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Ethiopia

The potential of the local private sector for providing water and sanitation needs to be fully harnessed. Government must provide the right legal framework and contract opportunities.

Transparency and civil society

A lack of up-to-date financial data is a crucial shortcoming in having a transparent system. The latest official budget data is for the 1996/97 fiscal year.

Consultation with NGOs in Ethiopia is commonly arranged via the CRDA (Christian Relief and Development Association) NGOs' umbrella organisation, with businesses via the Chamber of Commerce, and with donors via the Donors Assistance Group (DAG). In demanding greater accountability of government offices, these groups have identified the following problems:

- Expenditure tracking is difficult as audit reports are two or three years late. Statistics are not easily available and there are problems of comparability between data sets
- Civil society organisations perceive that NGOs are only consulted because of donor requirements. Government itself is still reluctant to make concessions or negotiate policy directions with civil societies
- NGOs complain that government undermines their contribution when their role in development work is actually very significant

Even so, there are some examples of civil society influencing decisions. In Doddota woreda, a series of participatory assessments was carried out with assistance from the EU. Villages placed the highest priority on water supplies, irrigation and veterinary services for livestock. Technical staff then sat with the woreda cabinet and re-prioritised woreda expenditure. The result was an increase in the capital budget for rural water supply from zero to Birr 233,580 and holding the recurrent budget at Birr 49,997.

"Coverage data are inconsistent. The Central Statistical Authority reported urban coverage of 98%, but they asked only about the presence of pipes and not whether any water actually came out of them."

Water Ministry Official

Conclusion

Ethiopia faces massive challenges in the water sector. The needs are huge with sanitation coverage as low as 4% amongst its 73 million citizens. Presently these needs are too often addressed piecemeal by a plethora of funds and projects. As a result even the budgets which are already allocated go hugely underspent. Basic re-engineering of the sector itself – especially streamlining planning and procurement procedures - needs to be done before the sector can raise its outputs by up to 2000% as required to hit the water and sanitation MDGs.

Further information

This document is one in a series from WaterAid Country Programmes assessing national water sector issues in support of both national and international advocacy work in 2005. This document was written by Tseguereda Abraham, Research Officer, WaterAid Ethiopia and discussed with the Ministry of Water Resources' Policy, Development Cooperation and Foreign Relation Department Team Leader, the Head of the Water Resources Information and Database Center, the Head Planning and Projects Department, the Oxfam Project Officer, the Inter Aide France Water Supply Project Officer, with the DFID Water Advisor and with the Ethiopian Country Water Partnership Coordinator on 11 November 2004. The full set of documents is available at www.wateraid.org/boilingpoint. Further information on this document can be obtained from Helen Pankhurst (Dr) at wateraid@telecom.net.et and on the international advocacy work from Belinda Calaguas at belindacalaguas@wateraid.org

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4. Federal Government Budget Proclamation 2003, Federal Nagarit Gazeta
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6. *The Reporter* (Vol.VIII No.407 Wednesday June 23, 2004 page 1)
7. 1980-1996: MOFED Ethiopian Economic Survey and 2000-2005 MOFED compiled from Ministries.
8. Ethiopia Public Expenditure Review 2003 (World Bank presentation in Addis Ababa, 2004)
9. Private communication, Ministry of Water 2004. These problems have been raised with the Board of Directors of the African Development Bank.
10. In Ethiopia the regional structure is as follows: regions – zones – woredas – kebeles.

WaterAid – water for life
The international NGO dedicated exclusively to the provision of safe domestic water, sanitation and hygiene education to the world's poorest people

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Photo credit: WaterAid/Caroline Irby

Where lack of coordination among donors contributes to such poor performance in the water sector that almost 70% of the water budget goes unspent

WaterAid – calls to action

- The Government and donors must establish comprehensive water sector planning and collaboration procedures
- Sector planning procedures must be used by the Government and donors to remove the huge inequities in access to water between urban and rural areas, and between regions
- The potential of the local private sector for providing water and sanitation needs to be fully harnessed: the Government must provide the right legal framework and contract opportunities

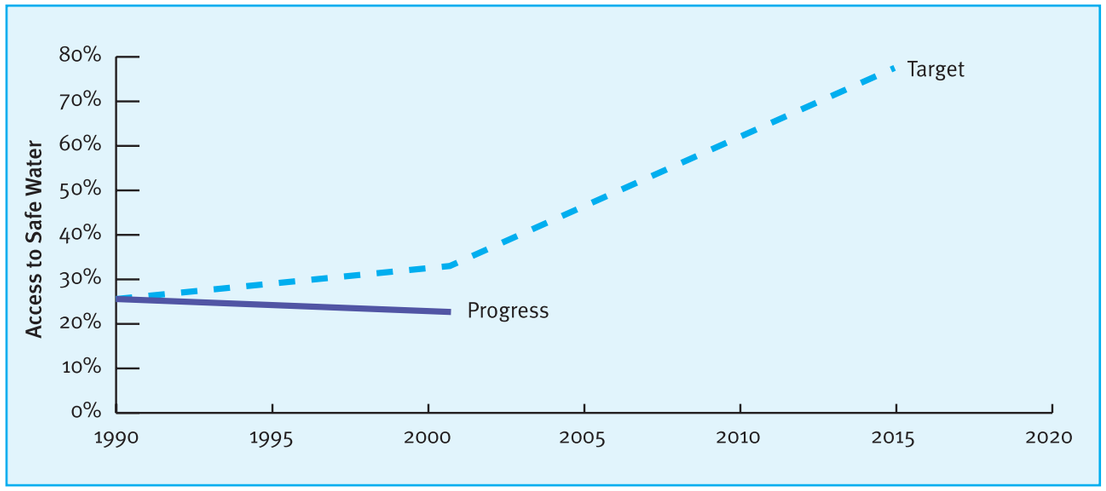
Introduction

Ethiopia's economy is based on agriculture and while this accounts for half of the GDP, 60% of exports and 80% of employment, it suffers from frequent drought and poor cultivation practices. Coffee is critical to the economy, with exports of some $156m in 2002, but falling prices have affected the sector. The war with Eritrea in 1998-2000 and recurrent drought (especially in 2002) also greatly affected the economy.

In November 2001 Ethiopia qualified for debt relief from the Highly Indebted Poor Countries initiative (HIPC). The Government estimates that annual financial growth of 7% is needed to reduce poverty. The country has also developed a three-year Sustainable Development and Poverty Reduction Programme from 2002-2005 (SDPRP).

Water has been prioritised in the SDPRP and other policy documents, but there are no clear targets on sanitation. Sanitation is part of the Water Resources Management policy, but it does not have a specific budget line.

Figure 1: Progress towards the water Millenium Development Goal (MDG) in Ethiopia



Fact box

Population in 2005 (projection)[1] – **total** (rural/urban)	**73m** (61m/12m)
Population projection for 2015 – **total** (rural/urban)	**95m** (77m/18m)
Present access to safe water[2] (rural/urban)	11%/81%
Present access to basic sanitation (rural/urban)	4% / 19%
Annual deaths of under fives due to diarrhoea	0.5m
Productive days which would be gained with 100% access to water and sanitation	11.6m
School days lost to diarrhoea by five to 14 year olds	73.5m
School days which would be gained with 100% access to water and sanitation	25.5m
Monthly number of households requiring access to reach water MDG	44,000
– increase required (on performance since 1990)	300%
Monthly number of households requiring access to reach sanitation MDG	51,000
– increase required (on performance since 1990)	2000%
Current annual water spend[3]	$65m
Water/sanitation sector annual finance need for MDGs	$96m
Water sector annual MDG spending gap	$31m
Annual national debt service payment[4]	$239m

Key events

1974	The Ethiopian Revolution
1991	Fall of the Derg (Socialist regime)
1999	Water Resources Management Policy introduced
2000	Ethiopian Water Resource Management and Public Health Proclamations
2001	Ethiopian Water Sector Strategy introduced
2002	Sustainable Development and Poverty Reduction Programme (SDPRP) launched, supported by the Water Sector Development Programme, identifying a total investment requirement of $7.5bn including $2.9bn for water supply and sewerage.

Water sector characteristics

Ethiopia is among the lowest in the world with respect to access to safe water and sanitation. Only 22% of the population has access to safe water supplies and only 6% have adequate sanitation. Coverage between regions also varies greatly.

Law

In law water is a natural endowment commonly owned by the state. The Ministry of Water Resources is responsible for the planning, management, use and protection of water resources. The Constitution gives very broad powers to the Federal Government for the use and management of water resources.

The Federal Government is also responsible for the management of water resources shared by two or more regional states or of international rivers. Almost all water resources in the country are shared by two or more regional states.

The Water Resources Management policy aims to promote efficient and equitable use of water resources. In principle, water resources development will focus on rural areas and on decentralised management.

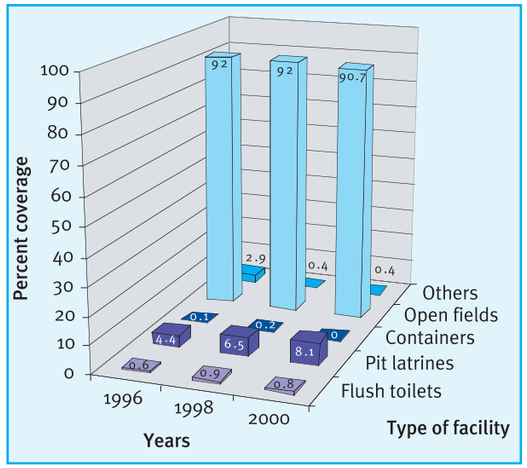
Sanitation

Sanitation facilities are rare in rural Ethiopia. Around 90% of people use open fields and around 6% use pit latrines[5]. The use of pit latrines, although still very low, almost doubled from 1996 to 2000 (Figure 2).

Resource management

Periodic droughts deplete water sources. This issue is frequently raised by communities and is one of the main challenges to sustainable water provision in the country. Depletion occurs especially in the east of the country, where wells need to be drilled right down into the main aquifers which get recharged from the wetter west rather than into the shallower perched aquifers.

Figure 2: Toilet facilities in rural Ethiopia by percentage coverage in 1996, 1998 and 2000



Finance

Needs

WaterAid calculates that the water and sanitation MDG targets require spending of $96m each year. Yet while the annual water and sanitation budget is currently $219m, actual annual expenditure has been just $65m (around 30%). Spending therefore needs to increase by $31m per year.

Massive increases in output are required from the water sector if the MDG targets are to be met (Table 1). The monthly numbers of households in total which must gain access to water or to sanitation are four times and 20 times greater than what has been achieved before. However, some individual sectors must do even more, rural sanitation rates need to increase by a factor or 85.

Table 1: Performance increases required to meet the water and sanitation MDGs

Sector	Location	Performance (Households per month)		Increases required for MDGs (additional performance required)
		1990-2000	2001-2015	
Water	Rural	5404	37,264	590%
	Urban	5950	6667	12%
Sanitation	Rural	495	41,962	8383%
	Urban	1980	9308	370%

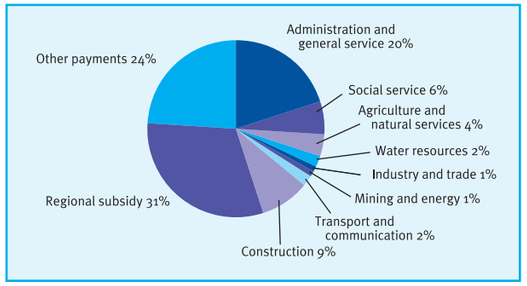
Table 2: Government budgets 1998-2004 – value and financing

Budget financing source	1998/99	2000/01	2001/02	2002/03	2003/04
Domestic revenue	68.9%	61%	65.3%	62.9%	56.6%
External assistance	14.4%	11.5%	14.2%	15.7%	24.0%
External loan	16.7%	27.5%	20.6%	21.4%	12.4%
Domestic loan	–	–	–	–	7.1%
Total budget ($)	11,116m (100%)	15,229m (100%)	14,779m (100%)	16,719m (100%)	19,260m (100%)

Government finances

Government revenues have nearly doubled in five years, from $11.1bn in 1998/99 to $19.3bn in 2003/04. However, many of these increases have been funded through new borrowing, most recently from the domestic market. The Addis Ababa Chamber of Commerce has complained[6] that they are being crowded out of access to domestic loans by the Government which has been taking 60% of this finance.

Figure 3: Federal Government expenditure summary 2002/03



This financing is used to support spending as shown in Figure 3, where 'other payments' include debt servicing.

Share of total public spending

Budgets are allocated to Ministries through discussions with the Ministry of Finance and Economic Development (MoFED). Ultimately, the Government budget is approved by Parliament and publicised through a Financial Proclamation or 'Negarit Gazeta'. The water sector attracts about 2% of the budget. In the first three years (1991-94) after the fall of the socialist government public investment in the water supply declined sharply – illustrating how political instability affects the sector. Overall however the annual water budget[7] has increased dramatically from $2m in 1980 to $876.2m under the 2002-2006 short term period of the water sector development programme, equivalent to $219m per annum. This increase reflects variously the end of the civil war, decentralisation and possibly changes in exchange rates.

"A key message to promote is the economic returns from water and sanitation projects. The Nigeria guinea worm eradication programme started once the government realised that just $2m of spending could address a problem accounting for the loss of 30 million working days a year."

UNICEF official

Donors

Donor financing is extremely low into Ethiopia. In 2001, for example, Ethiopia received $16 per capita, much less than the $33 per capita in Burkina Faso, Rwanda or Ghana. Major donors include the World Bank and UN organisations (Table 3). Together, donors support 24% of urban investments but only 8% of rural investments. The limitations of donor funding are exacerbated by delays in disbursing funds. Aid utilisation is generally reported to be low, especially when compared with Federal Government funds[8]. In the water

Figure 4: Ethopian water budgets 1980-2005

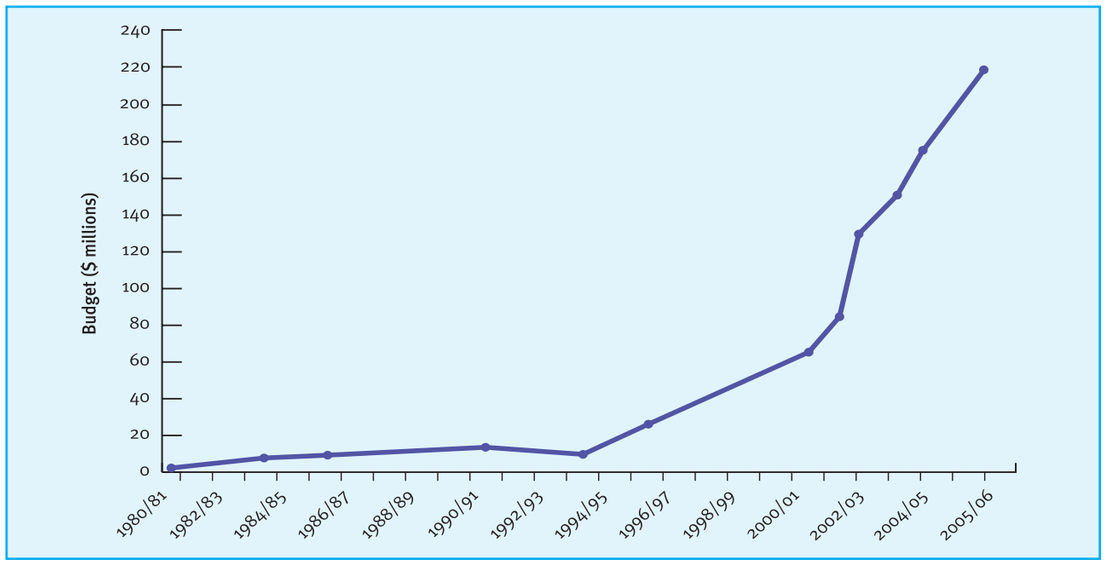


Table 3: Water donors – UN agencies and World Bank

Donor	Estimates of funds in the sector	Description
UNDP	$5m available for water during 2002-2006	$2m for water and sanitation (but focused on rehabilitation of existing systems), $1m was for implementation of the WSDP, $1.1m for small-scale irrigation and $0.9m for capacity building
UNICEF	$10m per year for water. (Actual figure fluctuates between $7m and $11m depending on the Government's absorption capacity)	Of the $10m, some $2.5m was 'regular' funding allocated by MoFED formula. Overall 70% of funds went to water and 30% to sanitation. 10% was spent at Federal level with the remaining 90% decentralised into 60-70% at regional level and 20-30% at woreda (district) level
World Bank	The first Poverty Reduction Strategy Credit (PRSC) is worth up to $150m per year. In year one across all sectors $123m was disbursed (as 100% grant given Ethiopia's debt problem).	World Bank assistance is dependent upon an assessment of Ethiopia against a set of policy and institutional reform indicators. The World Bank's Country Assistance Strategy (CAS) is set for three-year periods. The present CAS commenced in April 2003. The PRSC is about one-third of the Bank's support (not including the Special Programs funding); the rest is in sector funds such as food emergency ($40m), roads, water, education and capacity building.

sector these delays arise from lengthy tender procedures and even repeated losses of paperwork[9]. Other delays have been caused by the Government's own procedures – the Water Ministry has previously been required to refer all spending decisions above Birr 1 million ($120,000) back to the Ministry of Finance. New guidelines are now intended to reduce the requirement for such referrals.

Various disbursement mechanisms are used for these funds. In rural water some 15% of capital expenditure is financed by the ESRDF (Ethiopian Social Rehabilitation and Development Fund), a parastatal unit supported by loans and grants from the World Bank. From 1996-2001 the ESRDF assigned 30% of its total budget to water and sanitation. The resulting funds of $65.4m financed the construction of 1642 water points.

In urban areas and for irrigation there is the Water Fund, a section of the Ministry of Water Resources that generates and mobilises funds, which is expected to work closely with regions and municipalities. In 2001/02 budgets allocated for this fund were US$19.2 million comprising $2.7 million from the Federal budget, $11.7 million of foreign loans and $4.8 million from foreign grants.

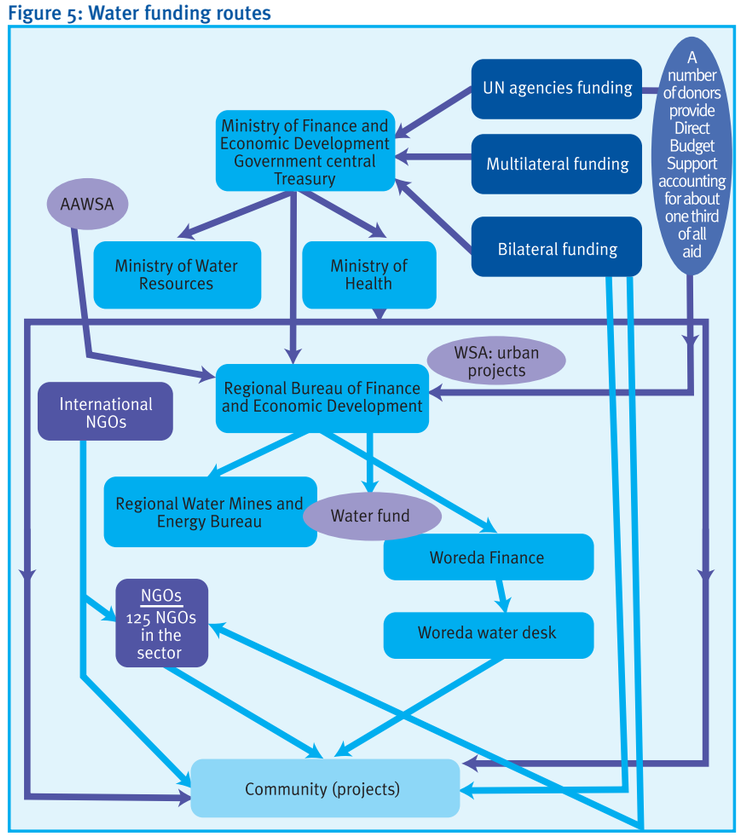
Sector coordination

Sector coordination mechanisms are weak (Figure 5). While there is a framework for donors to channel their funds through MoFED, which distributes block grants, only a third of donor funds follow this route. Other donors prefer to spend directly at regional levels, although in principle this only leads to the equivalent amount being deducted from that region's block grant.

Budget allocation to the sector is thus decided mainly at regional levels, except for the large direct project activities of the Ministries of Health and Water Resources.

There are many administrative layers. At the regional level the Bureau of Finance and Economic Development discusses budget allocation with other ministries' bureaux in that region. Regional councils must approve the final allocation. However, within each sector the relevant regional bureau

Figure 5: Water funding routes



decides on the specific allocation of capital budgets. The Water Resources Bureau has, for example, discretion over the allocation of the sector capital budget to zones. Zonal water resource offices are an extension of the regional structure and are not budget holders.

And on top of these federal ministries, regional bureaux, zones and woreda offices, there are the NGOs. More meaningful coordination is required between all of these. **Government and donors must establish comprehensive water sector planning and collaboration procedures.**

"There are often six month delays before funds moved. Too much bureaucracy is involved. With the smallpox eradication campaign, just two sides of paper were sufficient to secure approval of spending. People have to be trusted." Ministry of Health

Decentralisation

Although Government spending has nearly doubled in the last five years (Table 2), this growth is not reflected in regional spending, which has gone up by only around 50% in the same period (Figure 6).

This means that the overall share of the national budget allocated to the regions dropped from nearly 40% to just over 30%. Therefore, an increase in funds for the regions is not the result of greater decentralisation, but simply reflects general increases in public spending.

The Ethiopian financial year runs from 8 July until 7 July. Yearly plans are submitted in April and federal approval of regional budgets follow in June/mid-July, resulting in the first quarterly release of funds to regions at the end of July.

One major obstacle to decentralisation is the shortage of water sector professionals. For example, the water resources office in Hitosa woreda has one part-time staff member, when it should have 11 staff. In the Arsi zone, there are no staff as they have all been sent to woreda level[10].

Equity

There is a huge gap in water and sanitation coverage between regions. According to a Central Statistical Authority (CSA) survey, water coverage rates in Somali and Gambella are about 12.8% and 15.9%, compared to 98.4% in Addis Ababa and 54% in Dire Dawa (both urban).

Sanitation coverage is similarly variable: 5% in Amhara but 80% in Addis Ababa.

In the first half of the 1980s, rural water supply accounted for about half of the sector's capital expenditure. But in the second half of the 1980s, the spend was disproportionately low (Figure 7). Since regional states began implementing the capital budget in 1993/94, more money has been allocated for this purpose. In 1993/94 and 1995/96, for instance, 53% and 73% of regional capital expenditure (excluding Addis Ababa administration) in the sector was for rural water supply.

Spending on rural water supplies varies per region. For instance, Tigray allocates up to 88% of its water budget to rural schemes while Afar, despite its predominantly pastoral population, allocates only 24% of its budget to rural schemes.

The Government and donors need to use sector planning procedures to remove these huge inequities in access to water.

Sustainability

Functionality rates of water supplies have been reviewed for two regions – Benshangul Gumuz and Oromia. Benshangul Gumuz has a functionality rate of about 80%, while in Oromia the rate is 65%. In Oromia shallow wells seem to have the most problems (Table 3), while protected springs have lower non-functionality rates.

Functionality problems arise in part from overly-complex and expensive technologies. WaterAid is promoting and testing low-cost options such as rope pumps to make systems more replicable and to reduce maintenance costs. However as the non-functionality rate for shallow wells shows, even simpler technologies are hard to sustain where there has been insufficient emphasis on preparation for community management and training for maintenance or where spare part supply chains are not established.

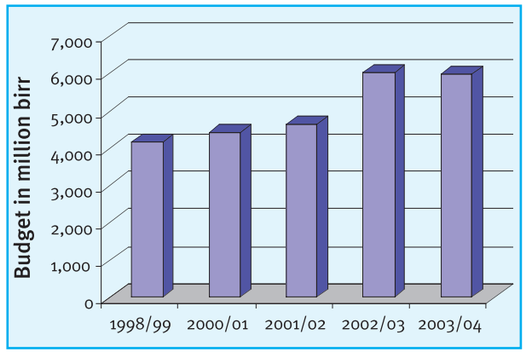
"One of the main criticisms of Japanese aid is that projects ended simply with the provision of hardware. In future, there will also be ongoing capacity-building support."

Donor representatives

Table 3: Water point non-functionality rates in Oromia region

Technology	Non-functionality (%)	Number
Protected spring	34%	2353
Protected spring with distribution pipe network	19 %	643
Deep wells	39%	721
Shallow wells	56%	1536
Hand-dug wells with handpumps	46%	1631
Pond (1)	100%	1
Roof catchments	5%	21
Others	74%	47

Figure 6: Subsidies to regions



Share of budget allocated to regions

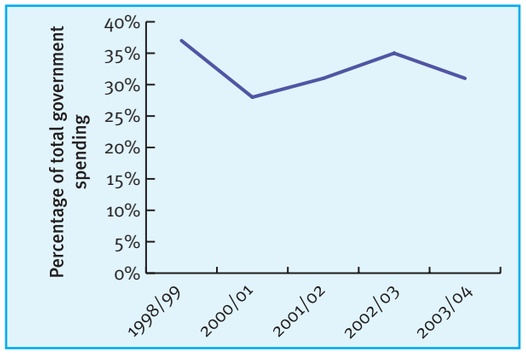
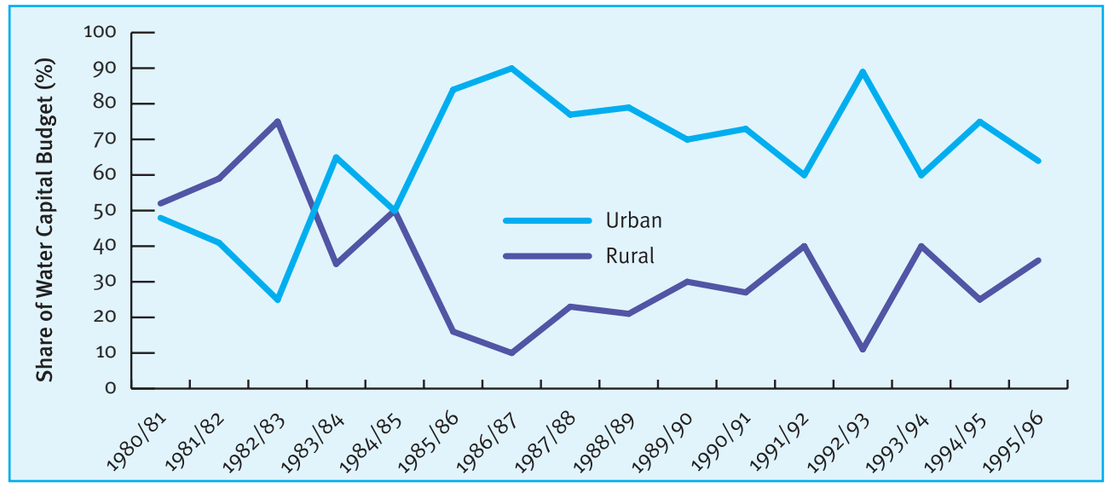


Figure 7: Rural/urban split of Government capital expenditure on water supply



Gender

In WaterAid's experience, the gender make-up of sector institutions is a good indicator of sustainability. This is because water is usually a female responsibility so women and girls have clearer vested interests in the continued functioning of water supply systems. They are therefore more likely to take care of the infrastructure and of any funds collected to maintain it. In Ethiopia there is a policy of encouraging women's participation, which aims to ensure that there are four women for every three men in the water sector. Nonetheless, major decision-making processes remain gender biased and dominated by technical perspectives. Just 7% of the 589 members of parliament are women. Only two of the 26 water ministry departmental heads are women and even at community management level the proportion of posts held by women rises to only 25%.

Growth of private sector

Private sector involvement in the water sector is limited with only a few enterprises operating drilling machines. There are no incentives for private sector involvement – for example, only public water bureaux can benefit from import tax exemptions. Tendering restrictions ensure priority is given to a government organisation, the Ethiopian Water Works Enterprise. Nonetheless, the WSDP plans to get 10% of investment for water supply and sewerage from the domestic private sector.

Financial sustainability – Hitosa gravity scheme

The Hitosa gravity-fed water supply scheme was completed in 1994 and is managed by the community. It serves 35 Peasant Associations via a network of 140km of pipe, 125 communal tapstands and 73 private connections. There are 84 employees of the Water Administration Office, overseen by an elected board of volunteers.

Annual expenditure on the scheme will soon outstrip revenue jeopardizing plans to extend the network with another 10km of pipe and five tapstands to serve two more Peasant Associations. In part this reflects the fact that over the ten years the price of water – 25 cents for 50 litres or Birr 1.50/m^3 – has not increased at all while other commodities' prices have doubled. This has the merit of ensuring that even the poorest people can afford the water. But it also ignores the fact that rural people are not always poor. Increasingly there is demand for private water connections for which as well as a connection cost there is a higher water price of Birr 1.80/m^3 (with privately-connected businesses paying still more, Birr 2.00/m^3).

The tariff structure is now under review to ensure its genuine financial sustainability in the long term ensuring funds will be available for repairs or service extensions.