

# National WASH Multi-Stakeholder Forum 8 Hilton Hotel, March 30-31, 2017

## Water sector finance analysis Preliminary findings

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# Justification and objectives

- There is limited and mostly outdated information about the actual investment of GoE and DPs in the water sector
- There is limited understanding on how money flows and what are the main instruments used

## Objectives:

- To better understand how money flows into the Water sector in order to better orient planning and investments in Ethiopia
- To identify whether there are areas particularly underfunded and identify potential inefficiencies into the funding system



# Data sources

*The two main sources of information are:*

- *Database of projects/programmes collected by the WSWG-Secretariat from 30 Development Partners (accounting over 90% of all ODA in the Water sector) during July-August 2016*
- *Financial information from MOFEC on government investments in the Water sector, including information from Regions (2006 EFY) and MoWIE.*

*Other key documents consulted include:*

- OECD (2014) DAC CRS (Creditor Reporting System) database (disaggregated by sub-sector)
- World Bank (2016) Ethiopia Public Expenditure Review.
- CCRDA (2013) Budget tracking study on Ethiopian water supply sanitation and hygiene sector (WASH sector).
- World Bank (2010) Ethiopia Public Finance Review
- OCHA (2016) Ethiopia: Humanitarian funding update
- Health Sector Transformation Plan (2015)
- OWNP annual reports



# Methodology and limitations of the study

## Methodology:

- Generation of a database of DPs funding combined with Government budgets (both federal and regional level)

Due to the complexity of combining information from different sources, the results of this analysis have to be considered with caution.

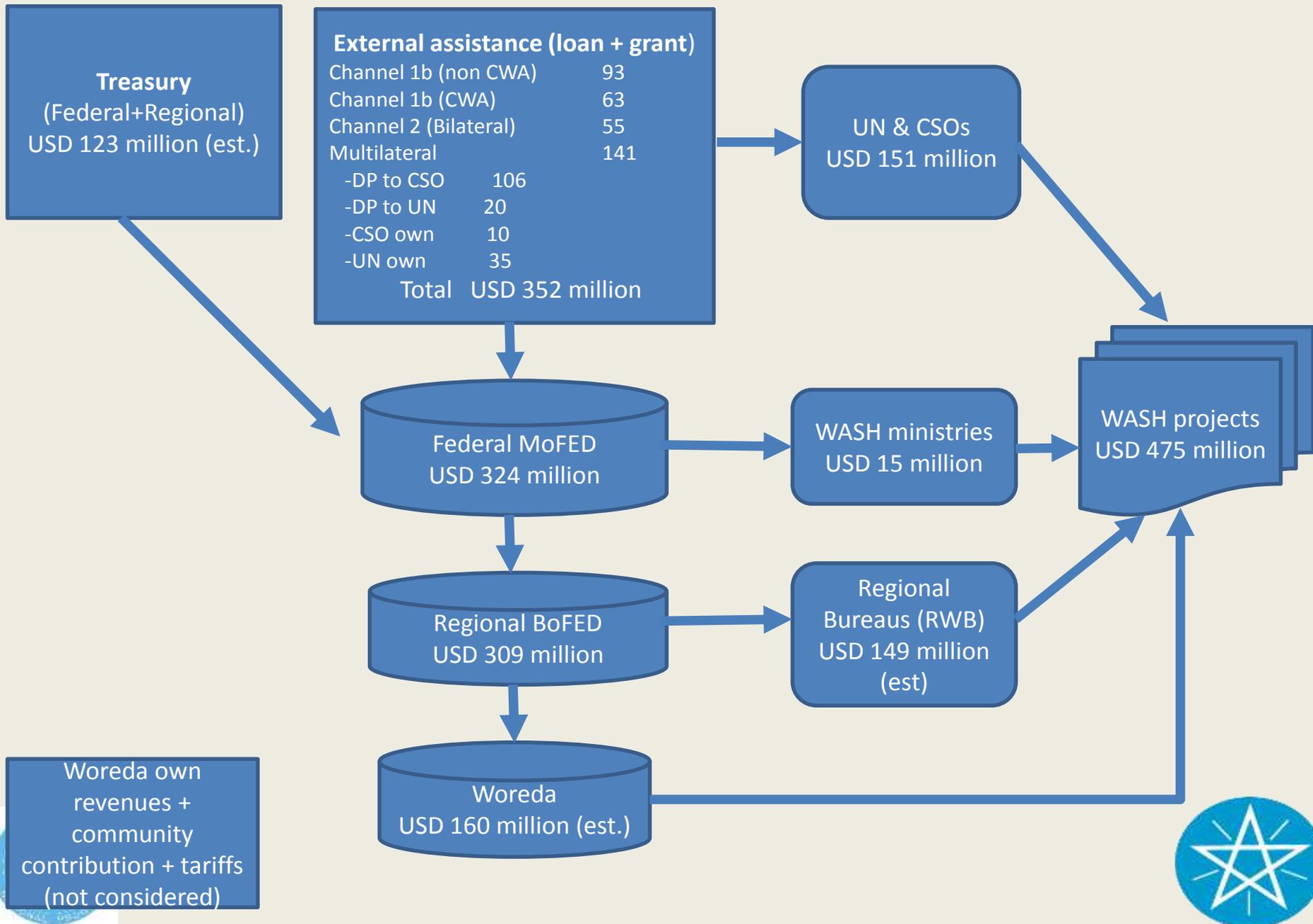
The main objective is to have a **general overview**, not necessarily accurate

## Limitations:

- The database has been cleaned to avoid double counting (i.e. ODA counted as part of government planning)
- Multiannual programmes, assumption was made on estimated expenditures in a 1 year period (i.e. 5 years project divide total budget by 5)
- Information from different fiscal exercises –in some cases from different years (i.e. regional budget corresponds to 2006 EFY)- Equivalence made to a 12 years period in the year of the analysis (2016)
- Disparities between approved budget and actual expenditures (for Regional Government used budget)
- Disaggregation of information (i.e. by sub-sector) not always possible or 100% accurate. Some assumptions made for DPs funds in disaggregating information.
- Tariffs and community contributions not considered in this analysis
- Information on WRM investments incomplete (i.e. MoA information missing) and different criteria used by different DPs. Included only what has been reported by DPs and MoWIE as WRM



# Source and flow of funds to water supply and sanitation sector



# Funding channels to the water supply and sanitation sector

## Channel 1

- Channel 1a (treasury) : USD 123 million
- Channel 1b (bilateral and multilaterals): USD 156 million

USD 279  
million

## Channel 2

(assistance from bilateral and multilateral DPs to ministries or regional bureaus directly)

USD 55  
million

## Channel 3

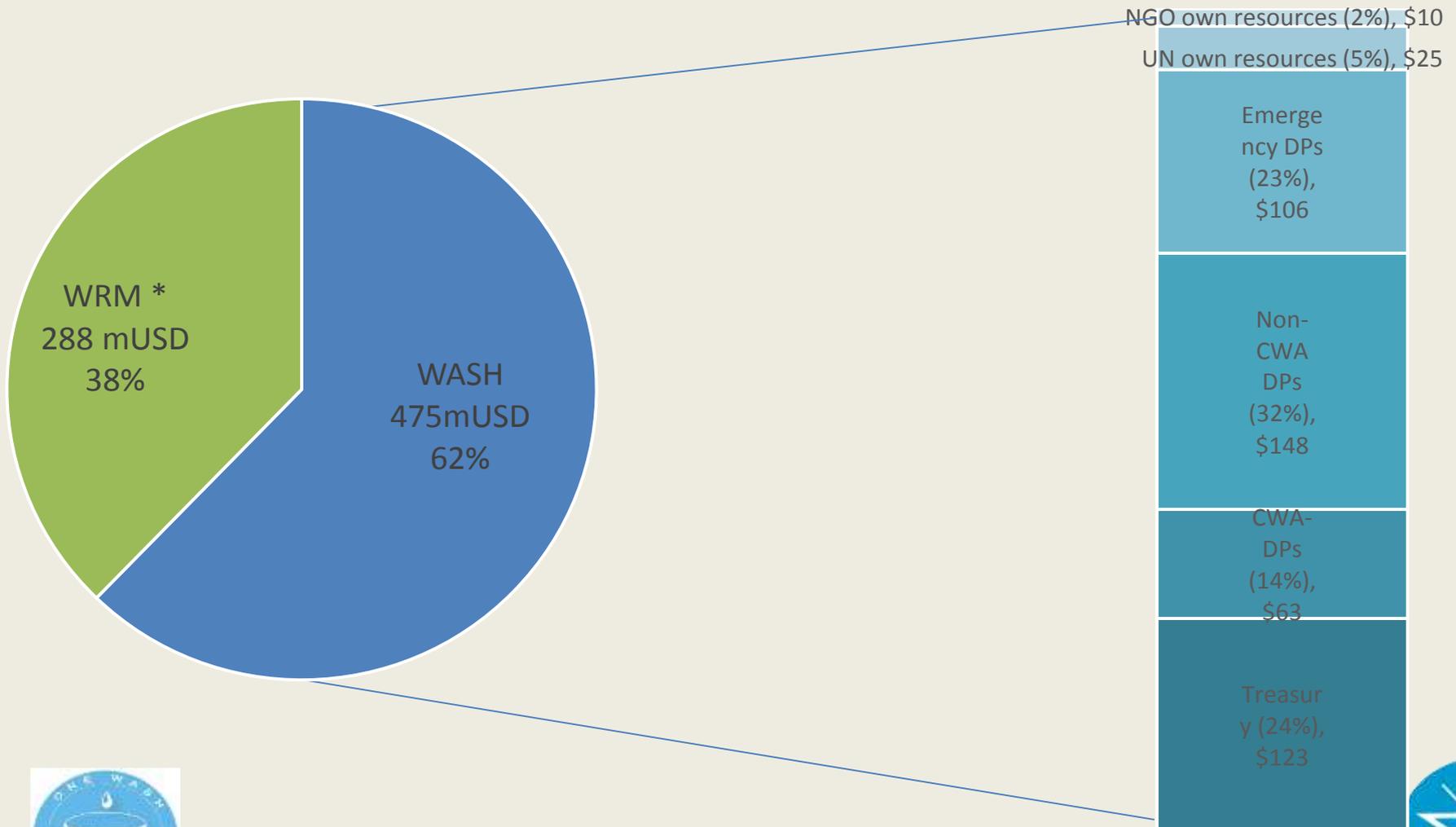
(assistance from bilateral and multilateral DPs through CSOs)

USD 141  
million

Total USD  
475  
million



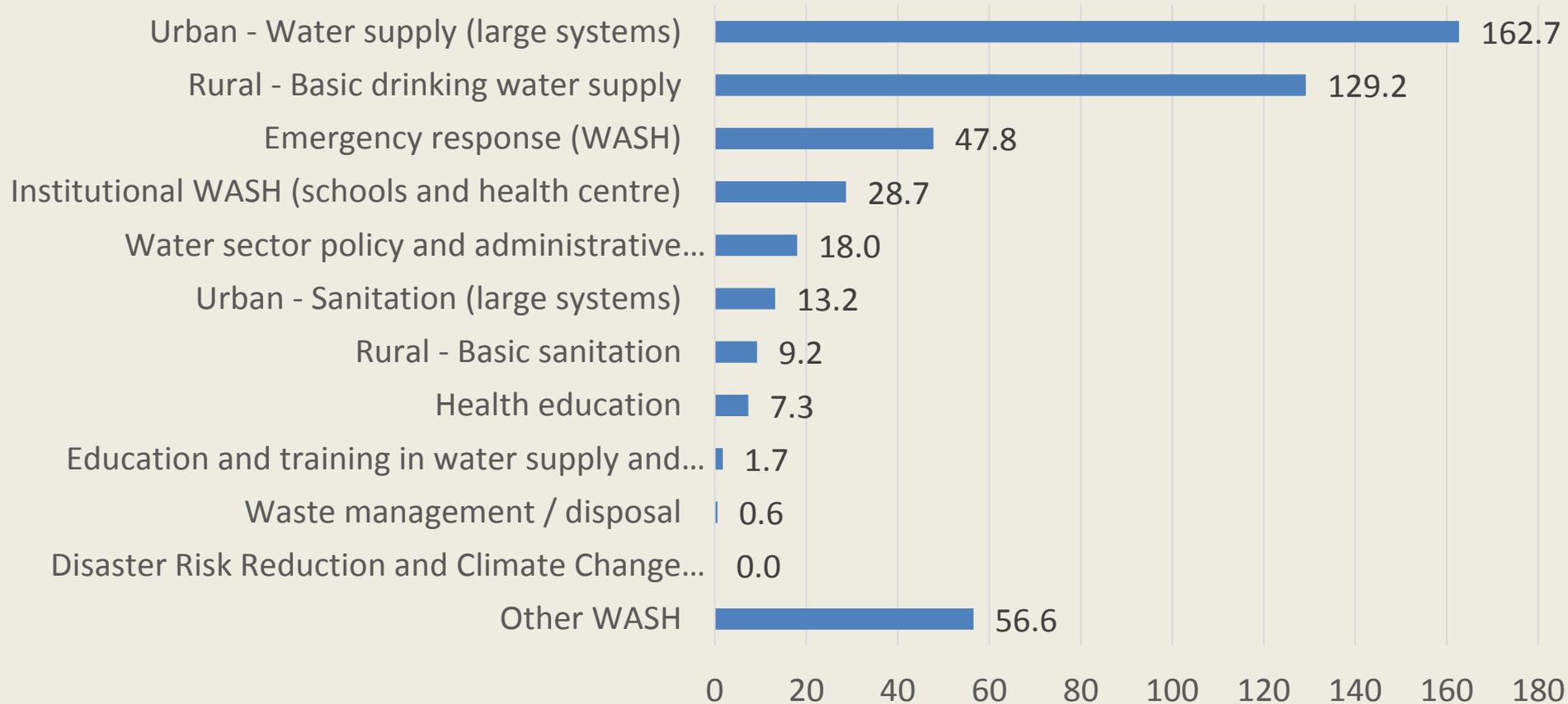
# Water sector investment by type



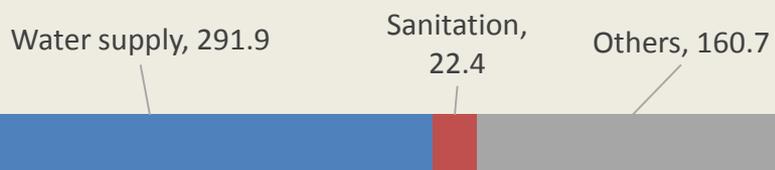
\* WRM includes activities funded/implemented by MoWIE and some DPs. But excludes activities implemented by other ministries (i.e. MoA)



# Utilization of the funds by sub-sector (million USD)



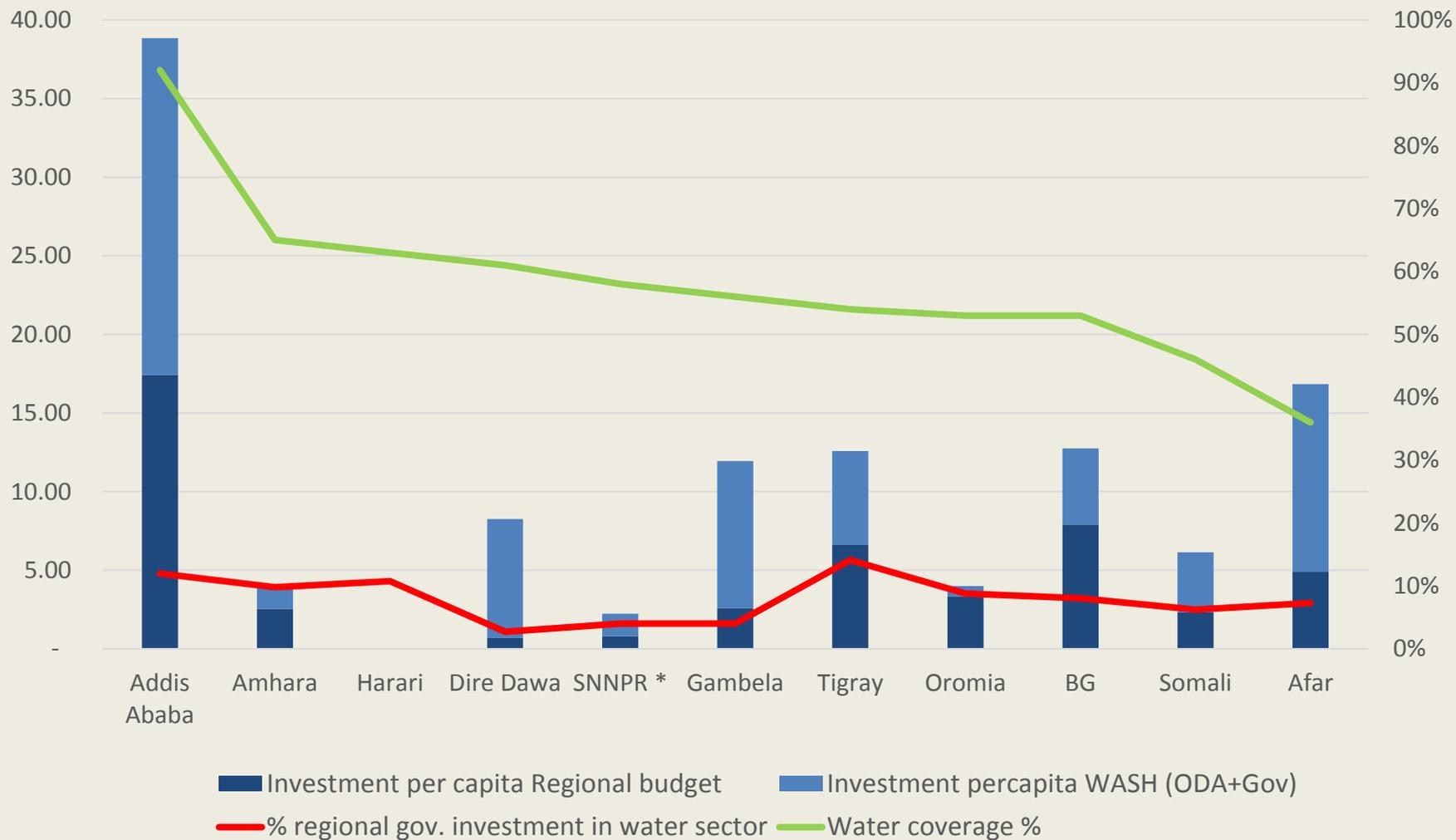
## Investment water supply vs. sanitation



## Investment urban vs. rural



# Level of investment (USD/capita) per region



Notes: SNNPR per capita investment seems very low. Water coverage estimated.

Harari investment per capita 95 USD in 2006EFY due to urban waster supply program

Estimations based on available information from DPs and Regions (some nationwide interventions not included)



# Water sector investment as percentage of GDP

	Investment	% of GDP	Comment
Water sector (WRM+WASH)	USD 763 million	1.1 %	Based on projected GDP estimates for 2016 (USD 66.83 billion). In 2010 it was 1.1.% (WB, 2016)
WASH	<b>USD 475 million</b>	0.71 %	
Water Resources Management	USD 288 million	0.43 %	

## WASH funding gap estimation (based on GDP investment)

Criteria	Amount needed (mUSD/year)	Funding gap (mUSD/year)	% of gap	% of GDP needed
OWNP (2,41 billion in 7 years)	344	No funding gap*	0%	0.51%
GTP-2 (251 RurWS, 396 UrbWS, 49 UrbSan). Note: only partial estimate.	697	222	32%	1%
HDR (Human Development Report) recommends 1% GDP investment/year	668	193	29%	1%
WB (AICD, Africa Infrastructure Country Diagnostics) recommends 3.5% of GDP investment/year	2,339	1,764	75%	3.5%
WB (achieving SDGs would require 3 times the amount needed for MDG targets)	~2,000	1,525	76%	3%
SDG costing tool (preliminary analysis)	3,200	2,725	85%	4,8%

# Conclusions

- The information presented provides an **rough estimation**, but with **several limitations** as previously explained.
- Having more accurate figures would require a significant effort. Main **challenges** include:
  - Disaggregated information (by region/sub-sector) not available
  - Different sources (Gov, DPs) with different reporting formats. Difficult to consolidate
  - Government investments at regional level were provided for 2006EFY. A minor modification of MoFEC's program (IBEX) could provide more recent information (federal + regional levels)
- Better understanding of WASH finance should contribute to **orient funding allocations** (both DPs and Government)
  - Some regions appear to be left behind in terms of per-capita investment (but other factors (technical and political) have to be taken into consideration
  - Urban sanitation seems to be particularly underfunded. But there is a significant percentage of funds not-disaggregated by sub-sector



# Way forward

- In the coming months, the OOWNP is going to be revised. That's a good opportunity to revise the funding needs –in line with GTP-2 and SDG targets-. There seems to be a significant funding gap that will require:
  - Improving **efficiency** of the funds (making sure that funds are allocated to priority areas and sub-sectors) and synergies between interventions (i.e. cross-sectoral)
  - Identifying **fiscal space** into Government funding (both federal and regional)
  - Identify **other funding sources**, in particular:
    - **Tariffs and community contributions**: more information needed
    - Identify **other funding instruments** (i.e. private sector participation) or actors (i.e. China or Gulf countries)
  - Setting up a more structured way of collecting financial information from different stakeholders (i.e. update DPs database)

