



An AMCOW Country Status Overview

Water Supply and Sanitation in Ethiopia

Turning Finance into Services for 2015 and Beyond



The first round of Country Status Overviews (CSO1) published in 2006 benchmarked the preparedness of sectors of 16 countries in Africa to meet the WSS MDGs based on their medium-term spending plans and a set of 'success factors' selected from regional experience. Combined with a process of national stakeholder consultation, this prompted countries to ask whether they had those 'success factors' in place and, if not, whether they should put them in place.

The second round of Country Status Overviews (CSO2) has built on both the method and the process developed in CSO1. The 'success factors' have been supplemented with additional factors drawn from country and regional analysis to develop the CSO2 scorecard. Together these reflect the essential steps, functions and results in translating finance into services through government systems—in line with Paris Principles for aid effectiveness. The data and summary assessments have been drawn from local data sources and compared with internationally reported data, and, wherever possible, the assessments have been subject to broad-based consultations with lead government agencies and country sector stakeholders, including donor institutions.

This second set of 32 Country Status Overviews (CSO2) on water supply and sanitation was commissioned by the African Ministers' Council on Water (AMCOW). Development of the CSO2 was led by the World Bank administered Water and Sanitation Program (WSP) in collaboration with the African Development Bank (AfDB), the United Nations Children's Fund (UNICEF), the World Bank and the World Health Organization (WHO).

This report was produced in collaboration with the Government of Ethiopia and other stakeholders during 2009/10. Some sources cited may be informal documents that are not readily available.

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Strategic Overview

Despite its poor and largely rural population, and despite a historic legacy of low investment in infrastructure, Ethiopia has been making substantial progress in increasing water supply coverage. While achievement of the ambitious plan for universal access will be a challenge, reaching the water supply Millennium Development Goal (MDG) target looks achievable, irrespective of data source used. For sanitation, progress is also being made in increasing coverage through promotion of behavior change and low-cost technology solutions. The achievement of both government and MDG targets for sanitation appear less likely, but recent progress has been promising, on the back of a strong policy of increased promotion of hygiene and sanitation behavior change.

Using government coverage figures, estimates for required and anticipated investment suggest that rural water supply is almost sufficiently resourced to reach the ambitious national targets, with a new emphasis on low-cost technologies and recent budget growth from both government and donors. For urban water supply, there is a shortfall in anticipated investment, even assuming more than half the total costs will be met by users. Due to the policy of users paying the full costs of sanitation hardware, there is no projected capital financing gap for household urban and rural sanitation. However, the level of investment in promotional work is likely to be insufficient to encourage household investment at the substantial rate needed to meet the national targets. In addition, given that there is no agreed investment program setting out urban sanitation technology choices, investment requirements for the subsector may be underestimated. Outside of household sanitation, a needs assessment of institutional sanitation in 2007 estimated the costs of sanitation for existing schools and health facilities to be an additional US\$510 million.

The ability of the country to sustain progress is difficult to predict due to the major data challenges that continue to exist in the sector. Monitoring and evaluation (M&E) is weak, especially relative to the level of investment, and very little is known regarding the effectiveness or impact

of spending due to the lack of a national monitoring and evaluation system.

In relation to sector reform, over recent years Ethiopia has been progressively pushing forward on a number of fronts, including:

- Establishment of clear, decentralized institutional responsibilities for basic service delivery across all tiers of government.
- Development of a strong policy and planning framework, including the ambitious government-led Universal Access Program, backed by increased resource mobilization from both government and donor sources.
- Progress made towards harmonization of fragmented donor finance and review processes under the emerging Sectorwide Approach agenda, and its Annual Multi-Stakeholder Forum and Joint Technical Reviews.
- Attempt made to institutionalize cross-sector coordination under the Water Supply, Sanitation and Hygiene (WASH) program.
- Deployment of over 30,000 Health Extension Workers nationally, whose mandate includes significant sanitation and hygiene promotion activities.
- Development of an M&E framework, and design of a national water supply, sanitation, and hygiene inventory process.

Although this represents significant progress, many of these reforms remain incomplete, and a number of ongoing challenges must be surmounted to establish the institutional capacity to achieve and sustain MDG coverage levels. These include, most importantly:

- Continued severe limitations in M&E, which leave the sector uncertain as to its progress and the effectiveness of interventions and constrain opportunities for incremental learning.
- Low financial utilization rates for donor funds, stemming from incomplete harmonization and alignment with core government systems.

- Significant human resource capacity challenges, in particular at *woreda* (that is, district) level, despite large but disparate program-based capacity building initiatives.
- In relation to these challenges, the following priority actions can be identified for water and sanitation in Ethiopia, many of which are in line with the undertakings identified from the 2009 Multi-Stakeholder Forum.

Agreed priority actions to tackle these challenges, and ensure finance is effectively turned into services, are:

Rural water supply

- Increase sustainability of infrastructure through strengthening of cost recovery mechanisms and the development of effective spare parts supply chains.
- Increase operational budgets and continue to build capacity at *woreda* level to support implementation of the new low-cost technology strategy.
- Implement the national WASH inventory to establish baseline data on rural water supply infrastructure.

Urban water supply

- Implement cost recovery policies by strengthening capacity and financial autonomy of town utilities.
- Increase focus on water resource sustainability through encouragement of demand management approaches and reduction in unaccounted-for water.

Rural sanitation and hygiene

- Implement sanitation and hygiene component of the national WASH inventory to establish baseline data.
- Develop a strategic national action plan for sanitation, with time-bound and budgeted activities, as has been done for the water supply sector.
- Develop a national guideline for Community-Led Total Sanitation and Hygiene, to define the conceptual framework for all actors in the sector.

Urban sanitation and hygiene

- Formulate a clear Urban Sanitation Strategy, including delineation of responsibilities between different government agencies, an investment program, and financing strategy. This is needed to set out urban sanitation hardware requirements, technology choices and how they will be financed.



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Acronyms and Abbreviations

AfDB	African Development Bank	OPEX	Operations expenditure
AMCOW	African Ministers' Council on Water	PASDEP	Plan for Accelerated and Sustainable Development to End Poverty
CAPEX	Capital expenditure		
CSA	Central Statistical Agency	PBS	Protection of Basic Services Program
CSO2	Country Status Overviews (second round)	PRSP	Poverty Reduction Strategy Paper
ETB	Ethiopian Birr	RSH	Rural sanitation and hygiene
EU	European Union	RWS	Rural water supply
GNI	Gross national income	SDPRP	Sustainable Development and Poverty Reduction Program
HEW	Health Extension Worker		
HH	Household	SSA	Sub-Saharan Africa
JMP	Joint Monitoring Programme (UNICEF/ WHO)	SWAp	Sector-Wide Approach
LIC	Low-income country	UAP	Universal Access Plan
LIG	Local Investment Grant	UNICEF	United Nations Children's Fund
M&E	Monitoring and evaluation	USH	Urban sanitation and hygiene
MDG	Millennium Development Goal	UWS	Urban water supply
MoWR	Ministry of Water Resources	WASH	Water, sanitation and hygiene
NGO	Nongovernmental organization	WHO	World Health Organization
O&M	Operations and maintenance	Woreda	A district
		WSP	Water and Sanitation Program

Exchange Rate: US\$1 = 14.5 Ethiopian Birr.¹

1. Introduction

The African Ministers' Council on Water (AMCOW) commissioned the production of a second round of Country Status Overviews (CSOs) to better understand what underpins progress in water supply and sanitation and what its member governments can do to accelerate that progress across countries in Sub-Saharan Africa (SSA).² AMCOW delegated this task to the World Bank's Water and Sanitation Program and the African Development Bank (AfDB), which are implementing it in close partnership with UNICEF and the WHO in over 30 countries across SSA. This CSO2 report has been produced in collaboration with the Government of Ethiopia and other stakeholders during 2009/10.

The analysis aims to help countries assess their own service delivery pathways for turning finance into water supply and sanitation services in each of four subsectors: rural and urban water supply, and rural and urban sanitation and hygiene. The CSO2 analysis has three main components: a review of past coverage; a costing model to assess the adequacy of future investments; and a scorecard which allows diagnosis of particular bottlenecks along the service delivery pathway. The CSO2's contribution is to answer not only whether past trends and future finance are sufficient to meet sector targets, but what specific issues need to be addressed to ensure finance is effectively turned into accelerated coverage in water supply and sanitation. In this spirit, specific priority actions have been identified through consultation. A synthesis report, available separately, presents best practice and shared learning to help realize these priority actions.

2. Sector Overview: Coverage and Finance Trends

Coverage: Assessing Past Progress

All sources confirm that water supply coverage in Ethiopia is on a strong upward trajectory. According to official government data, water supply coverage has risen from 19 percent in 1990 (11 percent rural, 70 percent urban) to 66 percent in 2009 (62 percent rural, 89 percent urban).³ As Figure 1 shows, based on the official government data, Ethiopia has already met the MDG target of 60 percent.⁴ Estimates of current coverage from the international Joint Monitoring Programme (JMP) are significantly more cautious, due to a range of factors (see Box 1). Nevertheless, the JMP data still portray a remarkable increase in coverage of over 1 million people per year (1990–2008). For sanitation, performance is less promising, although figures from the Ethiopian Ministry of Health show an increase to 39 percent coverage by 2009 (30 percent rural, 88 percent urban) from a baseline of close to zero in 1990.

National targets for Ethiopia are embedded in the Universal Access Plan (UAP), an ambitious national plan launched by the Government of Ethiopia in 2005 with the objective of achieving full access to water supply and sanitation for all

Ethiopians by 2012. Following the update of the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP-2) in 2010, these targets were adjusted slightly to 98.5 percent coverage, and the target date extended to 2015.⁵ These are still well above the MDG targets.

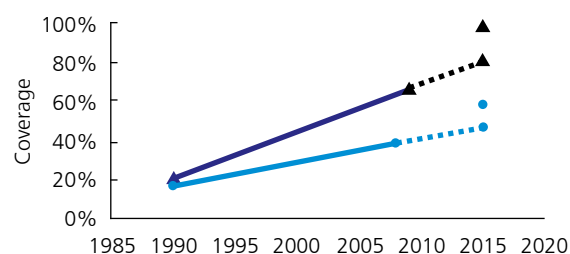
Investment Requirements: Testing the Sufficiency of Finance

Although past trends in coverage are an important determinant for whether Ethiopia will meet its targets, recently there has also been a significant increase in financial resources committed to the sector. If this continues, increased investments could accelerate the progress projected in the above charts. However, increasing coverage will also correspond to increasing rehabilitation costs, and it will be important that these are accurately factored into budget projections.

The required investment costs presented for water supply are based on budget estimates and costing assumptions developed by the Ministry of Water Resources for the updated PASDEP-2. These figures have then been

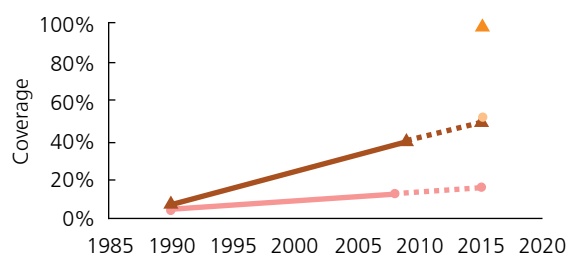
Figure 1
Progress in water supply and sanitation coverage

Water supply



▲ Government estimates ▲ Government target
● JMP estimates ● MDG target

Sanitation



▲ Government estimates ▲ Government target
● JMP estimates ● MDG target

Sources: Sustainable Development and Poverty Reduction Program Appraisal Report (SDPRP) (2003), Central Statistical Agency (CSA) (2009), MoWR, Ministry of Health, and JMP 2010 report.

Box 1
JMP versus national coverage data in Ethiopia

For Ethiopia there is a striking difference between JMP data and the government's most recent estimates. This is due to a number of factors:

- Lack of recent household surveys available as a basis for JMP estimate (most recent is the 2005 Demographic Health Survey). As a result, the JMP does not capture the recent acceleration of coverage which is believed to have occurred as a result of increased government and donor investment. In addition, even if more up-to-date, positive household survey data were available, this would not be fully reflected in the JMP estimate due to the linear regression method used to calculate coverage.
- Difference in definitions: For example, the government sanitation coverage estimates include 'basic' technology options, rather than counting only 'improved' facilities as the JMP does.
- Weaknesses in M&E systems resulting in a general lack of verifiable coverage data (highlighted as a priority action throughout this report).

incorporated in the costing model developed for the CSO2. Since the PASDEP-2 budget focused primarily on water supply, the costing model for sanitation has been prepared based largely on data collected for the CSO2, in collaboration with the Ministry of Health and other stakeholders.

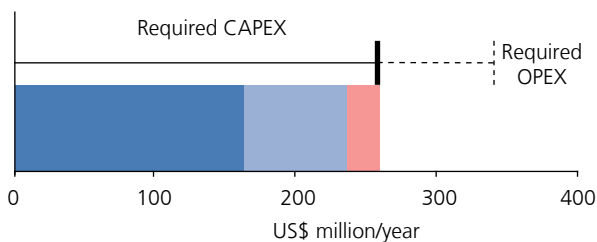
Using the CSO2 costing model, the estimates of capital investment requirements (CAPEX) to meet government targets for water supply and sanitation are compared with anticipated public CAPEX and the assumed contribution from households, based on user contribution policy (Figure 2). Investment requirements for operations and maintenance (OPEX) are assessed separately (Table 2). It should be noted that the CSO2 model predicts somewhat higher OPEX costs than under the PASDEP-2 budget. CAPEX requirements, being based on the same input data, are closely aligned.

Beginning with water supply, the total investment required each year to achieve the adjusted UAP targets, based on the current official coverage figures, is US\$260 million. Of this, US\$169 million per year would need to be met through public investment, to leverage sufficient user contributions—assuming a user contribution policy of 55 percent for urban and 10 percent for rural can be met.

Figure 2 shows that, based on current estimated commitments from government, donor, and

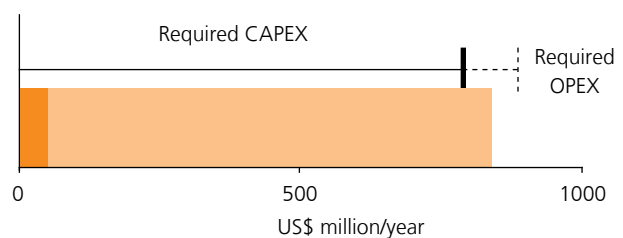
Figure 2
Required vs. anticipated (public) and assumed (household) expenditure

Water supply



- Public CAPEX (anticipated)
- Household CAPEX (assumed)
- CAPEX deficit

Sanitation



- Public CAPEX/software (anticipated)
- Household CAPEX (assumed)

Source: CSO2 estimates.

nongovernmental organization (NGO) sources, the anticipated public investment of US\$163 million per year, and leveraged household contributions of US\$73 million per year, are currently slightly below what would be required to achieve the government UAP target, resulting in an annual CAPEX deficit of around US\$24 million.

The picture for sanitation is very different, due to the national policy of increasing coverage through promotion of sanitation and hygiene behavioral change, rather than by offering public subventions for household sanitation facilities. The model is aligned with this general policy: due to the low current coverage levels, total investment requirements for sanitation hardware are estimated to be US\$795 million per annum—all of which is expected to be contributed by households (Figure 2). It should be admitted that this is a somewhat simplified picture. First, some donor programs subsidize household sanitation in the case of vulnerable groups, but there is limited information on the amounts involved. Second, the policy suggests that public capital investment will be required for major urban sewerage works. Around US\$18 million per year is budgeted by the Ministry of Water Resources (MoWR) for rehabilitation and expansion of the sewerage network in Addis Ababa. However, it is not clear whether these costs will ultimately be fully recovered under the zero sanitation policy. Addressing the issue of urban sewerage in the city will first require an economic evaluation of the

type of sanitation infrastructure that is appropriate.⁶ Thus the likely implications of financing urban sewerage cannot yet be fully captured in the costing model.

In addition, a needs assessment of institutional sanitation in 2007 estimated the costs of sanitation for existing schools and health facilities to be an additional US\$510 million.⁷

In terms of anticipated public investment for sanitation, precise estimates of financial commitments are problematic, as program budgets do not always differentiate between water and sanitation investments. However, a rough estimate puts the total anticipated investment at around US\$50 million per year. The majority of this is expected to be utilized for promotion work, both via the recurrent budget invested in the promotional activities of Health Extension Workers (HEWs) and via donor programs. This will be essential if households are to be persuaded to finance and build their own facilities, as the policy requires. The CSO2 model does not provide an estimate of the level of investment required for such ‘software’ with which to compare this anticipated spending.⁸ A further large share of the anticipated public finance depicted in Figure 2 is the budgeted sum for sewerage in Addis Ababa (outside of the capital, the low urban capital budget allocations reflect the low level of urban sewerage system coverage in Ethiopia).

Table 1
Coverage and investment figures⁹

	Coverage		Target	Population requiring access	CAPEX requirements		Anticipated public CAPEX			Assumed HH CAPEX	Total deficit
	1990	2009			2015	Total	Public	Domestic	External		
	%	%	%		'000/year	US\$ million/year					
Rural water supply	11%	62%	99%	6,029	117	105	46	68	114	13	-
Urban water supply	70%	89%	99%	617	143	64	3	46	49	60	34
Water supply total	19%	66%	99%	6,646	260	169	49	114	163	73	24
Rural sanitation	4%	30%	99%	9,363	692	0	7	23	30	692	-
Urban sanitation	25%	88%	99%	634	102	0	19	0	19	102	-
Sanitation total	7%	39%	99%	9,997	795	0	26	23	49	795	-

Sources: For coverage: SDPRP Appraisal Report (2003), CSA (2009), MoWR, Ministry of Health and JMP 2010 report; for investment data: CSO2 costing.

Table 2
Annual O&M requirements

Subsector	O&M US\$ million/year
Rural water supply	16
Urban water supply	66
Water supply total	82
Rural sanitation	68
Urban sanitation	36
Sanitation total	104

Source: CSO2 costing.

If government data and the respective UAP targets are switched for JMP coverage data and MDG targets, investment requirements would be lower, since the required coverage increase (from around 38 percent to 59 percent for water supply and 12 percent to 52 percent for sanitation) is less, and the rehabilitation requirements lower (due to estimated lower existing capital stock). Using JMP figures also increases rural investment requirements relative to urban, due to the different rural-urban definitions employed.

There are a number of reasons why the above depiction of investments may be overoptimistic. The major reason for caution relates to the issue of utilization rates, since this model derives estimates of anticipated investment from near-term, budgeted allocations. In Ethiopia, many donor programs have been plagued by low levels of budget utilization, in particular those in the urban subsectors, requiring more complex procurement and financial

management processes. In 2006/07 and 2007/08, for example, combined utilization rate amongst major donor programs was below 50 percent, although this trend appears to have improved in more recent years. However, given the large share of donor resources in the sector, continued underutilization will of course increase the gap between CAPEX required and CAPEX invested.

A further issue relates to cost recovery for operation and maintenance (O&M) (Table 2). As in many countries, in Ethiopia there is an implicit assumption that O&M costs will be recovered from users, though in practice this is not always achieved. If any annual O&M requirement has to be subsidized from public sources, for example to utilities that do not achieve operational cost recovery, it reduces the amount available for capital investment. Table 2 shows that, particularly for urban water supply, failure to generate full operational cost recovery could lead to a substantial additional drain on public resources.

These considerations are only part of the picture. Bottlenecks can, in fact, occur throughout the service delivery pathway—all the institutions, processes, and actors that translate sector funding into sustainable services. Where the pathway is well developed, sector funding should turn into services at the estimated unit costs. Where it is not, the above investment requirements may be gross underestimates. The rest of this report evaluates the service delivery pathway in its entirety, locating the bottlenecks and presenting the agreed priority actions to help address them.

3. Reform Context: Introducing the CSO2 Scorecard

The current era of reform in Ethiopia began in the early 1990s, with the establishment of the present system of government. Prior to that, there was little in the way of policies or programs to address water and sanitation needs; the current government, therefore, inherited a legacy of inadequate water and sanitation infrastructure, as recorded in the very low coverage levels at the beginning of the 1990s.

The historical context helps to understand the current state of the service delivery pathway, which is explored throughout the report with reference to the CSO2 scorecard—an assessment tool providing a snapshot of reform progress along the pathway.¹⁰ The CSO2 scorecard assesses the building blocks of service delivery in turn: three building blocks which relate to enabling services, three which relate to developing new services, and three which relate to sustaining services. Each building block is assessed against specific indicators and scored from 1 to 3 accordingly.

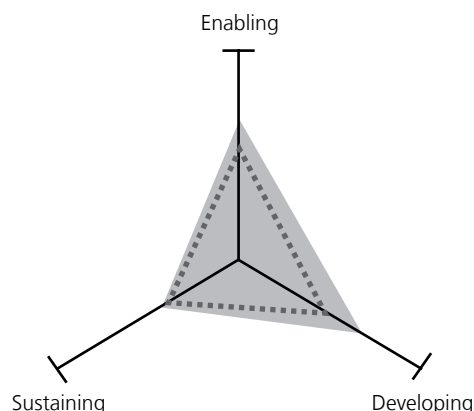
Since the 1990s, reform effort has concentrated ‘upstream’ in the service delivery pathway—on the enabling environment for basic service delivery. This has included a transformation in the institutional arrangements for basic service provision through an ambitious but progressive decentralization process. This began with devolution to regional governments in the 1990s which, at a sector level, provided Regional Water Bureaus with a large degree of autonomy over the development of their water supply services. Meanwhile, the MoWR was established in 1995 and, in relation to water supply and sanitation, was primarily tasked with policy, coordination, and regulatory functions. This was followed by a second wave of decentralization beginning in 2004, with responsibilities for basic service delivery being further devolved to the district (or *woreda*) level, although regional government continues to provide districts with significant technical support, especially for more complex technologies.

At the federal level, the MoWR has put in place many of the necessary policies, strategies, sector development programs, and implementation arrangements to achieve

the MDGs. The National Water Resources Management Policy (1998) and Strategy (2000) provide guidance for investments in rural and urban water supply and sanitation. The sector has also been given high priority in the most recent Poverty Reduction Strategy Paper (PRSP), the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP), with budget allocations increasing to some extent to match the heightened political commitment (although it appears not sufficiently to meet targets). In 2005, this commitment was extended through the proclamation of the UAP, which laid out a plan for near 100 percent water and sanitation coverage by 2012.¹¹ Although highly ambitious, this program demonstrated the clear commitment by the government to improving access to water and sanitation, especially in rural Ethiopia.

The enabling environment for sanitation is somewhat lagging behind that for water supply, although the development of a National Sanitation and Hygiene Strategy in 2006 marked a notable effort by the Ministry of Health to address the challenge. Importantly, this also articulated a strategic shift towards low cost sanitation solutions

Figure 3
Average scorecard results for enabling, sustaining, and developing service delivery, and peer-group comparison



■ Ethiopia average scores
 :::: Averages, LICs, GNI p.p. <=\$500

Source: CSO2 scorecard.

coupled with large-scale investment in promotion, which would leverage the government's huge and expanding network of HEWs (over 30,000) already employed across the country.

Most recently, reform efforts have focused on improving the cross-sector integration of Water Supply, Sanitation and Hygiene (WASH) interventions. This effort began in 2005 under an European Union (EU) 'Country Dialog', a reform process which helped to put in place WASH coordination structures across the water resources, health, and education sectors. The process also helped to catalyze a major harmonization and alignment push in the sector, which included institutionalizing an annual Multi-Stakeholder Forum, bi-annual Joint Technical Reviews, and a number of financial harmonization initiatives discussed further later on.

Finally, a review of progress against the UAP targets for rural water supply, undertaken by the MoWR in 2008, recommended a strategic shift towards lower-cost technologies and an increased emphasis on self-supply, to achieve the ambitious UAP targets in a financially constrained environment. Although the impact of this strategy change has yet to be seen, the success of this approach is likely to have important implications for

Ethiopia's chances of achieving both MDG and government water supply targets.

The effects of these reforms are beginning to be seen in the development of services on the ground, notwithstanding the weakness of monitoring data. The scorecard performance for indicators relating to enabling and developing services is reasonable, especially when compared to Ethiopia's economic peers—countries with a GNI (gross national income) below US\$500 per capita (Figure 3).

While there are challenges relating to enabling and developing services in both the water supply and sanitation subsectors, such as fully utilizing available budgets, the greatest challenges remain with respect to sustaining services, including generating sufficient finance for maintenance and (ultimately) for expansion; in the case of sanitation, a significant challenge remains in relation to translating promotional activities into sustained uptake and use.

Sections 4 to 6 highlight challenges across three thematic areas: the institutional framework, finance, and M&E. The related scorecard indicators which give an empirical basis for evaluation are highlighted in each section. The scorecards for each subsector are presented in their entirety in sections 7 to 10.

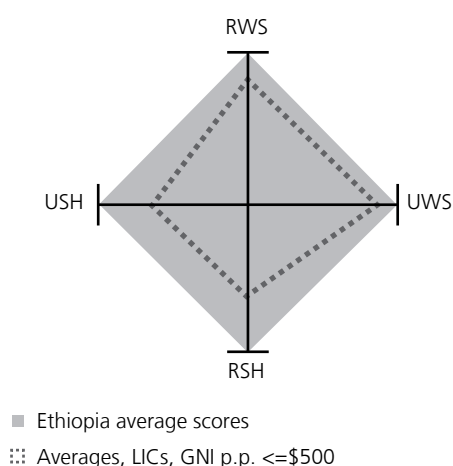
Table 3
Key dates in the reform of the sector in Ethiopia

Year	Event
1992	Decentralization of water supply development to regions
1995	Establishment of Ministry of Water Resources
2000	National Water Policy adopted
2002	15-year Water Sector Development Program developed
2002	Beginning of establishment of autonomous urban water utilities
2003	National Water Supply and Sanitation Master Plan Prepared
2004	Decentralization of rural water supply responsibilities to <i>woredas</i> (that is, districts)
2005	EU Country Dialog catalyzed inter-sector integration of WASH
2005	Universal Access Plan (UAP) developed for water supply and sanitation: 2005–12
2006	First WASH Multi-Stakeholder Forum (annual sector review)
2006	National Hygiene and Sanitation Strategy developed
2008	Revised UAP: Increased focus on low-cost technologies and self-supply

4. Institutional Framework

The delivery of basic services through a highly decentralized system in a large, heavily populated, and predominantly rural country is not without its challenges. Over recent years, significant progress has been made towards establishing the basic institutional arrangements in the water and sanitation sector to make this possible. This has included the progressive devolution of implementation responsibilities to regional and *woreda* level; the shift of sector financial management responsibilities from the sectors to the ministry and regional bureaus of finance and economic development; and the ongoing effort to coordinate donor programs under an integrated cross-sector national WASH program. These reforms all remain ‘works in progress’ and therefore, to a large extent, the priority now should be to not engage in new reforms but to embed and continue to strengthen the nascent institutional structures in the sector. Ethiopia records strong scores for all related indicators, nationally recognized targets and subsector policies, as well as clearly designated institutional roles. It is ahead of its peer group in this regard (Figure 4). Nonetheless, the following ongoing thematic challenges have been identified.

Figure 4
Scorecard indicators relating to institutional framework, with average of indicator scores by subsector and peer-group comparison¹²



Source: CSO2 scorecard.

Local government: Ensuring and sustaining capacity. Each local government in Ethiopia contains a ‘*Woreda* WASH Team’ responsible for all aspects of water and sanitation development in the district, including management and oversight of scheme construction, provision of maintenance support, financial management, and M&E. This local mandate is expected to expand in the face of a renewed focus on low-cost technologies and self-supply. Most *woreda* offices, however, lack sufficient human resources and operational budgets to effectively perform even their current role. Based on a previous World Bank review, operational budgets for *woreda* water staff were estimated to be in the region of US\$200 per staff member per year, insufficient to cover even the expenses required for 10 days of local travel to field sites.¹³ Support from donor programs is widespread but lacks coordination, particularly in relation to capacity building, and is not a sustainable method for financing recurrent costs. There is also no clear picture of the scale or content of the optimal ‘package’ of capacity building for local government, particularly in relation to operational budgets (for staff the objective is 11–13 water staff per *woreda*, although achieving this under fixed recurrent budgets will often simply reduce available operational funds further). With over 700 *woredas* in the country, there is no easy solution, but the development of a coordinated, long-term strategy for capacitating and resourcing local government will be crucial if current gains in the sector are to be sustained.

Inter-sector coordination: Greater focus on outcomes, not process. The development of coordination structures across the water resources, health, and education sectors has been a major institutional theme under the emerging WASH program over recent years. This effort has undoubtedly heightened awareness of the complementary benefits of coordinated interventions across sectors. However, the somewhat bureaucratic nature of cross-sector coordination structures, expected to be established across all tiers of government, has also created bottlenecks and, arguably, reduced focus on the more pressing need to establish effective institutions *within*

each sector. As such, the commitment to WASH should be maintained, but focus is required on coordinating efforts where they add value to outcomes: primarily at the local implementation level.

Donor projects: Integration of project management structures. Coordination between government and donors is improving through the regularization of Joint Technical Reviews and annual Multi-Stakeholder Forums. Donor finance to the sector

is increasingly flowing through the government, and the need to support the development of sectorwide systems is widely acknowledged. However, in many cases short-term performance of individual projects continues to take precedence and, in practice, the reliance on separate project management structures and project staff remains the norm. This risks undermining the longer-term objective of sectorwide institutional development, and a shift in both mindsets and incentives is needed to overcome this challenge.

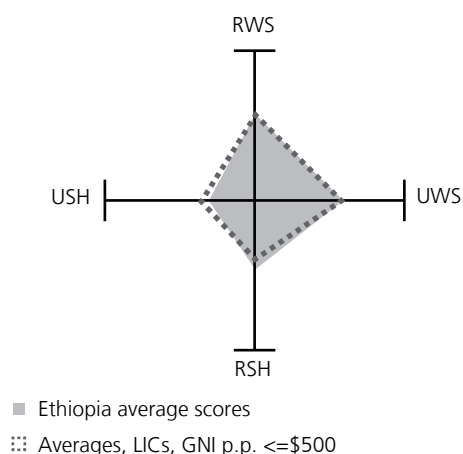
5. Financing and its Implementation

The water and sanitation sector in Ethiopia is currently financed by a wide variety of different funding mechanisms. Rural water supply in particular is supported by almost every conceivable combination and permutation of development assistance, from national programs financed through government channels and using government implementation modalities, to localized interventions using innovative approaches and direct project financing mechanisms. Donor funding for urban water supply and sewerage is more standardized, being principally financed by standalone project lending and by on-lending to utilities from the Water Resource Development Fund. The government treasury provides the major source of finance for the sector, the majority of which is channeled directly to regions and *woredas* via a federal block grant.¹⁵ Over recent years, government funding for the water sector as a whole has increased significantly, growing by over 400 percent in nominal terms between the 2003/04 and 2007/08 financial years. This increase has been driven by a number of factors, including: increased prioritization of the sector in government budgets; rise in overall budgets due to economic growth and improved revenue generation;

and a growth in donor resources channeled directly through the block grant system under the Protection of Basic Services (PBS) program. Increased financial resources have, in turn, heightened the importance of establishing effective sector financing mechanisms. As can be seen from Figure 5, scorecard results for related indicators are broadly in line with Ethiopia's peer countries, but while good progress is being made, challenges remain in relation to the harmonization and alignment of finance in the sector:

Donor financing: Reducing fragmentation. While the government budget represents the major financing source, the sector remains heavily aid-dependent: financial resources channeled by donors are currently of a similar scale to those allocated by the government (Table 4). As discussed above, most donors continue to channel finance through project structures, and the high transaction costs created by this fragmentation has put a severe strain on the limited capacity of the MoWR and other sector institutions. Recognizing these challenges, both the government and donors have been actively working over the past few years to change the way in which development assistance in the water supply and sanitation sector is delivered.

Figure 5
Scorecard indicators relating to financing and its implementation, with average of indicator scores by subsector and peer-group comparison¹⁴



Source: CSO2 scorecard.

A notable step towards sector harmonization was made recently by the three largest official development partners—the World Bank, the Department for International Development (DFID) and the African Development Bank—who have all harmonized under a single financing modality channeled through the Ministry of Finance and Economic Development, using a single national program implementation manual and a financial manual.¹⁶ Meanwhile, most other water sector official development partners—though still operating in project mode—have coalesced around an emerging Sector-Wide Approach (SWAp), replacing separate individual project missions and project-based field visits with bi-annual Joint Technical Reviews and an annual WASH Multi-Stakeholder Forum. Much of this progress was catalyzed by an EU Country Dialog process in the country. Now that this has ended, it is important not to lose momentum and continue to push towards the vision of a fully harmonized SWAp.

Table 4
Current financial commitments to the WASH sector from major donors

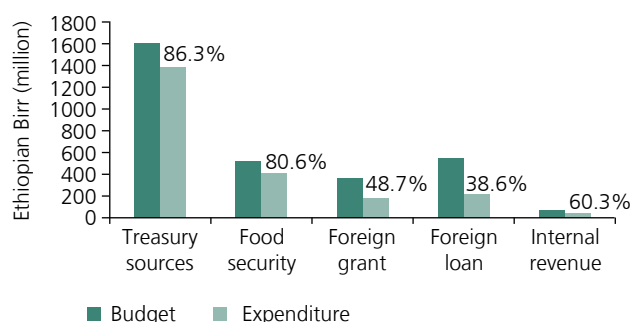
Donor agency	Predominant modality	Committed funds
World Bank (International Development Association)	Earmarked for WASH	US\$200 million
African Development Bank	Earmarked funding for rural WASH	US\$62.5 million earmarked funding
UNICEF	Earmarked funding for WASH	US\$36 million earmarked funding
Department for International Development, UK (DFID)	Earmarked funding for WASH	US\$100 million (£70 m) earmarked funding
European Development Bank	Project funding	€36 million
Government of Finland	Project funding	€15 million
Japan International Cooperation Agency	Project funding	US\$13.8 million
France	Project funding	US\$20 million

Box 2
The Local Investment Grant: Moving towards budget support

A promising new venture in Ethiopia in terms of harmonization and alignment has been the piloting of a Local Investment Grant (LIG) under the multidonor PBS program. The LIG will be used to finance capital investment in basic services (including water and sanitation) via a performance-based grant to *woredas* that have demonstrated sufficient capacity and accountable planning for capital investments. Under the LIG, the flow of funds follows existing arrangements for the federal block grant, uses existing government procedures for disbursement and reporting, and is fully synchronized with the Ethiopian fiscal year. As such, the financing mechanism is much closer to a fully aligned budget support program than the current sector investment program approaches.

Alignment with government systems: Increase utilization while maintaining quality. A further challenge relating to donor finance has been the consistently low rates of utilization across many projects. This is demonstrated in Figure 6, which presents the estimated budgets and expenditures from a variety of sources, prepared under the 2008 Joint Budget Aid Review for the water and sanitation sector. Despite this, donors have been reluctant to fully align behind government

Figure 6
Water and sanitation sector, budget and expenditure by source of finance (2005/06–2006/07 average)



Source: Ministry of Water Resources annual financial reports, 2005/06 and 2006/07.

financial management systems for various reasons, including the politics of budget support in the country, lack of awareness of the quality of country financial management systems, and vested interests in the status quo amongst both donors and government. A mechanism is clearly needed whereby donors can utilize the existing (and largely effective) government financing mechanisms, while also maintaining a degree of oversight in relation to resource use. National budget support initiatives such as the Local Investment Grant (see Box 2) are likely to be highly relevant in the context of both further harmonization and alignment.

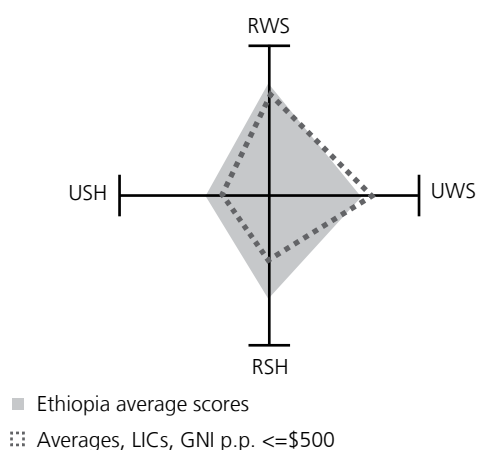
6. Sector Monitoring and Evaluation

Strengthening M&E mechanisms in the WASH sector has continually been recognized as a priority in Ethiopia, including in agreed priority undertakings during the last three Multi-Stakeholder Forums. These commitments have led to a number of important preliminary steps towards the establishment of a sectorwide M&E system, including: development of a WASH M&E Framework and Manual (2008), describing in detail the structure for a sectorwide system and the formats for the inventory instruments that would be required to obtain, verify, and consolidate the necessary data and information on WASH; initiation of the design of a computerized management information system to support the capture, consolidation, and analysis of all M&E data; development of guidelines for the roll-out of a national WASH inventory in all *woredas*, to begin

in FY 2009/10; and establishment of a multistakeholder steering committee to oversee implementation of the inventory roll-out and broader M&E activities in the sector. However, in the meantime, until this system is rolled out, the sector continues to move forward without essential data on the effectiveness and impact of the considerable investment finance being channeled to the sector. Scores for related indicators are above the peer group average in all subsectors except urban water supply (Figure 7), but there is clearly room for improvement in all cases.

Sector data and performance: Reinvigorating monitoring and evaluation efforts. Although the above preliminary steps are all positive signs, action remains slow given the urgent need for more reliable information in the sector. Delays appear to have been due to a number of factors, including the logistical challenge of compiling and consolidating data under a large decentralized system; capacity constraints at most levels of government in relation to data management and analysis; and sensitivity regarding the level of progress being made towards achievement of the government coverage targets. The current institutional changes in the sector present a good opportunity to implement the system, for a number of reasons. First, decentralization is leading to stronger capacity at local level, providing the opportunity for local level data capture. Second, there currently exists a strong commitment to harmonization and alignment, leading to mutual support for a sectorwide M&E system, not tied to any specific financing source. Finally, inter-sector coordination on WASH (between water, health, and education) is being strengthened, providing an opportunity to establish an integrated system that will combine indicators on water supply, sanitation, and hygiene from the start. However, increasing political will from government and donors may be important before a full and effective WASH M&E system can be put in place.

Figure 7
Scorecard indicators relating to monitoring and evaluation, with average of indicator scores by subsector and peer-group comparison¹⁷



Source: CSO2 scorecard.

7. Subsector: Rural Water Supply

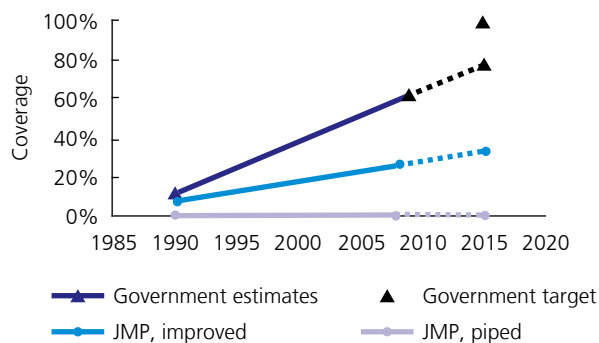
Priority actions for rural water supply

- Increase sustainability of infrastructure through strengthening of cost recovery mechanisms and the development of effective spare parts supply chains.
- Increase operational budgets and continue to build capacity at *woreda* level to support implementation of the new low-cost technology strategy.
- Implement the national WASH inventory to establish baseline data on rural water supply infrastructure.

Ethiopia’s population is predominantly rural, and therefore the level of success in increasing coverage in rural areas will largely determine whether the UAP target is achieved. Certainly, rural water coverage has increased at promising rates since 1990, from 8 percent to 26 percent according to JMP figures, and from 11 percent to 62 percent according to government figures. However, monitoring rural water supply coverage across such a large population and geographic area is a challenge, and it will be necessary to strengthen the estimates of coverage, especially at the regional level, before a substantive assessment can be made.

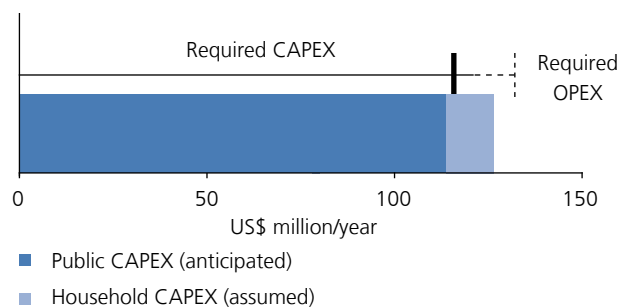
Recent increases in investment finance imply that anticipated CAPEX for rural water supply, of US\$114 million per year, is sufficient for requirements, if user contributions of 10 percent of total costs can be leveraged (Figure 9). However, the additional estimated operational costs (required OPEX, at US\$16 million per year) could push the subsector into deficit, if adequate and equitable cost recovery mechanisms and sustainable supply chains for materials and spare parts are not put in place.

Figure 8
Rural water supply coverage



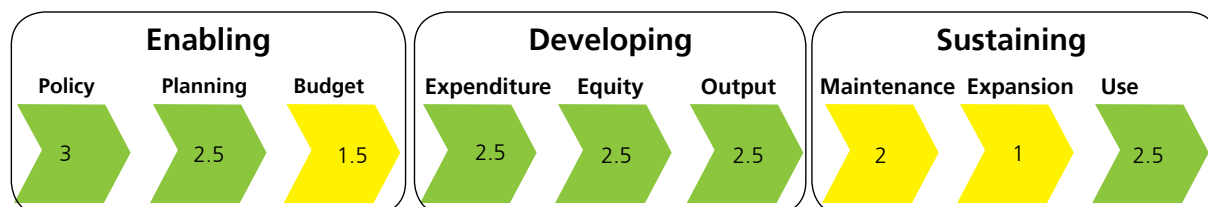
Sources: SDPRP Appraisal Report (2003), CSA (2009), MoWR and JMP 2010 report.

Figure 9
Rural water supply investment requirements



Source: CSO2 costing.

Figure 10
Rural water supply scorecard

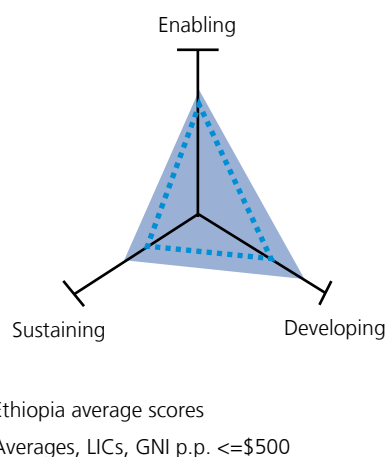


Source: CSO2 scorecard.

Figure 10 shows Ethiopia’s scorecard for rural water supply. The scorecard uses a simple color code to indicate: building blocks that are largely in place, acting as a driver on service delivery (score >2, green); building blocks that are a drag on service delivery and require attention (score 1–2, yellow); and building blocks that are inadequate, constituting a barrier to service delivery and a priority for reform (score <1, red). Ethiopia scores well across all areas of the enabling environment, especially in policy and planning where much of the foundation has already been laid. Budgets have also increased substantially over recent years, a result both of increasing government block grants to regions and *woredas*, and growth in donor commitments, including a substantial grant of over US\$100 million from the DFID in 2008, primarily for rural water supply, to add to already large World Bank and AfDB programs. However, the budget score is reduced by the fact that a number of financial flows from bilateral donors and NGOs remain off budget, and due to challenges in differentiating rural and urban budgets.

The lower sustaining scores reflect the challenge of fully financing O&M expenses in low-income areas. An important response to this challenge has been the recent strategic shift by the government towards lower-cost technologies and the principle of ‘facilitated self-supply’.¹⁸ Such approaches are dependent on favorable hydrology and a strong community willingness to contribute, and therefore will not be appropriate in all parts of the country. Nevertheless, this shift is acknowledgment by the government that innovative approaches will be needed to significantly raise coverage in an environment where investment finance is constrained. The development of the sector M&E system will also be crucial to sustaining service levels.

Figure 11
Average RWS scorecard scores for enabling, sustaining, and developing service delivery, and peer-group comparison



Source: CSO2 scorecard.

Building blocks relating to developing scores are also consistently high, although a hidden challenge is the capacity of local government to implement the ambitious targets set at federal level. Many *woreda* water resource development offices have only been established in the past five years, and though staffing levels have increased substantially, experience in scheme siting, design, procurement, and contract supervision is nascent.

Figure 11 indicates that Ethiopia’s scores are above the peer group average throughout the service delivery pathway.

8. Subsector: Urban Water Supply

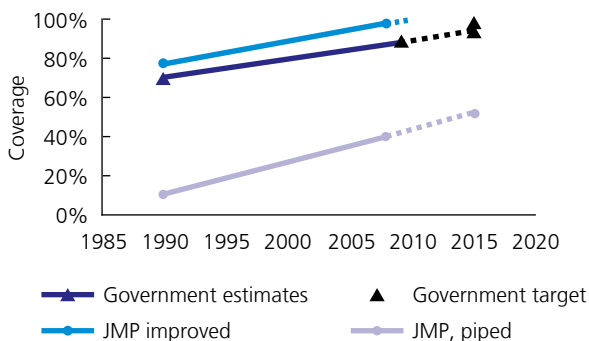
Priority actions for urban water supply

- Implement cost recovery policies by strengthening the capacity and financial autonomy of town utilities.
- Increase focus on water source sustainability through encouragement of demand management approaches and reduction in unaccounted-for water.

Both government and JMP estimates of coverage portray a strong upward trend in access to improved water supply in urban areas, reaching 89 percent according to government, and 98 percent according to the JMP. Though the MDG targets are not set at subsector level, Ethiopia has already succeeded in halving the proportion of urban dwellers without access in 1990, and even the government trend line suggests little acceleration is required to achieve the national target of 98.5 percent by 2015. The JMP data shows a higher level of urban coverage due to differences in the rural and urban definitions used by the two data sources. The JMP trend line for water piped onto premises also shows strong progress, reaching 40 percent in 2008.

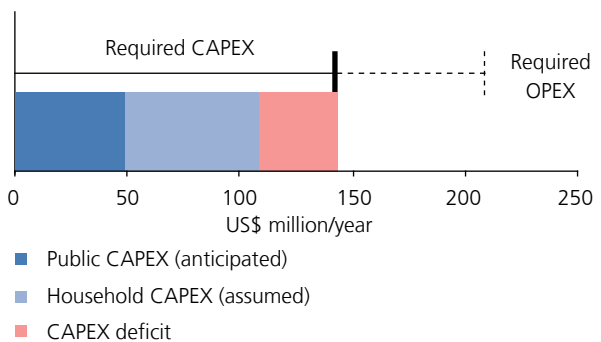
Given this progress, the priority now, therefore, is to maintain service levels and to increase cost recovery rates to the point where investment in O&M and rehabilitation can be financed through internal revenues. The projected annual financing situation is represented in Figure 13, which shows that anticipated public investment of US\$49 million per year may be insufficient to meet the estimated US\$143 million per year required to achieve and sustain universal access, even if household contributions of US\$60 million per year can be leveraged (on the assumption that households will contribute 55 percent of capital costs. Additional OPEX requirements (US\$66 million per year) may further increase the burden on public finance if adequate and equitable tariffs are not put in place.

Figure 12
Urban water supply coverage



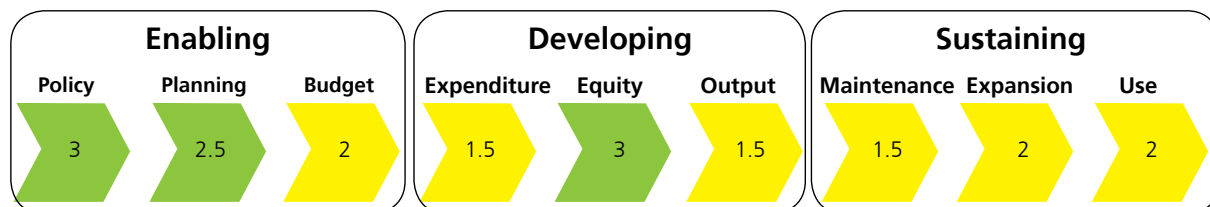
Sources: SDPRP Appraisal Report (2003), CSA (2009), MoWR and JMP 2010 report.

Figure 13
Rural water supply investment requirements



Source: CSO2 costing.

Figure 14
Urban water supply scorecard

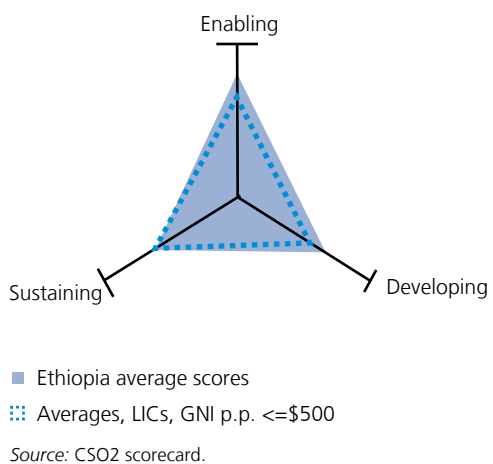


Source: CSO2 scorecard.

The scorecard for urban water supply shows more consistent, moderate performance from upstream to downstream, suggesting that the subsector strikes an appropriate balance between the enabling environment,

developing new works, and sustaining service provision, but could further improve in all areas (Figure 16).

Figure 15
Average UWS scorecard scores for enabling, sustaining, and developing service delivery, and peer-group comparison



As for rural water supply, Ethiopia scores well and above its peer group in building blocks relating to enabling services (Figures 14 and 15). Among scores relating to developing services, a somewhat lower result is achieved for expenditure, due to low donor fund utilization and a lack of audited accounts and balance sheets for urban utilities. Output scores are also limited by the irregularity of water quality monitoring and failure to report on additional household and public connections. Despite this, Ethiopia remains above its peer group here also.

The major challenges remain in relation to sustaining services. Utilities are now in a position to at least cover O&M costs in the majority of cases, but low tariffs prevent utilities from realizing the policy objective of capital cost recovery. Nonrevenue water, estimated at around 30 percent, also remains a challenge. Although utilities retain significant autonomy, as per government policy, increasing intervention of regional bureaus in the face of capacity constraints threatens to erode this objective. Utilities also struggle to access commercial finance in Ethiopia, and are largely reliant on government allocations and soft donor loans to finance expansion plans.

9. Subsector: Rural Sanitation and Hygiene

Priority actions for rural sanitation and hygiene

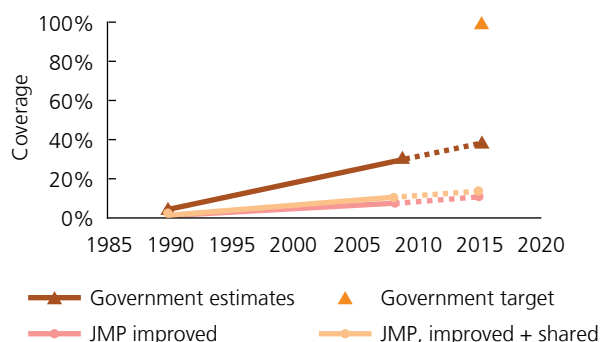
- Implement sanitation and hygiene component of the national WASH inventory to establish baseline data.
- Develop a strategic national action plan for sanitation, with time-bound and budgeted activities, as has been done for the water supply sector.
- Develop a national guideline for Community-Led Total Sanitation and Hygiene, to define the conceptual framework for all actors in the sector.

In Ethiopia, the Health Extension Program represents a far-reaching initiative to bring health services to all Ethiopians through the deployment of around 30,000 HEWs. Although the program has faced challenges in terms of finance and the scale of the tasks expected from the HEWs, notable progress has been made in improving sanitation and hygiene coverage at the grassroots level. According to government figures (which relax the definition of improved facilities) coverage had reached 37 percent in 2008. JMP figures show a gradual increase in both improved and shared facilities, though to a lower level of 8 percent for improved facilities alone.

The government has been a strong proponent of zero subsidy 'self-supply' sanitation facilities at the household level, and has consequently directed resources primarily

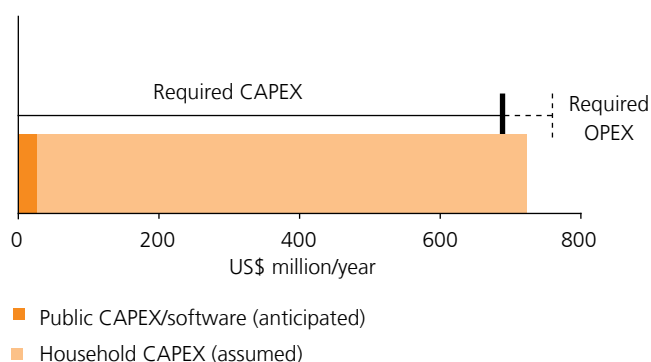
towards advocacy for appropriate low cost technologies, and education to promote changes in sanitation and hygiene practices. While capital requirements to meet the UAP target are significant (US\$692 million per year) these are designated as household responsibilities. The anticipated public expenditure of around US\$30 million per year is currently intended for institutional sanitation (schools and health posts), and promotion (US\$7 million from government sources, primarily HEW salaries, and US\$23 million per year from donor sources, based on current financial commitments). However, as noted earlier, due to difficulties in extracting sanitation budgets from combined water and sanitation programs, these should be recognized as estimates only. Furthermore, given the number of people that will have to construct their own facilities each year (more than 9 million), it seems unlikely

Figure 16
Rural sanitation coverage



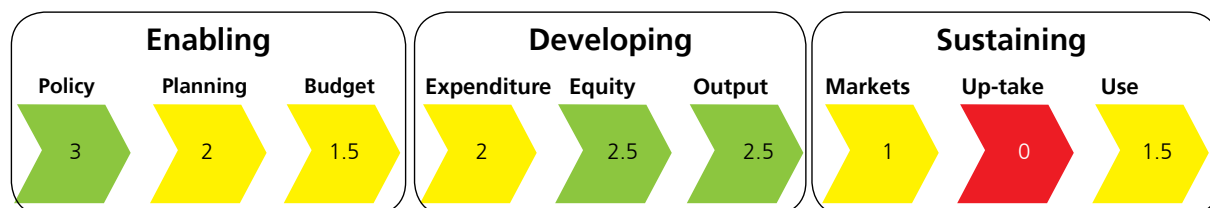
Sources: SDPRP Appraisal Report (2003), CSA (2009), Ministry of Health, and JMP 2010 report.

Figure 17
Rural sanitation investment requirements



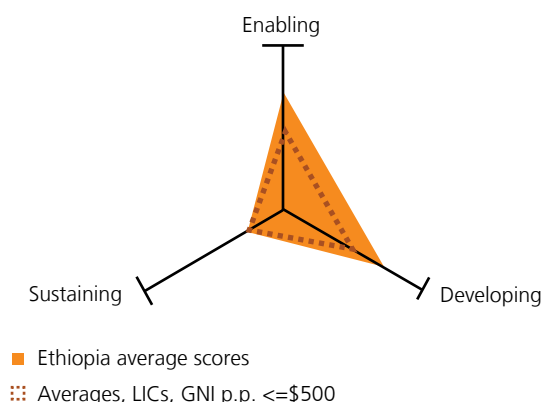
Source: CSO2 costing.

Figure 18
Rural sanitation scorecard



Source: CSO2 scorecard.

Figure 19
Average RSH scorecard scores for enabling, sustaining, and developing service delivery, and peer-group comparison



Source: CSO2 scorecard.

that the resources for promotion are in any way sufficient, in which case the assumed Household CAPEX shown in Figure 17 will be largely illusory.

On the scorecard, Ethiopia performs above its peer group on both enabling and developing building blocks

(Figure 19), thanks to a strong policy, as well as a relatively clear and equitable approach to promotional activities. Again, major challenges relate to sustaining services due to limitations in supply chains, sanitation market development, and low coverage of sanitation facilities and handwashing practices.

Underlying these challenges, which relate to the 'uptake' and 'use' building blocks, is the lack of a clear national action plan for achieving government targets in the sanitation and hygiene subsectors, as has been achieved for water supply via the UAP. Despite the relatively clear principles, clarification is needed on issues such as: what levels of promotional activities are required to ensure sustainable behavior change, and what complementary investments (for example, development of supply chains) are necessary to ensure promotion can be translated into increased coverage? A clear plan with time-bound and costed activities is needed to address these questions for both rural and urban sanitation and hygiene, which will provide an important basis for development partners to coordinate and align behind. Similarly, in the case of Community-Led Total Sanitation, an approach that is being strongly encouraged in Ethiopia, national guidelines are needed to align approaches around an agreed conceptual framework.

10. Subsector: Urban Sanitation and Hygiene

Priority actions for urban sanitation and hygiene

- Formulate a clear Urban Sanitation Strategy, including delineation of responsibilities between different government agencies, an investment program and financing strategy. This is needed to set out urban sanitation hardware requirements, technology choices and how they will be financed.

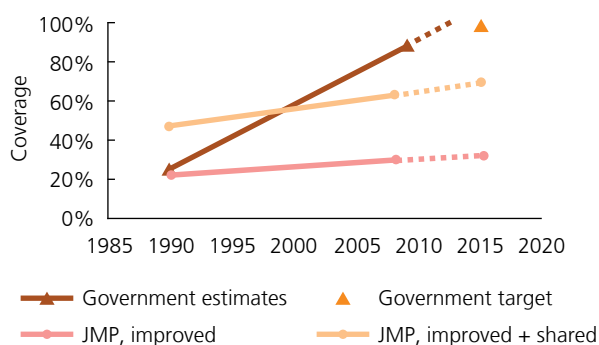
The state of urban sanitation in Ethiopia differs substantially depending on coverage estimates used. Based on the JMP definition of improved facilities, urban coverage is only 29 percent (with a higher number using shared facilities), while government figures, which include a broader range of sanitation facilities in the coverage estimate (such as traditional pit latrines), estimate coverage as 88 percent. The government's definition of sanitation, and its consequent estimate of coverage, would appear to put its target of 98.5 percent coverage in reach.

Again, a policy of zero subsidy for sanitation hardware at the household level in theory removes the responsibility for CAPEX financing from government—as Figure 21 shows, the assumption is that the entire amount, US\$102

million per year, will be met by households. Anticipated public spending of around US\$19 million per year will go to sewerage infrastructure, institutional sanitation, and promotion work. However, as noted for the rural subsector there are serious questions over whether, in the absence of direct spending on infrastructure, the government is commensurately resourcing promotion to encourage households to install or upgrade their facilities.

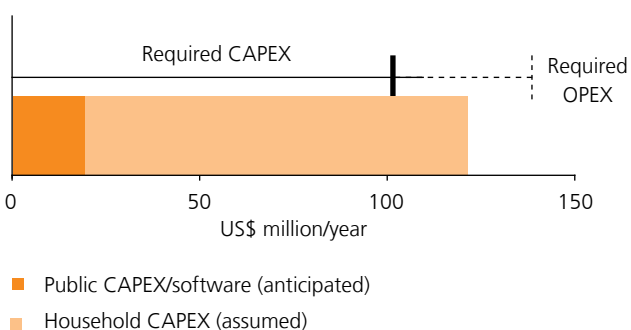
Irrespective of coverage figures used, urban sanitation would appear to be a priority subsector for reform based on the low scorecard results (Figure 22). The enabling environment should be the starting point, particularly planning and budgeting where Ethiopia scores very low on the scorecard, due to a lack of consistent coordination,

Figure 20
Urban sanitation coverage



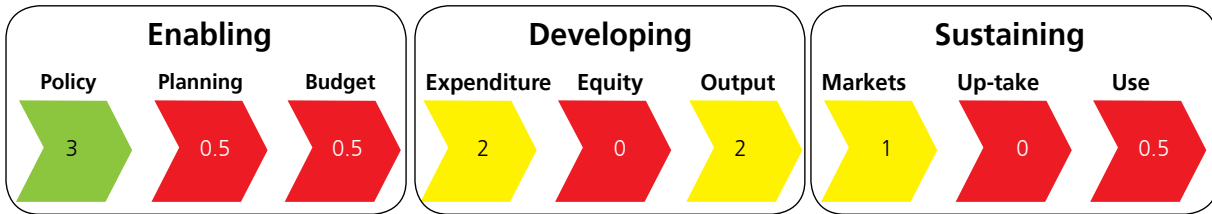
Sources: SDPRP Appraisal Report (2003), CSA (2009), Ministry of Health, and JMP 2010 report.

Figure 21
Urban sanitation investment requirements



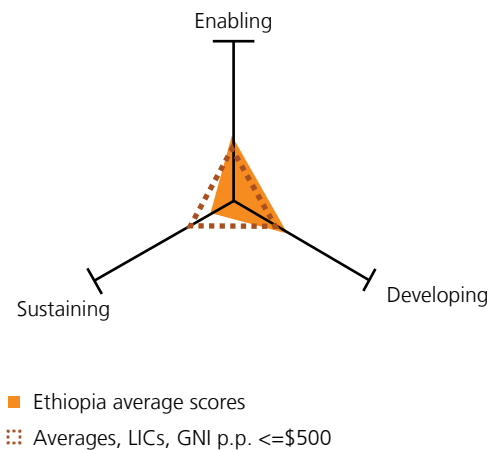
Source: CSO2 costing.

Figure 22
Urban sanitation and hygiene scorecard



Source: CSO2 scorecard.

Figure 23
Average USH scorecard scores for enabling, sustaining, and developing service delivery, and peer-group comparison



Sources: CSO2 scorecard.

annual review processes, and inadequate visibility in budgeting. In line with these low scores, investment in urban sanitation also remains low, directed primarily at promotion work via urban-based HEWs and donor programs. On the infrastructure side, little investment is being made outside of large scale donor programs,

primarily in the capital of Addis Ababa. In addition to low levels of finance, challenges for developing sanitation in urban areas include the difficulty in securing land tenure, a prerequisite for making household improvements such as new sanitation facilities worthwhile, especially in informal settlements.

Furthermore, at an institutional level, mandates for improving urban sanitation are unclear, which has been a primary factor for the slow development of the enabling environment in the sector. Currently small-scale initiatives are being implemented by multiple institutions (Ministry of Works and Urban Development, Ministry of Health, Ministry of Water Resources) but without any agreed upon national or city-level urban strategy in the country. The Ministry of Works and Urban Development has drafted an urban sanitation strategy but no further action has been taken, while the Ministry of Health has only recently deployed urban health extension agents. A concerted effort to delineate responsibilities so that these activities can be coordinated and scaled up is an urgent starting point for the urban sanitation sector in Ethiopia. In addition, an investment program and financing strategy needs to be developed to define more realistic technology choices for urban sanitation, to cost the implementation of those technologies, as well as to clarify who will pay for them and how.

Notes and References

- ¹ Global Economic Monitor, the World Bank. 2010 average.
- ² The first round of CSOs was carried out in 2006 covering 16 countries and is summarized in the report, 'Getting Africa on-track to Meet the MDGs on Water and Sanitation'.
- ³ Data from Ministry of Water Resources (MoWR). 2009. Sustainable Development and Poverty Reduction Program Appraisal Report, 2003, and Central Statistical Agency (2009).
- ⁴ The MDG target is to halve, by 2015, the proportion of people without improved access to water supply and sanitation, relative to 1990 levels. The quoted figures for the MDG targets are based on the government's estimates of coverage in 1990. The 1990 baselines determined by the UNICEF/WHO Joint Monitoring Program are slightly different, and produces slightly different MDG targets of 59 percent for water supply and 52 percent for sanitation.
- ⁵ The coverage and financial data for water supply used in this chapter are sourced from plans developed by the Ministry of Water Resources in the context of the PASDEP review process during 2009/10, termed PASDEP-2. Since then, this has evolved into a five-year 'Growth and Transformation' plan, which is currently under preparation by the Government of Ethiopia.
- ⁶ Including an assessment of centralized sewerage network installation versus other decentralized options.
- ⁷ MoWR. 2007. Needs assessment to achieve universal access to improved hygiene and sanitation by 2012.
- ⁸ The CSO2 costing model does not include the cost of hygiene promotion and other software activities, relative to the targets, due to the difficulty of estimating such costs on a per capita basis. However, the Government of Ethiopia and EU Water Initiative estimated a total public funding requirement for software of around US\$130 million over 2007–12. Government of Ethiopia and EU Water Initiative. 2006. Needs Assessment to Achieve Universal Access to Improved Hygiene and Sanitation by 2012.
- ⁹ Due to rounding, component figures may not sum to totals.
- ¹⁰ The CSO2 scorecard methodology and conceptual framework are discussed in detail in the synthesis report.
- ¹¹ A new PRSP process is currently under way for 2010–15. Although still incomplete, this process is expected to result in maintained commitment to the sector, albeit with the targets for universal access pushed back from 2012 to 2015.
- ¹² Indicators relating to the institutional framework section are as follows: All subsectors: targets in national development plans/PRSP; subsector policy agreed and approved (gazetted as part of national policy or as standalone policy); RWS/UWS: institutional roles defined; RSH/USH: institutional lead appointed.
- ¹³ Based on analysis conducted for the 2008 World Bank Public Financial Review; data taken from Ministry of Finance and Economic Development pre-actual annual financial reports.
- ¹⁴ Indicators relating to the section on financing and its implementation are as follows: All subsectors: programmatic Sector-Wide Approach; all subsectors: investment program based on MDG needs assessment; all subsectors: sufficient finance to meet MDG (subsidy policy for sanitation); all subsectors: percent of official donor commitments utilized; all subsectors: percent of domestic commitments utilized.
- ¹⁵ The block grant is a constitutionally mandated entitlement for each regional government and is determined by a legislated formula that is largely based on equity considerations (population, income, level of development).
- ¹⁶ The World Bank and DFID have gone further and merged their financing under a single 'Multi-Donor Trust Fund', and it is hoped that this fund will provide a mechanism for other donors to directly harmonize their financing.

¹⁷ Indicators relating to the M&E section are as follows: All subsectors: annual review setting new undertakings; subsector spend identifiable in budget (UWS: inc. recurrent subsidies); budget comprehensively covers domestic/donor finance; RWS, RSH, and USH: domestic/donor expenditure reported; UWS: audited accounts and balance sheets from utilities; RWS, RSH, and USH: periodic analysis of equity criteria by CSOs and government; UWS: pro-poor plans developed and implemented by utilities; RWS/UWS: nationally

consolidated reporting of output; RSH/USH: monitoring of quantity and quality of uptake relative to promotion and subsidy efforts; all subsectors: questions and choice options in household surveys consistent with MDG definitions.

¹⁸ For example, households may be provided with a rope pump free of charge by the government on the condition that they take responsibility for constructing their own hand-dug well.





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