



Experiences of Community-Managed Projects and Community-Based Management approaches for rural water supply

A review for WaterAid in Ethiopia

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Notwithstanding the efforts made to engage with the relevant institutions during the review, the views expressed in this report remain those of independent consultants. The lead author assumes sole responsibility for its final content.

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Acronyms and abbreviations

| | |
|--------|--|
| BOFED | (Regional) Bureau of Finance and Economic Development |
| CBM | Community-Based Management |
| CMP | Community Managed Project |
| COWASH | Community-led Accelerated WaSH |
| DfID | (UK) Department for International Development |
| MFI | Micro-Finance Institution |
| MOFED | (Federal) Ministry of Finance and Economic Development |
| MoWE | Ministry of Water and Energy |
| MUS | Multiple Use Water Services |
| RWSEP | Rural Water Supply & Environmental Programme |
| WAE | WaterAid in Ethiopia |
| WaSH | Water, Sanitation And Hygiene |
| WASHCO | Water, Sanitation and Hygiene Committee |
| WIF | WaSH Implementation Framework |

Executive Summary

Introduction

As part of its effort to inform and improve policies and approaches in the water, sanitation and hygiene (WaSH) sector, WaterAid in Ethiopia (WAE) received funding from DfID to review the experiences and potential applicability of the Community-Managed Project (CMP) and Community-Based Management (CBM) models for rural water supply.

The review concentrated only on the issue of water supply and its financing, institutional arrangements and sustainability. It is important to note that the national Water Supply, Sanitation and Hygiene Implementation Framework (WIF) addresses WaSH in an integrated manner and matters of sanitation and hygiene improvement should not be overlooked.

Main findings

For low-tech spot water points such as hand-dug wells and springs, the review found that the CMP approach has demonstrated benefits in terms of implementation speed and functionality from which the NGO sector could usefully learn. Functionality under CMP seems to be enhanced especially by the upfront cash contribution required of participating communities, together with their direct role in contract management and procurement.

The managerial demands placed on communities under the CMP approach are likely to be within the capacities of community institutions up to a certain scale, provided that appropriate backstopping and advisory support is provided, especially at Woreda level.

CMP is deemed appropriate for hand-dug wells fitted with a manual pumps and spring development with motorised pumping or gravity feed. As CMP experience is widened under the FinnWASH programme in Benishangul-Gumuz, there is an opportunity to see how far it can be extended to more complex technologies such as drilled wells and larger piped schemes. Although sustainability was clearly enhanced by the favourable conditions in many of the originally targeted locations in Amhara, it seems probable that the same principles, if applied under more challenging circumstances, can engender a greater sense of community ownership and responsibility that can only be beneficial for sustainability.

There is, however, likely to be a threshold of water system scale and complexity at which the association of WASHCOs under a Water Board umbrella is likely to be more effective. The CBM/NGO approach seems more appropriate where a scheme crosses Woreda boundaries, involves mixed rural and urban communities, includes metered public or private connections, employs permanent paid staff, is in transition between community management and a utility or private operator, or serves temporary or newly settled communities.

Operation and maintenance (O&M) is funded under both models by water user fees, in line with the National Water Policy, However the Policy is silent on the recommended financing modalities for long-term scheme replacement and rehabilitation. New credit mechanisms may have a role to play by lending money for infrastructure, multiple use water services or stock acquisition by private sector suppliers, or for insuring equipment. The government or donors could potentially act as guarantor for such innovative forms of credit.

The legalisation of community-managed water supply institutions such as WASCHOs, Water User Associations and Water Boards under both the CMP and NGO models is moving slowly, which is an impediment to their independence and accountability. Even where authorised and registered, the viability of these institutions is threatened by significant intervention from Regional and Zonal Water Bureaus, especially on tariff setting. A reduced level of state intervention would be desirable for operational independence. The WIF is meanwhile silent on whether, and how, the association of WASHCOs under any kind of umbrella institutions is recommended, and it would benefit from greater clarity in this regard.

CMP depends on a high level of material support and technical assistance, and it is unclear how far the methodology can be transferred to NGOs with limited budgets and shorter project timeframes. On the other hand, the emphasis within CMP on the capacity-building of community-level organisations should be an excellent fit with NGOs' skills and capacities.

NGO funding of community-run institutions via an MFI intermediary should not be an impediment to their adoption of the CMP model, subject to confirmation from the NGO community. When it comes to bilateral sector donors, however, it is unclear whether Ethiopian government procedures are flexible enough to allow transfer of funds to communities via a financial intermediary within a sector budget support scenario, and this could threaten the national mainstreaming of CMP.

Recommendations

- **NGOs should pilot the CMP model** in their own rural water supply programmes, experimenting with the key elements of community management, engagement of an intermediary MFI and upfront community cash contributions for O&M. A Zonal (rather than Woreda) focus would permit the provision of capacity building and technical assistance to multiple Woredas more efficiently and cost-effectively than a Woreda-based approach. Costs per beneficiary for NGOs would probably rise under CMP, but this may be an unavoidable trade-off in return for more sustainable long-term outcomes.
- Various **changes to the WIF should be discussed**. First, it is necessary to confirm that financing from BOFED to MFIs, or from NGOs to MFIs, are deemed acceptable financing channels under the WIF; second, technological or social situations should be defined under which the CMP or NGO models are recommended; and third, it should be clarified whether any form of WASHCO association is suggested or required (this review proposes that none should be specified).
- **Greater independence should be sought for community water user associations**. Regional forums should be convened to raise and discuss the matter of government intervention in community-managed water supply institutions, and to consider placing stronger limits the state's role in future Regional Proclamations. Additional direct support is also proposed for Water Boards and Zonal/Regional Water Bureaus in financial management and business planning, especially around the urgent need to review tariffs to enhance economic sustainability.
- Pilot **micro-finance schemes should be developed for the water sector**, with the possibility of loaning money for viable water projects, initially with donor backing, to demonstrate the evolving credit opportunities. Further discussions are suggested with MFIs and the National Bank to identify and address bottlenecks to water sector credit.

1. Introduction

1.1 Background to review

Ethiopia's new Water Supply, Sanitation and Hygiene Implementation Framework (WIF) prescribes an integrated approach for achieving the ambitious sector targets set out in the government's Growth and Transformation Plan¹. Under the WIF, the programming and financial inputs of all WaSH stakeholders are to be progressively harmonised and eventually channelled through a single, consolidated WaSH account.

The four Federal Ministries of Water & Energy, Health, Education and Finance & Economic Development have jointly pledged² to structure their work in accordance with the WIF from Ethiopian fiscal year 2005³, to bring about a fully integrated and harmonised "*OneWASH*" Programme. The World Bank and the UK Department for International Development (DfID) are already pooling their sector funding with that of the government under the *OneWASH* framework, in line with the WIF vision of alignment and partnership, and other major sector financiers are moving progressively from project-based financing to join them.

Meanwhile WaterAid in Ethiopia (WAE) seeks to build capacity in WaSH sector institutions and to inform and improve both policies and operational approaches. As part of this capacity-building and sector support effort, WAE has signed a 6-month agreement with DfID to implement a package of interventions intended to contribute to the effective implementation of the WIF. This package includes the following two activities:

- a) Exploring the feasibility of the Community-Managed Project (CMP) approach for financing rural water supply, operation and maintenance; and
- b) Supporting the institutionalisation and scaling up of Community-Based Management (CBM) approaches.

By researching and disseminating information on the experiences and potential applicability of both the CMP and CBM models for rural water supply, WaterAid hopes to inform best practice and to maximise the effectiveness and sustainability of investments by the major sector players working within the WIF.

¹ 98.5% water supply and 84% improved sanitation coverage by the end of 2015.

² Under an updated Memorandum of Understanding signed in November 2012.

³ Beginning July 2012.

1.2 Overview of CMP and CBM approaches

1.2.1 Community-Managed Project approach

The CMP approach⁴ was developed in Amhara Region from 2003 onwards by the Finland-funded Rural Water Supply & Environmental Programme (RWSEP) and adopted by its successor, the Community-led Accelerated WaSH (COWASH) programme. It is a methodology for establishing rural water supplies that has the following distinguishing features⁵:

- a) *Life-cycle community management*: Community-run water and sanitation committees (WASHCOs) are given significant responsibility for the process of developing new water points, from the planning and design stage to financial management, procurement of goods and services, construction, operation and maintenance.
- b) *Funds transfer via micro-finance institutions*: Funds for scheme construction are transferred from the donor to the regional Bureau of Finance and Economic Development (BOFED), and from there to the WASHCO through a micro-finance institution (MFI).
- c) *Community upfront cash contribution*: Communities are required to make an up-front cash contribution equivalent to one year's operation and maintenance (O&M) cost for the technology in question, in addition to sharing implementation costs through in-kind contributions of labour and materials.

The CMP approach has been favourably rated for pace of implementation, system functionality levels and budget utilisation rates⁶. It has become one of the four modalities for financing and managing rural water supply projects endorsed under the WIF - together with Woreda-managed projects, NGO-managed projects and self-supply.

COWASH is currently engaged in a three year (2011-14) programme of technical support based in the Ministry of Water and Energy (MoWE) to create the enabling environment for scale-up of CMP and to build capacity at federal and regional levels for CMP implementation. Meanwhile direct investment using the CMP approach is being expanded with further Finnish support to five Woredas in Metekel Zone of Benishangul-Gumuz Region under the FinnWASH-BG programme, which runs from 2009 to 2013 (with probable extension to 2015). UNICEF in Amhara and Benishangul-Gumuz has also adopted aspects of the CMP approach and has been partnering closely with COWASH and FinnWASH in both regions since 2012.

Building on CMP's apparent promise and explicit recognition by sector actors, it was deemed useful by WAE and DfID to explore the opportunities for further scaling up the model, or principles derived from it. Given that the approach was developed in Amhara for low technology spot water points, either hand-dug wells fitted with hand pumps or water points at springs, a central question was how and whether it could fund a **broader range of**

⁴ Known formerly as the Community Development Fund (CDF).

⁵ CMP has additional features, but these three are particularly distinctive compared with other approaches.

⁶ WSP-Africa (2010). *Mainstreaming the Community Development Fund financing mechanism*.

technologies in parts of Ethiopia that face more demanding hydro-geological and socio-economic conditions. It would also be useful to establish what could be **learned and scaled-up** from the unique elements of CMP. In addition, it would be helpful to identify the **limitations** of the CMP approach.

1.2.2 Community-based Management approach

The many NGOs working in the Ethiopian WaSH sector have generally adopted a different approach to rural water supply known broadly as Community-based Management (CBM). Though not defined in detail, this model is given equal recognition under the WIF as an approved mechanism for financing and delivering rural water supply.

The main differences between CMP and the CBM approach (which is in fact better described as the “NGO approach”) are that:

- a) While the community is expected to form a WASHCO at the outset under CMP, and is closely involved in system design and construction, the NGO approach uses a steering committee for project management made up of community members and Woreda (or Regional) government staff, with close NGO oversight. Communities are assisted to form WASHCOs at project completion (and a Water Board in more complex systems), at which point the infrastructure is “handed over”.
- b) While funds pass through BOFED and an MFI intermediary under the CMP approach, funds under the NGO approach are disbursed directly by the NGO (or via a partner NGO in WAE’s case) to suppliers of goods and services. The NGO directly manages the contracts and pays the service providers.
- c) Upfront cash contributions are not required under the NGO model, although communities *are* expected to contribute in-kind to a minimum level of 15% once work gets underway (as they are also under CMP).

Given that functionality rates of even the simplest water systems in Ethiopia are unacceptably low - 35% of hand pumps are not working for example⁷ - sector partners are continually exploring new ways of working and of learning from each other. There are clearly advantages and limitations of both the CMP and NGO approaches that can inform the wider sector and the next iteration of the WIF.

1.3 Review objectives

Under its partnership agreement with DfID, WAE commissioned a review of the CMP and CBM experiences with the following objectives:

- a) to explore the CMP and CBM experiences, especially the mechanisms through which they can work with CSOs of **limited capacity and strength**;
- b) to assess how the approaches address **operation and maintenance** under different technology options;

⁷ Rural Water Supply Network (2010). *Myths of the rural water supply sector*. Perspectives series no. 4. St. Gallen, Switzerland.

- c) to draw lessons on the **sustainability** of both approaches at Kebele and scheme level, in line with the concept of the WIF;
- d) to identify the **challenges and opportunities** for both models, in line with the WaSHCO legalisation; and
- e) to propose suitable community management models that may apply under **different technology or community settings**, and are consistent with the concepts of the WIF.

The abridged Terms of Reference for the review are in Annex A.

It should be noted that the review was not expected to look at implications of the two approaches for sanitation and hygiene improvement, though under the WIF it is made quite clear that the three elements of WaSH are to be integrated at all times.

1.4 Review methodology

Two consultants were recruited to conduct the review over a ten day period in February 2013. They consulted available literature and experiences in promoting the CMP approach in Ethiopia, drawing particularly on material from the CMP website⁸. They interviewed staff of WAE, DfID, the National WaSH Coordination Office, COWASH (in Addis and Bahir Dar) and FinnWASH-BG (in Gilgel-Beles, Metekel Zone). They also visited:

- examples of the NGO approach in Oromia (multi-village gravity fed schemes run by community Water Boards at Hetosa and Gonde-Iteya in Arsi Zone, both initially supported by WAE);
- examples of the CMP approach supported by COWASH in Yilmana Densa Woreda, Amhara Region; and
- CMP examples supported by FinnWASH-BG in Mandura Woreda, Benishangul-Gumuz Region.

The review itinerary is in Annex B and a list of the people met is in Annex C.

This report presents findings in chapter 2 against each of the five review objectives and offers selected recommendations in chapter 3.

⁸ www.cmpethiopia.org

2. Findings

2.1 Experiences of CMP and CBM

2.1.1 Differences in approach

Ethiopia's Water Sector Policy (2001) specifies that communities should take responsibility for the management of water supplies in rural areas, through the mechanism of WASHCOs at each water point. Both the CMP and CBM approaches therefore rely heavily on WASHCOs, but engage with them in slightly different ways.

A key difference is the level of responsibility given to the WASHCOs for management during the design and construction phase. Under CMP, the communities themselves are expected to create a WASHCO, apply to the Woreda WaSH Team (WWT) for support and – if selected – contribute a meaningful amount of money upfront. This is nominally equivalent to one year's O&M costs for the system to be installed, which at present is ETB 1,000⁹ for a hand-dug well or public distribution point (DP) within a piped scheme and ETB 1,500 for a protected spring. For a scheme comprising five DPs under separate WASHCOs a contribution of ETB 5,000 would be required. The money must be deposited in a savings account with an MFI, either Amhara Credit & Saving Institution (ACSI) (under COWASH) or Benishangul-Gumuz Credit & Savings Institute (BCSI) (under FinnWASH-BG). These MFIs have comprehensive representation down to at least Woreda level, unlike many commercial banks.

Clearly this system demands a certain level of advance planning and commitment on the part of the community. They must organise themselves, open the MFI account and collect funds from fellow residents. From the outset the approach has an inbuilt mechanism that engenders participation. Given also that the MFI account cannot be opened without the approval of the WWT, the Woreda government is automatically aware of every new water system being planned and becomes the rightful custodian of information concerning new water supplies under its jurisdiction.

Under the NGO approach, the community and Woreda are still consulted extensively and community leaders are brought together with technical experts from the government and implementing NGO to ensure that the proposed system is appropriately designed and sited. There is also usually no material commitment required of the community in advance. Only when the time comes for construction are residents requested to contribute labour, materials and/or finance, up to a minimum value of 15% as specified in the WIF. The community is likely to be represented during design and implementation through a project Steering Committee, but chairmanship remains with the Woreda Water Office. The funding agreement is between the NGO and the Woreda administration, not between the NGO and the community.

⁹ USD 1 = ETB 18.5 (March 2013).

Construction work under the NGO approach is usually carried out by contractors who report to the NGO, and who are paid by the NGO upon completion. Although communities may provide materials such as stones and sand, they are unlikely to have significant involvement in actual installation work. Meanwhile under CMP the contracts are drawn up between the WASHCOs and the service providers, using funds deposited by the donor (via BOFED) into a specific investment account with the MFI at Woreda level. It is common for members of the community, who have directly contracted the service provider, to voluntarily assist in transport, well digging, pipe laying or the construction of headworks well above the required 15% level. Under FinnWASH-BG, for example, there are 16 shallow well¹⁰ sites (out of 44 planned for 2013) which cannot be reached by the drilling rig due to rough terrain, and where the communities themselves are in the process of constructing temporary access roads. This demonstrates the type of commitment required of them right from the start. The concept of “hand over” therefore does not exist under CMP, whereas in the NGO approach this is a defined step in the implementation process once the physical works have been completed.

2.1.2 Benefits and risks

Clearly the CMP approach builds in community commitment from the outset by requiring WASHCO creation, application for support and fund-raising. This engenders a sense of ownership of the process at an early stage. Under the NGO approach there is a greater risk that the investment may be seen as pre-planned and inevitable, whether or not a community demonstrates interest or engagement.

The central role of the Woreda government under CMP is also beneficial, as the Woreda Administrator and the head of the Water Office must approve each WASHCO’s project application and also authorise any capital expenditures from the WASHCOs’ MFI accounts. They are therefore kept informed as an integral part of the process. NGOs meanwhile keep government apprised of their support to differing degrees, some engaging closely and others operating largely independently. They are required to sign a generic agreement with each Woreda where they work, but there is no requirement for their budgets and plans to be made publically available. There are instances where Woreda authorities have little information on those budgets and plans and have even gone as far as rejecting infrastructure upon “hand over”. The WIF now specifies that “*CSOs are expected to report on their activities both in terms of physical and financial activities*”, though acknowledges that “*their finances remain separate from that of other WaSH actors and will continue to flow exclusively through their financial management systems.*”

A key concern of NGOs regarding the CMP approach is the perceived risk that communities have insufficient capacity to manage water projects and associated investment funds. There is a fear that they lack the required technical knowledge, organisational skills and basic trustworthiness to handle the level of responsibility and funds required to manage a water supply project (or indeed the related sanitation and hygiene interventions). The positive experience from Amhara is not necessarily seen as transferable to areas with greater ethnic

¹⁰ The usual meaning of the terminology in Ethiopia is hand-dug well to 30 m, shallow well to 50 m and deep well beyond this. Shallow wells may be fitted either with hand pumps (e.g. Afri-dev or Mk II) or mechanised pumps.

diversity, lower levels of wealth and education, a shorter history of settlement or more limited community cohesion. The FinnWASH-BG programme is a crucial testing ground in this regard, although it is still too early to draw firm conclusions on the validity of these concerns.

In the absence of a CMP-supported water system in Benishangul-Gumuz that is more than two years old, the only evidence so far of community capacity to manage more complex projects is unavoidably provisional and circumstantial. It is nevertheless important to bear in mind that the WASHCOs are not alone in the implementation process. Under CMP they work closely with the Woreda Water Office (WVO) at a number of key stages:

- it is through the Woreda that they must apply for assistance (not to an NGO);
- technical assistance is provided throughout by the WVO and, in more complex situations, by the Zonal or Regional Water Resources Bureau;
- it is the WVO that tenders for the bulk purchase of materials or services required by the WASHCOs, such as cement, pumps or drilling services, which the individual WASHCOs then pay for;
- WASHCOs may not use funds from either their O&M savings account or their operations account without the approval of the WVO, which gives financial transparency (and ensures that the WVO is fully informed of the status of all water systems); and
- close support is provided by the technical team of FinnWASH-BG or COWASH.

This package of support and monitoring significantly reduces the burden placed upon the community itself for project oversight, financial management and technical know-how, at least in the initial stages of the intervention.

A CMP evaluation by WSP-Africa (2010) considered the issue of limited community capacity and the accountability risks that this might bring. It concluded that *“very effective controls have been put into place [under CMP in Amhara] that ensure satisfactory technical standards, adequate cost control and discourage opportunist or fraudulent practices”*. The specific controls identified were:

- the community account is opened and authorised by the Woreda Community Development Fund Board;
- disbursements are small (three or four instalments of less than USD 1,000);
- each withdrawal is authorised by the Woreda Water Office;
- most payments are effected immediately after withdrawal from the bank;
- instalments require the community to show how funds have been used to date;
- the unit price for most materials in the specific locality is known by Woreda officials;
- the quantity to be procured is estimated by a technical person and is standardised; and
- items are procured by the WASHCO, not by individuals.

A contributing factor in capacity-building of community institutions was said (in the WSP evaluation) to be the transfer of funds to the communities, as this places a direct responsibility on them for planning and implementing their water supply. *“In this way, technical skills and collective decision-making are tested and enhanced, and the community*

as a whole is better prepared for future maintenance tasks. They become familiar with management of funds, already have a working bank account, and are in close contact with local artisans that can help in more complicated maintenance tasks. In some cases the artisans train the communities in routine tasks and even in well digging. This factor contributes to the relatively high functionality rates.”

This review therefore concludes that the managerial demands placed on communities under the CMP approach are likely to be within their capacities up to a certain scale, provided that appropriate backstopping and advisory support is provided by Water Office staff at several levels, and especially the Woreda.

A key question is how to ensure this support can be provided consistently in situations that do not benefit from bilateral donor assistance. A second question is at what scale the demands on the community may become excessive and just how far can the CMP approach be applied? These questions are addressed in the sections that follow.

2.1.3 Limitations

Defining the optimal scenarios and operational limitations of the CMP and NGO approaches has not yet been attempted in the WIF, but would be a useful step in the next redrafting. Four mechanisms are currently approved for the financing and management of rural water supply, but no guidance is given on those considered most appropriate for different types of systems under different technical or social conditions.

Setting the limits for each model depends in part on communities' capacity to manage more technologically complex installations such as drilled wells. A recent report on corruption in the rural water sector¹¹ concluded that “*community oversight of drilling is unrealistic; this should remain a government responsibility*”. This is no doubt true, which is why procedures are already in place under CMP for monitoring technical standards through on-site supervision of contractors by Regional or Zonal hydro-geologists. However, there seems no reason why the *contracting and financial aspects* of more complex operations such as drilling cannot be community-led, with government water staff or an external project team providing a higher level of technical supervision in these instances than they would for a hand-dug well.

FinnWASH-BG is gaining experience of more complex technologies under CMP through its support (in 2013) to the machine-drilling of 26 shallow wells (of 40-50 m depth) in Metekel Zone by a private contractor. Tendering and awarding of an umbrella contract was managed by the Zonal Water Office (rather than the Woreda, given the need for superior technical capacity), while contracting is via each WASHCO and payment will come from the individual WASHCO accounts. Therefore the community is not being asked to oversee the technical aspects of the work. This responsibility is delegated to the Zonal and Woreda Water Offices.

¹¹ Calow, R., MacDonald, A. & Cross, P. (2012). *Rural water supply corruption in Ethiopia*. Ch. 4 in: Plummer, J. (2012). *Diagnosing corruption in Ethiopia: Perceptions, realities, and the way forward for key sectors*. World Bank. Washington, DC.

But the community *does* retain payment authority and experience suggests that this motivates them to work closely with the drillers on site to help them achieve their objectives.

(It is worth noting that the UNICEF approach to drilling in B-G and Amhara is not the same as this, despite being labelled “CMP”. The WASHCOs under UNICEF’s model “delegate” the Woreda Water Office to manage the drilling process and they in turn delegate the Regional Water Resources Bureau. UNICEF has donated drilling rigs to the Regional Bureau and the Bureau contracts the government’s regional drilling agency to carry out the works. Payment is made directly from UNICEF to the Regional Water Bureau. There is no MFI involvement and the community has no financial or contractual relationship with the drilling agency.)

While there may be concerns over communities’ capacity to oversee the installation of more complex water systems, it is far from clear that technical quality is significantly better if an international NGO retains responsibility for management. WAE’s 2009 country programme evaluation, for example, noted various examples of poor infrastructure design and sub-standard quality on water systems, hand washing facilities and institutional latrines on contracts under WAE’s own control. Therefore poor quality is unlikely to be the sole preserve of community-managed projects, and low implementation standards are a risk faced by all implementing agencies if supervision of contractors is inadequate.

It seems apparent from the limited experiences so far of FinnWASH-BG that communities are capable of managing quite complex technologies, but not necessarily projects that are both complex *and* large in scale. Technical complexity alone is unlikely to be a limiting factor, because the design and financing principles that apply to a deep well fitted with a mechanised pump are fundamentally no different from those applicable to a hand-dug well with a hand-pump. The way in which funds are managed is identical, and although a higher degree of technical support is required for the more complex example, the mechanism for providing this support is not significantly different. Even if multiple DPs are connected within a single scheme it still seems feasible for a WASHCO umbrella organisation to take a management role up to a certain point, provided the community is cohesive and the system not too extensive.

The upper threshold for the CMP approach seems likely to be reached in projects of complexity *and* large size. For larger and more complex situations it is typical to bring WASHCOs together under an umbrella institution. WAE developed the Water Board model for this purpose and it has proven particularly successful for the management of multi-village gravity schemes in Oromia and Amhara, some of which now serve over 100,000 people. FinnWASH-BG has also brought WASHCOs together for small piped schemes under the grouping of a “Water User Association”, but at a far smaller scale for simple schemes serving a handful of settlements within one part of the same Woreda.

It seems clear that for low-tech spot water points such as hand-dug wells and springs, the CMP approach has clear merits in comparison with the NGO model and has demonstrated benefits from which the NGO sector could usefully learn. The success of CMP in these situations has helped to dispel the myth that communities cannot manage funds for development processes and in some ways it seems surprising that elements of the methodology have not already been more widely adopted in the CSO sector, given that this

positive conclusion was reached by the independent WSP-Africa evaluation over two years ago.

There appears to be no overwhelming reason why NGOs should not trial the CMP approach for systems ranging in complexity from hand-dug wells and protected springs to shallow drilled wells, multi-DP piped schemes and systems with mechanical pumping, and in doing so give more responsibility to the communities they serve for installation or rehabilitation. With such low functionality levels resulting from traditional approaches, there is much to be gained from exploring alternative methodologies and little to be risked.

As practical experience is widened through FinnWASH-BG, there is now also an opportunity to see how far the CMP principles can be applied to larger and more complex systems. Although firm conclusions cannot be drawn because these experiences are still young, fears over technical shortcomings or financial irregularities under community management seem over-stated. The indications are promising that the CMP approach may add value across a wider range of scheme-types, for which community-run institutions can be given significant managerial responsibility. There is, however, likely to be a threshold of scale and complexity at which the approach is rendered less useful, and where the CBM methodology seems more advantageous. A provisional attempt is made below to define this threshold.

2.2 Operation and maintenance

2.2.1 Different approaches

The CMP approach to O&M requires the opening by each WASHCO of an MFI savings account, into which one year's O&M funds are initially deposited. Once the water system is up and running a flat-rate contribution is requested from water users to further support O&M, typically ETB 1 or 2 per household (HH) per month. These funds should be deposited in the same account to pay for spare parts and the salaries of any guards or tap attendants.

The O&M model under the NGO approach is in principle quite similar, though varies depending on the complexity of the water system. For spot points such as hand-dug wells, a regular flat-rate cash contribution is sought from HHs as it is under CMP. However, rather than being deposited into an MFI account, this money is usually kept by the WASHCO cashier. In more complex systems with multiple DPs, a bank account will be opened by the umbrella organisation (usually a Water Board) for the deposit of user water payments.

The two models are not conceptually very different: users under both systems are expected to pay for water at a level sufficient to cover O&M costs, in line with the Water Sector Policy and Strategy (2001). The main difference is that CMP requires the advance opening of an O&M account which is pre-capitalised with money sufficient for one year's estimated O&M costs for the system in question, whereas communities under the NGO approach usually only start to pay once the water is flowing and even then are frequently given a free stock of spare parts to "kick off" the operation (which arguably extends dependency). The CMP approach is also supposed to ensure that no cash funds are kept within the community but are deposited for safe-keeping in the MFI account.

Under both approaches a strong effort is made by the project proponents to provide training and support to the WASHCOs, Water User Association (WUA) or Water Board in technical

matters, tariff setting and financial management, to build their capacity and maximise the prospects for sustainability.

2.2.2 O&M for simple systems

Ensuring the sustained collection of water payments from users of on-source water points has proven challenging in Ethiopia under both the CMP and NGO approaches. In the WAE-supported Menge project in Benishangul-Gumuz, for example, the monthly contributions from users of hand-dug wells declined from almost 100% after commissioning in 2007 to less than 50% at the time of an evaluation in 2009, and were continuing to fall each month. Funds were being held locally and not banked, and with spare parts still available from a stock handed over at inauguration by the NGO, the system of WASHCO procurement had not been tested. The evaluators' prognosis was not encouraging and it was suggested that new approaches to O&M should be explored, including those based on the CMP model. The current study results in part from this suggestion.

In projects supported by FinnWASH-BG there is more encouraging evidence of payments into O&M accounts from newly commissioned systems, together with the use of those O&M funds for their intended purpose, although it is too early to judge whether these will be sustained. In the Dafili piped gravity scheme in Mandura Woreda, for example, the WUA collected ETB 5,000 in 2011 to capitalise the O&M fund and during 2012 collected a further ETB 1,995 from water users. ETB 2,000 was subsequently withdrawn to pay for replacement taps, gate valves and shower fittings. This is an encouraging example of O&M in practice, and it was especially positive to see a withdrawal being made from the O&M account and parts being replaced.

However, the ETB 1,995 raised in 2012 was only 53% of the target, which had been agreed (ETB 12 per year for each of the scheme's 311 HHs). It was also banked very late (in February 2013). Revenue collection has therefore already slipped by 6 months and is at barely half of the level foreseen. Water users have also claimed that payment of an annual levy is too onerous and the WUA is now moving to a monthly payment arrangement, under which the five WASHCO cashiers and the WUA treasurer will have to collect and account for cash throughout the year. This is likely to be cumbersome and will not necessarily reduce default rates. The Dafili scheme is also less than two years old and staff of FinnWASH, the Woreda Support Group and the Woreda Water Office (all benefitting from Finnish funding) remain closely involved in its operations. The WUA is not yet operating with real independence so no firm conclusion about long-term O&M can be drawn, even if some of the early signs are positive.

In Amhara Region, CMP has demonstrated the potential for water payments to be sustained for many years under certain conditions. For example, the spring-fed water point at Abola in Yilmana Densa Woreda is now seven years old and is being maintained in immaculate condition by the local WASHCO, which has made repairs on four separate occasions using funds from the O&M account and still maintains a healthy cash balance. The kick-starting of O&M with the opening of an MFI account for that purpose is likely to have been a key enabling factor. It is nevertheless important to recognise other contributing factors, such as the sustained and wide-ranging support of COWASH (and previously RWSEP) to WASHCOs and the Woreda WaSH Team, the relative wealth of the area, higher than average educational levels, a single dominant ethnic group and religion, a long history of settlement and community cohesion, the manageable level of demand on the source, and the proximity to the Woreda headquarters (3 km) and the regional capital (45 km) for spares and support.



Effective catchment protection at the Abola spring

It has been said that CMP delivers more sustainable outcomes in part because of these site-specific conditions that apply to many of the RWSEP/COWASH-supported locations in Amhara. But it nevertheless seems evident that the same *principles*, if applied elsewhere under more challenging circumstances, can assist in engendering a greater sense of community ownership and responsibility that can only benefit sustainability. Therefore although the Benishangul-Gumuz projects are too young to draw definitive conclusions, it seems highly likely that the CMP model will result in better O&M outcomes than for similar systems installed in the same areas under the NGO model or with direct Woreda financing.

Therefore the review tentatively concludes that CMP provides greater chances of operational sustainability, not only for spot water points such as protected springs and hand-dug wells, but also for schemes of moderate complexity such as drilled wells and multiple gravity-fed DPs. However, this conclusion is based on a limited sample of early evidence that needs to be reviewed and revisited in the coming years.

2.2.3 O&M for complex schemes

Although FinnWASH-BG is actively exploring the applicability of the CMP model for increasingly complex water systems, its viability for multi-village piped schemes is far from clear. The previous section discussed defining a tentative threshold for the application of the CMP approach. The example of the Abatachin scheme in Mandura Woreda may give some indications of where that threshold could lie.

The Abatachin system was set up around 2002 with the support of the NGO Malteser International and is run by an urban Water Board headquartered in Gilgel-Beles, the Zonal headquarters. It is based on a spring and pumping system feeding a reservoir from where (by gravity) it serves the settlements of Genete Mariam and Gilgel-Beles, 14 km away.

FinnWASH-BG is supporting the upgrading of the source, pumping, piping and storage system, and funding the addition of seven new DPs in Genete Mariam and the village of Kutir 2, halfway down the main feeder pipe.

This is a large scheme with 12 existing DPs and many private, metered connections. It is essentially an urban water supply run on commercial principles. However, an attempt has been made to append the CMP approach by asking residents around each of the proposed new DP sites to form a WASHCO and contribute ETB 1,000 for an O&M fund, and then to register an umbrella Water User Association that will manage the O&M account at an MFI. This WUA model, which is the same structure that would be applied for a new rural scheme, seems inappropriate in the Abatachin case. A Water Board already exists with a clear mandate to manage the whole of the scheme. The creation of a new institution to manage only a sub-set of new customers using their own O&M fund seems inappropriate, particularly when some of them live in Genete Mariam and others in Kutir 2 and will not realistically be able to work together to operate and maintain each other's system components. The CMP blueprint was simply not appropriate in this case. It would have been preferable for the WASHCOs' cash contributions to have been paid directly to the Water Board, and there was no need to form a WUA.

This type of complex scheme may define the limit of CMP's value. In multi-village schemes with high-cost capital infrastructure and metered public and private connections, it can be argued that broad community participation is no longer appropriate. A scheme such as Abatachin, which will feed over 7,000 people once upgraded, demands sound commercial oversight and a high level of in-house technical competence to maintain the system hardware and guarantee the significant cash flows required to maintain high-cost components. Members of the community may still be elected to manage such schemes, but there seems less value in maintaining a community-run O&M account for each WASHCO, or in seeking broad community participation in contract management or construction work.

It is not easy to define a specific limit of scale or complexity for CMP as the approach has not been tried in more than a handful of large schemes (and even then only very recently under FinnWASH-BG). But factors likely to define the limit of CMP's current value are likely to include schemes that:

- cross Woreda boundaries;
- involve mixed rural and urban communities;
- include metered public or private connections;
- employ permanent paid staff;
- are in transition between community management and utility or private operator; or
- are in non-cohesive communities (temporary or newly settled).

When one of these conditions is met, a threshold seems to be crossed where the supply of water becomes a purely commercial transaction and a service that needs to be paid for, rather than a community service, and the participatory methodologies and particular mechanisms of CMP no longer seem as relevant or useful as the Water Board approach.

This is where the NGO model comes into its own. It can be argued that more complex water systems with extensive infrastructure that feed multiple villages or small towns do not require the participatory engagement of users in operation and maintenance. Such schemes are sufficiently large that they must be run on purely commercial principles, for which a Water Board becomes an ideal model. A Board can hire a paid management team to handle the day to day operation of the system, including revenue collection and maintenance. This is the model widely adopted by WAE for multi-village gravity-fed schemes.

2.2.4 WASHCO legalisation

WAE has worked with Plan International and Intermón Oxfam to promote Regional legislation that legitimises the various forms of community-based water management institution. Such legislation has been passed in Benishangul-Gumuz and Oromia, and drafted in Amhara, SNNPR¹² and Tigray. Under the WIF, “*all Regions and Woredas are urged to press for and facilitate the legalisation of WASHCOs*”.

WASHCOs and community-run Water Boards, once constituted in regional law as self-governing institutions, are expected to offer greatly improved prospects for water system sustainability as they can develop and implement their own commercial strategies, in principle operating more independently from Regional Water Bureaus and Woreda Water Offices. In practice this independence is not always easy to attain, as the following case studies of two Water Board-managed schemes in Oromia illustrate.



Mixed water use for people and livestock, Badosa, Gonde-Itaya

¹² Southern Nations, Nationalities and Peoples Regional State.

The **Hetosa** spring-fed gravity scheme is one of Ethiopia's largest and best-known community-managed water supplies, set up with financial and technical assistance from WAE. It has been expanded in four phases since inauguration in 1996 to cover Iteya town and 48 villages in four Woredas in Arsi and East Showa Zones, with a total pipe length of 236 km (up from 142 km initially), 168 public tap-stands (up from 122) and around 5,000 private, metered connections. The population served has risen from 43,500 to almost 138,000, against a 15 year design limit of 72,000. The Water Board employs an Administration Office with nearly 20 staff and 84 paid tap-stand attendants. Revenue is derived from sales of water at a rate of ETB 3 per unit at the DPs and ETB 3.25 for private connections (up to 5 units per month).

Basic maintenance is carried out by technicians of the Administration Office, but they have a limited budget so broken taps and meters on distribution points are not being consistently replaced. Yet private connections are being added at a rate of around 500 per year at a tariff barely higher than that for public tap-stands (in fact lower in practice due to the rounding-up of jerry can charges to the nearest unit by tap-stand attendants). Water demand from the new private connections and public DPs well in excess of original planning levels has placed the system under severe strain. Most of the public taps below Iteya town now run dry by mid-morning. HHs with private connections can draw water at night to fill containers for their own use and to sell to private vendors. The vendors retail back to the public at more than three times the tap-stand rate. The previously public water scheme is thus evolving into an increasingly privatised supply, with those who have private connections benefitting from the most reliable supply and those lacking household connections (who are generally poorer) suffering the consequences in terms of access and pricing.

The **Gonde-Iteya** spring-fed gravity scheme is located adjacent to Hetosa and was inaugurated in 2000. It also serves four woredas and applies the same water tariffs. The number of public tap-stands has been increased from 90 to 106 since the scheme was opened and 1,022 private connections have been added. The total length of distribution pipes has risen from 112 km to just over 202 km thanks to donor-funded extensions, and the system now serves an estimated 100,000 people (against a design limit of 65,248). Annual income from water sales, connection charges and meter rental is around ETB 650,000 (USD 35,000) and supports the salaries of 18 office staff and 71 tap attendants, in addition to routine O&M costs. There are no surplus funds for hardware replacement, however, so the Board has been relying for new connections on government or donor funding, a stock of spares left at project handover and a one-off compensatory payment of ETB 800,000 by a Chinese road company for accidental damage done to a feeder pipe.

The scheme managers face similar challenges to Hetosa, with demand well in excess of design capacity. The lower 13 km of the scheme is now without water during the dry season and the middle sections are only partially served. The use of public tap-stands to water livestock has placed significant unforeseen strain on the system, compounded by what the management believe has been almost a 50% drop in the yield of the two springs that feed the system. Yet – as at Hetosa - new connections continue to be added and the tariff has not been raised since 2010.

Both of these schemes are, in theory run by independent, community-owned institutions, in line with Oromia's WASHCO Proclamation. This should give them the independence to operate as self-contained entities fully responsible for their own business decisions such as system extensions and tariff setting. Having been given grant support for initial capital investment, they should be able to replace assets and sustain services without any additional financial support, according to a recent study on multi-village systems¹³.

In reality, however, the Regional and Zonal Water Bureaus maintain a close supervisory role and there is significant pressure on the Boards to adhere to their recommendations. For

¹³ Defere, E. and Getachew, A. (2010). *Documentation of Proven Management Models for Multi Village Water Schemes in Ethiopia*.

example, the Regional Bureau of Oromia has many times written to each Board requesting system extensions and the addition of more private connections, even though it is quite clear that the water resources in both cases are inadequate and the systems are already stretched to well above their design capacity. The Boards have nevertheless complied. The one-time payments received for new HH connections disguise the fact that the schemes are effectively insolvent, as the money coming in from water sales is not sufficient to cover recurrent operational costs plus maintenance. The continual addition of new connections, each at a fee of ETB 1,000-2,000, creates the misleading impression that there is a reliable income stream, while in fact building up a problem of water demand and maintenance that is going to become increasingly serious.

A strong and independent Water Board would not add further extensions, would consolidate the system as it currently exists and would review its tariff structure (particularly the relatively low rates levied on private connections)¹⁴.

However, the problem here does not appear to be the NGO model per se. There seems to be no systemic problem with the principle of a community-run Water Board. WAE invested heavily in building the capacity of these (and other) Water Boards in commercial, technical and managerial matters.

Both are functioning democratically and operating largely transparently as they were expected to. WAE and partners also worked with the government to introduce the legislation that permitted their registration and independent operation.

The problem appears to be that in reality they are unable to function as the independent enterprises that the legislation envisaged. The legacy of decades of direct state control of water supply is not easily shaken off. The schemes are subject to significant political pressure that is threatening their viability. This is of serious concern and needs to be addressed, although it is more a reflection of historical sector legacies than an indicator of particular shortcomings of the NGO model.

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Water bill from Hetosa wrongly suggesting that the Water Board is a department of the BQB Oromiyaa – the Oromia Water Resources Bureau

¹⁴ At public taps the effective water charge is ETB 3.75/unit due to jerry can rounding. Meanwhile the tariff for metered connections is ETB 3.25/unit for 0-5 units/month. Tap owners sell this water on to vendors at ETB 6.25/unit and they retail it at ETB 12.5. These figures are conversions from the standard unit of sale, which is 2 x 20 l jerry cans, costing ETB 0.15 at a tap-stand and ETB 0.50 from a vendor.

2.3 Lessons on sustainability

2.3.1 Introduction

Sustainability is intertwined with the issue of operation and maintenance; a well operated and maintained system is synonymous with sustainability. The previous section considered the relative merits of the CMP vs. CBM approach for O&M and concluded that CMP is likely to offer sustainability advantages for all types of spot WPs in rural areas (hand-dug wells, springs, shallow wells and deep wells), as well as for simple, gravity piped schemes serving rural communities. In more complex systems - involving multiple villages, cross-Woreda systems, metered public DPs, private connections or permanent salaried staff, transition to utility or private operator management or temporary or newly settled communities - a combination of scale and complexity in management and operation point towards the value of a more independent, commercial approach such as a Water Board, for which CMP offers a level of community participation that is unnecessary in what must essentially be independent, commercially-focussed institutions.

These discussions focussed on sustainability within a water scheme's design lifetime, for which the National Water Policy is clear that in rural areas user fees should cover O&M. The Policy is meanwhile silent on who pays for major replacement and rehabilitation. Clearly it is not sufficient to establish only a mechanism for replacing minor elements of broken hardware and paying tap attendants, while relying upon further injections of external finance every 15 to 20 years to pay for major new capital items. In older water schemes (such as Hetosa and Gonde-Iteya) that have exceeded both their design lifetime and their design capacity, these are now becoming important issues. While such schemes remain an impressive example of what can be done under a community-managed supply model, they now face serious questions on who will pay the major costs of infrastructure replacement that are looming. This is an area where new forms of financing may have a role to play, and where the micro-finance sector in particular has an opportunity to introduce new products that could facilitate installation, extension or replacement of many types of water scheme infrastructure.

2.3.2 New models of financing

So far both the CMP and NGO models for water supply rely on a combination of grant financing and community contributions of cash, labour and materials. Neither model currently makes any use of commercial credit. There may be opportunities to explore new financing modalities that extend credit to community-managed institutions to cater for major system replacement, thereby avoiding a perpetual cycle of dependence on external financing to sustain water supplies over the long-term.

The micro-finance sector potentially has a key role to play. Under the CMP approach, the participating MFIs have so far been taking no risks with their portfolio of WASHCO accounts. In fact they levy an administrative charge of between 3 to 7% on the investment funds they handle and offer a relatively low rate of interest on funds deposited in WASHCO O&M accounts. They do not presently lend money for water supplies.

There is potential for this to change. In those areas of the country where CMP has been operating for many years, essentially in Amhara, a strong relationship of trust has built up between some WASHCOs and the regional MFI. ACSI is managing accounts that have seen

regular inflows of money and judicious withdrawals to meet O&M needs over nearly a decade. The three-way partnership with Woreda Water Offices provides further comfort to ACSI that WASHCO finances are being monitored. As early water systems age and deteriorate, with pumps reaching their design lifetime, it does not seem unreasonable that ACSI or another MFI might agree to **lend money to replace system hardware**, where the WASHCOs concerned have consistently shown themselves able to raise funds from communities for water use to support scheme maintenance. After all, the amount of money required to buy a complete replacement Afri-Dev pump is only ETB 42,000 (USD 2,300). The government, through Woreda administrations, could potentially be the guarantor of such loans, or a donor may initially be able to play that role.

MFI could play a similar role with community-managed Water Boards by loaning funds to pay for scheme extensions or major replacements, rather than those Boards continuing to rely on external finance from donors or the government.

MFI could also potentially loan money to **small-scale independent water providers** who generate income from selling water, or to **households** to finance private connections or small-scale irrigation. If water is being used commercially, as is increasingly the case, then lending against sales income may represent a viable risk.

An alternative to direct lending to water providers could be **insurance schemes** to cover natural calamities beyond WASHCOs' control, such as the destruction of systems by flash flooding. Insurance policies with wider scope could even cover breakdown of equipment or replacement of system components. The benefit to WASHCOs of an insurance-based approach to hardware replacement would be a longer spread of payments in advance of destruction or breakage, with instant access to the money when needed via an insurance claim. A disadvantage might be higher monthly premiums charged by the MFI or insurer, given the significant number of unknowns faced in assessing risk in this potential new area of business.

MFI could, in addition, consider establishing **consumer credit** lines to entrepreneurs in the water supply business, enabling them to acquire a stock of items such as pumps, tanks and spare parts on credit for selling on to WASHCOs or individuals. While not addressing the issue of major long-term system repair, this would still be a useful complementary mechanism for introducing liquidity into the O&M system and enhancing spare parts availability.

2.3.3 Advancing new financing possibilities

Introducing new forms of financing for the replacement or rehabilitation of water supply infrastructure is moving up the agenda of WaSH sector financiers, as concerns rise about the long-term viability of current investments as they age and deteriorate.

There is a need for new financial products for WaSH and multiple use water services (MUS), in line with the Self Supply Strategy developed recently by the MoWE. An attempt was made to explore this opportunity through a consensus-building workshop held in Addis (in September 2012) on the provision of micro-finance for WaSH and MUS. It sought to bring together the major Ethiopian MFIs and WaSH sector players to discuss and initiate opportunities in the development of appropriate micro-credit products.

The meeting resulted in a signed aide-memoire committing participants to further collaboration and coordination in micro-finance development for WaSH and MUS, and a signed “road map” with agreed follow-up mechanism for immediate actions. Progress since the meeting has reportedly been limited, however, and new impetus is needed to explore ways of opening up the various new forms of financing that are needed.

Of key importance is that the National Bank of Ethiopia would probably not allow MFIs to include water supply within their lending portfolio at present, and that commercial banks would not provide a credit guarantee to MFIs which made such forms of lending. Pilot schemes with appropriate (donor-backed?) security guarantees are therefore needed to test new financing models or demonstrate that options for insurance schemes and lending in the WaSH sector do exist and can potentially be rewarding for the micro-finance sector.

2.4 Challenges and opportunities

2.4.1 Slow pace of WASHCO legalisation

The legalisation of WASHCOs is a vital process that WaterAid and others have been facilitating, under a task force coordinated by the MoWE. Appropriate legislation has so far been passed only in Oromia and Benishangul-Gumuz, however, and even here the majority of WASHCOs remain unregistered and it tends to be WUAs and Water Boards, as umbrella institutions, that are taking advantage of the legalisation provisions.

As long as WASHCOs, WUAs and Water Boards continue to exist only by virtue of their recognition by local (usually Kebele) authorities, they lack the necessary independence to make the strategic and operational decisions that may be necessary to ensure system sustainability. Without legalisation there is also a clear risk of mis-use of funds, particularly in larger schemes or locations where money is left in the care of individuals for long periods of time. Legal status can help prevent the mismanagement of funds because money collected from community members is no longer in the care of individuals but held in the name of a legal entity.

The slow pace of WASHCO legalisation is an impediment to the water sector as it is holding up the application of the WIF. This is clearly a challenge for the proponents of both the CMP and NGO approaches.

2.4.2 Lack of WASHCO independence

The passing of appropriate regional legislation is intended to give water supply enterprises the independence to operate as self-sustaining entities. In reality, the influence of the Regional and Zonal water offices remains very strong. This can threaten their viability, as the case studies from Hetosa and Gonde-Iteya have outlined. For example:

- Water Boards are expected to respond to government requests to connect new communities, even if that clearly over-loads an already fragile system;
- Tariffs cannot be changed without Water Bureau approval. In Hetosa and Gonde-Iteya, the tariff has changed only four times in 17 years and the last increase was in 2010. The tariff of ETB 3 per unit is less than half of that charged in the relatively simple Abatachin scheme in Benishangul-Gumuz (ETB 8/unit), where FinnWASH recently supported a detailed tariff review process. If Water Boards, WUAs and

WASHCOs are to run water schemes sustainably, they require the freedom to set tariffs for their specific locations that can support the envisaged level of O&M (refer to text box below).

- The staffing structure of Water Offices under the Water Boards is directly in accordance with the structure and job descriptions prescribed for water utilities under the civil service reform programme. The government structure has been adopted wholesale and Water Boards are not free to reduce staff, restructure or re-define roles in response to their own site-specific needs.
- Water Boards cannot simply sell off redundant assets, as they must be disposed of through the government's Public Procurement and Property Administration Agency. So although the Water Boards set up with WAE's support were each given two 4WD vehicles and a lorry, which they do not need and cannot maintain, these are treated as state assets and they are unable to dispose of them and benefit from the revenue.

Tariff setting and Water Board independence

While the regional Proclamations are a pre-condition for the independence of community-managed water supply institutions, they are no guarantee. In particular they differ on the important issue of who sets tariffs. For example, the 2008 **Proclamation in Benishangul-Gumuz** specifies that:

“the General Assembly [of the Water Supply Users' Association] shall... determine ... the applicable tariff to be paid for water and other services”

it also states that:

“the regulatory body [meaning the Regional Water Bureau or its duly delegated departments, offices or desks] shall prepare and disseminate an approach and methodology for fixing and, as necessary, changing tariffs that will enable water supply systems to cover the operation and maintenance costs of rural domestic water supply systems including taking care of the day to day operation of water supply systems, salaries of hired staff and providing reasonable incentives for water and sanitation committee members as necessary.”

In principle this means that the Regional Water Bureau, or its delegated Zonal or Woreda Water Office, is responsible for developing a methodology for calculating the tariff. Each WASHCO, WUA or Water Board may then determine the appropriate tariff for its own system based on specific local circumstances.

The 2012 **Oromia Proclamation** meanwhile states the Water Boards are accountable to the Regional Water Resources Bureau for larger (Grade 1 and 2) towns and to the Zonal Water Resources Office for smaller (Grade 3 and 4) towns. Each Water Board must appraise the service tariff submitted to it by the enterprise under its jurisdiction, and then pass it to concerned higher organ (i.e. Bureau or Zone) for approval, amendment or rejection. Therefore the Water Bureaus at Regional and Zonal level have significant powers to control the tariffs set by the Water Boards, and the Hetosa and Gonde-Itaya examples illustrate how this can undermine their independence and the viability of operations.

2.4.3 Constraints on scaling up of CMP

A criticism of CMP has been its dependence on a high level of direct material support and technical assistance from the Government of Finland, which would make it difficult for the approach to be scaled up by other organisations that may lack comparable levels of external financing.

The WSP-Africa evaluation of CMP (2010) indeed observed that under the COWASH programme in Amhara, extensive support is given:

- to building the capacity of the local private sector, and on occasion transport and other services are provided directly to the communities where the private sector is not able to;
- to Woreda governments in supervising and supporting the communities in technical and managerial matters; and
- to the regional government in all aspects of programme financial management and oversight.

In fact the very success of CMP was attributed in part to the willingness and capability of the programme to provide services where the private sector could not, and to the support provided to Woreda, Zonal and Regional levels of government in supervising and supporting communities in technical backstopping, and in the operations of the Community Development Fund Board.

In FinnWASH-BG, direct support to each Woreda Water Office includes one vehicle, five motorbikes and a number of computers, printers, GPS units and other items of equipment, as well as field allowances paid (at government rates) for staff participating in programme-related work. Long-term technical support staff are placed within the Zone and targeted Woredas, and funds are provided to the Woreda Support Group (run by consultants) for additional technical and capacity-building assistance.

The WSP evaluation noted that the programme recognised that substitution of the private and public sector roles was not sustainable. Increasingly, emphasis was therefore being placed on capacity building of the private sector and improving the management, budgeting and planning functions of government at Zonal and Woreda level, so that such direct intervention by the programme itself would no longer be necessary. The current phase of COWASH indeed has a stronger focus on capacity-building and institutional support, rather than direct technical and material assistance.

It nevertheless remains unclear how far the CMP methodology can be transferred to NGOs who lack the budgets and timeframes to provide the kind of multi-year, intensive, geographically-focused programme support that COWASH and FinnWASH-BG have been able to. On the other hand, the heavy emphasis under CMP on the capacity-building of community institutions may in fact be just the kind of area where NGOs can demonstrate their added value, as this is where they have particular expertise. A way forward may be for NGOs to adopt a stronger geographical focus, as FinnWASH-BG now does, by concentrating on one Zone within a Region. Capacity building and technical assistance to multiple Woredas can then be provided efficiently and cost-effectively for maximum impact. This builds on a recommendation made in WAE's 2009 country programme evaluation for a more geographically focussed approach to its service delivery, with an in-depth concentration on just a handful of locations nationally.

2.4.4 Restrictions on MFI financing

The dominant model of CMP financing involves the channelling of funds via BOFED to a regional MFI, and from there to Woreda level through the MFI's own internal structures. It is

unlikely that the NGO sector would agree to channel funds via government in the same way. Nevertheless, direct funding through MFIs could still be an acceptable model and would achieve the same outcome, assuming that all NGOs are permitted to use this approach, and find it compatible with their operational and accounting procedures. They may meet resistance from some donors due to accountability concerns or unwillingness to pay the administrative charges levied by the MFIs. The 2009 Charities and Societies Proclamation may also be a hindrance to the use of MFI intermediaries as it risks increasing the administrative component of project financing above the permissible limit of 30%.

A case may need to be made to donors that the transfer of funds to communities, via MFIs, may in fact be a better system than NGOs operating directly with contractors and communities. It could save money by making more use of local, community-run management and procurement systems, and by outsourcing detailed accounting for the funds to the MFIs and the communities themselves (with back-up support from the NGO). Delegation could also simplify procurement by allowing communities to procure directly rather than using more complex and time-consuming NGO or donor procedures. Project management by communities might also be more effective because they are focused on a single purpose, are highly incentivised to ensure completion of the works and can easily provide close supervision because they are permanently on-site.

A discussion is required with the NGO community to establish if any significant constraints exist to adopting the CMP approach, and especially to determine if restrictions exist on project financing via MFI intermediaries and how such restrictions might be overcome.

2.4.5 Compliance with WIF principles

It remains unclear whether all aspects of CMP and the NGO model are fully compatible with the principles of the WIF. There are certain aspects that require review in the next round of edits to remove any uncertainty.

First, as far as bilateral donors are concerned, the mainstreaming of CMP within a sector budget support scenario depends on whether government procedures are flexible enough to allow **transfer of funds to communities via a financial intermediary**. It is currently unclear whether the government would permit pooled donor funds from the Consolidated WaSH account to be transferred via MFIs using the COWASH and FinnWASH-BG approach. At present, CMP funds have been channelled by the Government of Finland via “channel 1b”, entering BOFED but earmarked for the water sector and expended again via regional MFIs. It is not clear if pooled funds could be used in quite the same manner, as the WIF envisages fund flow from the centre (MOFED) down to the Woreda (WOFED), with no entry or disbursement at Regional/BOFED level as per the current CMP model. Therefore while CMP is fully endorsed as a *principle* under the WIF, the *mechanism* of using regional MFIs as intermediaries is yet to be deemed compatible with the WIF and the *OneWASH* funding approach.

A second aspect of the WIF that needs clarification is whether, and how, it will prescribe the **association of WASHCOs**. The WIF currently envisages a well-defined structure of vertical delegation of authority for WaSH governance from federal level down to the Regions, Woredas and Kebeles. It says little about horizontal integration. While the reviewers do not

believe that mandatory association of WASHCOs is compatible with water supply management, particularly for larger and more complex schemes that cross administrative boundaries, it is nevertheless important for the WIF to be clear on whether a particular approach is prescribed or suggested.

A Woreda WaSH Team (WWT) is expected to prepare and manage a Woreda WaSH Programme, integrating and coordinating the inputs of the sector offices and those of participating NGOs. Chaired by the Woreda Administrator or his/her designate, it is accountable to the Woreda Council for the achievement of WaSH-targeted outputs. The CMP approach is also strongly Woreda-focused and has usually entailed the placement of full-time technical teams within Woreda, Zonal and Regional water bureaus (as in FinnWASH-BG)¹⁵. Meanwhile the WIF states that a Kebele WaSH structure is also to be established under the authority and direction of the Kebele Manager. One of the roles of the Kebele WaSH Team is to design and manage a Kebele WaSH plan, for approval by the WWT.

Leaving aside the question of whether capacity actually exists at Kebele level to design and manage a WaSH plan, this management model raises questions over what happens for the many water schemes that encompass more than one Kebele, or even multiple Woredas or Zones. Water supplies do not follow administrative boundaries and the WIF gives insufficient guidance on how schemes are to be designed and run when they cross those boundaries, and how WASHCOs are expected to organise themselves in those cases. If the WIF were to specify that WASHCOs should associate, and to do so at the level of the Kebele or Woreda, there would be a risk that multiple layers of WASHCO association might be required, one adhering to administrative foundations and another at the level of individual water schemes, creating a bureaucratic hierarchy of institutions while failing to address the more fundamental issues of financial sustainability and technical shortcomings that often lead to water system failures. The WIF is currently silent on this issue, leaving sector stakeholders uncertain as to which approach they should be adopting.

It is possible that the question may be partly addressed in the next revision of the WIF due to MOFED intervention. MOFED's downward fund transfer system stops at the level of the Woreda, so the WIF's current proposal to delegate planning and operations down to Kebele level is unlikely to be accepted by MOFED in later versions. There is simply no mechanism to finance such plans and operations. It is therefore possible that Kebele-level references may be removed from the WIF in the next iteration. This would partly address the identified problem but clarity would still be needed on what form of association, if any, is expected of WASHCOs at higher administrative levels. The NGO community would probably prefer full flexibility as it would generally only make sense to associate WASHCOs who are physically linked within a piped water network and it would be burdensome if the WIF were to suggest otherwise.

¹⁵ The COWASH approach is much slimmed down, with significantly less TA input.

2.5 Suitability of models for different settings

The CMP Fund Management Guideline suggests that the approach may be applied to the following “*eligible technologies to all regions with well tested procedure*”:

- a) Community hand-dug wells fitted with a rope pump or hand pump;
- b) Community spring development (including on-spot systems, systems with motorised pumping or gravity feed, and systems with single or multiple tap stands).

The Guideline meanwhile suggests that the following are “*eligible high technologies requiring further testing and development*”:

- a) Hand-drilled community wells equipped with hand pumps;
- b) Shallow drilled wells equipped with hand pumps; and
- c) Rural piped schemes using boreholes.

The reviewers concur with this tentative analysis, given that FinnWASH-BG is the only programme to have attempted the roll-out of CMP to more complex technological situations, and that it is too early to make a conclusive assessment of the outcomes. The review can only conclude that the evidence for greater long-term functionality of these more complex systems looks more promising than it does under the standard Woreda-financed or NGO-financed models, but nevertheless remains unconfirmed.

As already discussed, CMP does not seem optimal for:

- multi-village or multi-Woreda schemes;
- schemes supplying mixed rural and urban communities;
- schemes with metered public and private connections;
- schemes with permanent salaried staff;
- schemes in transition between community management and utility or private operator management; and
- schemes in non-cohesive communities (temporary or newly settled).

Under these conditions the Water Board model seems to be more appropriate, though with the provisos of managerial independence that have already been discussed.

3. Recommendations

3.1 Pilot CMP in NGO projects

NGOs should consider piloting the CMP model in their own rural water supply programmes, experimenting with the key elements of community management, engagement of an intermediary MFI and upfront community cash contributions for O&M.

This would necessitate a shift for many NGOs from the role with which they are familiar. They would essentially become management consultants, working as supporting partners to a community (rather than the community being a partner of the NGO). They would assist the communities with system design, construction, capacity building and training; they would also help communities to source materials and services, together with the Woreda. But the communities themselves would be in the driving seat, retaining financial and managerial control.

It is proposed that the CMP model is initially piloted by interested NGOs for spot water points under a single WASHCO (rather than linked, piped schemes with multiple WASHCOs). Complexity can be increased as experience is gained. Implementation should be in accordance with the procedural guidelines that have already been produced by COWASH, and it would be advisable to seek COWASH technical assistance to ensure correct implementation.

A Zonal approach is suggested, so that an NGO's support can be applied across a number of Woredas in a focussed, in-depth manner.

3.2 Additions to the next version of the WIF

A number of additions and clarifications are proposed for the next version of the WIF:

- **Confirm the acceptable financing channels for CMP:** It is necessary to confirm that financing from BOFED to MFIs, or from NGOs to MFIs, are both deemed acceptable financing channels under the WIF. The former is of particular importance for bilateral donors seeking to harmonise their approaches within the *OneWASH* framework.
- **Define the limits of CMP:** A tentative effort has been made to define the situations under which the NGO or Water Board model may be most appropriate and helpful, vs. those where the CMP approach is likely to be more suitable. It is suggested that this delineation is discussed further within the sector and that more specific guidance is incorporated in the next revision of the WIF. This would give sector financiers and practitioners clearer direction on the conditions under which each model should normally be applied.
- **Clarify any stipulations for WASHCO association:** The WIF should be made clearer on whether any form of WASHCOs association is recommended or required, and if so at what level. The reviewers do not believe that any mandatory form of association is needed, but that this needs to be made clear in the WIF.

3.3 Seek greater independence for community water user associations

The intent of the regional Proclamations to endow community-managed water supply institutions with independents is not being honoured, with registered Water Boards subject to close government oversight rather than being fully accountable to the water users they serve. There is a significant level of intrusion from Zonal and Regional Water Bureaus in both strategic and operational matters, undue pressure applied to keep expanding systems beyond their capacity, and direct control over tariffs that can be applied. At different scales and in different forms, it is likely that similar government involvement is being experienced with WUAs and WASHCOs at Woreda and Kebele level.

It is recommended that regional forums are convened to raise and discuss this matter with Water Boards and Regional Water Bureaus, clarifying the implications of the Proclamations and discussing how the influence of state-run institutions on independent water supply providers can be reduced. Future Proclamations should remove the central role of Regional Water Bureau in tariff setting.

Additional support may also be needed for some Water Boards in financial management and business planning, and particularly in tariff setting. It is clear from the schemes reviewed in Oromia that short-term cash inflows from the sale of private connections are being wrongly seen as indications of cashflow sustainability, which reveals a worrying lack of understanding of the business realities. Zonal and Regional Water Bureau staff should also be involved, given the power they currently have to control tariffs.

3.4 Pursue micro-financing options for water schemes

Unexploited opportunities exist for new forms of financing for the installation, repair or replacement for water schemes or components, and for the supply of hardware and spares. It is recommended that pilot schemes are set up to loan money to viable water supply projects, initially with donor backing, to demonstrate the opportunity for developing this new area of lending. Further discussions are also proposed with MFIs to identify perceived bottlenecks to water sector lending and ways to address them in order to unlock these opportunities.

Annex A: Abridged Terms of Reference

1. Introduction

WaterAid started work in Ethiopia in 1983 by financing small projects through the Ethiopian Red Cross Society, and established its country office in 1991. So far, it has served more than 1 million people with safe water, sanitation and hygiene.

WaterAid in Ethiopia (WAE) is not only intervening in the sector through direct service delivery, but also in capacity building and evidence-based influencing of policies and practices. It does this by generating evidence from action research. WaterAid is open to learn from others and to document and share its practices to sector actors.

The Community Managed Project (CMP) approach (developed by the Finland COWASH team) is one management model for rural water supplies under the WaSH Implementation Framework (WIF). The CoWaSH team is scaling up its approach and piloting different technology options. However, the team has not yet linked CMP with the CSO funding approach. The WIF has also a clear structure of WaSH from federal to Woreda level, but at kebele level it refers to a single plan. Such a management model may be too generic and it needs unpacking and linking with the legalization concept and supply chain.

WAE has its own community-based management (CBM) models for water supplies, one for gravity schemes and the other for hand-dug wells. However, these models need to be checked against the WIF principles and sustainability.

This consultancy service aims to collect evidence, analyse outcomes and share experiences on the options, challenges and success of both the CMP and CBM approaches.

2. Background

The Ethiopian WaSH Sector Ministries seek to work in alliance to achieve the targets set at the Universal Access Plan II (UAP II) and the Sanitation Action Plan (SAP) that address the issues of sanitation and hygiene promotion. To guide the intervention in a more harmonised and integrated approach the four concerned ministries (Water and Energy, Health, Education and Finance & Economic Development) recently signed a revised Memorandum of Understanding (MOU) at the 5th Multi-stakeholders Forum. The WaSH Implementation Framework (WIF) is now expected to be signed and cascaded down to kebele level. The WIF is a tool that has been developed to address harmonisation, integration, alignment and partnership from federal to regional levels, and between government to donor and support agencies. The development of a Consolidated WaSH Account (CWA) manual is also underway.

WaterAid in Ethiopia seeks to extend its sector support through piloting the implementation of WIF through a harmonised capacity-building intervention, with the financial support of DFID. The objective of the project is *contributing to the effective implementation of the WIF/oneWASH Program through supporting the WIF actors to deliver appropriate WASH services demanded by the community*. In order to achieve this high level objective there are three project outputs and various supporting activities.

Two of the activities are:

1. to understand how and whether the CMP model can fund a broader range of technologies in other parts of Ethiopia that face more demanding hydro-geological and socio-economic conditions than those where it has so far been introduced; and
2. to support the institutionalisation and scaling up of CBM experience in Oromia and Benishangul Gumuz.

The CMP model is now becoming an alternative way of providing water supply by linking community ownership and microfinance institutions. However, it is unclear how CMP will relate to NGOs' modes of operation and there is limited understanding in relation to the mode of a) its financing arrangement, b) its support to government planning, appraisal, monitoring and evaluation; and c) its community-based planning, contracting, construction and management.

3. Objectives

- Explore the CMP and CBM experiences, and especially the mechanisms through which they can work with CSOs of limited capacity and strength
- Assess how the approaches addresses operation and maintenance under different technology options
- Draw lessons on the sustainability of both approaches at kebele and scheme level (including gravity and other extraction technologies), in line with the concept of WIF
- Identify the challenges and opportunities for both models, in line with the WaSHCOM legalisation.
- Propose suitable community management models that may apply under different technology or community settings, and are consistent with the concepts of WIF

4. Scope of Work

- i) Review existing literature and experiences in promoting the CMP and CBM approaches in Ethiopia, drawing particularly on the work of COWASH and WaterAid;
- ii) Assess the possibility of scaling up of the CMP and CBM models for financing a range of water supply technologies that are feasible in the proposed target areas;
- iii) Explore the feasibility of the CMP and CBM financial management models currently in use, and suggest ways to improve them;
- iv) Note any potential areas of overlap and conflict between the two models, and suggest how these might be addressed;
- v) Identify strengths and weaknesses of each model, and potential complementarity for different situations;
- vi) Visit selected regions and Woredas, to be selected in conjunction with WaterAid Ethiopia. These are likely to be in Benishangul-Gumuz, Amhara and/or Oromia.

5. Methodology

- Review of documents; the consultant is expected to review any document shared by COWASH, and a review made by WSP on the implementation of CMP. Furthermore the consultant is expected to review documents on CBM, WaSHCOM legalisation and any other relevant document prepared by the sector.
- Discussion with Finland Embassy project staff; The COWASH team, supported by the Finland Embassy, is the developer and implementer of the CMP module in the country. It would be important to understand the mode of their operation and through organising a discussion with the team.

- Discussion with Water Bureaus; It is important to discuss with the Water and other relevant sectors to get first hand impression and its level of acceptability or possible modification regions want to see.
- Discussion with WAE Staff; It is important to discuss with relevant WAE staff on issues related to CBM and WaSHCOM legalisation.
- Field trip to selected Woredas; to complete the study it is important to have first hand information from sample Woredas.
- Discussion with WaSHCOMs and Water Boards; discussion with the WaSHCOMs and Water Board will give a perspective on the challenges and opportunities on the ground.
- Discussion with Micro-Finance Institutions (MFI); given that a new innovation in CMP is the inclusion of MFIs, it is important to hold discussions with such institutions.

6. Roles and Responsibilities:

The **consultant** will have the following roles and responsibilities:

- Provide quality professional support to WAE to achieve the assignment successfully;
- Consult selected Kebeles, Water boards, WaSHCOM, Woredas WaSH institutions, Zones and Regional staff as required for the smooth implementation of the research;
- Manage a local consultant working with him
- Avail time both at Addis Ababa and field work as per the schedule to be agreed by the two parties;
- Carry out field work in selected Woredas in up to two Regional states
- Prepare high level analytical report and recommendations based on the learning drawn;
- Arrange own transport to Ethiopia and charge the agreed amount.

WaterAid in Ethiopia will have the following responsibilities:

- Assign a focal contact person who will manage the review;
- Provide in-country logistical and administrative support;
- Provide introductions to Regions and Woredas, and facilitate communication with all other partners;
- Avail relevant documents electronically;
- Review submitted documents and communicate feedback in a timely manner;
- Effect payment as per prevailing rules and the signed agreement and conditions

7. Reporting

The consultant is expected to produce a draft report on the findings and a final report incorporating WAE feedback. The report is expected to have two different parts addressing the Community Managed Project and the Community Based Management models. The report is expected to be high quality that will have an excellent structure and flow of information. At the minimum the report should have the background information, methodology of data collection, findings and recommendation. The narratives can be supported with case studies, picture and graphs as applicable.

8. Deliverables

The consultant is expected to carry out assessment in sample Woredas to assess the options, opportunities and figure out the possible options that will work for the NGOs in line with the WIF Institutional and funding approach. The findings will be shared at workshops to be organised later by WAE.

Annex B: Itinerary

| | |
|------------|---|
| Tue 19 Feb | International consultant flies from UK to Addis Ababa. Overnight Addis. |
| Wed 20 Feb | Briefing at WaterAid office. Meetings with DfID, COWASH and National WASH Coordination Office. Overnight Addis. |
| Thu 21 Feb | Meetings and document review at WaterAid. Overnight Addis. |
| Fri 22 Feb | Visit Hetosa water scheme, Arsi Zone, Oromia. Overnight Assela. |
| Sat 23 Feb | Visit Gonde-Iteya water scheme, Arsi Zone. Return to Addis and overnight. |
| Sun 24 Feb | Fly Addis to Bahir Dar. Visit water points in Yilmana Densa Woreda (nr. Adet town), Amhara Region. Overnight Bahir Dar. |
| Mon 25 Feb | Meet with COWASH and UNICEF, Bahir Dar. Drive to Gilgel-Beles, Benishangul Region. Meet water staff of Metekel Zone and Mandura Woreda. Overnight Gilgel-Beles. |
| Tue 26 Feb | Visit Dafili spring/gravity water scheme and Abatachin spring/pump water scheme, Mandura Woreda. Meet Woreda Support Group. Overnight Gilgel-Beles. |
| Wed 27 Feb | Drive to Bahir Dar and overnight. |
| Thu 28 Feb | Fly Bahir Dar to Addis. Overnight Addis. |
| Fri 1 Mar | Preliminary analysis and debriefing at WaterAid. International consultant flies Addis-UK overnight. |

Annex C: People met

Addis Ababa

WaterAid Ethiopia

Teferi Abebe, Country Representative

Gulilat Birhane, Director, Policy Research and Sector Support

Takele Kassa, Director, WASH Services

Muktar Abduke, Grants and Fund Raising Manager

Amare Mugoro, Project Coordinator, WaSH Harmonisation and Capacity Building Project

UK Department for International Development

Morag Baird, Water Advisor, DFID Ethiopia

Community-led Accelerated WaSH (COWASH) Programme

Arto Suominen, Chief Technical Advisor

Yohannes Melaku, CDF Specialist

Government of Ethiopia

Abiy Girma, National WASH Coordinator

Oromia Region (Arsi Zone)

Hetosa Rural Water Supply Enterprise

Gemachu Debele, Head of Finance and Administration

Mahammed Teassa, Materials and Logistics Process Owner

Gonde-Itaya Rural Water Supply Enterprise

Wadu Kadir, Head of Office

Kelil Gelete, Water Supply Facilities Process Owner

Tekele Bejiga, Purchasing and Financial Management Process Owner

Amhara Regional State

COWASH, Bahir Dar

Abraham Kebede, Team Leader

UNICEF, Bahir Dar

Getinet Kasahun, WASH Officer

Government of Ethiopia, West Gojjam Zone

Aynalem Zumra, Surveyor, Water Office, Yilmana Densa Woreda (Adet)

Benishangul-Gumuz Regional State (Metekel Zone)

FinnWASH-BG, Gilgel-Beles

Michael Wood, WaSH Advisor

Woreda Support Group / Efficient DBF consultancy firm, Gilgel-Beles

Berhane Kidane, WSG Team Leader (and DBF Manager), Metekel Zone

Government of Ethiopia, Gilgel-Beles

Adenet Beyene, Acting Head, Water, Mines & Energy Resources Department, Metekel Zone

Tariku Mengistu, CDF Suprvsr., Water, Mines & Energy Resources Dept., Mandura Woreda

Dereje Akinawu, Irrigation Engr., Water, Mines & Energy Resources Dept., Mandura Woreda

Ibsa Morka, O&M Expert, Water, Mines & Energy Resources Dept., Mandura Woreda