between treasury and donors fund that the treasury sources include some donor funds but other donor finance is seen in a separate sheet in the ministry of finance and economic development records
- The issue of the improving budget utilization and the role of the NGOs in relation to improving the utilization was discussed that this issue is under discussion between the government and donors

Effective Financing of Local Government to Provide Water Supply Services In Ethiopia: The Case Of Tenna Woreda Girma Aboma, WAE

The other presentation delivered in the morning was a case study conducted in Tenna woreda in the Oromiya regional state. Girma Aboma from WaterAid Ethiopia presented the case study conducted by WaterAid Ethiopia. The case study focused on one study woreda but was explained that it will give also a broader perspective.

This study aimed at understanding local level WS financing, identify blockages to its service delivery & advocate for appropriate and adequate funding. The objectives of the study is to asses the financing mechanism in the country, how the water supply services are being financed, to analyze the local water budget in terms of making budget allocation decisions, composition, adequacy, & control and identify blockages to WASH service delivery and advocate for more & better financing of WASH service delivery at local level.

The study has showed that the local government lacks resources to allocate adequate capital budget to water, there is clear plan and budget for water to influence off budget investment, lack of system well developed system to participate citizens in planning and low performance in keeping data, reporting and documentation

Discussion

There was a question whether there is a conclusion in the case study whether the WaterAid Ethiopia expenditure has been effective in this woreda. The presenter said from his perspective he can not say the way WaterAid Ethiopia expenditure is the best one but it intervene at the marginalized areas. WaterAid is suggesting for effective financing of the sector through channel 1 MoFED to local institutions. So what is suggested is to build the capacity as well as coordinate the off budget money .currently, what is evident is the woredas do not have enough capital budget.

Status of Regional and Woreda Budget Transparency **Zenash Kefale, PANE**

The need for budget transparency as Zenash mentioned is good governance dictates that government operations and decisions should be made openly and with active participation of those people influenced them, the budget is primary economic policy document of the government and above all the public has absolute right to information about budget.

The objective of the study is to describe the state of budget transparency at regional and woreda levels for the purpose of informing CS budget work and lobbying for better transparency. It is find out if there is a legal framework budget transparency and participation in the budget process, describe the current situation in term of availability of budget information, and illustrate the current situation in terms of participation of legislature and the people in the budget process.

The study is conducted in the twelve woredas of the three regions (Afar, Tigray and Oromiya) and Addis Ababa City Administrative region.

The major findings of the study indicates that there is guideline for budget preparation but the existing guideline does have provision for budget transparency & there is other guideline for budget transparency and some respondents said that there is no direct participation of citizens in the budget process.

In relation budget to budget process at regional level sector bureaus/agencies, BoFED, regional cabinet and regional councils are involved and CSOs and NGOs do not participate in the budget process for the preparation of government budget and the sector bureaus are taking part or do not have participate in the preparation of CSOs and NGOs budget.

Though the frequency is low there is also monitoring and evaluation of the budget utilization by the regional and woreda council. There are also different documents and report at regional and woreda level which provides information budget expenditure.

The study has concluded that the idea of budget transparency is a recent concept in Ethiopia. The concept and importance of budget transparency has yet to be disseminated, adequately grasped and acknowledged even at the higher levels of government. The PBS experience, though at its infant phase, could be taken as an eye opener in terms of budget transparency at national and regional levels. However, its scope and operation is limited as it is mainly linked to external funding that came with conditionality rather than a national commitment towards budget transparency as part of an accountable democratic process and practice at all level. There are no legal provisions both at woreda and regional levels for budget transparency and the participation of CSO and citizens at large in the budget process. This has become an inhibiting factor for some organizations and interested citizen's to exercise their rights to participate. The existence of budget guidelines gives good opportunity for standardization of the budget process, but they do not give any room for transparency in the budget process at any level, thus limiting the space for participation.

Discussion

On the presentation on the status on regional and woreda budget transparency it was commented that the sample is very small and it is difficult to get the whole picture so would be good to have some more regions rather than focusing on only three.

As a replay the presented reminded that even though the sample regions are only three all the regions and woreda are using a similar type of guidelines developed by MoFED and their will not be a major difference.

General Discussions on the first second session

During the 30 minutes discussion time lots of question raised from participants and discussion were held.

It was also raised that during the first presentation it was stated that the policy we have now has been operating since 1994. The question is have there been any consultation with the different stakeholders for its improvement? In addition it was asked that every policy is not perfect so have the Ministry /department identified the gap in the policy?

As a response it was side that there has been a business processing reengineering (BPR) in the ministry and identified problems and the interests of partners. So the policy department has recognized the need for revision and also it was found that it was not well communicated. The role stakeholders have in the water sector development is clearly stated in the policy and forums like FLoWS are one of the mechanisms that the department listens to the voices of stakeholders .In addition to this in December there will be a workshop organized by Nile Basin Initiative (NBI) on policy monitoring which will look into the gaps.

There was a question whether there is a mechanism of budget allocation of aid to regions and woreda so that there is equity? The response given was that with regard to regional equity it was said that there is no problem of equity in allocation when we talk about government treasury but the problem comes when we talk about donors. So this is a discussion for budget alignment by the government and also a potential issue for further study. During the presentation it was raised that the woreda gets low budget allocation

but not seen whether they have the capacity to utilize their budget. This was also suggested as one issue for further research.

There was also a suggestion to combine aid with the government budget but it is very difficult to do aid harmonization. It would be good to have a liaison office so that there is no delay and bureaucracy for how the budget is handled

Instead of transferring more funds to the woredas it is good to build their capacities first or in parallel. So in order to save wastage and implementation problem, building the capacity should be given priority.



Economic Sustainability of Water Supply Schemes in the Rural Highlands of Oromiya

Francesca Fulgoni/IDC

The objectives of the study were analysis of operation and maintenance cost structure, comparing among different approaches to tariffs and propose a tool for reviewing tariffs & tariff policies. According to the presentation, three major activities are performed in the process and these are:

- Analysis of operating and maintenance cost structures
- comparison among different approaches to tariff
- propose a tool for reviewing and tariffs and tariff policies

Regarding the methodologies employed for the study the presenter disclosed that 67 representative water schemes were selected from 23 Woredas in which 32 are simple where flat tariff system is exercised and the rest 35 are complex schemes where uniform tariff system is in use. According to researcher's classification, Spring + Development , Hand dug well + hand pump, Shallow well + hand pump are considered as simple where as Bore hole + gravity system, Spring + gravity system, Spring + motorized system are complex.

In the study two different questioners were prepared for the Interviews with the water committees and local authorities.

In the data analysis, Database creation; AIC and break-even-point analysis; Data elaboration (qualitative and quantitative); and Mapping (possible GIS analysis) were done.

The result of the study made in one of the Complex schemes in Sululta Woreda of North Shoa indicated that operating and maintenance(O&M) cost per m^3 is 4.03birr/ m^3 ; O&M cost +depreciation per m^3 is 5.46 birr/ m^3 ; O& M + capital return 12.34 birr/ m^3 . To reach at the Breakeven Point the monthly consumptions should reach 703.1, 1031.9, 2606.0 m^3 respectively for the above mentioned costs,

Similarly, a study made on one simple scheme at Leca Delucha Woreda of east Wolega, O&M cost is .54birr/ m^3 ; O&M + depreciation is .97birr/ m^3 and O&M + Capital return is 2.23birr/ m^3 .

To reach at the Break Even Point, the number HHs who are capable of covering the aforementioned costs should reach 40, 71and 63 respectively.

The study also revealed that the current revenues vs operating and maintenance expenditure look like as presented diagrammatically below.

From the study conducted on complex water supply schemes it was found that economic sustainability is not achieved. The researcher recommended that to achieve economic sustainability two options are viable, increasing water tariff and water consumption. It

was also suggested that awareness campaigns to increase per-capita consumptions; promote house connections; and increasing the number of water points are the possible ways to increase water consumption.

Similarly the study conducted on simple water supply schemes indicated that economic sustainability is not achieved. According to the research result, increasing household financial contribution and water consumption are the two possible ways of achieving economic sustainability. The level of water consumption can be enhanced by either increasing per capita consumption or the number of households getting service from the water supply schemes.

In general, from the findings of the research it was concluded that low sustainability of water schemes which resulted their malfunctioning is caused by environmental / meteorological conditions; poor project design; low WASH committees accountability and unclear management; inaccurate tariff setting and low communities' involvement.

It was also revealed that unclear role of local authorities in water supply scheme management; low WASH committees commitment; low capacity; top-down approach are the prominent causes that contributed to the aforementioned problems.

Moreover, the researcher findings indicated that weak legislation and difficult social context have their own contribution to the low sustainability of the water supply schemes.

After the presentation, hot discussion was made and clarifications were requested from the participants on some issue like the number of years' data that the study utilized and the responsible party to the management of most of the visited water schemes. The researcher responded that only one year data is used and the responsibility of managing the water schemes visited was of the community.

What Financing Modalities Works Best for the Water Sector?

Eyob Defere, WSP/WB

Eyob Defere informed in his presentation to the participants that the objective of the review was to understand the different Financing Modalities for rural water supply development and assess their comparative efficacy: equity of allocation, utilization rates and sustainability of the facilities. Further more, based on lessons learned to identify those that works well, and/or; to propose reforms to enhance them; and/or to develop new, more effective financing mechanisms, as needed.

From the presentation, it was realized that there are a number of financing modalities being utilized in Ethiopia. These are;

- Block grants (Regional and Woreda level),
- Ethiopia Water Supply and Sanitation Project,
- UNICEF WASH Program,
- Community Development Fund (Finland),
- Food security,
- Productive Safety Nets Program (PSNP),
- Pastoralist Com. Dev. Project (PCDP),
- NGOs,
- Others, e.g. USAID/OFDA etc

The review employed the following approaches and methodologies.

- Desk study of policy, administrative and procedural, factors, such as allocation, disbursement, replenishment and procurement procedures that impact on the rate of implementation/utilization of funds
- Reconstruct 3 years of federal, regional budget and Woreda expenditure data from the various modalities
- Interviews with regions and Woredas about their experience of using the various financing modalities for rural water supply.

- A survey of 100 water supply schemes/facilities across 20 Woredas in 5 regions, built using the financing modalities. This will be supplemented with water scheme inventory data surveyed by regional bureaus in the past few years,

The presenter cleared that other aspects were also looked at and these are

- How expenditure is reported and aggregated up through the layers of government.
- What opportunity there is for greater transparency and accountability in resource mobilization, allocation, execution, and service delivery?
- At an aggregate level the equity of budget allocations by region will be assessed looking both at capital allocations per capita un-served population by region and recurrent allocations per capita served population by region.
- The relationship between Woreda recurrent budgets and scheme functionality.

Initial findings from the Survey in Oromiya Region showed that the disbursement and replenishment arrangements for the block grant are reported by both regions and Woredas to be the easiest to utilize and account for. In addition to this transfers of donor project funding continue to suffer from disbursement and replenishment problems despite the deployment of project accountants; in the region delays were observed in obtaining procurement clearances for both water projects and special purpose grants. The findings also indicated that price inflation has become an important consideration in procurement planning and project implementation.

Initial findings of the survey of Weredas were presented as follows:

- The proportion of Woreda budget allocated to water supply was below 2% of the total woreda budget.
- Over 85% of the Woreda water recurrent budget was on salaries leaving around 12,000 Birr per Woreda for operational expenses

- Woredas are beginning to allocate capital budget for water supply though amounts are small (50,000 - 200,000 Birr) and usually as matching funds for donor conditions.
- The woreda block grant is the only source declared in the budget. All other sources were not declared in the budget.
- Water desks did not get any information on resources available from special purpose grants (PSNP, Food security and PCDF). Desks had some information on water project funding (WB, DFID, AfDB, UNICEF) at the time of annual planning but this was not always reliable.
- All funds outside of the Woreda block grant are accounted for in parallel accounting systems and not through IBEX

Institutional issues were one of the reviews' focuses of attention. Regarding the institutional setup of the Woredas in the sector, the review found that,

- Though Woreda Water Offices have only recently been established (past 3-4 years) staffing levels are increasing, staff have appropriate qualifications and are committed and innovative ...
- ... But there has been no increase in operational budget or office space and equipment is limited with projects being the main source of equipment.
- The Woreda Water Offices believe that one of the reasons their budget allocations are low is because their office is not represented in the Woreda cabinet.
- Woreda Finance and Economic Development Office are well organized and staffed with qualified and competent personnel. They are managing the available funds with higher efficiency and good professional judgment.

Regarding sustainability, the review revealed that

- Because operational budgets are so low water desk staff are unable to visit schemes to check functionality and back-top management
- Based on scheme visits inventories at Woreda level were over estimating functionality
- Scheme management committees still rely heavily on Woreda and zone offices for spare parts.
- Sustainability scores were higher where schemes had household connections

Discussions

- It was raised that the time when the study will be concluded and reported was responded by the presenter that the study will be finalized on February, 2009.
- Regarding the link between the result of the study and the report of increased coverage, the presenter responded that the difference existed as a result of the difference that exists between the definitions used by researchers on coverage. He clarified that the definitions and way of calculating that will be used for 'coverage' may be different from researcher to researcher and practitioners who are doing the calculation of coverage. This difference may result the difference in the figures of the level of coverage. The presenter also reminded that the report hat will be presented by Woredas is much lower than that of the regions. This is because Woredas are well aware of the functionality of Water schemes than Regions
- For the question raised why in most Woredas the community and the local government representatives prefer governments' funds than Donor funds. The presenter responded that the government fund is preferred as it is more flexible than donor's money and Woreda sectors are close to manage the government funds whereas donor's funds are mostly managed at federal level

- Finally the presenter proposed that building the capacity of the implementer and to put in place a mechanism to retain staff may be the possible solutions to reduce the delay of budget flow.

Community Development Fund (CDF) in Rural Water Supply and Environment Program, Amhara Region

Martha Solomon, Embassy of Finland

The third session started with a presentation on the experience of Finland embassy funded rural water supply and environment program in Amhara Region. Finland Embassy has been funding bilateral water programs since 1994. Its first phase bilateral water program has focused on capacity building at the regional government level in Ethiopia and continued to fund capacity building programs at zone and woreda level in its second phase. In the third phase, which started in 2003, it focused on sustainability of community water schemes that are financed by community development fund. In the fourth phase of its assistance, the period extending from 2007 to 2011, the embassy started full scheme implementation of CDF and its institutionalization in regional government structures.

The objective of the project is to capacitate communities to plan and manage their own water supply services and to establish institutionalized capacity at all levels to implement and maintain sustainable community managed water and sanitation facilities with community development fund (CDF). CDF is a community centered financing mechanism for construction of community managed water supply points. In CDF communities approach are responsible to initiate, plan, implement and manage their priority water supply and sanitation services. Funds are transferred to communities through micro-finance institutions. The community capacity to implement the water supply project is built by a woreda WaSH team composed of woreda offices including water. Low cost schemes and technologies are the focus of CDF.

The project has key principles of community leadership in the development process, community ownership of schemes, and community taking responsibility for operation and maintenance of water supply systems. It also mainstreams gender, environment and sanitation issues.

CDF follows a number of steps with trainings availed to local actors on a number of intervals. Initially woreda and Kebele officials are trained to promote CDF. Water Supply and Sanitation committees are set up by communities, which prepares application for financing and submit it to woreda water desks. The applications are appraised by woreda water desks and a report is submitted to CDF board chaired by the woreda administrator and composed of woreda water and health offices. The signing of funding agreement involves community WatSancos and the CDF board and procurement and contracting follows. Different trainings are provided at every level, to the community WatSan committee and the woreda CDF board. The community is finally expected to prepare implementation report.

The CDF fund flow has two components: finance for investment on water schemes and technical assistance finance. The water scheme investment finance is directly transferred to a micro-finance institution, Amhara micro-finance and credit institution and the technical assistance money is channeled to BoFED though Channel1-B, sector earmarked government finance, MoFED. The finance bureau then allocates the budget to different sector bureaus.

Communities are expected to open a CDF account and a separate saving account and deposit community contribution to the project as well as a budget that covers 50% of operation and maintenance costs.

The fund is managed at three levels; regional, woreda and community level. At woreda level money is channeled to community and the woreda CDF board also approves community request. At community level, the WatSan Cos are fully responsible to manage finance.

CDF also operates on the following principles:

- CDF assistance doesn't go to areas where there are simultaneous NGO interventions. It also goes to areas where government has not made investment fund.
- Communities need to be supported by woreda offices; the woreda administration should give a written consent of their commitment to support the community as a pre-condition for approval of community request for support.

The CDF experience has drawn some lessons which was shared by Finland Aid. The approach helped to reduce cost per water due to time saved and the use of local construction materials. Procurement through WaSH Cos was much faster than it would have been using government channels. It was also seen that communities are well able to manage their finances and that CDF finance is managed in a more transparent manner than direct fund support. The use of simple technology also encouraged use of local skills, employment of local artisans. The whole approach helped to improve the capacity of communities. Participation of communities in the whole process also increased their willingness to pay contributing to good functionality of built water schemes. And as such CDF is recommended as a good potential to be scaled-up by other WaSH actors as well.

Finally, the challenges of CDF approach were also noted. CDF gives less emphasis to hygiene and sanitation focusing more on water supply. To ensure the sustainability of CDF continues capacity building efforts are needed at woreda and region level. Institutionalizing CDF in government structures and establishing ownership of the approach by government is also another challenge.



Discussion

Following the presentation some questions were raised on the program's target, the role of micro-finance institutions on the program, the process of procurement and the strategy being followed to ensure sustainability of the program.

- A question was raised on how communities are targeted for CDF and how the program defines a community. It was explained that there are CDF guidelines which outline in detail the criteria for communities' eligibility to get support. A community is defined in the guideline as the presence of more than 50 households living in adjacent areas.

- The role of microfinance institutions in the CDF is to channel finance to woreda and community level for investment on water supply projects. The community needs to submit an application which needs to be approved and also open a CDF account and separate saving account to receive the money.

- On procurement a question was raised about the capacity at community level to procure materials efficiently, based on the World Bank WaSH program experience the woreda WaSH team were responsible for procurement and generally performed poorly. The reply was that CDF financial schemes deal with low cost technologies, which are within the capacity of the community. Those items that can be beyond the capacity of the community are provided by the woreda from the locality. Woreda water offices and local private sector also play a role in procurement.

- A question was asked about the strategy of the program to institutionalize and sustain CDF once the program has phased out. The presenter responded that the program's strategy is to engage in capacity building at community, woreda and regional level to support a community managed water supply system. There is also currently a study going on that tries to link saving account opened by community for the project with a credit facility to make CDF more sustainable.

World Bank Supported WASH Project Matching Fund Case Study

Abera Endeshaw, RiPPLE

IDA WaSH project is a national programme that started in 2005/6 (1997EC) working in all the regions of Ethiopia. The programme is financed by the World Bank where 10% and 5% of the project finance is expected to be contributed by government and beneficiary communities respectively, as matching fund. However, sourcing matching funds has been a problem for the regional water bureau and has contributed to under-utilization of budget for the programme.

The objective of the study was to resolve the problem of sourcing counter part funds for WB and similar donor projects that require matching fund, identifying factors that influence the allocation and utilization of matching funds and coming up with recourse measures to solve the problem.

The study was conducted in Benshangul Gumuz region, Kurumuk and Menge woredas. In line with this the experiences of WRDB and BoFED of other three regions (Amhara, Oromiya and SNNPR). The research was carried out through a learning and alliance forum set up by RiPPLE in Benshangul. Accordingly, the study

has involved people working on service delivery and policy making – government staff from water and finance bureaus of the region – along with researchers.

The study identified that the problem of sourcing matching fund was caused by the following reasons:

- The project agreement was negotiated at the federal level, involving the MoFED and MoWR, and there was no precise communication with the regional BoFED, which will finally allocate budget for matching fund. The communication between regional bureaus of water and finance was also very weak. As a result matching fund was not allocated for the first year of the project (1998EC). And in the second year (1999EC) budget is allocated only for 50% of the matching fund required.
- At the region level, there is also scarcity of budget and competing demand for resources. Sectoral allocation shows that allocation of budget to the water sector – capital budget- is very low and most of the regional budget from government treasury is spent on salaries. The block grant distributed to woredas like Kurumuk and Menge is also very low, because the budget allocation formula to woredas takes population into account as one criterion and both Kurumuk and Menge have less population size. The woredas also have low capacity to raise revenue from internal sources. Thus woredas don't have enough budgets from national treasury to source the required matching funds for the WaSH program.
- According to the project agreement of IDA WaSH communities were also required to contribute 5% of matching fund in cash and 5% in kind. However, the communities were not able to raise the required fund, especially in woreda like Kurumuk, where shallow wells are constructed and the costs that needed to be shared by communities are much higher.

Finally the presentation concluded with the following recommendations:

- The amount in matching fund expected from government can be reduced if overhead costs borne by government are taken into account. The community contributions can more in kind than in cash.
- More communication and integration between sectors is needed. This can be helped by tripartite agreements signed as necessary to create a common understanding and periodic joint monitoring and evaluation missions by sectors at regional level.
- There should be more communication and discussion when agreements are signed with donors between MoWR and MoFED and between MoFED and regional finance and concerned sectors bureaus.
- When deciding matching fund the capacity of government and communities should be dully considered.
- There should be special treatment mechanisms from the federal government for less populated regions in order to help them fill the gap in budget deficient.

Discussion:

- Some argued that requirements for matching fund can be especially high in areas like BG where high cost water supply systems such as deep bore holes are built because the context does not allow use of low cost technologies. However, others argued that the most costly scheme constructed in BG is shallow well, the cost of which is not high for the matching fund requirement to be unbearable by government and communities.
- Some argued how woredas can find it difficult to allocate matching fund considering that they can get a lot of budget in form of grant, if they can allocate only 10% of it. However, some also argued that this is possible, since there are woredas where the budget does not cover the salary of staff let alone the matching fund required by WB project.

- In other WB financed projects the communities are required to contribute matching fund not necessary in the form of cash. In-kind contributions are also accepted. Hence some questioned by the WB WaSH project doesn't accept solely in-kind contributions from communities as matching fund, if communities can't contribute cash.

However there were also arguments from others that communities don't usually have a problem in allocating matching fund – the response from the community side is quite enthusiastic – as experience of projects like Finland Aid in Amhara and Benshangul shows. The problem usually arises from the side of the government and this is usually, because woredas don't include and ear mark matching fund requirements when they prepare their budget.

- In BG population settlement is much disbursed that one water supply scheme may provide service for a limited number of households. That reduces the number of households who can share the matching fund required and increases the contribution needed from each household. Currently the villegization program of the government is trying to bring disbursed communities together.
- The criteria for selecting woredas for WB supported wash program include: low water coverage and absence of interventions from other organizations outside government.
- A consultant from the WB side explained how the issue of community contribution were worked out and incorporated in the WB WaSH project. When the program was initiated there was a discussion on required in kind and cash contributions from the counter part. The program manual was prepared, holding a discussion also with regions. The issues of communities' inability to contribute matching fund in cash was raised. But there were also strong arguments that community cash contribution will ensure ownership and

sustainability. And hence community cash contributions are included in the program.

However, some argued that whatever the arguments and discussion were during the design of the program, since now evidence is showing that communities are not able to contribute in kind, we need to change our approach, in order to effectively utilize the budget.

Finally, the discussion part of this session was concluded by closing remarks of the presenters. Martha from Finland Embassy noted that she sees the forum as a very important learning and sharing platform, inciting debates and dialogues on key sector issues.

She added that a community centered approach has a lot to share with others. In CDF a board consisting of health, water and education bureaus meet twice a year and a technical committee of similar composition meets four times a year. The smooth operation of the committees shows that sectors can come and work together, despite the generally perceived difficulties and low expectation of the possibility of set oral integration, by all, based on the experiences of the national WaSH structure.

The CDF project has also shown that the community and woredas have enough capacity to manage resources and projects.

In Benshangul, Finland Aid is implementing the CDF program, taking lessons learned from their experience in Amhara and plan to scale-up the program in other regions of the country in future.

Sharing Sector Information

Mark Harvey, MoWR

In this brief session Mark mentioned the efforts made in the past three years which two MSF were undertaken, there were joint review of donors projects and programs, capacity building pool fund was establish, canal 1B was agreed both by government and donors as a means releasing the fund and sector m & e is being built.

He also suggested in the efforts for next three years will focus in the designing a better financing systems and procurement systems which needs dialogue between government and donors.

Key Messages from the participants:

- What about Sanitation? as a lot of discussion is going on water supply only
- Better dialogue among government, donors and civil society organization on finance utilization linked to outcome
- Let us build the capacity of woredas
- We need to disseminate water policy more widely
- We need to have more analysis/research on urban WASH
- There are lots of researches on Finance – can we use these to revisit the Finance Strategy?

**Forum for Learning on Water Supply and Sanitation (FLoWS)
2nd Meeting Program on theme Financing WASH, November 28, MoWR,
Dire International Hotel, Adama**

Time	Activity	Responsible	Chair Person	Reporters
8:30-9:00am	Registration of Participants	All	Michael Negash	Simret Yasabu
9:00-9:10am	Welcome and introductory remarks	Abiti Getaneh		
9:10-9:30	Water Sector Policy	Kifle Alemayehu/MoWR		
9:30-9:50	Update on Joint Budget Aid Review for Water & Sanitation	Will Davis/MoWR		
9:50-10:10	Effective financing of local governments to provide water supply services in Ethiopia: the case of Tenna woreda	Girma Aboma/WAE		
10:10-10:30	Status of Regional and Woreda Budget Transparency	Zenash Kefale/PANE		
10:30-11:00	Discussion	Participants		
11:00-11:15	Break	Organizers	Gelebo Sengego	Ayichalim Goshu
11:15-11:40	Economic Sustainability of WSS in Oromiya	Francesca Fulgoni/IDC		
11:40-12:00	What Financing Modalities Work Best for the Water Sector?	Eyob Defere/Consultant for WSP		
12:00-12:30	Discussion	Participants		
12:30-13:30	Lunch	Organizers	Wubalem Negash	Bethel Terefe
13:30-13:50	Community Development Fund in Amhara Region	Martha/Anti-Finish Embassy		
13:50-14:10	World Bank Supported WASH Project Matching Fund Case Study	Abera Endeshaw/RiPPLE		
14:10-14:40	Discussion	Participants		
14:40-15:00	Break	Organizers		
15:00-15:30	Sharing sector information issues, selection of topics	Mark Harvey	Abiti Getaneh/Tamene Chaka	Desta Dimtse
15:30-16:00	Wrap up and closing remark session	Tamene Chaka		

List of participants for FLoWS-3 Meeting

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